

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST

2023



TECHNOLOGY SOLUTIONS LIMITED



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Level of assurance

The consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 amended ("Companies Act").

Preparers

The consolidated annual financial statements have been prepared by the Group Financial and Reporting Accountant, Basani Kubayi CA(SA), under the supervision of the Group Chief Financial Officer, Pride Guzha CA(SA).

Published

30 January 2024

Audit and Risk Committee Report

The Audit and Risk Committee (“the Committee”) is pleased to submit this report for the financial year ended 31 August 2023 as recommended by the King Code, the JSE Listings Requirements and the Companies Act.

MEMBERS OF THE AUDIT AND RISK COMMITTEE AND ATTENDANCE AT MEETINGS

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

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

Name	10 November 2022	08 May 2023	17 August 2023
Rosemary Mosia (Chairperson)	✓	✓	✓
*Dr Dennis George	x	x	x
Sello Rasethaba	✓	✓	✓
Aziza Amod	✓	✓	✓
Adv Ngoako Ramathlodi	x	✓	✓

**Dr Dennis George passed away on 15 May 2023*

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

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

ROLE AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

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

The roles and responsibilities of the Committee include:

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

KEY FOCUS AREAS IN 2023

The significant areas of focus for the Committee in relation to the 2023 financial year and up to the date of this report included:

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

Audit and Risk Committee Report (continued)

EXTERNAL AUDITOR

The Committee recommended the re-appointment of Crowe JHB (“Crowe”), which is a member of Crowe Global and Thawt Incorporated (“THAWT”) as joint external auditors of the Company and its subsidiaries at the annual general meeting held on 26 January 2024. Mr Gary Kartsounis was appointed as the designated auditor for the 2023 financial reporting period.

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

The Committee approved the level of scope, external audit fees and the extent of non-audit services for the 2023 audit. The external auditors did not provide any non-audit services during the current year under review.

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

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

KEY AUDIT MATTERS RELATING TO THE 2023 AUDIT

The Committee considered the key audit matters as outlined in the independent auditor’s report set out on pages 8 to 13.

These key audit matters were:

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

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

INTERNAL AUDIT

The Internal Audit reports directly to the Chair of the Committee and provides the Committee with assurance on the effectiveness of the Group’s internal control environment.

During the year under review the Committee:

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

FINANCIAL REPORTING

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

- considered the appropriateness of the accounting policies adopted;
- considered the accounting treatment of significant transactions;
- reviewed the process implemented by management for the preparation of the annual financial statements and is satisfied that the processes applied in preparing the financial statements were appropriate;
- confirmed the going concern as the basis of preparation of the annual financial statements; and
- ensured that the annual financial statements fairly present the financial position of the Group, the result of operations and cash flows for the financial year ended 31 August 2023.

Audit and Risk Committee Report (continued)

ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the year ended 31 August 2023 and is satisfied that they comply in all material respects with the requirements of IFRS, the Companies Act, and the JSE Listing Requirements. The annual financial statements fairly present the financial position, changes in equity, results of operations and cash flows of the Group.

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

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

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

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

GOING CONCERN

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

CONCLUSION

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

On behalf of the Audit and Risk Committee.



Rosemary Mosia

Chair of the Audit and Risk Committee

30 January 2024

Directors' responsibilities and approval

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

The consolidated annual financial statements, set out on pages 22 to 97, are based on appropriate accounting policies which have been consistently applied throughout the Group and which are supported by reasonable and prudent judgements and estimates. The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment.

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

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

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

During the period under review, no director had any material interest in any contract which is or was significant in the Company, any of its subsidiaries, associate or joint venture that would cause conflict of interest in the ordinary course of business. Related party transactions with the directors are disclosed in note 40.

The independent external auditors are responsible for reporting on whether the consolidated annual financial statements are fairly presented in accordance with the applicable financial reporting framework. The independent auditor's report to the shareholders of the Group is set out on pages 8 to 13 of this report.

The consolidated annual financial statements set out on pages 22 to 97 which have been prepared by the Group Financial and Reporting Accountant, Basani Kubayi CA(SA) under the supervision of the Group chief financial officer Pride Guzha CA(SA), on the going-concern basis, were approved by the Board of directors on 29 January 2024. The consolidated annual financial statements are signed on the directors' behalf by:



Prof. Louis Fourie
Independent Non-executive (Interim chairman)

30 January 2024



Amit Makan
Chief executive officer

30 January 2024

Responsibility statement on internal financial controls

for the year ended 31 August 2023

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

- the annual financial statements set out on pages 22 to 25 fairly present, in all material respects, the financial position, financial performance and cash flows of AYO in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to AYO and its consolidated subsidiaries have been provided to effectively prepare the financial statements; and
- the internal financial controls are adequate and effective, and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™).

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



Amit Makan
Chief executive officer

30 January 2024



Pride Guzha
Chief financial officer

30 January 2024

Company Secretary's certification

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

CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as the Company Secretary, I hereby confirm in terms of the Companies Act, that for the year ended 31 August 2023, AYO Technology Solutions Limited has lodged with the Companies and Intellectual Property Commission ("CIPC"), all such returns and notices that are required of a public company in terms of the Companies Act, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.



Wazeer Moosa
Company Secretary

30 January 2024

Independent Auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AYO Technology Solutions Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated annual financial statements of AYO Technology Solutions Limited and its subsidiaries (the "Group") set out on pages 18 to 96 which comprise the consolidated statement of financial position as at 31 August 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AYO Technology Solutions Limited and its subsidiaries as at 31 August 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 39 Going Concern in the consolidated annual financial statements, which indicates events and conditions related to legal matters to which the Group is party.

As stated in Note 39, these events or conditions, along with other matters as set forth in Note 39, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Independent Auditor’s report (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of goodwill and intangible assets	
<p>The carrying value of goodwill as at 31 August 2023 amounted to R75 458 000 (2022: R75 458 000.) Under IFRSs, the Group is required to annually test goodwill and intangible assets with an indefinite useful life for impairment. The test compares the carrying amount of the asset with its recoverable amount, which is the higher of its fair value less costs to sell (if known) and its value-in-use.</p> <p>We considered the valuation of goodwill and intangible assets with indefinite useful lives to be significant to the audit because of the materiality thereof to the Group’s Annual Financial Statements and the sensitivity thereof to the various unobservable valuation inputs, uncertain future cash flows and assumptions that require considerable judgement.</p> <p>The disclosures relating to goodwill and intangible assets with indefinite useful lives are contained in note 1 (accounting policies) as well as notes 5 and 6.</p>	<p>In assessing the valuation of goodwill and intangible assets with indefinite useful lives, we:</p> <ul style="list-style-type: none"> • Obtained an understanding of management’s internal control process for determining the value-in-use of these assets; • Assessed the competence, capabilities and objectivity of the external valuer engaged by management. <p>We have made use of an auditors’ valuation expert to:</p> <ul style="list-style-type: none"> • Assess the appropriateness of the valuation techniques used; • Assess the arithmetical accuracy of the valuation models; • Evaluate the cash flow projections and the process by which they were developed; • Assess the reasonability and appropriateness of the key inputs (including discount rate, expected volatility and growth rate assumptions); • Perform a sensitivity analysis of the key assumptions in the model and use this to inform the key inputs assessment. <p>We assessed the capabilities, competence, and objectivity of the auditor expert and evaluated the adequacy of work performed by the expert.</p>
Valuation of unlisted financial instruments	
<p>The fair value of investments in unlisted financial instruments classified as “financial assets at fair value through profit or loss” as at 31 August 2023 amounted to approximately R118 227 000 (2022: R116 059 000).</p> <p>These financial instruments were measured based on unobservable inputs and are classified as “level 3 financial instruments”.</p> <p>As these financial instruments are unlisted and not traded in an active market, management determined the fair values of these financial instruments by using applicable valuation techniques with assistance from valuation experts.</p> <p>We considered the valuation of unlisted financial instruments to be significant to the audit because of the materiality thereof to the Group’s Annual Financial Statements and the sensitivity thereof to the various unobservable valuation inputs, uncertain future cash flows and assumptions that require considerable judgement.</p> <p>The disclosures relating to investment in unlisted financial instruments are contained in note 1 (accounting policies) and notes 10, 29, and 43.</p>	<p>In assessing the fair value of the unlisted financial instruments, we:</p> <ul style="list-style-type: none"> • Obtained an understanding of management’s internal control process for determining the fair values of these instruments; • Assessed the competence, capabilities, and objectivity of the external valuer engaged by management. <p>We have made use of an auditors’ valuation expert to:</p> <ul style="list-style-type: none"> • Assess the appropriateness of the valuation techniques used; • Assess the arithmetical accuracy of the valuation models; • Evaluate the cash flow projections and the process by which they were developed; • Assess the reasonability and appropriateness of the key inputs (including discount rate, expected volatility and growth rate assumptions); • Perform a sensitivity analysis of the key assumptions in the model and use this to inform the key inputs assessment <p>We assessed the capabilities, competence, and objectivity of the auditor expert and evaluated the adequacy of work performed by the expert.</p>

Independent Auditor’s report (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Occurrence of related party transactions and completeness of related party disclosure</p> <p>There are significant and complex transactions between the company and its subsidiaries and other related entities. Significant audit effort was required for testing the completeness of related party disclosures, as well as the occurrence of related party transactions, as disclosed in Note 40 to the financial statements, resulting in this being regarded as a key audit matter.</p>	<p>In assessing the occurrence, and completeness of related party transactions and disclosures, we:</p> <ul style="list-style-type: none"> • Obtained an understanding of management’s internal control process for identifying, authorising, and recording related party transactions. • Performed procedures to identify related parties. • Performed procedures to agree identified related party transactions and balances to supporting evidence. • Performed procedures to agree identified related party transactions and balances to the relevant disclosures in the financial statements. • Evaluated the identified related party transactions and balances for compliance with laws and regulations.
<p>Initial Specific Repurchase of shares from the Public Investment Corporation (“PIC”) and Government Employees Pension Fund (“GEPF”)</p> <p>Court proceedings pursuant to the matter, which commenced on Tuesday, 7 March 2023, ceased on Thursday, 23 March 2023 following the amicable conclusion of the Settlement Agreement by the Parties, thus ending the prolonged litigation. The Settlement Agreement was subsequently made an order of court on Friday, 24 March 2023. The Initial Specific Repurchase requires, <i>inter alia</i>, the approval by at least 75% of the votes cast in favour thereof by AYO Shareholders at a general meeting of Shareholders. Accordingly, the transfer of the Initial Repurchase Shares from AYO will take place following the approval of the Initial Specific Repurchase by Shareholders in General Meeting yet to be convened.</p> <p>The significance of the transaction, its impact on the group’s going concern assessment and the audit effort required for testing the measurement and recognition of the transaction have resulted in the transaction being considered a key audit matter.</p> <p>The disclosures relating to matter are contained in note 39.</p>	<p>Our procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of management’s internal control process for measuring and recording the transaction. • Inspected the settlement agreement and related publications of information by the group. • Considered the impact of the settlement agreement on the going concern assumption of the group. • Evaluated the measurement and recognition of the transaction and found this to be in compliance with IFRS.

Independent Auditor’s report (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Expected credit losses (“ECL”) on loan receivables</p> <p>Included in the Group’s net assets at year-end, are loan receivables of R644 million (2022: R819 million) which are accounted for in accordance with IFRS 9: Financial Instruments.</p> <p>The Group assesses the ECL associated with the loan receivables measured at amortised cost and recognises an allowance for ECL for these financial assets. ECL on these loan receivables are measured using the general approach.</p> <p>The Group assesses at the end of each reporting period, whether there has been a significant increase in credit risk since initial recognition. Where there has been no significant increase in credit risk, the Group recognises a twelve-month ECL. Where there has been a significant increase in credit risk, the Group recognises a lifetime ECL.</p> <p>The measurement of the ECL under this approach reflects a probability weighted outcome, the time value of money and the best forward-looking economic information available to the Group. This incorporates the probability of default (“PD”), exposure at default (“EAD”) and the loss given default (“LGD”).</p> <p>We determined the ECL on these financial assets to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> • the magnitude of the financial assets over which the ECL model is applied; and • the degree of judgement and estimation applied by management in determining the ECL. <p>The disclosures relating to ECL on loans receivable are contained in note 1 (accounting policies) and note 9.</p>	<p>In assessing the ECL values recognised, we:</p> <ul style="list-style-type: none"> • Obtained an understanding of management’s internal control process for determining the ECLs • We obtained an understanding of the methodology applied by management in performing the ECL computations and found this to be in line with the requirements of IFRS 9. • We tested the mathematical accuracy of management’s models, and we found no material differences. • We evaluated the assumptions used by management in their assessment of credit risk by reference to either payment history or counterparty forecast cash flows. <p>We found management’s assumptions to be reasonable.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the documents titled “AYO Technology Solutions Limited Group Annual Financial Statements”, “AYO Technology Solutions Limited Company Annual Financial Statements”, which includes the Directors’ Report, the Audit Committee’s Report and the Company Secretary’s Certificate as required by the Companies Act of South Africa, and the document titled “AYO Technology Solutions Limited Integrated Report 2023”. The other information does not include the consolidated annual financial statements and our auditor’s reports thereon.

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

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

Independent Auditor's report (continued)

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

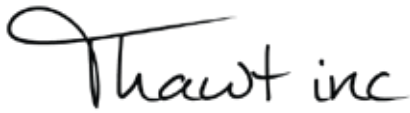
Independent Auditor's report (continued)

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

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

Report on Other Legal and Regulatory Requirements

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



THAWT Incorporated
L Futshane
Partner
Registered Auditor

30 January 2024



Crowe JHB
G Kartsounis
Partner
Registered Auditor

30 January 2024

Directors' report

The Directors have pleasure in submitting their report which forms part of the consolidated annual financial statements for the year ended 31 August 2023.

1. NATURE OF BUSINESS

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

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

2. FINANCIAL RESULTS

The consolidated annual financial statements have been prepared in accordance with IFRS, the requirements of the Companies Act, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA financial reporting guides issued by the Accounting Practices Committee and the Listings Requirements of the JSE Limited. The accounting policies have been applied consistently compared to the prior year, the amendments to standards and interpretation detailed on note 2 do not have material impact on the Group financial statements.

Group financial performance

The revenue in the Group has increased significantly by 28% from R1.8 billion in the prior year to R2.3 billion in the current year due to improved revenue generation from the managed services and unified communications divisions

Sizwe IT Group which forms part of the managed services division contributed revenue of R1.2 billion compared to R933 million in the prior year. The increase in revenue was as a result of the increase in tenders awarded despite these not being services contracts.

The unified communication division comprises of Kathea and Kalula. Kathea Communications performed significantly well in the current financial year earning revenue of R324 million up from R236 million reported in the prior year. Kalula’s revenue has also grown from R134 million to R223 million. The revenue growth for the two entities in the unified communication division is attributed to companies either moving back permanently to the office or adopting a hybrid working environment and expansion into new territories.

The Group’s gross profit percentage decreased from 22% in the prior year to 16% in the current year due to lower margins achieved in the managed services divisions as result of less service contracts and more procurement of equipment distribution contracts in the public sector.

On 19 December 2022, the Group announced the decision to restructure the corporate head office to reduce costs. The Group started implementing cost saving initiatives, took a prudent approach to impair non-performing investments and focused on stabilising our current investments which may result in a decrease in operating expenditure in the next financial year. Due to legacy contractual costs still to be unwound, operating costs remained significantly high in the current period due to restructuring costs, retrenchment costs, legal fees for ongoing litigations and impairing of non-performing investments.

Other operating gains include fair value adjustments on investments and derivatives. The Group incurred other operating losses of R79 million in the current year compared to other operating gains of R59 million in the prior year. The other operating losses in the current year is due to derecognition of derivatives.

The Group invested some of its funds in the stock market to yield returns above money market rates. The stock portfolio earned dividend income of R7 million (2022: R9 million) and reflected fair value gains of R10 million (2022: R20 million) from its investments in the stock market during the current year under review.

The Group generated a loss before taxation of R651 million for the year ended 31 August 2023 as compared to a loss before tax of R233 million in the prior financial year, mainly due to the decrease in gross margins, lower fair value adjustments on investments, VAT adjustment as a result of apportionment difference with SARS, derecognition of derivatives and the impairment of loans which may result in a potential VAT liability.

A subdued economic environment post Covid-19 in addition to the continued negative publicity and ongoing banking challenges facing the Group has constrained the Group’s organic growth initiatives as a result of lack of access to funding due to the company not being able to provide financial assistance as the resolution was not approved by shareholders, and its ability to complete significant acquisitions. The Group however, continues to focus on remaining resilient despite the challenges it faces which is clearly indicative by the results of AYO’s underlying subsidiaries despite these challenges.

Directors' report (continued)

3. SHARE CAPITAL

Authorised share capital

The company's authorised share capital of 2 000 000 000 shares of no par value remains unchanged.

Issued share movements	2023	2022
Balance at the beginning of the year	343 319 040	344 123 944
Shares repurchased	(133 555)	(804 904)
Balance at the end of the year	343 185 485	343 319 040

The Company acquired 133 555 (2022: 804 904) of its own shares through purchases on the JSE for an amount of R435 678.

4. DIVIDENDS

AYO did not declare any dividends in the current financial year. In the prior financial year an interim dividend of 35 cents per share amounting to R120 million was paid to shareholders.

The issued share capital at the declaration date is 344 185 485 ordinary shares, which includes 938 459 treasury shares.

The Company's income tax number is 9389007031.

5. DIRECTORATE

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

Director	Office	Designation	Date of appointment	Date of resignation
H Plaatjes	Chief executive officer	Executive*	21 December 2018	12 December 2022
IT Bundo	Chief financial officer	Executive	22 January 2019	15 February 2023
V Govender	Corporate affairs	Executive	21 December 2018	23 December 2022
K Abdulla	Deputy executive chairman	Executive	15 February 2023	01 December 2023
A Makan	Chief Executive Officer	Executive	15 February 2023	
P Guzha	Chief financial officer	Executive	15 February 2023	
Dr WA Mgoqi	Chairman	Non-executive [#]	20 August 2018	03 April 2023
AB Amod		Non-executive	26 February 2013	
Dr DH George		Non-executive [#]	20 August 2018	15 May 2023
RP Mosia		Non-executive [#]	21 August 2018	
Adv. NA Ramathlodi		Non-executive [#]	7 March 2018	
SM Rsethaba		Non-executive [#]	01 April 2021	
Prof LCH Fourie	Interim Chairman	Non-executive [#]	07 July 2020	
V Dzvova		Non-executive [#]	12 April 2023	12 December 2023
J van Wyk		Non-executive [#]	17 April 2023	27 October 2023

[#] Independent

* Mr H Plaatjes was an executive director of the company from 21 December 2018. On 12 December 2022 he retired as a director of the company. Mrs V Govender was an executive director of the company from 21 December 2018. On 23 December 2022, she resigned as a director of the company.

Mr IT Bundo was an executive director of the company from 22 January 2019. On 15 February 2023 he resigned as a director of the company. Dr WA Mgoqi passed away suddenly on 4 April 2023 which is taken as the effective date of resignation. Professor LCH Fourie was appointed as the interim chairman on 17 April 2023.

Ms V Dzvova and Mr J van Wyk were appointed as non-executive directors with effect from 17 April 2023. Mr J van Wyk resigned on 27 October 2023. The resignation was post the unbundling of AYO.

On 12 December 2023 Ms Valentine Dzvova resigned as a non-executive director of the board. The resignation was post the unbundling of AYO. Dr DH George passed away suddenly on 15 May 2023 which was taken as the effective date of resignation.

Mr K Abdulla was an executive director of the Company from 12 March 2020. On 1 December 2023, he retired as a director of the Company.

Directors' report (continued)

6. DIRECTORS' INTERESTS IN SHARES

As at 31 August 2023, the Directors of the Company held direct and indirect beneficial interest in 1.02819% (2022: 0.9206%) of its issued ordinary shares, as set out below:

	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total percentage
2023					
A Amod	1 250	-	-	-	0.0004%
K Abdulla	546 342	2 991 659	-	-	1.02815%
2022					
A Amod	1 250	-	-	-	0.0004%
D George	-	-	-	3 000 000	0.8722%
K Abdulla	1 250	-	-	-	0.0003%

7. CORPORATE GOVERNANCE

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

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

8. GOING CONCERN

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

The board of directors of Ayo ("Board") have determined the appropriate basis of preparation of the audited consolidated financial statements after considering the Group's significant risks, outstanding legal matters, the current financial performance of the Group, the Group's financial budgets and assessing the solvency and liquidity of the Group taking into account the current financial position and existing cash resources.

