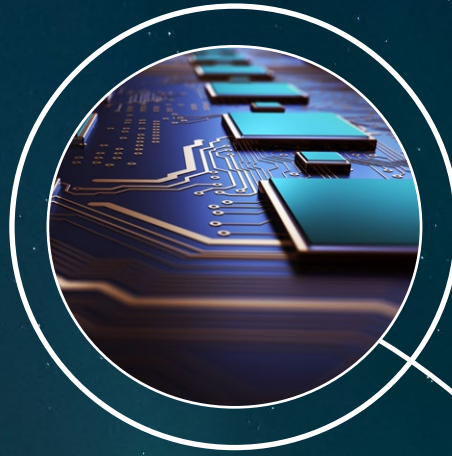


# GROUP ANNUAL FINANCIAL STATEMENTS 2022





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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, Livhuwani Rasifudi CA(SA), Group Executive: Finance, Pride Guzha CA(SA), under the supervision of the Group Chief Financial Officer, Isaiah Tatenda Bundo CA(SA).

## **Published**

20 December 2022

# 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 2022 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                         | 12 November 2021 | 02 March 2022 | 10 May 2022 | 4 August 2022 |
|------------------------------|------------------|---------------|-------------|---------------|
| Rosemary Mosia (Chairperson) | ✓                | ✓             | ✓           | ✓             |
| Dr Dennis George             | x                | ✓             | ✓           | ✓             |
| Sello Rasethaba              | ✓                | ✓             | ✓           | ✓             |
| Aziza Amod                   | ✓                | ✓             | ✓           | ✓             |
| Adv Ngoako Ramathlodi        | ✓                | ✓             | ✓           | ✓             |

In addition to the Committee members, the Chief Executive Officer, Chief Financial Officer, Group Executive: 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, preliminary results, the annual financial statements and the Integrated Report.

## KEY FOCUS AREAS IN 2022

The significant areas of focus for the Committee in relation to the 2022 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 10 March 2022. Mr Gary Kartsounis was appointed as the designated auditor for the 2022 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 2022 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 2022 AUDIT

The Committee considered the key audit matters as outlined in the independent auditor’s report set out on pages 8 to 10.

These key audit matters were:

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

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

## INTERNAL AUDIT

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

During the year under review the Committee:

- reviewed and approved an annual internal audit plan;
- assessed the appropriateness and expertise of the Group Executive: Internal Audit as well as the internal audit department;
- 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 2022.

# Audit and Risk Committee Report (continued)

## ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the year ended 31 August 2022 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*

20 December 2022

## 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 18 to 21, 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 44.

The independent external auditors are responsible for reporting on whether the consolidated annual financial statements are fairly presented in accordance with the applicable financial reporting framework. The independent auditor's report to the shareholders of the Group is set out on pages 8 to 10 of this report.

The consolidated annual financial statements set out on pages 18 to 21 which have been prepared under the supervision of the Group chief financial officer Isaiah Tatenda Bundo CA(SA), on the going-concern basis, were approved by the Board of directors on 20 December 2022. The consolidated annual financial statements are signed on the directors' behalf by:



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

20 December 2022



**Isaiah Tatenda Bundo**  
*Interim Chief executive officer*

20 December 2022

# Responsibility statement on internal financial controls

## for the year ended 31 August 2022

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

- the annual financial statements set out on pages 18 to 21 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.



**Isaiah Tatenda Bundo**  
*Interim Chief executive officer*

20 December 2022



**Isaiah Tatenda Bundo**  
*Chief financial officer*

20 December 2022

# 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 2022, AYO Technology Solutions Limited ("AYO") has lodged with the Companies and Intellectual Property Commission ("CIPC"), all such returns and notices that are required of a public company in terms of the Companies Act, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.



Per **Wazeer Moosa**  
*Company Secretary*

20 December 2022

# Independent Auditor's report

20 December 2022

## 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 2022, 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 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

### Basis for opinion

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

### Material uncertainty related to going-concern

We draw attention to Note 43 Going Concern in the consolidated annual financial statements, which indicates events and conditions as follows:

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

AYO Technology Solutions Limited's previous banker, First National Bank Limited ("FNB"), closed its transactional banking facility with effect from 3 May 2021. AYO Technology Solutions Limited did not have any lending facilities with FNB. AYO Technology Solutions Limited together with 35 others instituted legal proceedings against FNB for its decision to close AYO Technology Solutions Limited's transactional banking facility with the Competition Tribunal of South Africa. The Competition Tribunal granted an order for FNB to reopen the transactional banking facility for a period of six months from the date of the order. FNB has reopened the transactional banking facility of AYO Technology Solutions Limited.