On 31 May 2019 AYO received a summons issued by the PIC and GEPP. The summons sought a declaration that the subscription agreement entered into by the PIC with AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4.3 billion together with interest of 10.25% per annum accrued from 22 December 2017 to date of final payment. The Parties entered into a settlement agreement which was made an order of court on 24th of March 2023. AYO settled an amount of R619m to the PIC which has resulted in a lower net assets value however AYO remains solvent.

Subsequent to the receipt of the summons, the Company was reconfigured into an investment holding company and continues to trade as such through the portfolio of investments. Certain subsidiaries of AYO have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level.

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

AYO's previous banker, First National Bank Limited ("FNB"), closed its transactional banking facility with effect from 20 September 2023. The Company did not have any lending facilities with FNB. The Company together with 35 others instituted legal proceedings against FNB for its decision to close the Company's transactional banking facility with the competition tribunal. The Company is making use of third party payment solutions. Furthermore, the investigation in relation to the complaint with the Competition Commission is still ongoing and shareholder will be provided with an update thereto in due course.

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

Directors' report (continued)

9. EVENTS AFTER THE REPORTING PERIOD

Refer to note 45 for events after reporting period.

10. REPORT OF THE AUDIT AND RISK COMMITTEE

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

11. BOARD EVALUATION OF THE AUDIT AND RISK COMMITTEE

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

12. COMPANY SECRETARY

The Company Secretary is Mr Wazeer Moosa of:

Postal address:

PO Box 181
Cape Town
8002

Business address:

10th Floor Convention Towers
Cnr Heerengracht and Walter Sisulu
Cape Town
Western Cape
8001

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

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

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

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

Directors' report (continued)

13. INTERESTS IN SUBSIDIARIES

Details of material interests in subsidiary companies are presented in note 46.

14. ACQUISITIONS DURING THE YEAR

On 7 February 2023, Ayo subscribed for 25 (25%) shares in African Innovation Academy at R12 million. This academy has interest in development and advancement of African small business and startups in the informal and technology sector.

For more details refer to note 10 and 46 of these consolidated annual financial statements.

15. LIQUIDITY AND SOLVENCY

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

16. AUDITORS

Thawt Inc. ("THAWT") and Crowe JHB ("CROWE"), which is a member of Crowe Global ("CROWE Global") were re-appointed as the Company and its subsidiaries joint external auditors at the annual general meeting held on 22 February 2023 .

17. SPECIAL RESOLUTIONS

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the Company. The only resolutions passed at AGM on 10 March 2022 are as follows:

- The approval of the Non-Executive Directors' remuneration, the effect of which was to approve the annual remuneration of Non-Executive Directors for the period from 1 September 2020 to 31 August 2023.
- The approval of the general authority to re-purchase the Company's shares, the effect of which was to authorise the Company and or its subsidiaries to re-purchase its own securities.

Directors' report (continued)

18. LITIGATION

The extensive legal challenges, as set out below, which 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 its longevity. Whilst these prolonged processes are straining AYO's financial and human resources, forcing its operational focus and impeding its ability to concentrate on the strategic mandate management it is set to deliver on, it is important for shareholders to understand that some of these litigious matters were necessary to proceed with to ensure long-term sustainability and protect underlying investments of the Group. It is also worth noting that AYO as a Company is not an applicant in all the banking related litigation however AYO subsidiaries are. For the sake of transparency to our shareholders, AYO discloses these matters below. The board of directors are optimistic that there will be an end to the legal challenges in the new year.

Public Investment Corporation ("PIC") and Government Employees Pension Fund ("GEPF") – Court proceedings pursuant to the aforementioned matter, which commenced on Tuesday, 7 March 2023, ceased on Thursday, 23 March 2023 following the amicable conclusion of the Settlement Agreement by the Parties, thus ending the prolonged litigation. The Settlement Agreement was subsequently made an order of court on Friday, 24 March 2023. The Initial Specific Repurchase requires, *inter alia*, the approval by at least 75% of the votes cast in favour thereof by AYO Shareholders at a general meeting of Shareholders. Accordingly, the transfer of the Initial Repurchase Shares from AYO will take place following the approval of the Initial Specific Repurchase by Shareholders in General Meeting yet to be convened. Shareholders will be made aware of the date and time of the General Meeting in due course. Shareholders are referred to the various SENS announcements made by the Company in this regard inclusive of the cautionary announcements made and the renewal thereof.

The State Information Technology Agency ("SITA")

On 25 August 2020, the State Information Technology Agency ("SITA") – brought an application in the Eastern Cape High Court for an order to interdict the Eastern Cape Department of Education ("ECDOE") from continuing with a contract that the ECDOE has with Sizwe Africa IT Group Proprietary Limited ("Sizwe") which is a subsidiary of AYO, for the supply and lease of tablets to matric learners in the Eastern Cape. The Eastern Cape High Court granted the order for the interdict. Legal experts are of the opinion that Sizwe must provide for a potential loss, being the profit that was made from components of the deal. Therefore, management has made an estimate and raised the provision for the amount. The parties are in negotiation to reach settlement.

Access Bank South Africa Limited – Legal proceedings were instituted against Access Bank on 29 July 2022, following the termination of AYO's bank accounts. An urgent interdict application was launched in the Western Cape High Court to re-open the bank accounts. The Court dismissed Part A of the application. Part B of the application which seeks to review Access Bank's decision to terminate AYO's bank accounts and declare the termination unlawful, is currently on-going.

Directors' report (continued)

18. LITIGATION (continued)

Absa Bank Ltd and 26 Others (Equality Court Application) – The group is party to an Equality Court application against 27 respondents declaring that the decision of the banks to terminate and/or refuse to provide or to give notice of termination and/or refusal of banking services and facilities to the Group and other parties involved in the application is inconsistent with their obligations under the Constitution and the Promotion of Equality and Prevention of Unfair Discrimination Act, 2000. A virtual direction hearing between the parties was held on 29 September 2023, wherein future hearing dates of the interlocutory applications was decided and agreed upon. The fifth directions hearing will take place on 8 March 2024 to decide the further conduct on the matter.

Nedbank and 1 Other – The Group instituted proceedings against Nedbank in the form of an urgent interim interdict to interdict Nedbank from closing the accounts of the Applicants pending the outcome of the main Application in the Equality application as referred to above. On 17 June 2022, Judge Dolamo found in favour of the Applicants and granted an interim interdict. Nedbank applied for leave to appeal the decision in the High Court, which was dismissed. Thereafter, Nedbank petitioned the Supreme Court of Appeal and successfully obtained leave to appeal the court a quo's judgment. The matter was heard on the 14 November 2023 and judgment has been reserved. The matter was heard on the 14th of November 2023 and judgment was handed down on the 18th of December 2023. The SCA upheld its judgment with regards to Nedbank's appeal of the interim relief judgment of the Equality Court.

Standard Bank of SA Limited – The Applicants herein instituted interdict proceedings against Standard bank pursuant to receiving a termination letter dated 25 April 2022. All pleadings were filed herein, however, the matter was removed from the roll and withdrawn by agreement pending the outcome of Competition Tribunal's finding as well as the outcome of the appeal of the Competition Tribunal's decision to keep Applicants' bank accounts open.

The Applicants also launched an urgent application to interdict Standard Bank from closing the Applicants' banking accounts pending the outcome of the main application under case number 9318/22. All pleadings were filed herein, however, the matter was also withdrawn by agreement after the Applicants were awarded temporary relief by the Competition Tribunal on 16 September 2022 ordering the Banks to keep the Applicants' accounts open pending the outcome of its decision. Standard Bank agreed to keep the accounts open whilst awaiting the outcome of the appeal instituted in the Competition Appeal Court ("CAC"). The appellants in the application to appeal the Competition Tribunal were successful and the appeal was upheld, whereafter Standard Bank threatened to proceed with closing the bank accounts despite us having lodged an appeal to the Constitutional Court. The Group had no option but to revive this application on an urgent basis, and simultaneously launched an urgent application in the Equality Court. The matters were heard on 12 September 2023, and we were successful in obtaining an interim interdict against Standard Bank from closing bank accounts affected until September 2024. Standard Bank has filed for leave to appeal which has been set down for the 15th of February 2024.

Competition Tribunal – Standard Bank, Mercantile Bank and Access Bank ("the banks") appealed the ruling of the Tribunal to the Competition Appeal Court ("CAC") and the appeals were heard on 30 and 31 March 2023. On 17 July 2023 the CAC rendered its decision, and it upheld the appeals of the three banks. On 08 August 2023 AYO and other entities in the Sekunjalo Group lodged an application for leave to appeal the judgment of the CAC to the Constitutional Court. The banks are opposing the application for leave to appeal. The Tribunal ruling of 16 September 2022 was extended until 16 September 2023 and during August 2023, the Commission and the applicants signed an agreement to extend the Commission's investigation until December 2024. However, the banks opposed the extension application, and the matter was set down and heard before the Tribunal on the 5th of October 2023. Judgment has been reserved by the Tribunal. On 19 December 2023, the Competition Tribunal ("Tribunal") released a media statement announcing that it has dismissed the application by the 35 other Applicants, together with AYO, for a further extension of the interim relief order granted by the Tribunal on 16 September 2022.

Directors' report (continued)

18. LITIGATION (continued)

Mpati Review Application – This matter concerns, *inter alia*, reviewing and setting aside certain issues relating to the unlawfulness of the proceedings, as well as, reviewing and setting aside the findings, remarks, conclusions and/ or recommendations made by the Commission about the Applicants who were not the target of the Commission's terms of reference but were referred to in the Mpati Report. The parties' counsel is engaged in discussions to agree on a date for the filing of the respondents' answering affidavit.

Cortex Logic – The litigation arose from the non-repayment of loans provided to Cortex Logic. AYO obtained a warrant of execution to recover the outstanding loans and interest thereon.

Futuretell Communication – The Company instituted action against Futuretell Communication Proprietary Limited for recovery of a loan to the value of R3.7 million resulting from a breach of the loan agreement entered into between the Parties in 2019. Default judgment was obtained by AYO on 7 September 2023, and we are in the process of navigating possible ways of recovering the debt.

South African Clothing and Textile Worker's Union (SACTWU) – The litigation arose because of a dispute regarding the entitlement to dividends based on shares held. This matter is ongoing, and the discovery process is to follow.

PL Myburgh & Daily Maverick – Defamation claims against the parties in respect of media articles published. The matter is pending.

Daily Maverick & amaBhungane – Defamation claims against the parties in respect of media articles published. The matter is pending.

Mitigating actions

1. Business continuity plans are in place and operational readiness to address potential negative litigation outcomes.
2. Continuous discussions in progress with the PIC and the JSE regarding the implementation of the Settlement Agreement.
3. Continuous stakeholder engagement with subsidiaries, regulators and staff to secure their ongoing support and promote open and transparent relationships.

19. LEVEL OF ASSURANCE

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

20. PREPARER

These consolidated annual financial statements were prepared by the Group Financial and Reporting Accountant, Basani Kubayi CA(SA) under the supervision of the Group chief financial officer, Pride Guzha CA(SA).

21. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

PUBLISHED

30 January 2024

Consolidated statement of financial position as at 31 August 2023

	Notes	31 August 2023 R'000	31 August 2022 R'000
Assets			
Non-current assets		872 962	1 196 036
Property, plant and equipment	3	34 798	38 627
Right-of-use of assets	4	43 846	94 360
Goodwill	5	75 458	75 458
Intangible assets	6	109 524	121 912
Investments in equity-accounted joint ventures and associates	7	60 151	72 692
Loans to related party companies	8	137 239	280 764
Other loans receivable	9	207 241	252 833
Investments at fair value through profit or loss	10	118 227	116 059
Derivatives financial asset	11.1	-	113 738
Finance lease receivables	12	-	3 131
Deferred tax assets	13	86 478	26 462
Current assets		2 185 338	2 615 099
Inventories	14	238 659	200 251
Loans to related party companies	8	282 848	125 405
Other loans receivable	9	8 375	151 541
Trade and other receivables	15	1 253 345	785 303
Other financial assets	16	208 300	223 210
Finance lease receivables	12	3 131	13 149
Current tax receivable		1 023	1 328
Cash and cash equivalents	17	189 657	1 114 912
Total current assets		2 185 338	2 615 099
Total assets		3 058 300	3 811 135
Equity and liabilities			
Equity			
Stated capital	18	4 441 051	4 441 488
Reserves	19	(36 913)	(31 745)
Accumulated loss		(2 250 465)	(1 452 902)
Equity attributable to shareholders of AYO		2 153 673	2 956 841
Non-controlling interests		111 673	150 561
Total equity		2 265 346	3 107 402
Liabilities			
Non-current liabilities		32 968	120 627
Derivatives financial liability	11.2	-	39 017
Lease liabilities	20	28 616	76 660
Employee benefit obligation	21	3 231	3 233
Other financial liabilities		1 121	1 717
Current liabilities		759 986	583 106
Trade and other payables	23	405 362	393 603
Other financial liabilities		8 189	12 567
Lease liabilities	20	22 856	29 869
Deferred income	22	19 995	45 075
Current tax payable		45 330	14 824
Provisions	24	218 318	51 784
Dividend payable		39 930	32 305
Bank overdraft	17	6	3 079
Total current liabilities		759 986	583 106
Total liabilities		792 954	703 732
Total equity and liabilities		3 058 300	3 811 135

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2023

	Notes	2023 R'000	2022 R'000
Revenue	26	2 253 494	1 755 179
Cost of sales	27	(1 902 233)	(1 367 534)
Gross profit		351 261	387 645
Other operating income	28	21 484	16 012
Other operating (losses) gains/losses	29	(79 795)	58 877
Other operating expenses	30	(865 808)	(807 370)
Movement in expected credit losses		(193 980)	(47 412)
Finance income	31	150 461	147 394
Finance costs		(22 402)	(13 556)
Loss from equity-accounted investments		(12 541)	25 250
Loss before taxation		(651 320)	(233 160)
Taxation	32	12 506	(32 904)
Loss after taxation		(638 814)	(266 064)
Other comprehensive income:			
Items that will be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		(3 006)	(478)
Income tax relating to items that will not be reclassified.		-	-
Total items that will be subsequently reclassified to profit or loss		(3 006)	(478)
Other comprehensive (loss)/income for the year net of tax		(3 006)	(478)
Total comprehensive loss for the year		(641 820)	(266 542)
Loss after taxation attributable to:			
Shareholders of AYO		(617 867)	(270 303)
Non-controlling interests		(20 947)	4 239
Total loss after taxation		(638 814)	(266 064)
Total comprehensive loss attributable to:			
Shareholders of AYO		(620 873)	(270 781)
Non-controlling interests		(20 947)	4 239
Total comprehensive loss		(641 820)	(266 542)
Earnings per share (cents)			
Loss per share (cents)	33	(179.97)	(78.60)
Diluted loss per share (cents)	33	(179.97)	(78.60)

Consolidated statement of changes in equity for the year ended 31 August 2023

	Notes	Stated capital R'000	Share premium R'000	Total share capital R'000	Foreign currency translation reserve R'000	Revaluation reserve R'000	NCI put options reserve R'000	Share-based payment reserve R'000	Changes in ownership reserve R'000	Total reserves R'000	Retained income R'000	Total attributable to shareholders of AYO R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 September 2021		4 270 965	173 445	4 444 410	2 205	221	(14 795)	11 809	(31 021)	(31 581)	(938 353)	3 474 477	125 651	3 600 126
Total comprehensive income for the year		-	-	-	(478)	314	-	-	-	-	(270 303)	(270 467)	4 239	(266 228)
Profit for the year		-	-	-	-	-	-	-	-	-	(270 303)	(270 303)	4 239	(266 064)
Total other comprehensive income for the year		-	-	-	(478)	314	-	-	-	-	-	(164)	-	(164)
Dividends	36	-	-	-	-	-	-	-	-	-	(223 574)	(223 574)	-	(223 574)
Acquisition of shares in subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares		(2 922)	-	(2 922)	-	-	-	-	-	-	-	(2 922)	-	(2 922)
Change in ownership - reduction in shareholding of subsidiary		-	-	-	-	-	-	-	-	-	(20 671)	(20 671)	20 671	-
Balance at 31 August 2022		4 268 043	173 445	4 441 488	1 727	535	(14 795)	11 809	(31 021)	(31 745)	(1 452 901)	2 956 843	150 561	3 107 402
Total comprehensive income for the year		-	-	-	(3 006)	-	14 795	-	(5 148)	-	(617 867)	(611 226)	(20 947)	(632 173)
Profit for the year		-	-	-	-	-	-	-	-	-	(617 867)	(617 867)	(20 947)	(638 814)
Total other comprehensive income for the year		-	-	-	(3 006)	-	14 795	-	(5 148)	-	-	6 641	-	6 641
Dividends	36	-	-	-	-	-	-	-	-	-	(204 779)	(204 779)	(6 375)	(211 154)
Treasury shares		(436)	-	(436)	-	-	-	-	-	-	-	(436)	-	(436)
Transfer from reserve	19	-	-	-	-	-	-	(11 809)	-	-	-	(11 809)	-	(11 809)
*Derecognition of PUT option liability		-	-	-	-	-	-	-	-	-	24 222	24 222	-	24 222
Change in ownership - loss of control of subsidiary		-	-	-	-	-	-	-	-	-	-	-	(11 566)	(11 566)
Balance at 31 August 2023		4 267 607	173 445	4 441 052	(1 279)	535	-	-	(36 169)	(31 745)	(2 251 325)	2 140 402	111 673	2 265 346

* Was as a result of non-exercising options which lapsed on 9 February 2023, refer to note 11.

Consolidated statement of cash flows

for the year ended 31 August 2023

	Notes	2023 R'000	2022 R'000
Cash flows from operating activities			
Cash receipts from customers		1 582 151	1 456 166
Cash paid to suppliers and employees		(2 591 892)	(1 677 419)
Cash generated/(utilised) in operations	34	(1 009 741)	(221 253)
Finance income		34 514	66 069
Finance costs		(21 135)	(9 182)
Dividend income		108	8 430
Tax paid	35	(19 802)	(21 984)
Net cash from operating activities		(1 016 056)	(177 920)
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(10 110)	(11 566)
Proceeds from the disposal of property, plant and equipment		3 910	302
Acquisition of intangible assets	6	(2 103)	(1 672)
Loss of control of subsidiary		-	(56 496)
Loans advanced to related party companies		(759)	(13 450)
Loans from related parties repaid		15 796	5 781
Other loans advanced		-	(165 438)
Other loans repaid		51 208	46 053
Purchases of investments at fair value through profit or loss	10	(12 000)	(46 350)
Amounts advanced to acquire other financial assets		(1 117)	(65 129)
Amounts repaid from other financial assets		27 591	6 313
Funds held in Trust fund transfers Accounts		235 137	
Funds withdrawn in Trust Accounts		636 207	32 101
Funds advanced in Trusts		(624 000)	(316 864)
Finance lease receipts		13 149	23 261
Disposal of investments held at fair value		3 100	-
Net cash to investing activities		336 009	(563 154)
Cash flows from financing activities			
Dividends paid	36	(198 274)	(214 311)
Dividends paid to minorities		-	-
Share buy back	18	(436)	(2 922)
Payments of contingent consideration arrangements	25	-	(30 000)
Other financial liabilities loans received		-	17 629
Repayments of other financial liabilities		(6 265)	(35 099)
Loans received from related party companies		-	(19 013)
Lease liabilities repayments		(36 305)	(26 385)
Payment of long service awards		(588)	(443)
Net cash to financing activities		(241 868)	(310 544)
Total cash movement for the period			
Cash at the beginning of the period		1 111 833	2 163 722
Effect of exchange rate		(267)	(271)
Total cash at the end of the period	17	189 651	1 111 833

Accounting policies

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

The principal accounting policies incorporated in the preparation of these financial statements are set out below, these are consistent with the group unless otherwise indicated. These accounting policies are consistent with the previous year, except as outlined in note 2.

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

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

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

Subsidiaries consolidated when less than 50% interest is held

The Group consolidates subsidiaries with an effective interest of less than 50% when the Group has control and power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns. Although AYO only has a 40% equity interest in Main Street 1653 Proprietary Limited ("Main Street"), 43% equity interest in Software Tech Holdings Proprietary Limited ("Software Tech"). It has been determined that AYO controls Main Street and Software Tech respectively in terms of IFRS 10 Consolidated Financial Statements due to i) The Group has the rights to appoint a majority of directors and key management personnel of the unlisted subsidiaries and ii) AYO has majority seats on the board of directors of to the investee. As per the shareholder's agreement, AYO has the right to variable returns from involvement with Main Street and Software Tech and it has the ability to use its power over the investee to affect the amount of the returns in Main Street and Software Tech. Management applied judgement in assessing the impact of additional rights granted to the parent company in the shareholder's agreement in respect of its investment in Main Street and Software Tech.

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

In the prior year management held 49.5% shareholding in Zaloserve Proprietary Limited ("Zaloserve"). The Company repurchased the 5.5% previously disposed increasing the shareholding to 55% in Zaloserve.

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

Management has concluded that the Group continues to have control of Zaloserve as it still has control and power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns.

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

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property, plant and equipment

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

Refer to note 3 for more details.

Intangible assets

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

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

Refer to notes 5 and 6 for more details.

Financial assets at amortised cost

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

Refer to notes 8, 9 and 15 for more details.

Put option over non-controlling interest

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

Derivatives financial assets

The Group has entered into call options with African Equity Empowerment Investments Proprietary Limited ("AEEI") in respect of its shareholdings in Main Street and GCCT respectively. The Group has valued all the options and recognised only the ones that are in the money/have commercial substance. The Group estimates the fair value of these options. The options are calculated using binomial option pricing methodology, which incorporate projected financial forecasts of the relevant entities. The option lapsed on the 9th Of February 2023 and they were not exercised refer to note 11.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Discounted cash flows are used to determine fair value for investments in subsidiary companies and contingent consideration liability. The use of discounted cash flow analysis requires the estimation of a number of significant components, including the future expected cash flows, and the weighted average cost of capital used to perform the discount. The Group's valuation is performed by Vunani Corporate Finance. Many of these factors which are listed below may have a material impact on the valuation. Refer to note 43

Terminal value growth rates

When calculating the terminal value, the Group assumes a long-term growth rate. A growth rate is assumed for each subsidiary company after taking into account industry reports on projected growth rates for the sector in which the subsidiary company falls under. The growth rate used is 4.5%.

Terminal values

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Discount rates

Free cash flows are discounted at the subsidiary company's weighted average cost of capital (WACC), being the weighted cost of equity as determined using the capital asset pricing model (CAPM) and the weighted after-tax cost of debt and/or any other non-equity form of financing. The discount rates used are between 17% and 23.32%.

Risk-free rate

The risk-free rate utilised is the yield on 10-year government bonds. These yields were obtained from the financial press at the time of preparing the valuations. Where no 10-year SA bonds are in issue, the nearest long-term SA bond rate is used. The risk-free rate used is 11%.

Beta

The equally weighted average of the relevant industry betas are used. The betas are calculated over a five-year period (where possible). This is assumed to provide a fair estimate of the Group's recent market price. The beta used was in the range of 0.59 and 1.08.

Specific risk premium

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

Value of equity

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

Refer to the fair value note 43 for further details of the inputs used.

Recognition of deferred tax asset

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

Allowance for slow moving, damaged and obsolete inventory

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

1.3 Consolidation

Basis of consolidation

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

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

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

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

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Consolidation (continued)

Business combinations

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

Transactions with non-controlling shareholders are accounted for as equity transactions and included in the statement of changes in equity. Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

Assets acquired and liabilities assumed are measured at their acquisition date fair value. Investments in subsidiaries is measured at fair value.

1.4 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Goodwill

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

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

1.6 Intangible assets

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

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

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

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

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

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

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

1.7 Investment in associates and joint ventures

Investment in associates and joint ventures are incorporated in these consolidated annual financial statements using the equity method of accounting.

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

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

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Financial assets

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

Initial recognition

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

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

Financial assets at amortised cost

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

Financial assets at fair value through profit or loss

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

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

Subsequent measurement

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

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

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

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

Refer to note 43 for the Group's fair-value measurement methodology regarding financial assets.

Impairment of financial assets

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

The Group applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for trade receivable and finance lease receivables. The Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix. It considers available reasonable and supportive forwarding-looking information that could be indicative of a deterioration in the counterparty's ability to pay. The Group assesses factors such as credit ratings, actual/adverse conditions in the industry or changes in value of security held. ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

Refer to Note 15 for a detailed analysis of how the impairment requirements of IFRS 9 are applied for trade receivables.

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Financial assets (continued)

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

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

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

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

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

1.9 Financial liabilities

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

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

Trade and other payables, other financial liabilities and bank overdraft

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

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

Contingent consideration liability

Contingent considerations liabilities are initially measured at fair value.

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

Written put option over non-controlling interest

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

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

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

1.10 Tax

Deferred tax assets and liabilities

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

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

Deferred tax is provided for on unutilised assessed losses of the Group based on forecasts made by management that provide convincing evidence that the utilisation thereof is probable. Management has prepared a forecast for each statutory entity in an assessed tax loss position, based on the up-to-date market assumptions as well as using the experience gained in the prior years.

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Tax (continued)

These can be offset if legally enforceable and relates to the same tax entity and authority.

Current tax assets and liabilities

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

Tax expenses

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

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

1.11 Leases

Group as a Lessee

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

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

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

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

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

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

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

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However, as an exception to the preceding paragraph, the Group has elected not to separate the non-lease components for leases.

Right-of-use assets

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

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

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

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

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 Leases (continued)

Lease liability

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

The lease payments include fixed payments.

Lease liability is subsequently measured by reducing the liability by lease payments and increasing it by interest expenses.

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

Group as Lessor

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

Operating leases

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

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

Finance leases

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

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

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

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

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

1.12 Inventories

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

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

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

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

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Inventories (continued)

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

1.13 Impairment of assets

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

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

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

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

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

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

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

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

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

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

1.14 Share capital

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

1.15 Equity settled share-based payment

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

1.16 Employee benefits

Retirement benefits

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

Employee leave entitlement

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

Bonus plans

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 Provisions, contingent assets and contingent liabilities

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

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

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

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

1.18 Revenue from contracts with customers

The Group revenue from contracts with customers is derived from:

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

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

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

Sale of hardware and software

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

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

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

Installation and support services

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

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

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

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Revenue from contracts with customers (continued)

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

Managed services

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

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

1.19 Cost of sales

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

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

Contract costs comprise:

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

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

1.20 Translation of foreign currencies

Foreign currency transactions

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

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

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

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

Foreign operations

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

1.21 Earnings per share

Earnings per share are calculated on the weighted average number of shares in issue in respect of the year and is based on profit attributable to ordinary shareholders. The group did not have diluted earnings per share, which resulted in earnings per share being equivalent to diluted earnings per share. Headline earnings per share are calculated in terms of the requirements set out in Circular 01/2023 issued by SAICA.

1.22 Dividends

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

Accounting policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.23 Segment reporting

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

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

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

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

The Group's segments comprise the following:

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

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

Refer to note 44 for the financial detail of how each operating segment has performed during the year under review.

Accounting policies (continued)

2. NEW STANDARDS AND INTERPRETATIONS

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

2.1 Standards and interpretations not yet effective

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

Standards and interpretations applicable to the Group for the year ended 31 August 2023.

IFRS 3 Business combinations

Reference to the Conceptual Framework:

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

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

IFRS 9 Financial instruments

The amendments clarify which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognise a financial liability. The effective date of the amendment for the Group is for financial years beginning 1 September 2022.

IAS 1 Presentation of financial statements

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

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

IAS 8 Accounting policies, changes in accounting estimates and errors

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

IAS 16 Property, Plant and Equipment

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

IAS 37 Provisions, Contingent liabilities and contingent assets

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

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

Notes to the consolidated annual financial statements

for the year ended 31 August 2022

3. PROPERTY, PLANT AND EQUIPMENT

	31 August 2023			31 August 2022		
	Cost/ Revaluation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost/ Revaluation R'000	Accumulated depreciation R'000	Carrying value R'000
Land	2 300	-	2 300	2 300	-	2 300
Buildings	2 101	(62)	2 039	2 629	(537)	2 092
Plant and machinery	11 702	(8 788)	2 914	10 691	(8 317)	2 375
Furniture and fixtures	10 182	(3 524)	6 658	20 716	(13 513)	7 203
Motor vehicles	15 243	(8 788)	6 455	17 386	(9 078)	8 308
Office equipment	1 885	(1 716)	169	1 866	(1 547)	319
Computer equipment	52 142	(39 431)	12 711	34 560	(21 091)	13 469
Computer software	806	(760)	46	806	(726)	80
Leasehold improvements	2 267	(2 166)	101	2 520	(2 442)	78
Electronic equipment	3 318	(1 912)	1 406	4 864	(2 459)	2 405
Total	101 946	(67 147)	34 798	98 337	(59 710)	38 627

Reconciliation of property, plant and equipment - 2023

	Opening balance R'000	Additions R'000	Loss of control of subsidiary R'000	Disposals R'000	Transfers	Deprecia- tion R'000	Impair- ment R'000	Closing balance R'000
	Land	2 300	-	-	-	-	-	-
Buildings	2 092	-	-	-	-	(53)	-	2 039
Plant and machinery	2 375	1 020	-	-	-	(480)	-	2 914
Furniture and fixtures	7 203	552	-	(23)	-	(1 074)	-	6 658
Motor vehicles	8 308	423	-	(805)	-	(1 471)	-	6 455
Office equipment	319	20	-	-	-	(170)	-	169
IT equipment	13 469	8 217	-	(3 302)	104	(5 777)	-	12 711
Computer software	80	-	-	-	-	(34)	-	46
Leasehold improvements	78	35	-	-	-	(12)	-	101
Electronic equipment	2 405	20	-	(275)	-	(744)	-	1 406
Total	38 628	10 285	-	(4 405)	104	(9 815)	-	34 798

Reconciliation of property, plant and equipment - 2022

	Opening balance R'000	Additions R'000	Business combina- tions R'000	Disposals R'000	Deprecia- tion R'000	Impair- ment R'000	Transfers R'000	Closing balance R'000
	Land	1 741	-	-	-	-	-	-
Buildings	2 145	-	-	-	(53)	-	-	2 092
Plant and machinery	1 566	1 335	-	(96)	(431)	-	-	2 375
Furniture and fixtures	6 583	2 446	-	(322)	(1 503)	-	-	7 203
Motor vehicles	8 244	1 831	(3)	(191)	(1 572)	-	-	8 308
*Office equipment	825	80	(140)	(2)	(445)	-	25	319
*IT equipment	28 982	7 050	(1 010)	(3 439)	(12 117)	(5 997)	4 536	13 469
Computer software	-	103	-	-	(23)	-	-	80
Leasehold improvements	281	-	(37)	-	(166)	-	-	78
Electronic equipment	425	2 905	(29)	-	(896)	-	-	2 405
Total	50 792	15 749	(1 219)	(4 050)	(17 206)	(5 997)	*4561	38 627

* This relates to IT equipment and Office equipment in trade stock that is held in backup for clients when it is needed. As it is held for a period longer than 12 months it was then transferred to PPE and depreciated over its useful life.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of PPE

Impairment indicators were identified relating to IT equipment held by the group for use in servicing its customers in the managed services division. Difficult market conditions and the expiry of certain maintenance contracts resulted in an impairment charge being recognised for IT equipment which could no longer be used. An impairment charge of Rnil (2022: R5 997 325) was recognised in profit or loss in the prior year.

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

Net carrying amounts of leased assets

	2023 R'000	2022 R'000
Electronic equipment	1 322	2 405
	1 322	2 405

Revaluations

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

The fair value measurements as of 6 July 2022 were performed by Spectrum Valuations and Asset Solutions, independent valuers not related to the Group. Spectrum are members of the Institute of Valuers and they have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

	Fair value 2023 R'000	Fair value 2022 R'000
Land	2 300	2 300
Buildings	2 145	2 145
	4 445	4 445

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

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

	2023 R'000	2022 R'000
Land	1 669	1 669
Buildings	1 943	1 943
	3 612	3 612

Property, plant and equipment encumbered as security

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

Statement of cash flows additions

Additions in the current year amount to R10.1 million (2022: R11.5million).

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

4. RIGHT-OF-USE ASSETS

Reconciliation of Right-of-use assets - 2023

	Plant and equipment R'000	Buildings R'000	Motor vehicles R'000	Total R'000
Opening balance		85 512	8 848	94 360
Effect of modification of lease term	-	414	449	863
Additions - new leases entered into	-	11 170	4 058	15 228
Disposals	-	(29 338)	(443)	(29 781)
Depreciation		(31 469)	(5 355)	(36 824)
Balance at 31 August 2023	-	36 289	7 557	43 846

Reconciliation of Right-of-use assets - 2022

	Plant and equipment R'000	Buildings R'000	Motor vehicles R'000	Total R'000
Opening balance	-	111 894	5 315	117 209
Effect of modification of lease term	-	(1 524)	-	(1 524)
Additions - new leases entered into	-	5 320	4 365	9 685
Disposals	-	(3 445)	(208)	(3 652)
Depreciation	-	(26 733)	(624)	(27 357)
Balance at 31 August 2022	-	85 512	8 848	94 360

The Group leases various office buildings and motor vehicles. The Group's lease agreements do not have any purchase options. For additional information refer to note 20.

5. GOODWILL

	31 August 2023			31 August 2022		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Goodwill	150 199	(74 741)	75 458	150 199	(74 741)	75 458

Reconciliation of goodwill

	Opening balance R'000	Impairment R'000	Opening balance R'000	Impairment R'000	Total R'000
Goodwill - 2023			75 458	-	75 458
	Opening balance R'000	Impairment R'000	Additions through business combinations R'000	Reclass to non-current asset held for sale R'000	Total R'000
Goodwill - 2022	144 593	(69 135)	-	-	75 458

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

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

Goodwill relating to Zaloserve of R69 million was impaired in the previous financial year as it was evaluated that the recoverable amount was less than the carrying amount.

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

5. GOODWILL (continued)

	Carrying amount of goodwill		Pre-tax discount rate		Years		Growth rate	
	2023	2022	2023	2022	2023	2022	2023	2022
	R'000	R'000	%	%	Years	Years	%	%
Cash-Generating Units								
Health System Technologies Proprietary Limited	2 157	2 157	20.56%	22.49%	5	5	4.50	4.50
Kalula Communications Proprietary Limited	8 465	8 465	20.14%	21.09%	5	5	4.50	4.50
Zaloserve Proprietary Limited	-	-	20.70%	20.62%	5	5	4.50	4.50
Main Street 1653 Proprietary Limited	26 773	26 773	21.40%	21.22%	5	5	4.50	4.50
Software Tech Holdings Subsidiaries	2 348	2 348	21.00%	20.35%	5	5	4.50	4.50
Kathea Communication Proprietary Limited	35 715	35 715	20.11%	19.37%	5	5	4.50	4.50
Carrying amount at the end of period	75 458	75 458						

The growth rate relates to the terminal growth rate used for the forecasted period. Discount rate used in the case of discounted cash flow valuations are the Weighted Average Costs of Capital (WACC) per company, which is determined using the capital asset pricing model for the cost of equity.

Growth rates vary for the forecast period based on management inputs per company. The growth rate referred to above is the long-term growth rate used in the calculation of the terminal value. Given that this is a calculation into perpetuity, it was deemed reasonable to be in line with long term inflation forecasts.

The goodwill related to Zaloserve Proprietary Limited was fully impaired in the prior year. The company was involved in litigation with the Eastern Cape Department of Education resulting in a significant contract being stopped, which further lead to reputational issues around the company which prevented the award of certain tenders. The litigation is still on going, and as a result management provided a conservative forecast due to uncertainty. This resulted in a decrease in the value of the company and consequently an impairment of goodwill.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

6. INTANGIBLE ASSETS

	31 August 2023				31 August 2022			
	Cost	Accumulated amortisation	Accumulated impairment	Carrying value	Cost	Accumulated amortisation	Accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Software systems	23 557	(13 096)	-	10 461	21 454	(12 640)	-	8 815
Licenses and computer software	17 253	(11 167)	-	6 086	17 253	(9 664)	-	7 589
Trade names	7 603	(7 095)	-	508	7 603	(6 335)	-	1 268
Development of software and other intangible assets	8 145	(4 961)	(469)	2 715	8 145	(4 060)	-	4 085
Brands	31 278	(3 524)	-	27 754	31 278	(1 780)	(1 744)	27 754
Distribution and assignment rights	73 004	(26 143)	-	46 861	73 004	(17 517)	-	55 487
Customer list	22 811	(7 672)	-	15 139	22 811	(5 897)	-	16 914
Total	183 651	(73 658)	(469)	109 524	181 547	(57 892)	(1 744)	121 912

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Impairment	Disposals	Forex	Amortisation	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Software systems	8 815	2 103	-	-	-	(457)	10 461
Licenses and computer software	7 589	-	(469)	-	-	(1 034)	6 086
Trade names	1 268	-	-	-	-	(760)	508
Development of software and other intangible assets	4 085	-	-	-	-	(1 370)	2 715
Brands	27 754	-	-	-	-	-	27 754
Distribution and assignment rights	55 487	-	-	-	1 406	(10 032)	46 861
Customer list	16 914	-	-	-	-	(1 775)	15 139
Total	121 912	2 103	(469)	-	1 406	(15 428)	109 524

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Transfers	Disposals	Amortisation	Foreign exchange losses	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Software systems	9 384	123	-	-	(692)	-	8 815
Licenses and computer software	28 933	439	-	(16 179)	(5 142)	-	7 589
Trade names	1 901	-	-	-	(634)	-	1 268
Development of software and other intangible assets	8 172	1 051	-	(5 138)	-	-	4 085
Brands	24 679	-	3 075	-	-	-	27 754
Distribution and assignment rights	66 765	-	(3 075)	-	(10 032)	1 829	55 487
Customer list	17 802	-	-	-	(887)	-	16 914
Total	157 636	1 613	-	(21 317)	(17 387)	1 829	121 912

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

6. INTANGIBLE ASSETS (continued)

SOFTWARE SYSTEMS

Software systems include the following:

- Billing system

Based on the terms of the service contract to which the billing system relates, the useful life is 10 years and the notice period of the service contract is one year. The billing system has a value of R45 167 which is its value in the secondary market had the service contract terminated at the reporting date.

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

The eCCR system was completed and implemented in October 2019. The eCCR System provides Doctors and Clinicians with a real time system to capture patient care from the time of admission until discharge.

Doctors can capture diagnoses, clinical notes, discharge summaries including future patient management.

Discharge referrals and discharge medication is also recorded, and a comprehensive discharge summary report is produced for the patient.

Management has assessed the useful life of the intangible asset to be 10 years.

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

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

- Enterprise Consumer Price Index System (“EMCI”)

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

- Free bed enquiry system

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

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

COMPUTER SOFTWARE

In the current year management reassessed the use of a software and concluded that it does not have the capacity and capability for continuous use. Management decided to impair this software with a carrying value of R469 000. The asset was a part of managed services segment.

Computer Software was comprised of the Naviga system which is a content management and engagement platform. Management had assessed the useful life of the intangible asset to be 2 years. This software was disposed of in the prior financial year.

BRANDS

These intangible assets were acquired through business combination.

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

6. INTANGIBLE ASSETS (continued)

DISTRIBUTION AND ASSIGNMENT RIGHTS

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

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

CUSTOMER LISTS

Customer lists were acquired through a business combination.

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

IMPAIRMENT ASSESSMENT OF INTANGIBLES

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

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

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

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

7. INVESTMENTS IN EQUITY-ACCOUNTED JOINT VENTURES AND ASSOCIATES

7.1 Investment in joint ventures

The following table lists the joint ventures in the Group:

Name of company	Held by	Ownership interest		Carrying amount	
		2023 %	2022 %	2023 R'000	2022 R'000
Exaro HST Proprietary Limited	Health Systems Technologies Proprietary Limited	50	50	-	-
Digital Health Africa Proprietary Limited	Health Systems Technologies Proprietary Limited	50	50	-	-
Vunani Fintech Fund Proprietary Limited	AYO Technology Solutions Limited	50	50	59 464	72 513
Total				59 464	72 513

Exaro HST Limited (“Exaro”)

Exaro is jointly-controlled entity based in West Africa and is currently not operational. The investment in the joint venture is measured using the equity method. The investment amount was impaired to nil in the 2020 financial year.