As stated in Note 43 Going Concern, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on AYO Technology Solutions Limited'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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor’s report (continued)

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><b>Valuation of goodwill and intangible assets</b></p> <p>The carrying value of goodwill as at 31 August 2022 amounted to R75 458 000 (2021: R144 593 000.) Under IFRSs, the group is required to annually test goodwill and intangible assets with an indefinite useful life for impairment. The test compares the carrying amount of the asset with its recoverable amount, which is the higher of its fair value less costs to sell (if known) and its value in use.</p> <p>We considered the valuation of goodwill and intangible assets with indefinite useful lives to be significant to the audit because of the materiality thereof to the Group’s Annual Financial Statements and the sensitivity thereof to the various unobservable valuation inputs, uncertain future cash flows and assumptions that require considerable judgement.</p> <p>The disclosures relating to goodwill and intangible assets with indefinite useful lives are contained in note 1 (accounting policies) as well as notes 5 and 6.</p>  | <p>In assessing the valuation of goodwill and intangible assets with indefinite useful lives, we:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of management’s internal control process for determining the value-in-use of these assets;</li> <li>• Assessed the competence, capabilities and objectivity of the external valuer engaged by management</li> </ul> <p>We have made use of an auditors’ valuation expert to:</p> <ul style="list-style-type: none"> <li>• Assess the appropriateness of the valuation techniques used;</li> <li>• Assess the arithmetical accuracy of the valuation models;</li> <li>• Evaluate the cash flow projections and the process by which they were developed;</li> <li>• Assess the reasonability and appropriateness of the key inputs (including discount rate, expected volatility and growth rate assumptions);</li> <li>• Perform a sensitivity analysis of the key assumptions in the model and use this to inform the key inputs assessment</li> </ul> <p>We assessed the capabilities, competence, and objectivity of the auditor expert and evaluated the adequacy of work performed by the expert.</p> |
| <p><b>Valuation of unlisted financial instruments</b></p> <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 2022 amounted to approximately R28 871 000. The fair value of financial liabilities classified as “financial liabilities at fair value through profit or loss” comprising options and contingent considerations as at 31 August 2022 amounted to approximately R 19 063 000 and the fair value gains on call options amounted to R113 739 000.</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, 19, 29, and 46.</p> | <p>In assessing the fair value of the unlisted financial instruments, we:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of management’s internal control process for determining the fair values of these instruments;</li> <li>• Assessed the competence, capabilities, and objectivity of the external valuer engaged by management</li> </ul> <p>We have made use of an auditors’ valuation expert to:</p> <ul style="list-style-type: none"> <li>• Assess the appropriateness of the valuation techniques used;</li> <li>• Assess the arithmetical accuracy of the valuation models;</li> <li>• Evaluate the cash flow projections and the process by which they were developed;</li> <li>• Assess the reasonability and appropriateness of the key inputs (including discount rate, expected volatility and growth rate assumptions);</li> <li>• Perform a sensitivity analysis of the key assumptions in the model and use this to inform the key inputs assessment</li> </ul> <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   |
|---|--|
| <b>Occurrence of related party transactions and completeness of related party disclosure</b>  |  |
| <p>There are significant and complex transactions between the company and its subsidiaries and other related entities. Significant audit effort was required for testing the completeness of related party disclosures, as well as the occurrence of related party transactions, as disclosed in Note 44 to the financial statements, resulting in this being regarded as a key audit matter.</p> | <p>In assessing the occurrence, and completeness of related party transactions and disclosures, we:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of management’s internal control process for identifying, authorizing, and recording related party transactions.</li> <li>• Performed procedures to identify related parties</li> <li>• Performed procedures to agree identified related party transactions and balances to supporting evidence.</li> <li>• Performed procedures to agree identified related party transactions and balances to the relevant disclosures in the financial statements</li> <li>• Evaluated the identified related party transactions and balances for compliance with laws and regulations.</li> </ul> |

## **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 2022”. The other information does not include the consolidated annual financial statements and our auditor’s reports thereon.