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

Digital Health Africa is a jointly controlled entity based in South Africa and is not operational. The investment was impaired to nil in the 2020 financial year.

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

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

Restrictions relating to joint ventures

There are currently no restrictions relating to the joint ventures.

Profit/(Loss) from equity accounted investments

A loss of R13 million in the current year (2022: profits of R29 million) from equity accounted investments related to joint ventures is included in Group statement of profit or loss.

Reconciliation of joint venture carrying amount	2023 R'000	2022 R'000
Opening balance	72 513	43 502
Profit/(Loss) from joint ventures	(13 050)	29 011
Closing balance	59 464	72 513

No dividends were received during the year ended 31 August 2023 from joint ventures.

Summarised financial information of material joint venture

	Vunani Fintech Fund	
	2023 R'000	2022 R'000
Summarised statement of profit or loss		
Other operating gains	7 080	101 900
Other operating expenses	(2 035)	(2 973)
Finance income	859	801
Finance costs	(30 474)	(19 695)
Profit before tax	(24 570)	80 033
Taxation	(1 529)	(22 011)
Profit after tax	(26 099)	58 022
Share of profit after tax	(13 050)	29 011
Loss from equity-accounted investments	(13 050)	29 011

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

7. INVESTMENTS IN EQUITY-ACCOUNTED JOINT VENTURES AND ASSOCIATES (continued)

7.1 Investment in joint ventures (continued)

	2023 R'000	2022 R'000
Summarised statement of financial position		
Assets		
Non-current assets		
Loans to group companies	4 032	6 349
Investments at fair value through profit or loss	432 908	429 539
Total non-current assets	436 940	435 888
Current assets		
Trade and other receivables	575	-
Loans to group companies	4 333	-
Cash and cash equivalents	551	510
Total current assets	5 459	510
Total assets	442 399	436 399
Liabilities		
Non-current liabilities		
Loan from shareholder	129 674	246 510
Deferred tax liability	53 540	52 011
Total non-current liabilities	183 214	298 521
Current liabilities		
Trade and other payables	461	364
Loan from shareholder	147 310	-
Total current liabilities	147 771	364
Total liabilities	330 985	298 885
Total net assets	111 414	137 513
Share of net assets	55 707	68 757
Share of net assets of joint ventures	27 854	29 011
	27 854	29 011

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

7.2 Investment in associate

The following table lists the associates in the Group:

Name of company	Held by	Ownership interest		Carrying amount	
		2023 %	2022 %	2023 R'000	2022 R'000
Global Command and Communication Technologies Proprietary Limited ("GCCT")	AYO Technology Solutions Limited	24	24	530	179
CreAlpha Proprietary Limited ("CreAlpha")	AYO Technology Solutions Limited	30	30	157	-
Total				687	179

Global Command and Communication Technologies Proprietary Limited ("GCCT")

The Group lost control of its subsidiary GCCT effective 1 November 2021. There were changes to the directorate of GCCT which resulted in AYO losing control in terms of IFRS 10 - Consolidated Financial Statements.

The loss of control resulted in the Group recognising GCCT as an associate measured using the equity method. The shareholding interest of AYO in GCCT remains the same at 24%.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

7. INVESTMENTS IN EQUITY-ACCOUNTED JOINT VENTURES AND ASSOCIATES (continued)

7.2 Investment in associate (continued)

	2023 R'000	2022 R'000
Reconciliation of associates carrying amount		
Opening balance	179	-
Profit from associate	351	179
Carrying amount of the investment on 31 August 2023	530	179

Summarised financial information of associate: GCCT

	2023 R'000	2022 R'000
Summarised statement of profit or loss		
Revenue	95 583	44 583
Profit/(Loss) before tax	2 003	(21 478)
Taxation	(541)	
Profit/(Loss) after tax	1 462	(21 478)
Share of profit/(loss) after tax	351	(5 155)
Loss from equity-accounted investments	351	(5 155)

Summarised statement of financial position of associate: GCCT

	2023 R'000	2022 R'000
Assets		
Non-current assets	17 842	17 307
Current assets	63 472	61 404
Total assets	81 314	78 711
Liabilities		
Non-current liabilities	3 035	66 771
Current liabilities	116 450	54 736
Total liabilities	119 485	121 507
Total net assets	(38 171)	(42 796)
Share of net assets	(9 161)	(10 271)

The summarised information presented above reflects the full financial statements and results of the associates.

Crealpha

On 23 September 2021, AYO subscribed for a 30% shareholding in Crealpha which gives AYO a significant influence over Crealpha.

Restrictions relating to associates

There are currently no restrictions relating to associates.

Loss from equity accounted investments

Profit (loss) of R0.5 million (2022: R3,8 million) from equity accounted associates is included in Group statement of profit or loss.

	2023 R'000	2022 R'000
Reconciliation of associates carrying amount		
Initial recognised associate fair value 23 September 2021	-	-
Profit from associates	157	-
Carrying amount of the investment 31 August 2023	157	-

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

7. INVESTMENTS IN EQUITY-ACCOUNTED JOINT VENTURES AND ASSOCIATES (continued)

7.2 Investment in associate (continued)

Summarised financial information of associates: CREALPHA

	2023 R'000	2022 R'000
Summarised statement of profit or loss		
Profit/(Loss) before tax	1 853	(1 014)
Loss after tax	1 853	(1 014)
Share of loss after tax	556	(304)
Loss from equity-accounted investments	556	(304)
	2023 R'000	2022 R'000
Summarised statement of financial position		
Assets		
Non-current assets	8 097	-
Current assets	21 128	28 429
Total assets	29 225	28 429
Liabilities		
Non-current liabilities	30 000	30 000
Current liabilities	810	1
Total liabilities	30 810	30 001
Total net assets	(1 585)	(1 572)
Share of net assets	(476)	(472)

The summarised information presented above reflects the full financial statements and results of the associates.

8. LOANS TO RELATED PARTY COMPANIES

	2023 R'000	2022 R'000
GCCT - Loan 1	29 707	27 466
The loan bears interest at the prime rate plus 2% and is repayable on 28 February 2024. Interest accrued on the loan is payable semi-annually. The loan is secured by a cession of AEEI shares in GCCT.		
GCCT - Loan 2	38 471	31 281
The loan bears interest at the prime rate and is repayable on 31 August 2023. The loan is secured by the current assets of GCCT with a carrying amount of R63.4 million (2022: R61.3 million) and non-current assets of GCCT with a carrying amount of R17.8 million (2022: R20.5 million) as at 31 August. The carrying amounts of the assets secured are measured in accordance with the applicable IFRS and none of these assets are revalued.		
GCCT - Loan 3	27 897	26 384
The loan is unsecured, bears interest at the prime rate. The loan is repayable on 7 November 2023.		
GCCT - Loan 4	3 994	17 377
The loans are unsecured, bear interest at the prime rate and the loans are repayable as follows:		
A total of R4.3 million no later than 31 August 2023.		
A total of R4.5 million no later than 31 August 2023.		
A total of R4.8 million no later than 28 February 2023.		
A total of R3.8 million no later than 31 May 2023.		
The outstanding balance inclusive of interest will be repaid no later than 31 December 2023.		

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

8. LOANS TO RELATED PARTY COMPANIES (continued)

	2023 R'000	2022 R'000
AEEI - Loan 2 The loan is unsecured, bears interest at the prime rate and the loan is repayable on 31 August 2023.	8 205	8 612
AEEI - Loan 3 The loan is unsecured, bears interest at the prime rate and the loan is repayable on 31 August 2023.	7 557	6 788
Vunani Fintech Fund Proprietary Limited - Loan 1 The loan is unsecured, bears interest at the prime rate and the loan is repayable on 28 March 2024.	147 317	132 319
Vunani Fintech Fund Proprietary Limited - Loan 2 The loan is unsecured, bears interest at the prime plus 2%. R35 million of the loan is repayable on 14 October 2025, R15 million is repayable on 19 April 2026, R39.2 million is repayable on 1 June 2026, and R10.8 million is repayable on 4 April 2027.	129 681	114 191
Zaloserve Management Proprietary Limited ("ZM") The loan bears interest at prime rate and is repayable from distributions received by ZM from its shareholding in Zaloserve. The loan is secured by a pledge and cession of shares by ZM. The loan was reversed in the current financial period.	-	16 825
^Crealpha Proprietary Limited The loan is unsecured, has no fixed repayment terms and therefore payable on demand. The loan bears no interest for the first three years from the date of draw down and thereafter shall bear interest at the prime rate. The loan is subordinated to any the claims of any third party creditors of the company.	27 258	24 316
Communications Products Proprietary Limited ("Communications Products") The loan is unsecured, bears no interest and the loan is repayable on 31 August 2023. The loan was fully repaid in the current financial period.	-	610
	420 087	381 243
Split between non-current and current portions:		
Non-current assets	137 239	280 764
Current assets	282 848	125 405
Total	420 087	406 169

[^] In the prior year, the fair value of R24 million does not equal the value at amortised cost which would have been R30 million.

Current interest rates are variable and average between 7 and 10% (2022: 7%). The carrying amount of loans to related parties is considered to be a reasonable approximation of the fair value as interest is charged at market rates.

Loans to related party companies:

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

9. OTHER LOANS RECEIVABLE

	2023 R'000	2022 R'000
Volt Africa Proprietary Limited (“Volt”) The loan is unsecured and bears interest at a rate of prime plus 2%. The loan is now due for repayment. The Loan was fully impaired in the 2023 financial year.	-	7 250
Cumulative preference shares - Bambelela Capital Proprietary Limited (“Bambelela”) On 28 September 2018, AYO subscribed for 500 000 cumulative, redeemable, non-participating convertible class C preference shares of no par value in Bambelela for consideration of R145 million. The preference shares are redeemable on 31 March 2025. AYO has the right to convert the preference shares into ordinary shares equal to the redemption amount of redemption date. Interest is accrued at variable prime rate multiplied by adjustment rate at 72%.	116 212	143 485
Cumulative preference shares - 4Plus Technology Venture Fund Africa Proprietary Limited (“4Plus”) On 9 April 2020, AYO subscribed for 1 500 cumulative, redeemable, non-participating convertible preference shares of no par value (“preference shares”) in 4Plus for a consideration of R15 million and on 4 May 2020, AYO 2023 subscribed for a further 1 500 preference shares in 4Plus for a consideration of R15 million. On 21 December 2021 and 2 February 2022, AYO subscribed for 500 preference shares in 4Plus for a consideration of R5 million each. On 6 April 2022, AYO subscribed for 2 000 preference shares for a consideration of R20 million. At 31 August, AYO holds 6 000 preference shares in 4Plus. The preference shares are redeemable on 9 April 2027, 4 May 2027, 21 December 2028, 2 February 2029 and 6 April 2029 respectively. AYO has the right to convert the preference shares into ordinary shares equal to the redemption amount of redemption date. Interest is accrued at prime rate plus 2%.	58 055	77 380
4Plus The loan is secured by the bank accounts, trade debtors and all loan receivables of 4 Plus. Interest is charged at the prime rate. The loan is repayable on 28 February 2024.	-	2 086
^Fueltech Solutions Proprietary Limited (“Fueltech”) The loan is unsecured. The loan is interest-free for the first two years, thereafter interest is charged at the prime rate. The loan is repayable on 27 May 2032.	18 862	16 942
Nevoztron Proprietary Limited (“Nevoztron”) The loan bears interest at prime. The loan is secured by a pledge and cession of LMLA shares. The loan is repayable on 10 May 2027.	-	73 913
Preference shares - Dinaledi Technologies Proprietary Limited (“Dinaledi”) On 1 November 2021, AYO subscribed for 50 cumulative and redeemable preference shares of no par value in Dinaledi for R20 million. The preference shares are redeemable on the 10th anniversary from subscription date. Interest is accrued at the designated coupon rate.	12 535	15 162
LML Shared Solutions Proprietary Limited (“LMLS”) - Loan 1 The loan bears interest at the prime rate and is repayable on 31 July 2024. The loan is secured by motor vehicles with a book value of R18 million.	-	19 468
LMLS - Loan 2 Interest is charged at the prime rate. The loan is repayable on 28 February 2024. The loan is secured by all bank accounts, trade debtors and loan receivables of LMLS.	-	17 731
LMLS - Loan 3 Interest is charged at the prime rate. The loans are repayable as follows: - R16 million on 18 October 2025 - R31 million within 36 months The loan is secured by a cession of bank accounts, trade receivables, shares, investments, intellectual property rights of LMLS. R25.5 million has been impaired in the current year.	-	6 911

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

9. OTHER LOANS RECEIVABLE (continued)

	2023 R'000	2022 R'000
LMLS - Loan 4 The loan is secured by trade debtors, bank accounts and loans receivable of LMLS. Interest is charged at the prime rate. The loan is repayable on 31 October 2024.	-	7 190
LMLS - Loan 5 The loan is secured by trade debtors, bank accounts and loans receivable of LMLS. Interest is charged at the prime rate. The loan is repayable on 31 September 2024.	9 952	16 856
	215 616	404 374
Split between non-current and current portions:		
Non-current assets	207 241	252 833
Current assets	8 375	151 541
Total	215 616	404 374

[^] The fair value of R17 million does not equal the carrying amount had it been carried at amortised cost R20 million.

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

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

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

Stages definitions:

Stage 1 - The counter party is making contractual payments within the stipulated period. No default has occurred in the past. There is low or no significant increase in credit risk.

Stage 2 - The counter party is making contractual payments but has defaulted on some payments in the past there is a significant increase in credit risk.

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

Other loans receivable:

Loans receivables includes borrowings to entities that are non-related to the Group, it also includes redeemable cumulative preference shares. The loans are unsecured with the exception of loan to LMLS which is secured by trade debtors, bank accounts and motor vehicles.

Some of the loans receivable had a significant increase on the credit risk which resulted in expected credit loss being recognised by Group. The below loans receivables were impaired due to significant doubt on the recoverability of the debt:

Crealpha

The impairment for the prior year on the loan is R2.1 million due to doubt of the recoverability of the loan.

LMLS

The loans (1-4) were fully impaired in the current year. The carrying value of impaired loans was R23 million due to doubt of the recoverability of the loans.

The Group considered this a sound basis as, in management's view, financial assets are credit impaired when the Group has not received contractual cash flows as contracted, loan 5 with LMLS is not yet in default and is due in 2024 although there debtor's ability to pay is questionable. Where the Group determines there are no prospects of a customer meeting its contractual repayments, the related receivable is written off.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

9. OTHER LOANS RECEIVABLE (continued)

Dinaledi

An impairment of R3.3 million (R5.4 million) was raised against the preference shares in the current year.

Volt

The loans were fully impaired in the current year. An impairment of R0.8 million was raised against the loan in the prior year.

The loss allowance as at 31 August 2023 and 31 August 2022 was determined as follows:

	Notes	Stage 1		Stage 2		Stage 3		Total	
		Performing		Under-performing		Non-performing			
		2023	2022	2023	2022	2023	2022	2023	2022
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Gross amount		401 599	585 603	140 742	262 670	309 930	125 667	852 271	973 941
Other loans receivable	9	116 212	313 805	140 742	138 638	275 415	125 667	532 369	578 111
Loans to related party companies	8	276 999	263 945	139 813	124 032	17 939	-	434 751	387 978
Other financial assets	16	8 388	7 828	-	-	-	-	8 388	8 388
Expected credit loss rate									
Other loans receivable		0%	0%	(36%)	(20%)	(96%)	(94%)		
Loans to related party companies		0%	0%	(9%)	(9%)	(12%)	0%		
Other financial assets		0%	0%	0%	0%	0%	0%		
Expected credit loss									
Other loans receivable		-	-	(51 290)	(27 364)	(265 463)	(117 531)	(316 753)	(144 895)
Loans to related party companies		-	-	(12 488)	(10 651)	(2 176)	-	(14 664)	(10 651)
Other financial assets		-	-	-	-	-	-	-	-
Carrying value of loans with expected credit losses									
Other loans receivable		116 212	-	89 452	111 274	9 952	8 136	215 616	119 410
Loans to related party companies		276 999	-	127 325	113 381	15 763	-	420 087	113 381
Other financial assets		8 388	585 603	-	-	-	-	8 388	7 852

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

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

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

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

Definition of default

Default occurs when a material obligation of an obligor is overdue for more than 90 days. As this exceeds normal expected credit terms.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

9. OTHER LOANS RECEIVABLE (continued)

Forward looking/macro-economic information

Three macro-economic scenarios (base, optimistic and down-turn) have been defined based on the expectation of future macro-economic conditions. A probability percentage is assigned to each scenario based on management's expectations. The forecasts are used to adjust the probability of default "PD" and loss given default "LGD" used in the model to ensure these components are reflective of expected future macro-economic conditions.

ECL's are only recognised for financial instruments in Stage 2 and Stage 3. For financial instruments in Stage 1 they have level 1 and level 2 observable markets.

Write-offs

Financial assets are written-off either partially or in their entirety only when the Group has no prospects of recovery, or financial assets that have some prospects of recovery are written-off, but are still subject to enforcement activity.

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

A prudent approach has been taken to consider qualitative factors affecting the recoverability. On a yearly basis an assessment will be made on whether AYO will be able to recover the loans. Macroeconomic forecasts have deteriorated since the release of Budget 2023: inflation is taking longer to decline, interest rates have increased by more than expected, and GDP growth is slower than initially projected. Lower growth is linked to the weak outlook for household finances which is pressuring consumption spending as well as negative business confidence impacting on capital formation. The current economic conditions are not presenting favourable conditions to the businesses.

There is evidence of historical write off of the loan in the previous financial year. In the current financial year new management was appointed and has embarked on a process of implementing a new strategy on business growth and development. Management applied its judgement in applying the potential credit loss and it was assessed that the full carrying amount of the loan to LML be impaired due to recoverability being unlikely. The management could not determine how the loans were going to be recovered since LML's business model is not asset based and is revenue driven. The revenues could not be determined to ascertain any free cashflows for the loan repayments as well as the performance of the business could not be concluded. Some of the loans were secured against assets. The fair value of the collateral could not be determined.

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

	2023 R'000	2022 R'000
Opening balance	(155 546)	(139 398)
Expected credit loss allowance on other loans receivable	(202 803)	(16 148)
Loss allowance as at 31 August	(358 349)	(155 546)

The loss allowance increased significantly in the current year due to new loans provided in the current year to LMLS and Crealpha.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Name of company	Ownership interest	Ownership interest	Carrying amount	Carrying amount
	2023 %	2022 %	2023 R'000	2022 R'000
Bambelela On 28 September 2018, AYO concluded the acquisition of a 32% shareholding in Bambelela. Bambelela holds a 49% shareholding in Vunani Limited a diversified financial services group.	32	32	118 227	114 627
African Innovation On 7 February 2023, AYO subscribed 25 issued shares ranking equally with each other for R12 million. The academy needs capital as they identified investment opportunities in the area of information Technology and Communications skills development in Africa.	25	-	-	-
4Plus On 2 April 2019, AYO subscribed for 9% of the issued share capital in 4Plus. 4Plus has interests in digital media, artificial intelligence, software development and telecommunications. On 5 October 2019, AYO subscribed for a further 4% of the issued share capital in 4Plus and on 16 December 2019 for a further 7% of the issued share capital in 4Plus. On the 18 December 2020 AYO subscribed for a further 2% of the issued share capital in 4Plus. On 20 September 2021, AYO subscribed for a further 3% of the issued share capital in 4Plus. As at 31 August 2022, AYO has a total shareholding of 25% in 4Plus.	25	25	-	1 432
Louisyahna On 4 July 2021, AYO subscribed for 20% of the issued share capital in Louisyahna. Louisyahna is a company which operates in property technology.	20	20	-	-
Loot B2B On 8 March 2019, AYO subscribed for 19% of the share capital in Loot B2B for a consideration of R15 million. On 18 December 2020, AYO subscribed for a further 11% of the share capital in Loot B2B for a consideration of R10 million. As at 31 August 2023, AYO has a total shareholding of 30% in Loot B2B.	30	30	-	-
Kyramanzi On 7 January 2022, AYO subscribed for 20% of ordinary shares in Kyramanzi for a subscription price of R5 million. Kyramanzi is a company with interests in the property sector.	20	20	-	-
Synclabs On 1 June 2022, AYO subscribed for 15% of the issued share capital in Synclabs for a consideration of R45 million. Synclabs is a company which operates an e-learning platform and provides university level courses in the fields of software development, Internet of Things (IOT), Artificial Intelligence (AI) and robotics that help businesses improve on automation of their manufacturing and other processes.	-	15	-	-
AOH On 11 October 2021, AYO subscribed for 25% of ordinary shares in AOH for a subscription price of R2.8 million. AOH specialises in property technology and allows AYO to be a part of a rising disruptive technology.	25	25	-	-
Fueltech On 28 July 2022, AYO subscribed for 10% of ordinary shares in Fueltech for a subscription price of R10 million. Fueltech is a company with interests in the fueltech sector.	10	10	-	-
Closing balance			118 227	116 059

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

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

	2023 R'000	2022 R'000
Reconciliation of investments		
Opening balance	116 059	125 141
Additions - 4Plus	-	24 000
Additions - Kyramanzi	-	5 000
Additions - AOH	-	2 850
Additions - Synclabs	-	4 500
Additions - FuelTech	-	10 000
Additions - African Innovation	12 000	-
Loss on disposal of LMLA	-	(11 915)
Changes in fair values	(9 832)	(43 517)
Closing balance	118 227	116 059

Total investments for the year: R12 million.