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

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

## **Responsibilities of the directors for the financial statements**

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

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.

# Independent Auditor's report (continued)

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

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

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

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

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

## Report on other legal and regulatory requirements

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



**THAWT Incorporated**  
L Futshane  
Partner  
Registered Auditor  
Monte Vista, Cape Town, 7460  
20 December 2022



**Crowe JHB**  
G Kartsounis  
Partner  
Registered Auditor  
Sandown, Johannesburg, 2196  
20 December 2022

# 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 2022.

## 1. NATURE OF BUSINESS

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

Refer to AYO’s Integrated Report available on our website at [www.ayotsl.com](http://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 slightly by 3% from R1.7 billion in the prior year to R1.8 billion in the current year due to improved revenue generation from the managed services and unified communications divisions

On 16 March 2021, the Group acquired a 100% shareholding in Kathea Communication Solutions Proprietary Limited (“Kathea Communications”) with effective date of 1 March 2021. Kathea Communications is a value-added distributor of voice, audio visual, video conferencing and workspace management products solutions and services and represents some of the top brands in the communication, collaboration, audio visual and workspace technology arenas.

Kathea Communications’ brand offering includes Jabra, Polycom, Plantronics, CTouch, Logitech and Yealink, amongst others.

The acquisition has proved itself by performing significantly well in the current financial year as it has earned revenue of R236 million for the full 12-month period. In the prior year, the Group consolidated revenue of R93 million from Kathea Communications for the six months from 1 March 2021 to 31 August 2021.

On 1 November 2021, the Group disposed of its 100% shareholding in Puleng Technologies Proprietary Limited (“Puleng”) and lost control of Global Command and Control Technologies Proprietary Limited (“GCCT”). These entities contributed revenues of R227 million and R111 million respectively in the prior year. In the current year under review, the Group has consolidated combined revenue of R8 million from the 2 entities which was generated in the 2-month period of 1 September 2021 to 31 October 2021.

Despite the loss of revenue resulting from the disposal of Puleng and loss of control of GCCT and a subdued economic environment the Group managed to increase its revenues by 3% in the current year.

The Group’s gross profit percentage decreased from 26% in the prior year to 22% in the current year due to the prior year margin including high gross profits earned by Puleng. Since the sale of Puleng, remaining margins average at 22%.

The Group implemented cost saving initiatives which resulted in a decrease in operating expenditure in the current year, however, an impairment of goodwill of R69 million relating to the Zaloserve Group business unit off-set these savings.

Other operating gains include fair value adjustments on investments and derivatives. The Group incurred other operating gains of R59 million in the current year compared to other operating gains of R34 million in the prior year. The main contributor to the increase in the gains is fair value adjustments relating to derivatives. The investments have seen a decrease in fair values due to poor performance because of the subdued economic environment.

In the prior year, the Group earned an average of 3.5% per annum from its cash holdings. To obtain a higher return on cash holdings, the Group invested in the stock market. The Group earned dividend income of R9 million and had fair value gains of R20 million from its investments in the stock market during the current year under review. The Group therefore generated interest income and investment income totalling R147 million in the current year under review as compared to interest income and investment income of R165 million in the prior year. The decrease in overall interest and investment income is mainly because of a decline in overall cash balance.

The Group generated a loss before taxation of R233 million for the year ended 31 August 2022 as compared to a loss before tax of R201 million in the prior financial year, mainly due to the decrease in gross margins, lower fair value adjustments on investments and the impairment of goodwill.

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 business development, organic growth initiatives, and its ability to complete significant acquisitions. The Group however continues to focus on remaining resilient despite the challenges it faces.

# 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               | 2022        | 2021        |
|--------------------------------------|-------------|-------------|
| Balance at the beginning of the year | 344 123 944 | 344 123 944 |
| Shares repurchased                   | (804 904)   | -           |
| Balance at the end of the year       | 343 319 040 | 344 123 944 |

The Company acquired 804 904 (2021: nil) of its own shares through purchases on the JSE for an amount of R2 922 096.