Bambelela

On 28 September 2018, AYO concluded the acquisition of a 32% shareholding in Bambelela. Bambelela holds a 49% shareholding in Vunani Limited a diversified financial services group. A fair value gain of R3.6 million was recognised in the current year.

LMLA

LMLA was disposed of in the previous financial year. (Refer to Nevzotron loan note 9)

Investment in 4Plus

The Group invested R24 million in the investment in the prior year, however, a fair value loss of R1.9 million was recognised in the current year because of the delayed recovery as a result impact of Covid-19 on the cash flow forecast of the underlying businesses in 4Plus. 4Plus' major investment (Volt) is also a start-up business which is still in its early stage of development whereby it requires working capital investment, but the capital growth is only achievable in the long term. The investment was written down to nil in the current year.

Investment in Kyramanzi, AOH, Synclabs, Louisyahna and Loot B2B

Kyramanzi, AOH, Synclabs, Louisyahna were fair value adjusted to nil in the current financial year. Loot B2B was fair value adjusted to nil in the prior financial year.

Fueltech Proprietary Limited ("Fueltech")

On 28 July 2022, AYO subscribed for 10% of ordinary shares in Fueltech for a subscription price of R10 000 000. Fueltech is a company with interests in the fuel sector. The investment's fair value was adjusted to nil in the prior year.

African Innovation Academy ("African innovation")

On 7 February 2023, AYO subscribed for 25 (25%) shares in African Innovation Academy at R12 million. This Academy has an interest in development and advancement of African businesses in the information and technology sector.

Fair value information

Refer to note 43 for details on the fair value information of the investments.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

11. DERIVATIVES

11.1 Derivative Financial asset

	Audited 2023 R'000	Audited 2022 R'000
Opening balance	113 738	-
Fair value adjustments on derivative liability	-	-
*Recognition of call option	-	113 738
Derecognition of call option	(113 738)	
Total	-	113 738

* In the prior year, GCCT was consolidated in the Group, with the AYO call options being eliminated however, on 1 November 2021, AYO lost control of GCCT, resulting in both the call option and the put option being recognised in the consolidated financial results the current year.

11.2 Derivative Financial liability

	Audited 2023 R'000	Audited 2022 R'000
Opening balance	39 017	19 953
Fair value adjustments	(39 017)	19 064
Closing balance	-	39 017

As per the share sale agreements, AYO has a written option which gives AEEI the right to sell to AYO its 60% shareholding in Mainstreet and its 31% shareholding in GCCT. The options are exercisable between three to four years from the date of purchase of Mainstreet and GCCT. Mainstreet was acquired on 9 February 2019 and GCCT was acquired on 1 March 2019. These options have been fairly valued at year-end and the fair value adjustments of R19 million on the derivative liability and R114 million on the derivative asset have been disclosed in other operating gains/losses. The options lapsed and were derecognised on 9 February 2023. The were realised into the income statement.

On 20 February 2023 the following options expired, (these options were entered into on 9 February 2019):

1. A call option where AYO could purchase 60% of AEEI shares in Mainstreet.
2. A put option where AYO could sell its 40% shareholding in Mainstreet.
3. A call option in favour of AEEI where AEEI could purchase AYO's 40% shareholding in Mainstreet from AYO.
4. A put option in favour of AEEI where AEEI could sell its 60% shareholding in Mainstreet to AYO.

The exercise prices for the above options were based on formulas stated in the agreements. Given the nature of these options, should one option be exercised the remaining options would lapse. As at 20 February 2023, the AYO call option and AYO put option listed above were "in the money" where as the AEEI call option and put option were "out the money". However, these options were not exercised due to management taking into consideration the business risk of controlling the entities. As a result, the options were derecognised on 20 February 2023. At derecognition date the AYO call option was the option being the higher value amounted to R61 million (2022: R61 million). Although the AEEI options were "out the money", should AEEI exercise the put option, AYO would have an obligation to pay R39 million (2022: R39 million) for the 60% in Mainstreet. At 20 February 2023 this option was not exercised and hence there was no obligation on AYO and the liability was derecognised.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

12. FINANCE LEASE RECEIVABLES

	2023 R'000	2022 R'000
Gross investment in the lease due	3 131	17 868
- within one year	3 131	14 638
- in second to fifth year inclusive	-	3 230
Less: Unearned finance income	-	(1 588)
	3 131	16 280
Present value of minimum lease payments due		
- within one year	3 131	13 149
- in second to fifth year inclusive	-	3 131
	3 131	16 280
Split between non-current and current portion		
Non-current assets	-	3 131
Current assets	3 131	13 149
	3 131	16 280

The average lease terms are three to five years and the average effective lending rate was 22% (2022: 22%). The finance lease arrangements relate to the Group's managed services segment. The finance lease arrangements are for equipment, which includes laptops, printers, tablets and CCTV equipment.

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

13. DEFERRED TAX

	2023 R'000	2022 R'000
Deferred tax liability	(52 040)	(67 371)
Deferred tax asset	138 518	93 833
Total net deferred tax asset	86 478	26 462
Deferred tax liability		
Property, plant and equipment	(3 780)	(3 256)
Right of use assets	(11 926)	(25 151)
Intangible assets	(36 334)	(36 140)
Prepaid expenses	-	(2 824)
Total	(52 040)	(67 371)
Deferred tax asset		
Provisions	70 401	24 416
Allowance for credit losses	2 575	815
Income received in advance	8 191	2 088
Fair value adjustments on investments	11 782	26 251
Lease liabilities	14 040	28 513
Prepaid expenses	8 355	-
Deferred tax balances from temporary differences other than unused tax losses	115 344	82 083
Tax losses available for set-off against future taxable income	23 174	11 750
Total	138 518	93 833

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

13. DEFERRED TAX (continued)

	2023 R'000	2022 R'000
Reconciliation of deferred tax asset/(liability)		
Balance at the beginning of the year	26 462	22 238
Change in tax rate	-	(2 088)
Business combinations	1 360	1 372
Allowance for credit losses	1 716	(2 769)
Provisions	44 345	4 272
Tax losses available for set off against future taxable income	11 437	2 925
Accelerated capital allowances of property, plant and equipment	(524)	1 711
Taxable temporary differences movement on intangible assets	(194)	(8 786)
Prepaid expenses	11 222	(2 854)
Fair value adjustment on investments	(14 804)	10 696
Lease liabilities	(14 514)	(15 912)
Income received in advance	5 827	(1 363)
Right of use assets	14 145	17 020
Balance at the end of the year	86 478	26 462

Deferred tax is provided for on unutilised assessed losses of the Group based on forecasts made by management that provide convincing evidence that the utilisation thereof is probable. Management has prepared a forecast for each statutory entity in an assessed tax loss position, based on the up-to-date market assumptions as well as using the experience gained in the prior years.

14. INVENTORIES

	2023 R'000	2022 R'000
Finished goods	119 564	95 086
Consumables	10 087	1 168
Goods in transit	1 344	60 154
Work in progress	114 895	51 624
Total	245 890	208 032
Inventory written down to net realisable value	(7 231)	(7 781)
Net carrying amount	238 659	200 251

R7.2 million (2022: R7.8 million) of inventory was written off in the current year. The carrying value of inventory R239 million (2022: R200 million) is carried at net realisable value.

The inventory write down (R7 231) to net realisable value relates primarily to the write down of work in progress stock held for an onerous contract. This write down is in other operating expenses. Refer to note 30 for more detail.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

15. TRADE AND OTHER RECEIVABLES

	2023 R'000	2022 R'000
Financial Instruments:		
Trade receivables	424 780	373 218
Loss allowance	(17 924)	(10 366)
Trade receivables at amortised cost	406 856	362 852
Deposits	18 570	17 220
Accrued income	389	3 936
Funds held in Trust	89 590	352 206
Related party receivables	68 797	14 493
Expected credit loss of related party receivables	(14 081)	(14 081)
Sundry customers	10 384	23 042
Non-financial instruments		
Value added taxation	32 783	7 589
Prepayments	29 677	27 087
Provision for impairment of prepayments	(9 041)	(9 041)
*Other prepayments	619 423	-
Total	1 253 345	785 303

* Other prepayments are funds paid out to the PIC in relation to the AYO/PIC settlement agreement. Once the settlement agreement conditions are met there will be an effect on the equity of the company.

Accrued income and sundry customers

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

Funds held in trust

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

Provisions for prepayment

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

Provisions for impairment of related party receivables

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

Credit quality of trade and other receivables

89% (2022: 74%) of the Group's trade receivables stems from the managed services segment. The credit risk for this segment has been assessed as low by the divisional management as the majority of the receivables are classified as current based on their recent payment history of the debtors.

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

9% (2022: 22%) of the Group's trade receivables stem from sales within the Unified communications segment. The credit risk for this segment has been assessed as low by the divisional management as the majority of the receivables are less than 60 days overdue and the segment currently has insurance on receivables. The insurance company responsible for the underwriting of the insurance receivables has a credit rating of AA+.

2% (2022: 2%) of the Group's trade receivables stem from sales within the Healthcare, Software and consulting and Tracking solutions segments. These sales are predominantly to state institutions, recoverability of these customers are extremely good. The credit risk has been assessed as low by the divisional management at year-end based on recent payment history. Credit concentration is high as sales are to few customers and there have been low defaults in the past.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

15. TRADE AND OTHER RECEIVABLES (continued)

Categorisation of trade and other receivables

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

	2023 R'000	2022 R'000
Financial instruments	580 504	759 668
Non-financial instruments	672 842	25 635
	1 253 345	785 303

Expected credit loss allowance

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

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

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

On the above basis the expected credit loss allowance for trade receivables as at 31 August 2023 was determined as follows:

	Gross amount R'000	Expected credit loss rate	Lifetime expected credit loss R'000	Carrying amount R'000
Current	157 996	0%	(663)	157 333
Past due 30 to 60 days	52 381	(1%)	(393)	51 988
Past due 60 to 90 days	68 305	(2%)	(1 623)	66 682
Past due 90 days and older	146 099	(10%)	(15 246)	130 853
	424 781	-	(17 925)	406 856

On the above basis the expected credit loss allowance for trade receivables as at 31 August 2022 was determined as follows:

	Gross amount R'000	Expected credit loss rate	Lifetime expected credit loss R'000	Carrying amount R'000
Current	207 774	0%	(802)	206 972
Past due 30 to 60 days	40 417	(1%)	(205)	40 212
Past due 60 to 90 days	36 408	(2%)	(649)	35 759
Past due 90 days and older	88 619	(10%)	(8 710)	79 909
	373 218	-	(10 366)	362 852

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

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

	2023 R'000	2022 R'000
Reconciliation of expected credit loss		
Loss allowance opening balance	10 366	10 440
Net movement charged to profit or loss	7 790	2 846
Allowances reversed through profit or loss	(231)	(1 914)
Loss of control in subsidiary	-	(1 007)
Closing balance	17 925	10 366

There was an increase in the trade debtors balance, however, the expected credit loss remained consistent with that of the prior year. In the prior year, the majority of trade debtors were aged 90 days or over, 51% in the current year of trade debtors are current. The expected credit loss rate for debtors that are over 90 days is higher than that of current debtors.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

15. TRADE AND OTHER RECEIVABLES (continued)

Fair value of trade and other receivables

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

For more information on credit risk refer to note 42.

Generally, trade receivables are written-off if past due for more than two years and are not subject to enforcement activity as that is when it is determined that there is no reasonable expectation of recovering a financial asset or portion thereof.

16. OTHER FINANCIAL ASSETS

Other financial assets are comprised of:	2023 R'000	2022 R'000
At fair value through profit or loss		
Cadiz Life Investment Enterprise Development Fund	216	1 001
The fund is an innovative new investment whereby corporate clients can earn the required Enterprise development points in terms of the DTI scorecard for B BBEE compliance and at the same time earn real returns from the once-off investment.		
Funds invested in Unit trusts	13 165	12 252
Funds invested in Unit trusts		
Vunani Securities Proprietary Limited ("Vunani Securities")	184 368	200 357
AYO invested funds of R183.3 million (2022: R183.3 million) in the stock market through Vunani securities. Fair value gains of R5.6 million (2022: R17.1 million) were recognised on the portfolio for the year ended 31 August 2023.		
Inyosi Supplier Development Fund	1 153	-
The Inyosi Enterprise Development Investment and the Inyosi Supplier Development Investment are two specialist investment funds which focus on providing funding and ancillary support to black-owned businesses. These funds are managed in accordance with their B-BBEE mandate. The Enterprise Development Fund is interest bearing whereas the Supplier Development Fund bears no interest.		
Foreign exchange contracts	1 010	1 772
Total for fair value through profit or loss	199 912	215 382
Loans and receivables at amortised cost		
Supplier development loan	1 000	1 970
The loans were provided as part of the Group's enterprise supplier development process. The loans are interest free and receivable as follows: - R1 000 000 repayable 31 May 2023 - R1 000 000 by no later than 31 August 2021 Repayment terms on the outstanding balance has been extended to no later than 31 August 2023.		
Staff loans	5 688	4 158
The loans bear no interest, are dependent on service terms committed and are repayable on demand should the employee leave the employment of the company earlier than the committed service term.		
Uhula ICT Proprietary Limited ("Uhula")	1 700	1 700
The loan is unsecured, bears no interest and is repayable within the next 12 months.		
	8 388	7 828
Total other financial assets	208 300	223 210

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

The Group has not reclassified any financial assets from amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year. The Group only recognises ECL on financial assets held at amortised cost .

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

16. OTHER FINANCIAL ASSETS (continued)

Fair values information

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

Fair values are determined annually at reporting date.

Refer to note 43 for detail on assumptions and methods used to determine fair values for unlisted investments.

17. CASH AND CASH EQUIVALENTS

	2023 R'000	2022 R'000
Cash and cash equivalents consists of:		
Cash on hand	188	172
Bank balances	189 469	1 114 740
Bank overdraft	(6)	(3 079)
Total	189 651	1 111 833
Current assets	189 657	1 114 912
Current liabilities	(6)	(3 079)

The Group has the following facilities in place:

Nedbank Limited (“Nedbank”)

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

- Overdraft facility to the value of R7 million.
- Vehicle-and-asset finance facility to the value of R156 966.
- A medium-term loan facility which was settled during the prior year.
- AYO has not yet signed for their 76% ownership in Kalula due to being under review by Nedbank.

The above facilities with Nedbank are secured as follows:

- Limited surety signed by AS Brown who is the CEO and a shareholder of Kalula Communications Proprietary Limited to the value of R8 million.
- Limited surety signed by Communications Products Proprietary Limited which is a company that AS Brown has shareholding in to the value of R5.3 million.
- Limited surety signed by Biton Music Productions Proprietary Limited which is a company that AS Brown has shareholding in to the value of R7.5 million.
- A first, second and third covering mortgage bonds over erf 14290 Somerset West by Biton Music Productions Proprietary Limited, reflected as a mortgagor, and Nedbank, reflected as mortgagee of R3 million, R4 million and R500 000 respectively,
- Limited surety signed by AYO to the value of R5.6 million in relation to Kalula.
- Security cessions in favour of Nedbank of a Discovery Life assurance policy by Kalula with a minimum cover of R4 million over the life of AS Brown.

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

17. CASH AND CASH EQUIVALENTS (continued)

	2023 R'000	2022 R'000
Bank balances are held with		
Absa Bank Limited – Ba2	410	55 627
Ninety One Fund Managers SA (RF) Proprietary Limited – Baa3	-	697 380
Investec Bank Limited-Ba2	38 234	-
Mercantile Bank Limited-Ba2	27 100	-
Sasfin Bank Limited-Baa2	14 892	14 709
Nedbank Limited – Ba2	18 721	63 411
Vunani Securities	8 618	98 196
Access Bank Botswana Limited BB-	6 572	9 387
Windhoek Bank BB-	27 450	25 871
Standard Bank of South Africa Limited – Ba2	38 429	144 130
First National Bank Limited – Ba2	6 027	5
HSBC Bank Limited A1	363	(110)
Cash on hand	308	172
AfrAsia Bank Limited	2 527	3 055
Total	189 651	1 111 833

18. STATED CAPITAL

	2023 R'000	2022 R'000
Authorised		
2 000 000 000 Ordinary shares of no par value	-	-
Issued		
343 319 040 (2022: 344 123 944) Ordinary shares	4 349 280	4 349 280
Share premium	173 444	173 444
Share issue costs	(78 314)	(78 314)
Treasury shares	(3 359)	(2 922)
Closing balance	4 441 051	4 441 488

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

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

AYO acquired 133 555 (2022: 804 904) of its own shares through purchases on the JSE during the period under review. The acquired shares have been accounted for as treasury shares.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

19. RESERVES

Share-based payment reserve

Prior to listing, the Company issued 31 960 000 shares to a BBBEE Consortium at an issue price of R1.50 per share. The shares were issued for cash and the BBBEE Consortium is restricted from selling the shares for a period of five years from the issue date. The fair value of the shares at the date of issuance was R1.87, which was the net asset value of the Company on transaction date. In line with IFRS 2, an adjustment of R11 809 375 was recognised to account for the difference between the issue price and the fair value of the shares. The adjustment was recognised as an expense in the Statement of profit or loss, with the contra recognised directly in equity. The restriction period lapsed in December 2022 and share based payment reserved was realised in the income statement.

Translation of foreign operations

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

NCI put option reserve

The Non-controlling interest (“NCI”) put option reserve arose in respect of the accounting for the written put options entered into by the Company over the non-controlling interest shares of Mainstreet and GCCT respectively. At a Group level these written put options are considered to be options over own equity. The share options lapsed on 9 February 2023 and the amount was realised in the income statement.

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

Change in Ownership Reserve

Changes in ownership interests in subsidiaries without change of control. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity

	2023	2022
	R'000	R'000
Share-based payment reserve	-	11 809
Foreign currency translation reserve	(1 278)	2 206
Revaluation reserve	534	221
Changes in ownership reserve	(36 169)	(31 186)
Written NCI put option reserve	-	(14 795)
	(36 913)	(31 745)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

20. LEASE LIABILITY

	2023 R'000	2022 R'000
Maturity analysis		
Less than one year	24 441	32 788
One to five years	30 951	73 071
More than five years	2 351	17 917
Less : Future finance charges	(6 271)	(17 248)
Total lease liability	51 472	106 529
Non-current liabilities	28 616	76 660
Current liabilities	22 856	29 869
	51 472	106 529
Amounts recognised in profit or loss		
Interest on lease liability	8 453	7 985
Depreciation on the right of use assets	37 046	27 357
Expenses relating to short-term leases	514	170
Income from sub-leasing of right-of-use assets	-	-
Total	46 013	35 512

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

The average lease term was 3 - 10 years and the average incremental borrowing rate was 7.25%-9% (2022: 8.5%).

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

Lease payments not recognised as liability

The lease liability increased in the current financial year due to new leases entered into.

21. EMPLOYEE BENEFIT OBLIGATION

	2023	2022
Long-term employee benefit obligation		
SGT Solutions Proprietary Limited rewards employees with long service by remunerating them with a lump sum after a specific number of service years. Employees receive a bonus of 50% of their monthly pensionable salary after 10 years' service, 75% after 15 years' service, 100% after 20 years' service, 125% + R5000 after 25 years' of service, 150% after 30 years' service, 175% after 35 years' service, 200% after 40 years' service. Simeka Consultants and Actuaries calculated the value of the employer's liability towards qualifying employees as at 31 August 2023.		
Balance at the beginning of the year	3 233	5 476
Additions arising from business combination	-	-
Disposal arising from business combination	-	1 671
Benefits paid	(588)	(443)
Net expenses recognised in the profit or loss	586	(129)
	3 231	3 233
The principle actuarial assumptions were as follows: Assumptions used on last valuation on 1 January 2020.		
Valuation rates:	10.75%	
Discount rates	5.86%	
Inflation rate	6.86%	
Future salary increases*	3.64%	
Real rate (approximate)#		

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

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

The deferred revenue is released to the income statement in line with the costs incurred over the period of the contract.

Retirement

A normal retirement age of 65 was assumed for employees. No provision was made for retirement before or after the normal retirement age.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

22. DEFERRED INCOME

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

	2023 R'000	2022 R'000
Reconciliation		
Opening balance	45 075	33 252
Additions	50 673	59 349
Loss of control in subsidiary	-	(2 775)
Revenue recognised on delivery of goods or services previously paid for	(75 753)	(44 751)
Closing balance	19 995	45 075

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

GCCT deferred income was for the two months to 31 October 2021. AYO lost control of the subsidiary on 1 November 2021 and no longer consolidates GCCT.

Refer to note 26 for IFRS 15 disclosures.

23. TRADE AND OTHER PAYABLES

	2023 R'000	2022 R'000
Financial instruments:		
Trade payables	238 735	223 653
Non-financial instruments:		
Leave pay and other accruals	108 550	119 484
Amounts received in advance	1 769	347
Value added taxation	56 308	50 119
Total	405 362	393 603

Fair value of trade and other payables

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

24. PROVISIONS

Reconciliation of provisions

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Reconciliation of provisions - 2023					
Commission and incentive programme	5 222	3 781	(3 403)	(131)	5 469
Bonuses	12 931	6 764	(10 289)	(374)	9 032
Onerous contract	3 753	-	-	-	3 753
Project and product warranties and product risk	10 007	83 128	(376)	(9 324)	83 435
Fine - JSE	2 000	101	(1 502)	(497)	102
Legal costs	16 662	-	-	-	16 662
Reimbursement- Puleng severance cost	1 210	-	(1 210)	-	-
VAT reimbursement	-	99 866	-	-	99 866
Total	51 784	193 640	(16 780)	(10 326)	218 318

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

24. PROVISIONS (continued)

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Reconciliation of provisions - 2022					
Commission and incentive programme	2 323	13 534	(9 495)	(1 140)	5 222
Bonuses	13 795	12 701	(13 379)	(186)	12 931
Onerous contract	3 645	108	-	-	3 753
Project and product warranties and product risk	13 479	9 517	(213)	(12 776)	10 007
Provisions for marketing and promotions	261	-	(193)	(68)	-
Total	33 502	55 732	(23 280)	(14 170)	51 784

Commission

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

Bonuses

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

Provision for project, product warranties and risk

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

Legal costs

The legal loss provision is based on a legal case between the company and SITA/Eastern Cape Department of Education. Legal experts are of the opinion that we provide for a potential loss, being the profit that was made from SCH9 and SCH10 of this deal. The company requested the court for a just and equitable settlement from the case, which will not include any profit making from this deal. Therefore management has made an estimate that a profit of R16 661 884.93 that was made from SCH9 and SCH10 is at risk of not being included in the settlement amount.

VAT

On 9 November 2023 AYO received a VAT assessment from SARS after a verification audit. The outcome of the assessment process, is that SARS disallowed a full input tax deduction on mixed expenses that AYO incurred and rather applied the apportionment method, leading to a liability recognised as a provision in the current year. However, AYO is in dispute with the method applied by SARS as it does not yield a fair and equitable result. SARS allowed AYO to respond to the assessment, AYO responded to the assessment and the matter is pending and still ongoing. At the time of reporting SARS had not responded to AYO.

25. CONTINGENT CONSIDERATION LIABILITIES

	2023 R'000	2022 R'000
Opening balance	-	24 228
Contingent consideration arrangements entered into	-	-
Kathea Communications	-	-
Amount due for payment	-	(30 000)
Settlements	-	5 772
Fair value adjustments	-	-
Closing balance	-	-

The contingent consideration arrangement for Kathea Communications requires AYO to pay the former owners of Kathea Communications an advanced earn-out amount of R15 million on 15 November 2021 and an additional amount of R15 million for achieving certain earn-out targets for the 2022 for the 2023 financial year of Kathea Communications.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

25. CONTINGENT CONSIDERATION LIABILITIES (continued)

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

For fair value information refer to note 43.

26. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers	2023 R'000	2022 R'000
Sale of goods	1 434 845	1 055 849
Rendering of services	818 649	699 330
	2 253 494	1 755 179
Disaggregation of revenue from contracts with customers		
The Group disaggregates revenue from customers as follows:		
Sale of goods	1 434 845	1 055 849
Rendering of services	818 649	699 330
Fees earned	191 144	335 512
Service revenue	627 505	363 818
Total revenue	2 253 494	1 755 179
Timing of revenue recognition by revenue pattern		
At a point in time		
Software- and consulting-related	21 577	16 653
Communication Products and hardware-related	540 747	352 942
Project-related services	873 663	691 480
	1 435 987	1 061 075
Over-time		
Software- and consulting-related	14 267	27 770
Communication Products- and hardware-related	75 330	76 463
Project-related services	727 910	589 871
	817 507	694 104
	2 253 494	1 755 179

Revenue disaggregated by primary geographical markets is as follows: 2023	South Africa R'000	Rest of Africa R'000	Europe R'000	USA R'000	Total R'000
Software and consulting	19 725	13 214	3 672	-	36 611
Security solutions	3 383	-	-	-	3 383
Unified communications	466 595	80 202	-	-	546 797
Health care	65 897	-	-	-	65 897
Tracking solutions	-	-	-	-	-
Managed services	1 581 473	18 992	201	141	1 600 807
Total	2 137 072	112 408	3 873	141	2 253 494

Revenue disaggregated by primary geographical markets is as follows: 2022	South Africa R'000	Rest of Africa R'000	Europe R'000	USA R'000	Total R'000
Software and consulting	31 127	360	9 509	3 427	44 423
Security solutions	-	-	-	-	-
Unified communications	342 452	22 853	-	-	365 305
Health care	64 102	-	-	-	64 102
Tracking solutions	8 677	-	-	-	8 677
Managed services	1 259 874	-	-	12 798	1 272 672
Total	1 706 232	23 213	9 509	16 225	1 755 179

Unsatisfied long-term warranties and maintenance contracts

Transaction price allocated to long-term contracts

19 995	38 189
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Management expects that 100% of transaction price allocated to the unsatisfied contracts as at period ended 31 August 2022 will be recognised as revenue in the period ended 31 August 2023.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

27. COST OF SALES

Comprised of:	2023 R'000	2022 R'000
Sale of goods	1 354 465	908 579
Rendering of services	360 494	375 535
Employee costs	179 253	81 777
Depreciation and amortisation	1 489	1 643
Discount received	6 532	
	1 902 233	1 367 534

28. OTHER OPERATING INCOME

	2023 R'000	2022 R'000
Other income	10 491	5 782
Dividend income	11 108	9 076
Rental income	-	251
Fees earned	(94)	137
Recoveries	960	450
Administration fees	(981)	316
	21 484	16 012

29. OTHER OPERATING GAINS/(LOSSES)

	2023 R'000	2022 R'000
Gain on sale of business	-	4 586
Fair value gains/(losses) on investments designated as at fair value through profit or loss	15 762	(28 871)
Fair value loss on NCI written put option	-	(19 063)
*Fair value gains/(losses) on call options	(114 478)	113 739
Net foreign exchange gains/(losses)	(159)	6 140
Fair value (losses)/gains on contingent considerations	-	(5 772)
Loss on sale of investments	-	(10 434)
Profit on sale of property, plant and equipment	117	543
Profit on sale of intangible assets	-	6 391
Profit on early termination of lease	7 154	293
Fair value loss - initial recognition of loan	-	(8 675)
Fair value of BBBEE shares	11 809	-
	(79 795)	58 877

* In the prior year, GCCT was consolidated with the AYO call options eliminated however, on 1 November 2021, AYO lost control of GCCT, resulting in both the call option and the put option being recognised in the current year in the consolidated annual financial statements.

See note 11 Derivatives.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

30. OTHER OPERATING EXPENSES

Major items included in other operating expenses:	2023 R'000	2022 R'000
Employee costs	275 199	321 299
Depreciation and amortisation	50 967	60 011
Impairment expenses	9 952	75 868
Consulting fees	137 470	121 336
* VAT apportionment	99 866	
Retrenchment costs	27 316	-
^Other operating expenses	265 038	228 856
	865 808	807 370

* Some expenditure was disallowed by SARS due to Binding General Ruling 60 meaning AYO was earning more interest as compared to revenue. As a result of this, a reassessment dating back to the 2018 financial year was performed by the Company pending the outcome from SARS reassessment which resulted in the addition of R99 million to provisions. Refer to note 24 Provisions.

^ Included in other operating expenses are legal fees, management fees, research and development and marketing costs.

31. FINANCE INCOME

	2023 R'000	2022 R'000
Bank and cash	31 769	66 502
Interest - Related party companies	8 364	9 241
Loans receivable	60 206	36 512
Cumulative preference shares - Bambelela	9 470	8 668
Cumulative preference shares - 4Plus interest	20 076	9 981
Cumulative preference shares - Loot B2B interest	4 209	2 695
Cumulative preference shares - Fulisync	696	561
Funds in Trust	15 618	5 747
Other financial assets	53	7 487
	150 461	147 394

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

32. INCOME TAX EXPENSE

	2023 R'000	2022 R'000
Major components of the tax expense		
South African normal taxation	50 352	46 367
Under provision – prior periods	(227)	(118)
Total current tax expense	50 125	46 249
Deferred tax expense		
Deferred tax arising on originating and reversing temporary differences	(62 515)	(14 880)
Arising from prior period adjustments	(116)	118
Deferred tax expense (income) resulting from reduction in tax rate*	-	1 417
Total deferred tax expense	(62 631)	(13 345)
Total tax expense	(12 506)	32 904
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	(651 320)	(233 160)
Tax at the applicable tax rate of 27% (2022: 28%)	(175 856)	(65 285)
Tax effect of adjustments on taxable income		
Impairment loss	70 310	27 934
Donations	7 556	670
Legal fees	3 432	12 776
Fines and penalties	45	772
Tax losses utilised	-	-
Prepaid expenses	(10 184)	5 189
Learnerships	(2 262)	(1 031)
Expected credit losses	(6)	722
Consulting fees	18 467	11 110
Provisions non-deductible	(2 148)	(8 440)
Interest income on preference shares exempt from tax	(21 037)	(6 134)
SARS Interest on late payment of tax	5 583	151
Interest on lease liabilities	2 563	1 370
Depreciation on right-of-use assets	5 487	4 068
Lease payments claimed as a deduction	(6 199)	(7 785)
Profit on sale of assets	4 471	(630)
Dividend income exempt from tax	(5 699)	(3 920)
Fair value and accounting adjustments	15 646	(6 295)
Profit from equity accounted joint venture	2 510	(7 070)
Change in Tax Rate	-	1 424
Foreign exchange gains	35	-
Interest income exempt from tax	(16)	(10)
Interest expense on lease liabilities	-	(929)
Non-deductible expenditure	74 796	74 247
	(12 506)	32 904

* On 23 February 2022, the minister of Finance announced a reduced corporate tax rate from 28% to 27%. The new tax rate is considered substantively enacted, therefore 27% was used to calculate the deferred tax movement

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

33. EARNINGS PER SHARE

	2023 R'000		2022 R'000	
Earnings per share ("EPS") is derived by dividing the earnings attributable to equity holders of AYO by the weighted average number of ordinary shares.				
Basic and diluted (loss)/earnings per share (cents)		(179.97)		(78.6)
There are no diluted options and other diluted potential ordinary shares, therefore, basic and diluted (loss)/earnings are the same.				
The (losses)/earnings and weighted average number of ordinary shares used in the calculation of basic and diluted (losses)/earnings per share are as follows:				
(Losses)/earnings attributable to shareholders of AYO		(617 867)		(270 303)
Weighted average number of shares (000)		343 314		343 878
Net asset value per share				
Net asset value per share (cents)		660		904
	Gross of tax	Net of tax	Gross of tax	Net of tax
Headline earnings per share				
Headline loss/earnings is determined as follows: (Loss)/earnings attributable to shareholders of AYO		(617 867)		(270 303)
Adjusted for:				
Profit on sale of property, plant and equipment	(117)	(85)	(405)	(292)
Loss on disposal of subsidiary	11 122	8 119	(4 586)	(3 302)
Profit on sale of intangibles	-	-	(6 391)	(4 602)
Impairment of intangibles and property, plant and equipment	-	-	2 969	2 137
Goodwill impairment	-	-	69 135	69 135
Headline earnings		(609 833)		(207 226)
Weighted average number of shares (000)		343 314		343 878
Headline (loss)/earnings per share (cents)		(177.63)		(60.26)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

34. CASH GENERATED BY OPERATIONS

	2023 R'000	2022 R'000
Profit before tax	(651 320)	(233 160)
Adjustments for:		
Depreciation and amortisation	41 026	61 950
(Loss)/profit on sale of property, plant and equipment	-	389
Profit on sale of assets	(255)	(6 391)
Share of profit from equity - accounted joint venture		(25 250)
Dividend income	(11 108)	(8 430)
Finance income	(152 322)	(147 394)
Finance cost	16 967	13 892
Fair value gains (losses)	60 439	57 482
Inventory write down to net realisable value	263	8 415
Foreign exchange gains (losses)	1 139	(6 335)
Loss on sale of investments	-	(1 481)
Impairment of assets	443	44 640
Impairment of loans to related parties	8 154	-
Impairment of other loans receivable	190 487	-
IFRS 2 adjustment	(11 809)	-
Funds in trust legal fees	30 890	
Loss on sale of subsidiary	-	(4 586)
Loans day one losses	-	8 677
Movements in provisions	166 995	19 461
Employee benefit expenses	234	-
Expected credit losses on trade receivables	(1 268)	1 019
Gain on early termination of lease	(7 153)	
Changes in working capital		
Inventories	(38 724)	(67 723)
Trade and other receivables	(672 809)	(42 576)
Trade and other payables	18 937	96 107
Deferred income	1 053	10 040
Cash utilised in operations	(1 009 741)	(221 253)

35. TAX PAID

	2023 R'000	2022 R'000
Tax payable balance at the beginning of the year	13 496	1 184
Business combinations	-	(3 760)
Current tax for the year recognised in profit or loss	12 506	(32 904)
Balance at the end of the year	(45 804)	13 496
Tax paid	(19 802)	(21 984)

36. DIVIDENDS PAID

	2023 R'000	2022 R'000
Dividends declared	204 779	224 000
Dividends paid	(198 274)	(214 311)

A gross final dividend of 60 cents per share in South African rand was declared and paid by the Board of Directors in respect of the year ended 31 August 2022. Refer to the directors' report for more information.

Prioritising shareholders' interests, whose ultimate important beneficiaries are Government Employee Pension Fund members, the Group deploys a hybrid dividend model for some years now, it continues to pay out a stable dividend even in leaner periods, as it is something that investors can rely on. In the more profitable years, which AYO expects to return to in the immediate future, shareholders can take advantage of additional dividends. AYO thus makes good on its mandate to deliver value to stakeholders.

AYO is confident that as declared by its directors, it will be more than a going concern in the coming year and expects its solid turnaround strategy to bear fruit and return the Group to profitability by 2024.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

37. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities - 2023

	Opening balance	Business combinations/ (Loss in control of subsidiary)	Interest expenses	Fair value movements	Other non-cash movements	Total non-cash movements	Cashflows	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other financial liabilities	1 718	-	-	-	-	-	7 592	9 310
Lease liabilities	106 529	-	4 633	-	(36 729)	(32 096)	(22 961)	51 472
Loans from related party companies	-	-	-	-	-	-	-	-
Contingent liabilities	-	-	-	-	-	-	-	-
Derivative financial liabilities	39 017	-	-	-	(39 017)	(39 017)	-	-
Total	147 264	-	4 633	-	(75 746)	(71 113)	(15 369)	60 782

Reconciliation of liabilities arising from financing activities - 2022

	Opening balance	Business combinations/ (Loss in control of subsidiary)	Interest expenses	Other non-cash movements	Total non-cash movements	Cashflows	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other financial liabilities	2 136	-	3 908	13 144	17 052	(17 470)	1 718
Lease liabilities	125 652	-	8 127	(865)	7 262	(26 385)	106 529
Loans from related party companies	10 601	-	467	7 946	8 413	(19 013)	-
Contingent liabilities	24 228	-	-	-	5 772	(30 000)	-
Derivative financial liabilities	19 953	-	-	-	19 064	-	39 017
Employee benefits	5 476	(1 671)	-	(129)	(1 800)	(443)	3 233
Total	188 046	(1 671)	12 502	20 096	55 762	(93 311)	150 497

38. CONTINGENCIES

Litigation

On 31 May 2019 AYO received a summons issued by the PIC and GEPP. The summons sought a declaration that the subscription agreement entered into by the PIC with AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4.3 billion together with interest of 10.25% per annum accrued from 22 December 2017 to date of final payment. The Parties entered into a settlement agreement which was made an order of court on 24 of March 2023.

The extensive legal challenges, as set out below, which 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 its longevity. Whilst these prolonged processes are straining AYO's financial and human resources, forcing its operational focus and impeding its ability to concentrate on the strategic mandate management it is set to deliver on, it is important for shareholders to understand that some of these litigious matters were necessary to proceed with to ensure long-term sustainability and protect underlying investments of the Group. It is also worth noting that AYO as a Company is not an applicant in all the banking related litigation however AYO subsidiaries are. For the sake of transparency to our shareholders, AYO discloses these matters below. The board of directors are optimistic that there will be an end to the legal challenges in the new year.

On 25 August 2020, the State Information Technology Agency ("SITA") brought an application in the Eastern Cape High Court for an order to interdict the Eastern Cape Department of Education ("ECDOE") from continuing with a contract that the ECDOE has with Sizwe Africa IT Group Proprietary Limited ("Sizwe") which is a subsidiary of AYO, for the supply and lease of tablets to matric learners in the Eastern Cape. The Eastern Cape High Court granted the order for the interdict.

Legal experts are of the opinion that Sizwe must provide for a potential loss, being the profit that was made from components of the deal. Therefore, management has made an estimate and raised the provision for the amount. The parties are in negotiation to reach settlement.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

38. CONTINGENCIES (continued)

The Group instituted action against Futuretell Communication Proprietary Limited for going against the terms set in a loan agreement relating to a loan granted to them in 2019. The Group has instituted legal action in order to recover the loan.

The Group instituted action against Cortex Logic Proprietary Limited and its directors who stood surety for a loan that was granted in 2018. Judgement and settlement was ordered in favour of AYO for a sum of R14 million. A warrant of execution has been issued for the recovery of the outstanding amount.

There is a pending defamation claim against Pieter Louis Myburgh which forms part of a broader defamation claim against the Daily Maverick. The claim is for the amount of R5 million.

There is a pending defamation claim of R5 million against Amabhungane relating to an article published in 2021. A summons was issued in relation to the defamatory remarks.

The Group is party to an Equality Court application against ABSA and 26 others declaring that the decision of the banks to terminate and/or refuse to provide or to give notice of termination and/or refusal of banking services and facilities to the Group and other parties involved in the application is inconsistent with their obligations under the Constitution and the Promotion of Equality and Prevention of Unfair Discrimination Act.

Legal proceedings were instituted against Access Bank following the termination of AYO's bank accounts. An interim interdict application was opened against Access Bank to re-open the bank accounts and to launch a review application to set aside Access Bank's decision to terminate AYO's bank accounts and declaring the termination unlawful. The matter is currently on-going.

There is a claim for approximately R6.6 million from Volt Africa Proprietary Limited ("Volt") (hereinafter "the Volt Claim"), in which the Claimant (Volt) alleges that the aforesaid amounts constitutes alleged overpayments made to Afrozaar Proprietary Limited ("Afrozaar") under the auspices of two service contracts previously concluded between the respective parties.

For the claims against Afrozaar, prospects of success of the Volt claim are difficult to anticipate at this point as the claimant has not fully expanded on its claim nor responded to our submission or observations, therefore the claim merits are unclear. Afrozaar is a subsidiary company within the software and consulting services division.