## 4. DIVIDENDS

An interim dividend of 35 cents (2021: 65 cents) per share amounting to R120 million (2021: R224 million) was paid to shareholders during the financial year under review.

Notice is hereby given that the Board has declared a gross final dividend of 60 cents (2021: 30 cents) per share amounting to R206 million in respect of ordinary shares of no-par value for the year ended 31 August 2022.

A dividend withholding tax of 20%, or 12 cents per share, will be applicable, resulting in a net dividend of 48 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax.

The issued share capital at the declaration date is 344 123 944 ordinary shares, which includes 804 904 treasury shares.

The Company's income tax number is 9389007031.

The salient dates of the dividend distribution are as follows:

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

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

## 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     |                     |
| V Govender         | Corporate affairs         | Executive                  | 21 December 2018    |                     |
| I Amod             | Health care               | Executive                  | 22 January 2019     | 23 November 2021    |
| Dr. WA Mgoqi       | Chairman                  | Non-executive <sup>#</sup> | 20 August 2018      |                     |
| K Abdulla          | Deputy executive chairman | Executive                  | 12 March 2020       |                     |
| Prof. LCH Fourie   |                           | Non-executive <sup>#</sup> | 7 July 2020         |                     |
| AB Amod            |                           | Non-executive              | 26 February 2013    |                     |
| Dr. DH George      |                           | Non-executive <sup>#</sup> | 20 August 2018      |                     |
| RP Mosia           |                           | Non-executive <sup>#</sup> | 21 August 2018      |                     |
| SM Rasethaba       |                           | Non-executive <sup>#</sup> | 1 April 2021        |                     |
| Adv. NA Ramathlodi |                           | Non-executive <sup>#</sup> | 7 March 2018        |                     |

<sup>#</sup> Independent

Mr I Amod was a non-executive director of the Company from 22 January 2019 and was appointed as an executive director from 1 April 2021. On 21 November 2021 he resigned as a director of the Company.

\* 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.

# Directors' report (continued)

## 6. DIRECTORS' INTERESTS IN SHARES

As at 31 August 2022, the Directors of the Company held direct and indirect beneficial interest in 0.9206% (2021: 0.8729%) of its issued ordinary shares, as set out below:

|             | Direct beneficial | Direct non-beneficial | Indirect beneficial | Indirect non-beneficial | Total percentage |
|-------------|-------------------|-----------------------|---------------------|-------------------------|------------------|
| <b>2022</b> |                   |                       |                     |                         |                  |
| A Amod      | 1 250             | -                     | -                   | -                       | 0.0004%          |
| D George    | -                 | -                     | -                   | 3 000 000               | 0.8722%          |
| K Abdulla   | 1 250             | -                     | -                   | 145 850                 | 0.0003%          |
| <b>2021</b> |                   |                       |                     |                         |                  |
| A Amod      | 1 250             | -                     | -                   | -                       | 0.0004%          |
| I Amod      | 1 250             | -                     | -                   | -                       | 0.0004%          |
| D George    | -                 | -                     | -                   | 3 000 000               | 0.8718%          |
| K Abdulla   | 1 250             | -                     | -                   | -                       | 0.0004%          |

## 7. CORPORATE GOVERNANCE

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

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

## 8. GOING CONCERN

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

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

On 31 May 2019, AYO received a summons issued by the PIC and GEPF. The summons seeks a declaration that the subscription agreement entered into by the PIC with AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4.3 billion together with interest of 10.25% per annum accrued from 22 December 2017 to date of final payment. AYO has instructed its attorneys to oppose the action. The Company has since been reconfigured into a technology holding company and will be able to continue to trade as such through the portfolio of investments it holds should the PIC and GEPF be successful in their application. Certain subsidiaries of AYO have been in existence for more than 20 years, delivering satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

AYO's previous banker, First National Bank Limited ("FNB"), closed its transactional banking facility with effect from 3 May 2021. 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 competition tribunal granted an order for FNB to reopen the transactional banking facility for a period of six months from the date of the order. FNB has reopened the transactional banking facility of AYO.

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 consolidated annual financial statements.

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

## 9. EVENTS AFTER THE REPORTING PERIOD

Refer to note 49 for events after reporting period.