The Group is also party to a High Court Parallel Application against ABSA and 22 raising contractual concerns regarding the banks' decision that the provision of banking facilities to their clients ought to be subject to constitutional control and that the termination by the banks of their banking relationship with their clients, purely on notice, is unconstitutional.

The application also seeks to highlight that the termination by the banks of their banking relationship with their clients, purely on notice is irrational, arbitrary and reviewable under the Promotion of Administrative Justice Act, alternatively under the principle of legality and/or the common law. And finally, the application requires a reviewing, correcting and setting aside of the withdrawal, termination and closure by the banks of the financial products or services and banking relationships with the Group and the other applicants.

The legal loss provision is based on a legal case between the company and SITA/Eastern Cape Department of Education. Legal experts are of the opinion that we provide for a potential loss, being the profit that was made from SCH9 and SCH10 of this deal. The company requested the court for a just and equitable settlement from the case, which will not include any profit making from this deal. Therefore management has made an estimate that a profit of R16.7 million that was made from SCH9 and SCH10 is at risk of not being included in the settlement amount.

During the year, AYO together with 35 others (hereinafter "the applicants") instituted an application with the Competition Tribunal against Nedbank Limited, Standard Bank of South Africa Limited, First Rand Bank Limited, ABSA Bank Limited, Mercantile Bank Limited, Sasfin Bank Limited, Investec Bank Limited, Bidvest Bank Limited, Access Bank Limited and the Competition Commission (hereinafter "the respondents") to interdict and restrain the respondents on an interim basis from terminating their relationship with the applicants and/or refusing to provide banking and payment services to the applicants.

Judgement was given on 16 September 2022, and the competition tribunal granted an order for the respondents to reinstate or restore the bank accounts including all services that they provided to the applicants that held accounts with it, on the same terms and conditions as existed prior to the closure or termination of the accounts. The order is for a period of six months from 16 September 2022 or the conclusion of an investigation into the conduct of the respondents by the Competition Commission.

As a result of the order, FNB has reopened the bank account that it had previously terminated for AYO. Nedbank has also reopened the bank accounts that it had previously terminated for AYO's subsidiaries.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

39. GOING CONCERN

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

The board of directors of Ayo (“Board”) have determined the appropriate basis of preparation of the audited consolidated financial statements after considering the Group’s significant risks, outstanding legal matters, the current financial performance of the Group, the Group’s financial budgets and assessing the solvency and liquidity of the Group taking into account the current financial position and existing cash resources.

On 31 May 2019 AYO received a summons issued by the PIC and GEPF. The summons sought a declaration that the subscription agreement entered into by the PIC with AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4.3 billion together with interest of 10.25% per annum accrued from 22 December 2017 to date of final payment. The Parties entered into a settlement agreement which was made an order of court on 24 of March 2023. AYO settled an amount of R619m to the PIC which has resulted in a lower net assets value however AYO remains solvent.

Subsequent to the receipt of the summons, the Company was reconfigured into an investment holding company and continues to trade as such through the portfolio of investments. Certain subsidiaries of AYO have been in existence for more than 20 years, delivering both satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level.

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

AYO’s previous banker, First National Bank Limited (“FNB”), closed its transactional banking facility with effect from 20 September 2023. The Company did not have any lending facilities with FNB. The Company together with 35 others instituted legal proceedings against FNB for its decision to close the Company’s transactional banking facility with the competition tribunal. The Company is making use of third party payment solutions. Furthermore, the investigation in relation to the complaint with the Competition Commission is still ongoing and shareholder will be provided with an update thereto in due course.

The board of directors of AYO (“Board”) have no intention to cease trading, curtail operations or liquidate the Company.

40. RELATED PARTIES

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

Significant related party transactions entered into include:

Entity name	Relationship
*African Equity Empowerment Investments Limited	Common shareholding
Afrinat Proprietary Limited	Common shareholding
espAfrika Proprietary Limited	Common shareholding
Orleans Cosmetics Proprietary Limited	Common shareholding
Vunani Fintech Fund Proprietary Limited	Joint venture
Global Command and Control Technologies Proprietary Limited	Associate
Exaro HST Proprietary Limited	Joint venture company of a subsidiary
Digital Health Africa Proprietary Limited	Joint venture company of a subsidiary
Mustek Limited	Company with similar directors to Zaloserve
Zaloserve Management Proprietary Limited	Shareholders are members of key management for Zaloserve
African News Agency Proprietary Limited	Common shareholding
Independent News and Media Proprietary Limited	Common shareholding
Independent Newspaper Proprietary Limited	Common shareholding
Loot Online Proprietary Limited	Common shareholding
Prodirect Investments 112 Proprietary Limited	Common shareholding
Sekunjalo Properties Proprietary Limited	Common shareholding
Sekunjalo Investment Holdings Proprietary Limited	Ultimate Holding Company
Omicare Family Healthcare Centre	Common director
Collateral Trading Proprietary Limited	Common director
Biton Music Productions Proprietary Limited	Common director
Saratoga Software Proprietary Limited	Common director
4Plus Technology Venture Fund Africa Proprietary Limited	Investment

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

40. RELATED PARTIES (continued)

Entity name	Relationship
Bambelela Capital Proprietary Limited	Investment
Loot B2B Proprietary Limited	Investment
Volt Africa Proprietary Limited	Investment
CreAlpha Proprietary Limited Investment	Investment
Dinaledi Proprietary Limited (Pref shares)	Investment
Kyramanzi Proprietary Limited Investment	Investment
Louisyahna Creations Proprietary Limited	Investment
Bowwood and Main No.180 Proprietary Limited	Common shareholding
Triplos Travel Proprietary Limited	Common shareholding
BT Communications Services South Africa Proprietary Limited	Common shareholding
Communication Products Proprietary Limited	Company with similar directors to Kalula
AOH Enterprises Proprietary Limited	Investment
Dr FM Surve	Family member of director
Springbok Consulting CC	Common shareholding
Sekunjalo Development Foundation	Common shareholding
Surve Philanthropies	Common shareholding
Insights Publishing Proprietary Limited	Common shareholding
Content Nation Media Proprietary Limited	Common shareholding
Vunani Corporate Finance Proprietary Limited	Common shareholding
Isakhiwo Group International Proprietary Limited	Shareholders
Sekunjalo Music Academy NPC	Common shareholding

Directors Refer to director's report

* AEEI unbundled AYO Group in the 2023 financial year, but remains a related party .

	2023 R'000	2022 R'000
Related party transactions include the following:		
Sales to related parties		
Independent Newspaper Proprietary Limited	90	154
Mustek Limited	-	1 593
Loot Online Proprietary Limited	20	16
Communication Products Proprietary Limited	18 187	-
BT Communications Services South Africa Proprietary Limited	-	-
Purchases of hardware and managed services from related parties		
BT Communications Services South Africa Proprietary Limited	5 758	6 014
Mustek Limited	138 660	52 623
Dr FM Surve	2	2
Communication Product Proprietary Limited	75 068	36 521
Saratoga Software PTY LTD	-	1 571
Loot Online Proprietary Limited	18	81
Dividend income from related parties		
Bambelela Capital Proprietary Limited - cumulative redeemable preference shares	2 939	2 108
Loot Online Proprietary Limited	-	81
Recoveries from (expenses) to related parties		
Independent Online Proprietary Limited	19	-
Volt Business Solutions Proprietary Limited	194	-
Independent News and Media Proprietary Limited	3 528	551
Content Nation Media Proprietary Limited	116	-
Insights Publishing Proprietary Limited	13	-
Sagarmatha Proprietary Limited	8	-
Fair value gains /(losses) on investments in related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	-	(42 386)
Bambelela Capital Proprietary Limited	3 600	22 327
Fair value gains /(losses) on derivate financial assets with related parties		
African Equity Empowerment Investments Limited (Main Street and GCCT Call option) refer to note 11	(113 738)	94 675
Administration and management fees expense to related parties		
African Equity Empowerment Investments Limited	6 930	7 560
Springbok Consulting Close Corporation	1 005	1 251
Communication Product Proprietary Limited	3 417	1 643

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

40. RELATED PARTIES (continued)

Related party transactions include the following:	2023 R'000	2022 R'000
Advertising and marketing expenses to related parties		
African News Agency Proprietary Limited	3 900	10 700
Independent News and Media Proprietary Limited	5 225	5 826
ANA Publishing Proprietary Limited	1 850	-
AS Brown	5	2
Consulting and or legal fees to related parties		
African Equity Empowerment Investments Limited	233	-
Collateral Trading Proprietary Limited	115	-
Socio-economic development expense to related parties		
Sekunjalo Development Foundation	2 000	-
Surve philanthropies	2 000	-
Sekunjalo music academy NPC	2 000	-
Africa Online	1 733	-
Loot Online	3	-
Impairment expenses in respect of related parties		
Global Command and Control Technologies Proprietary Limited	-	5 000
Kyramanzi Proprietary Limited	-	5 000
Independent News and Media Proprietary Limited	-	250
CreAlpha Proprietary Limited	-	5 815
Loot B2B Proprietary Limited	1 959	2 695
Fueltech Proprietary Limited	-	10 000
AOH Enterprise Proprietary Limited	-	2 850
African Equity Empowerment Investments Limited	503	-
Dinaledi Proprietary Limited (Pref shares)	2 142	-
Reversal of impairment expenses in respect of related parties receivables and loans		
Crealpha Proprietary Limited	304	-
Rental income from related parties		
Volt Africa Proprietary Limited	960	-
Office Equipment purchased from related parties		
Loot Online Proprietary Limited	-	24
Printing and stationary expenses to related parties		
Loot Online Proprietary Limited	10	21
Rental expenses to related parties		
Biton Music Productions Proprietary Limited	1 227	-
Professional services fees paid related parties		
Vunani Corporate Finance Proprietary Limited	10 697	5 782
African Equity Empowerment Investments Limited	26	-
Travel expenses paid to related parties		
Tripos Travel Proprietary Limited	1 987	5 351
Security expenses paid to related parties		
Biton Music Productions Proprietary Limited	78	78
Information, communication and technology expenses paid to related parties		
Loot Online Proprietary Limited	13	1
Interest received from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	236	10 067
4Plus Technology Venture Fund Africa Proprietary Limited (pref shares)	20 076	-
African Equity Empowerment Investments Limited	1 081	1 207
Bambelela Capital Proprietary Limited – cumulative redeemable preference shares	9 470	8 668
Global Command and Control Technologies Proprietary Limited	12 559	8 433
Loot B2B Proprietary Limited	4 209	2 695
Vunani Fintech Fund Proprietary Limited	30 488	19 695
Fueltech Proprietary Limited	1 920	-
Volt Africa Proprietary Limited	3 303	741
Zaloserve Management Proprietary Limited	-	1 241
Isakhiwo Group International Proprietary Limited	-	15
CreAlpha Proprietary Limited	2 795	1 951
Dinaledi (Pty) Ltd (Pref shares)	696	-
Interest paid to related parties		
Mustek Limited	877	397

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

40. RELATED PARTIES (continued)

Related party balances include the following:	2023	2021
	R'000	R'000
Loans receivables from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited – cumulative redeemable preference shares	84 056	77 380
4Plus Technology Venture Fund Africa Proprietary Limited – loan	-	2 086
African Equity Empowerment Investments Limited	10 382	16 356
Bambelela Capital Proprietary Limited – cumulative redeemable preference shares	118 227	143 485
Loot B2B Proprietary Limited – cumulative redeemable preference shares	34 997	30 788
Vunani Fintech Fund Proprietary Limited	-	246 510
Volt Africa Proprietary Limited	27 650	21 579
Zaloserve Management Proprietary Limited	-	16 825
Dinaledi Proprietary Limited (Pref shares)	21 258	20 562
CreAlpha Proprietary Limited	-	31 951
Global Command and Control Technologies Proprietary Limited	105 068	107 508
Communication Products Proprietary Limited	-	610
Fueltech Proprietary Limited	18 862	20 108
Accumulated impairment on loans receivable from related parties		
Loot B2B Proprietary Limited	(32 747)	(30 788)
Volt Africa Proprietary Limited	(22 762)	(13 524)
Global Command and Control Technologies Proprietary Limited	(5 000)	(5 000)
CreAlpha Proprietary Limited	-	(5 815)
African Equity Empowerment Investments Limited	(1 460)	(956)
Dinaledi Proprietary Limited (Pref shares)	(8 723)	-
Investments in related parties at cost		
4Plus Technology Venture Fund Africa Proprietary Limited	221 230	221 230
Bambelela Capital Proprietary Limited	118 227	114 627
Loot B2B Proprietary Limited	25 000	25 000
Kyramanzi (Pty) Ltd	5 000	5 000
Fueltech Proprietary Limited	10 000	10 000
AOH Enterprise Proprietary Limited	2 850	2 850
Louisyahna Creations Proprietary Limited	2 000	2 000
Accumulated fair value gains/(losses) on investments in related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	(219 276)	(219 276)
Bambelela Capital Proprietary Limited	102 045	98 445
Loot B2B Proprietary Limited	(25 000)	(25 000)
Kyramanzi (Pty) Ltd	(5 000)	(5 000)
Fueltech Proprietary Limited	(2 738)	(10 000)
AOH Enterprise Proprietary Limited	(2 850)	(2 850)
Louisyahna Creations Proprietary Limited	(2 000)	(2 000)
Carrying amounts of investments in related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	1 432	1 432
Bambelela Capital Proprietary Limited	118 227	114 627
Options (Derivative Financial liability)		
African Equity Empowerment Investments Limited	-	39 017
Options (Derivative Financial asset)		
African Equity Empowerment Investments Limited	-	113 739
Trade receivables from related parties		
Independent News and Media Proprietary Limited	10 537	6 887
Global Command and Control Technologies Proprietary Limited	41	36
Mustek Limited	250	83
Mustek Limited	46 201	-
African Online Retail	2	-
Volt Africa Proprietary Limited	3 060	2 286
Loot Online Proprietary Limited	1 212	1 199
African News Agency Proprietary Limited	445	445
espAfrika Proprietary Limited	77	77
Independent Newspaper Proprietary Limited	151	151
Communication Products Proprietary Limited	2 635	-

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

40. RELATED PARTIES (continued)

Related party balances include the following:	2023	2021
	R'000	R'000
Other receivables from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	529	529
Orleans Cosmetics Proprietary Limited	-	207
Independent News and Media Proprietary Limited	14 081	5 571
Sekunjalo Investments Holdings Proprietary Limited	-	1 930
Accumulated impairment on other receivables from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	(529)	(529)
Orleans Cosmetics Proprietary Limited	(207)	(207)
Independent News and Media Proprietary Limited	-	(11 416)
Sekunjalo Investments Holdings Proprietary Limited	(1 930)	(1 930)
Prepayments to related parties		
Independent News and Media Proprietary Limited	9 041	9 041
Accumulated impairment on prepayments to related parties		
Independent News and Media Proprietary Limited	(9 041)	(9 041)
Trade payables to related parties		
African Equity Empowerment Investments Limited	750	725
Loot Online Proprietary Limited	-	15
Independent News and Media Proprietary Limited	22	136
Tripos Travel Proprietary Limited	172	212
Mustek Limited	-	12 565
Communication Products Proprietary Limited	12 087	7 030
Springbok Consulting Close Corporation	-	172
Other payables to related parties		
Vunani Corporate Finance Proprietary Limited	3 450	1 725

See note 17 for surety on cash and cash equivalent given by related parties.

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

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

41. DIRECTORS' EMOLUMENTS

	AYO Group										Other Group Company Remuneration	
	Basic salary	Other benefits@	Pension or provident fund contribution or receivable		Short-term incentive	Long-term incentive	Directors' fees	Consulting fees	Total	Directors' fees		
			R'000	R'000						R'000	Bonus R'000	R'000
2023												
H Plaatjes*	1 530	10 000	301	-	-	-	-	-	11 831	-	-	11 831
IT Bundo*	1 900	8 000	340	-	-	-	-	-	10 240	-	-	10 240
V Govender*	1 056	7 500	202	-	-	-	-	-	8 758	-	-	8 758
A Makan	1 728	-	232	250	-	-	-	-	2 210	-	-	2 210
P Guzha	976	-	131	325	-	-	-	-	1 432	-	-	1 432
Khalid Abdulla	4 720	84	708	-	-	-	-	-	5 512	-	-	5 512
AB Amod^	-	-	-	-	-	-	876	100	976	2 246	-	3 222
Dr W Mgoqi#	-	-	-	-	-	-	767	100	867	-	-	867
Dr D George#	-	-	-	-	-	-	643	100	743	-	-	743
R Mosia#	-	-	-	-	-	-	789	100	889	344	-	1 233
S Rasethaba#	-	-	-	-	-	-	526	141	667	-	-	667
N Ramathlodi#	-	-	-	-	-	-	438	100	538	320	-	858
Prof Dr LCH Fourie#	-	-	-	-	-	-	438	100	538	-	-	538
V Dzvova	-	-	-	-	-	-	-	-	-	3 325	-	3 325
J Van Wyk	-	-	-	-	-	-	-	-	-	2 469	-	2 469
	11 910	25 584	1 914	575	-	-	4 477	741	45 201	8 704	-	51 457

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

41. DIRECTORS' EMOLUMENTS (continued)

AYO Group												
Figures in Rand	Basic salary	Other benefits@	Pension or provident fund contribution or receivable	Bonus	Sign on Bonus	Short-term incentive	Long-term incentive	Directors' fees	Consulting fees	Total	Other Group Company remuneration	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2022												
H Plaatjes*	4 313	156	538	404		7 980	2 470	-	-	15 861	-	15 861
IT Bundo*	3 606	248	433	341		7 084	2 112	-	-	13 824	-	13 824
V Govender*	2 990	145	538	294		6 963	1 820	-	-	12 749	-	12 749
Khalid Abdulla	4 448	198	618	429		4 400	1 545	-	-	11 638	-	11 638
I Amod*	945	73	-	315		6 000	-	-	-	7 333	-	7 333
AB Amod^	-	-	-	-		-	-	827	200	1 027	2 155	3 182
Dr W Mgoqi#	-	-	-	-		-	-	1 240	200	1 440	-	1 440
Dr D George#	-	-	-	-		-	-	910	200	1 110	-	1 110
R Mosia#	-	-	-	-		-	-	744	200	944	319	1 263
S Rasethaba#	-	-	-	-		-	-	496	200	696	-	696
N Ramathlodi#	-	-	-	-		-	-	413	250	663	296	959
Prof Dr LCH Fourie#	-	-	-	-		-	-	413	200	613	-	613
	16 301	819	2 127	1 784	-	32 427	7 947	5 044	1 450	67 899	2 770	70 669

* Executive Directors

^ Non-Executive Directors

Independent Non-Executive Directors

@ Other benefits comprise travel allowance, other payments and medical benefits.

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

AB Amod was remunerated by AEEI an amount of R773 955 (2022: R716 625), by Premier an amount of R453 251 (2022: R227 677), by SGT R520 000 (2022: R520 000) and by Health Systems Technologies Limited ("HST") an amount of R499 200 (2022: R499 250) AEEI, HST and Premier remuneration was not payable by AYO nor was it for services rendered as a Director of the Company.

R Mosia was remunerated by Premier an amount of R344 248 (2022: R318 748). Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

N Ramathlodi was remunerated by AEEI an amount of Rnil (2022: Rnil) and by Premier an amount of R319 659 (2022: R295 981). Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

I Amod was remunerated an amount of Rnil (2022: Rnil) by AEEI and an amount of Rnil (2022: R295 980) by Premier. Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

Direct and indirect interest of the directors

As at 31 August 2023, the directors of the Company held in aggregate a direct beneficial interest of 547 592 (2022: 2 500) and an indirect non-beneficial interest of 2 991 659 (2022: 3 145 850) in the Company's shares, equivalent to 1,02815% (2022: 0.9206%) of the issued share capital.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

41. DIRECTORS' EMOLUMENTS (continued)

	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total percentage
2023					
AB Amod	1 250	-	-	-	0.0004%
K Abdulla	546 342	-	2 991 659	-	1.0281%
	547 592	-	2 991 659	-	1.02815%
2022					
AB Amod	1 250	-	-	-	0.0004%
K Abdulla	1 250	-	-	145 850	0.00043%
D George	-	-	-	3 000 000	0.8772%
	2 500	-	-	3 145 850	0.9206%

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

42. FINANCIAL RISK MANAGEMENT

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

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

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

Liquidity risk

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

Risk management

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

42. FINANCIAL RISK MANAGEMENT (continued)

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

Facility	Bank	2023 R'000	2022 R'000
Overdrafts (expiring within one year)	Nedbank	-	2 968

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

Maturity profiles of financial liabilities

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

	Within one year R'000	Between one to five years R'000	More than five years R'000	Total R'000	Carrying amount R'000
As at 31 August 2023					
Other financial liabilities	8 189	1 121	-	9 310	9 310
Derivative financial liability	-	-	-	-	-
Lease liabilities	24 441	30 951	2 351	57 743	57 743
Trade payables	405 362	-	-	405 362	405 362
Total	437 992	32 072	2 351	472 415	472 415
	Within one year R'000	Between one to five years R'000	More than five years R'000	Total R'000	Carrying amount R'000
As at 31 August 2022					
Other financial liabilities	12 567	-	-	12 567	12 567
Derivative financial liability	-	39 017	-	39 017	39 017
Lease liabilities	32 788	73 071	17 917	123 777	123 777
Trade payables	393 603	-	-	393 603	393 603
Total	438 958	112 088	17 917	568 964	568 964

Credit risk

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

Risk management

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

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

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

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

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

Security

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

42. FINANCIAL RISK MANAGEMENT (continued)

Impairment of financial assets

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

- Trade receivables – refer to note 15.
- Loans to related party companies, Other loans receivables and Other financial assets – refer to note 8, 9 and 16.

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

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

	2023 R'000	2022 R'000
Financial asset		
Other loans receivable	215 616	404 374
Other financial assets	208 300	223 210
Trade and other receivables	1 253 345	785 303
Cash and cash equivalents	189 651	1 111 833
Loans to related party companies	420 087	406 169
Total	2 286 999	2 930 889

The exposure to credit risk for trade receivables by geographic region as at 31 August 2023 was as follows:

	2023 R'000	2022 R'000
Geographic region		
South Africa	1 213 188	781 109
Rest of Africa	38 769	4 194
Europe	1 362	-
USA	26	-
Total	1 253 345	785 303

The exposure to credit risk for trade receivables by sector as at 31 August 2023 was as follows:

	2023 R'000	2022 R'000
Sector		
Private	936 362	582 969
Government institutions	316 983	202 334
Total	1 253 345	785 303

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, the Group periodically assesses country and customer credit risk, assigns individual credit limits, and takes actions to mitigate credit risk where appropriate (for example payment guarantees, credit insurance and factoring).

The provisions for expected credit losses for customers are based on a forward-looking expected credit loss, which includes possible default events on the trade receivables over the entire holding period of the trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics (such as private *versus* public receivables) and days past due. In determining the expected credit loss rates, the Group considers current and forward-looking macroeconomic factors that may affect the ability of the customers to settle the receivables, and historical loss rates for each category of customers.

Cash flow interest rate risk

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

Risk management

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

42. FINANCIAL RISK MANAGEMENT (continued)

Interest risk sensitivity analysis

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents and loans receivable because of changes in interest rates. The following table shows the impact on the Group's profit before tax if interest rates were 3% (2022: 3%) higher or lower as at the reporting date. The sensitivity analysis includes the financial assets and financial liabilities balances with variable interest rates at financial year-end, with all other variables held constant.

	2023 R'000	2022 R'000
Impact on profit before tax		
Interest rate - increase by 3% (2022: 3%)	4 513	-
Interest rate - decrease by 3% (2022: 3%)	(4 513)	-

Cash flow foreign currency risk

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

Risk management

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

Foreign currency balances

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

	2023 USD'000	2022 USD'000
Cash and cash equivalents	135	3 055
Trade debtors	931	4 692
Trade payables	664	3 006
	2023 EURO'000	2022 EURO'000
Trade payables	141	157
	2023 POUND'000	2022 POUND'000
Cash and cash equivalents	15 375	-
Trade debtors	97 526	2 944
Trade payables	580	256

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

	2023	2022
United States Dollar	18.76	16.88
EURO	20.50	16.86
British Pound	24	20

Foreign currency sensitivity analysis

Profit or loss is sensitive to higher/lower foreign exchange gains because of changes in conversation rates. The following table shows the impact on the Group's profit before tax if the Rand weakened against the US dollar by 6% (2022: 6%) as at the reporting date. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at financial year-end for a weaker rand, with all other variables held constant.

	2023 R'000	2022 R'000
Increase in profit after tax		
USD exchange rate - increase by 6% (2022: 6%)	910	31
USD exchange rate - strengthens by 6% (2022: 6%)	(910)	(31)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

43. FAIR VALUE INFORMATION

Fair value is determined using valuation techniques as outlined below. Where possible, inputs are based on quoted prices and other market determined variables.

Fair value hierarchy

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

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

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

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

	Notes	Fair value hierarchy
Financial assets		
Other financial assets - not designated at fair value through profit/(loss)	16	Level 2
Other financial assets - designated at fair value through profit/(loss)	16	Level 2
Other loans receivable	9	Level 2 ¹
Loans to related parties	8	Level 2 ¹
Trade receivables	15	Level 3 ¹
Cash and cash equivalents	17	Level 1 ²
Foreign exchange contract	16	Level 1 ¹
Investments at fair value through profit/(loss)	10	Level 3
Derivatives	11.1	Level 3
Financial liabilities		
Other financial liabilities		Level 3 ¹
Trade payables	23	Level 3 ²
Bank overdraft	17	Level 1
Contingent consideration liability		Level 3
Derivatives - Put options over non-controlling interests	11.2	Level 3

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

43. FAIR VALUE INFORMATION (continued)

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

	Fair value at 31 August 2023 R'000	Fair value at 31 August 2022 R'000	Valuation method	Fair value hierarchy
Financial assets				
Investments at fair value through profit/(loss)				
Bambelela	118 227	114 627	*Percentage of net assets value	Level 3
4Plus	-	1 432	Discounted cash flow	Level 3
LMLA	-	-	Discounted cash flow	Level 3
Louisyahna	-	-	Cost	Level 3
Total investments at fair value through profit/(loss)	118 227	116 059		
Other financial assets - designated at fair value through profit/(loss)				
Cadiz Investment Enterprise Development Fund	216	1 001	^Investor statement	Level 2
Inyosi supplier development fund	1 153	-	^Investor statement	Level 1
Vunani Securities	184 368	200 357	^Investor statement	Level 1
Unit trusts	13 165	12 252	^Investor statement	Level 1
Foreign exchange contracts	1 010	1 772	^Investor statement	Level 1
Derivative Financial asset	-	113 738	Discounted cash flow	Level 3
Total other financial assets - designated at fair value through profit/(loss)	199 912	329 120		
Financial liabilities				
Written put options over non-controlling interests	-	39 017	Binominal option pricing model	Level 3
Contingent consideration liabilities	-	-	Discounted cash flow	Level 3
Total financial liabilities		39 017		

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

43. FAIR VALUE INFORMATION (continued)

Reconciliation of assets and liabilities measured at level 2 and 3

31 August 2023	Opening balance R'000	Additions R'000	Disposals/ Settlements R'000	Unrealised gains/ (losses) in profit or loss R'000	Closing balance R'000
Financial assets					
Investments at fair value through profit/(loss)					
Bambelela	114 627	-	-	3 600	118 227
Louisyahna	-	-	-	-	-
4Plus	1 432	-	-	(1 432)	-
LMLA	-	-	-	-	-
Kyramanzi	-	-	-	-	-
AOH	-	-	-	-	-
Synclabs	-	-	-	-	-
Fueltech	-	-	-	-	-
Total investments at fair value through profit/(loss)	116 059	-	-	2 168	118 227
Written call option	-	-	-	-	-
Other financial assets - designated at fair value through profit/(loss)					
Cadiz Investment Enterprise Development Fund	1 001	-	-	(785)	216
Inyosi supplier development	1 155	-	-	1 153	2 308
Vunani Securities	200 357	-	-	(15 989)	184 368
Derivative Financial asset	113 738	-	-	(113 738)	-
Funds invested in unit trusts	12 252	-	-	913	13 165
Total other financial assets - designated at fair value through profit/(loss)	328 503	-	-	(128 446)	200 057
Financial liabilities					
Written put options over non-controlling interests	39 017	-	-	(39 017)	-
Contingent consideration liabilities	-	-	-	-	-
Total financial liabilities	39 017	-	-	(39 017)	-

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

43. FAIR VALUE INFORMATION (continued)

31 August 2022	Opening balance R'000	Additions R'000	Disposals/ Settlements R'000	Unrealised gains/ (losses) in profit or loss R'000	Closing balance R'000
Financial assets					
Investments at fair value through profit/(loss)					
Bambelela	91 408	-	-	23 219	114 627
Louisyahna	2 000	-	-	(2 000)	-
4Plus	19 818	24 000	-	(42 386)	1 432
LMLA	11 915	-	(11 915)	-	-
Kyramanzi	-	5 000	-	(5 000)	-
AOH	-	2 850	-	(2 850)	-
Synclabs	-	4 500	-	(4 500)	-
Fueltech	-	10 000	-	(10 000)	-
Total investments at fair value through profit/(loss)	125 141	46 350	(11 915)	(43 517)	116 059
Other financial assets - designated at fair value through profit/(loss)					
Cadiz Investment Enterprise Development Fund	1 005	-	-	(4)	1 001
Numus Capital Proprietary Limited	17 411	-	(17 411)	-	-
Vunani Securities Proprietary Limited	116 983	63 136	-	20 238	200 357
Derivative financial asset	-	113 738	-	-	113 738
Funds invested in unit trusts	-	12 000	-	252	12 252
Total other financial assets - designated at fair value through profit/(loss)	135 399	188 874	(17 411)	20 486	327 348
Financial liabilities					
Written put options over non-controlling interests	19 953	-	-	19 064	39 017
Contingent consideration liabilities	24 228	-	(30 000)	5 772	-
Total financial liabilities	44 181	-	(30 000)	24 836	39 017
				2023	2022
Cost of debt				8.58%	6.57%
Beta				0.5-0.9	0.59 - 1.08
Weighted average cost of capital				19%-23,7%	17% - 23.32%
Specific risk premium				1%-6%	1% - 6%
Debt-equity ratio				12%-28%	12% - 65%
Terminal growth rate				4.5	4.50%
Risk free rate				11%	11%

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

43. FAIR VALUE INFORMATION (continued)

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

	Risk free rate	
	Increase	Decrease
Written NCI put options	1%	1%
Mainstreet Group ('000)	-	-
Global Command and Control Technologies Proprietary Limited (R'000)	-	-
	-	-
	Share price	
	Increase	Decrease
Investments	10%	10%
Bambelela	1 077	(1 077)

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

	Weighted average cost of capital	
	Increase	Decrease
Investments	1%	1%
4Plus	-	-

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

44. SEGMENTAL ANALYSIS

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

Geographical information

The operations of the Group are mainly domiciled in South Africa. A total of 5% (2022: 3%) of external revenue is attributable to foreign sales mainly to African countries, Europe and rest of the world.

Major customers

50% (2022: 52%) of the Group's revenue is derived from the public sector, different provincial government departments, and is derived from the health care segment and managed services segment. The balance relates to sales to the private sector.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

44. SEGMENTAL ANALYSIS (continued)

	Segmental revenue		Segmental gross profit	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Software and consulting	45 200	44 423	15 436	13 830
Unified communications	545 581	365 304	120 743	85 626
Health care	65 897	64 101	30 321	29 895
Tracking solutions	-	8 677	-	3 373
Managed services	1 596 815	1 272 674	184 761	254 921
Total	2 253 493	1 755 179	351 261	387 645
			2023 R'000	2022 R'000
Reconciliation of Group's segments to loss before tax				
Gross profit			351 261	387 645
Employee expenses			(275 199)	(321 299)
Depreciation and amortisation			(50 967)	(60 011)
Impairment expenses			(9 952)	(75 868)
Consulting expenses			(137 470)	(121 336)
VAT apportionment			(99 865)	-
Retrenchment cost			(27 316)	-
Other operating expenses			(265 039)	(228 855)
Other operating income			21 484	16 012
Other operating gains			(79 795)	58 877
Movement in credit loss allowances			(193 980)	(47 412)
Finance income			150 461	147 394
Finance costs			(22 402)	(13 556)
Profit on equity accounted investment			(12 541)	25 250
Loss before taxation			(651 320)	(233 160)
			2023 R'000	2022 R'000
Segmental finance income	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Software and consulting	1 463	41	364	(177)
Security solutions	-	71	-	(35)
Unified communications	254	287	548	(698)
Health care	3 116	1 915	103	(187)
Tracking solutions	-	237	-	(63)
Managed services	145 628	144 843	21 389	(12 396)
Total	150 461	147 394	22 404	(13 556)
			2023 R'000	2022 R'000
Segmental assets				
Software and consulting			20 211	21 800
Unified communications			225 203	176 881
Health care			101 415	104 907
Managed services			2 624 993	3 481 085
Total segmental assets			2 971 822	3 784 673
Unallocated*			86 478	26 462
Total consolidated assets			3 058 300	3 811 135

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

44. SEGMENTAL ANALYSIS (continued)

	2023 R'000	2022 R'000
Segmental liabilities		
Software and consulting	10 730	14 109
Unified communications	191 088	84 870
Health care	15 406	17 200
Managed services	575 729	587 554
Total segmental liabilities	792 953	703 733
Unallocated*	-	-
Total consolidated liabilities	792 953	703 733

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

	Depreciation and amortisation		Additions to property, plant, equipment, right-of-use of assets and intangible assets	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Software and consulting	936	309	121	53
Unified communications	12 914	12 000	1 984	3 936
Health care	2 630	1 703	2 606	1 273
Managed services	34 487	21 084	22 779	11 265
Total	50 967	35 095	27 490	16 527

45. EVENTS AFTER THE REPORTING PERIOD

On 27 October 2023 Mr Jowayne Van Wyk resigned as a non executive director of the board.

On 1 December 2023 Mr Khalid Abdulla the deputy executive chairperson retired as a director of the board.

On 12 December 2023 Ms Valentine Dzvova resigned as a non executive director of the board.

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

46. INVESTMENTS IN SUBSIDIARIES

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

Name of company	Share holding	Share holding	Carrying amount	Carrying amount
	2023 %	2022 %	2023 R'000	2022 R'000
AYO International Holdings Proprietary Limited	100	100	-	-
Kalula Communications Proprietary Limited	76	76	40 503	23 557
Main Street 1653 Proprietary Limited	40	40	39 252	30 582
Sekunjalo Medical Services Proprietary Limited	100	100	132 383	108 182
Software Tech Holdings Proprietary Limited	42.59	42.59	6 613	6 432
Zaloserve Proprietary Limited	55	49.5	17 790	38 497
NSX Solutions Consulting Proprietary Limited	100	100	-	-
Kathea Communication Solutions Proprietary Limited	100	100	158 451	97 088
			394 992	304 338
			2023 R'000	2022 R'000
Reconciliation of investments in subsidiaries				
Opening balance			304 338	322 110
Purchases/(Disposal)- non Cashflow			4 278	(3 940)
Changes in fair values			86 376	(13 832)
Closing balance			394 992	304 338

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

46. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries with material non-controlling interest

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

Investments in subsidiaries are measured at fair value.

Subsidiary	Country of incorporation	Ownership held by non-controlling interest	
		2023	2022
Software Tech Holdings Proprietary Limited	RSA	57%	57%
Kalula Communications Proprietary Limited	RSA	24%	24%
Zaloserve Proprietary Limited	RSA	45%	50.5%
Main Street 1653 Proprietary Limited	RSA	60%	60%

Subsidiary	Non-current assets		Current assets		Total assets		Non-current liabilities		Current liabilities		Total liabilities		Carrying amount of non-controlling interest
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Summarised statement of financial position for entities with non-controlling interest 2023													
Software Tech Holdings Proprietary Limited	6 224	13 987	20 211	440	10 289	10 729	2 666						
Kalula Communications Proprietary Limited	4 838	93 051	97 889	8 678	88 084	96 762	611						
Zaloserve Proprietary Limited	93 299	413 863	507 162	19 835	384 349	404 184	(748)						
Main Street 1653 Proprietary Limited	50 902	156 197	207 099	59 795	86 278	146 073	10 326						
	155 263	677 098	832 361	88 748	569 000	657 748	12 855						
Subsidiary	Revenue		Profit/(loss) before tax expense		Profit/(loss) after tax		Other comprehensive income		Total comprehensive income		Profit/(loss) allocated to non-controlling interest		
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
2023													
Software Tech Holdings Proprietary Limited	45 200	3 497	(551)	2 946	967	3 913	2 666						
Kalula Communications Proprietary Limited	223 048	3 225	(678)	2 547	-	2 547	611						
Zaloserve Proprietary Limited	1 252 013	(94 580)	16 996	(77 584)	-	(77 584)	(34 525)						
Main Street 1653 Proprietary Limited	346 081	14 098	(4 521)	9 577	-	9 577	4 699						
	1 866 342	(73 760)	11 246	(62 514)	967	(61 547)	(26 549)						

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

46. INVESTMENTS IN SUBSIDIARIES (continued)

	Cash flow from operating activities R'000	Cash flow from investing activities R'000	Cash flow from financing activities R'000	Net increase/(decrease) R'000	Dividends paid to non-controlling interest R'000		
Summarised statement of cash flow for entities with non-controlling interest 2023							
Software Tech Holdings Proprietary Limited	7 592	(121)	(2 033)	5 438	(861)		
Kalula Communications Proprietary Limited	6 871	2 048	(442)	8 477	-		
Zaloserve Proprietary Limited	(93 481)	9 401	(9 231)	(93 311)	-		
Main Street 1653 Proprietary Limited	11 733	(461)	(21 528)	(10 256)	(6 000)		
	(67 285)	10 867	(33 234)	(89 652)	(6 861)		
					Carrying amount of non-controlling interest		
	Non-current assets R'000	Current assets R'000	Total assets R'000	Non-current liabilities R'000	Current liabilities R'000	Total liabilities R'000	Carrying amount of non-controlling interest R'000
Summarised statement of financial position for entities with non-controlling interest 2022							
Software Tech Holdings Proprietary Limited	8 983	12 818	21 800	875	13 980	14 855	1 394
Kalula Communications Proprietary Limited	4 142	71 763	75 905	8 874	68 455	77 329	-
Zaloserve Proprietary Limited	64 066	421 743	485 809	23 618	281 630	305 248	(748)
Main Street 1653 Proprietary Limited	61 002	170 943	231 945	54 735	115 762	170 496	48 764
	138 193	677 267	815 460	88 101	479 827	567 928	49 410

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2023

46. INVESTMENTS IN SUBSIDIARIES (continued)

	Revenue R'000	Profit/ (loss) before tax R'000	Tax expense R'000	Profit/ (loss) after tax R'000	Other compre- hensive income R'000	Total compre- hensive income R'000	Profit/ (loss) allocated to non- con- trolling interest '000
Summarised statement of profit or loss and other comprehensive income for entities with non-controlling interest 2022							
Software Tech Holdings Proprietary Limited	44 423	765	1 999	2 764	(335)	2 428	1 426
Kalula Communications Proprietary Limited	134 000	2 429	(1 482)	947	-	947	233
Zaloserve Proprietary Limited	933 224	(11 186)	3 539	(7 648)	314	(7 334)	(4 074)
Main Street 1653 Proprietary Limited	345 769	17 153	(4 995)	12 157	-	12 157	10 457
	1 457 417	9 160	(940)	8 221	(21)	8 199	8 042
	Cash flow from operating activities R'000	Cash flow from investing activities R'000	Cash flow from financing activities R'000	Net increase/ (decrease) R'000	Dividends paid to non-controlling interest R'000		
Summarised statement of cash flow for entities with non-controlling interest 2022							
Software Tech Holdings Proprietary Limited	(647)	(52)	(382)	(1 081)	-		
Kalula Communications Proprietary Limited	805	(3 256)	(4 720)	(7 171)	-		
Zaloserve Proprietary Limited	65 552	19 222	(53 435)	31 339	-		
Main Street 1653 Proprietary Limited	33 839	691	(52 238)	(17 708)	-		
	99 549	16 605	(110 775)	5 379	-		

Recent positive outcomes in negotiations with major shareholders and litigation in terms of accessing its right to trade with a transactional bank account, have given the Group new impetus.

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CONNECT WITH AYO

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

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