# Directors' report (continued)

## 10. REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the Audit and Risk Committee, as required in section 94(7)(f) of the Companies Act, is set out on pages 2 to 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  
Waterfront  
Cape Town  
8000

**Business address:**

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

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

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

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

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

## 13. INTERESTS IN SUBSIDIARIES

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

## Directors' report (continued)

### 14. ACQUISITIONS DURING THE YEAR

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

On 1 October 2021, AYO subscribed for an additional 30 ordinary shares in 4Plus Technology Venture Fund Africa Proprietary Limited ("4Plus") for a subscription price of R24 million. AYO now holds a total of 25% of the ordinary shares in issue of 4Plus.

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

On 7 January 2022, AYO subscribed for 20% of ordinary shares in Kyramanzi Proprietary Limited ("Kyramanzi") for a subscription price of R5 000 000. Kyramanzi is a company with interests in the property sector.

On 1 June 2022, AYO subscribed for 15% of the issued share capital in Synclabs Proprietary Limited ("Synclabs") for a consideration of R4 500 000. 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.

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 property sector.

For more details refer to note 10 and 47 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 10 March 2022.

### 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

On 31 May 2019 AYO received a summons issued by the PIC and GEPP. The summons seeks a declaration that the subscription agreement entered into by the PIC with AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4.3 billion together with interest of 10.25% per annum accrued from 22 December 2017 to date of final payment. AYO has instructed its attorneys to oppose the action.

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

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

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 have made an estimate and raised the provision for the amount.

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.

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 661 884.93 that was made from SCH9 and SCH10 is at risk of not being included in the settlement amount.

## Directors' report (continued)

### 18. LITIGATION (continued)

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.

### 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, Livhuwani Rasifudi CA(SA) and Group Executive: Finance, Pride Guzha CA(SA) under the supervision of the Group chief financial officer, Isaiah Tatenda Bundo 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](http://www.ayotsl.com).

### PUBLISHED

20 December 2022

# Consolidated statement of financial position as at 31 August 2022

|   | Notes | 31 August 2022<br>R'000 | 31 August 2021<br>R'000 |
|---|-------|-------------------------|-------------------------|
| <b>Assets</b>   |       |                         |                         |
| <b>Non-current assets</b>   |       | <b>1 196 036</b>        | 990 573                 |
| Property, plant and equipment   | 3     | 38 627                  | 50 792                  |
| Right-of-use of assets  | 4     | 94 360                  | 117 209                 |
| Goodwill  | 5     | 75 458                  | 144 593                 |
| Intangible assets   | 6     | 121 912                 | 157 636                 |
| Investments in equity-accounted joint ventures and associates           | 7     | 72 692                  | 43 502                  |
| Loans to related party companies  | 8     | 280 764                 | 222 252                 |
| Other loans receivable  | 9     | 252 833                 | 84 356                  |
| Investments at fair value through profit or loss                        | 10    | 116 059                 | 125 141                 |
| Derivatives financial asset   | 11.1  | 113 738                 | -                       |
| Finance lease receivables   | 12    | 3 131                   | 22 854                  |
| Deferred tax assets   | 13    | 26 462                  | 22 238                  |
| <b>Current assets</b>   |       | <b>2 615 099</b>        | 3 176 223               |
| Inventories   | 14    | 200 251                 | 148 875                 |
| Loans to related party companies  | 8     | 125 405                 | 38 542                  |
| Other loans receivable  | 9     | 151 541                 | 168 661                 |
| Trade and other receivables   | 15    | 785 303                 | 487 512                 |
| Other financial assets  | 16    | 223 210                 | 146 904                 |
| Finance lease receivables   | 12    | 13 149                  | 13 474                  |
| Current tax receivable  |       | 1 328                   | 8 533                   |
| Cash and cash equivalents   | 17    | 1 114 912               | 2 163 722               |
| Non-current assets held for sale and assets of disposal groups          | 39    | -                       | 59 790                  |
| <b>Total current assets</b>   |       | <b>2 615 099</b>        | 3 236 013               |
| <b>Total assets</b>   |       | <b>3 811 135</b>        | 4 226 586               |
| <b>Equity and liabilities</b>   |       |                         |                         |
| <b>Equity</b>   |       |                         |                         |
| Stated capital  | 18    | 4 441 488               | 4 444 410               |
| Reserves  | 19    | (31 745)                | (31 581)                |
| Accumulated loss  |       | (1 452 902)             | (938 353)               |
| <b>Equity attributable to shareholders of AYO</b>                       |       | <b>2 956 841</b>        | 3 474 476               |
| Non-controlling interests   |       | 150 561                 | 125 651                 |
| <b>Total equity</b>   |       | <b>3 107 402</b>        | 3 600 127               |
| <b>Liabilities</b>  |       |                         |                         |
| <b>Non-current liabilities</b>  |       | <b>120 627</b>          | 116 102                 |
| Derivatives financial liability   | 11.2  | 39 017                  | 19 953                  |
| Lease liabilities   | 20    | 76 660                  | 90 673                  |
| Employee benefit obligation   |       | 3 233                   | 5 476                   |
| Other financial liabilities   |       | 1 717                   | -                       |
| <b>Current liabilities</b>  |       | <b>583 106</b>          | 486 704                 |
| Trade and other payables  | 22    | 393 603                 | 312 312                 |
| Loans from related party companies                                      | 23    | -                       | 10 601                  |
| Other financial liabilities   |       | 12 567                  | 2 136                   |
| Lease liabilities   | 20    | 29 869                  | 34 979                  |
| Deferred income   | 21    | 45 075                  | 33 252                  |
| Current tax payable   |       | 14 824                  | 7 349                   |
| Provisions  | 24    | 51 784                  | 33 502                  |
| Dividend payable  |       | 32 305                  | 28 344                  |
| Contingent consideration liabilities                                    | 25    | -                       | 24 228                  |
| Bank overdraft  | 17    | 3 079                   | 1                       |
| Liabilities directly associated with assets classified as held for sale | 39    | -                       | 23 653                  |
| <b>Total current liabilities</b>  |       | <b>583 106</b>          | 510 357                 |
| <b>Total liabilities</b>  |       | <b>703 732</b>          | 626 459                 |
| <b>Total equity and liabilities</b>                                     |       | <b>3 811 134</b>        | 4 226 586               |

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

|   | Notes | 2022<br>R'000    | 2021<br>R'000 |
|---|-------|------------------|---------------|
| Revenue   | 26    | 1 755 179        | 1 699 492     |
| Cost of sales   | 27    | (1 367 534)      | (1 252 890)   |
| <b>Gross profit</b>   |       | <b>387 645</b>   | 446 602       |
| Other operating income  | 28    | 16 012           | 10 873        |
| Other operating gains   | 29    | 58 877           | 33 798        |
| Other operating expenses  | 30    | (807 370)        | (783 024)     |
| Movement in expected credit losses  |       | (47 412)         | (84 422)      |
| Finance income  | 31    | 147 394          | 164 639       |
| Finance costs   |       | (13 556)         | (13 529)      |
| Profit from equity-accounted investments                                    |       | 25 250           | 24 539        |
| <b>Loss before taxation</b>   |       | <b>(233 160)</b> | (200 524)     |
| Taxation  | 32    | (32 904)         | (57 579)      |
| <b>Loss after taxation</b>  |       | <b>(266 064)</b> | (258 103)     |
| <b>Other comprehensive income:</b>  |       |                  |               |
| <b>Items that will be subsequently reclassified to profit or loss:</b>      |       |                  |               |
| Exchange differences on translating foreign operations                      |       | (478)            | 3 776         |
| Income tax relating to items that will not be reclassified.                 |       | -                | -             |
| <b>Total items that will be subsequently reclassified to profit or loss</b> |       | <b>(478)</b>     | 3 776         |
| Other comprehensive (loss)/income for the year net of tax                   |       | (478)            | 3 776         |
| <b>Total comprehensive loss for the year</b>                                |       | <b>(266 542)</b> | (254 327)     |
| <b>Loss after taxation attributable to:</b>                                 |       |                  |               |
| Shareholders of AYO   |       | (270 303)        | (259 146)     |
| Non-controlling interests   |       | 4 239            | 1 043         |
| <b>Total loss after taxation</b>  |       | <b>(266 064)</b> | (258 103)     |
| <b>Total comprehensive loss attributable to:</b>                            |       |                  |               |
| Shareholders of AYO   |       | (270 781)        | (255 370)     |
| Non-controlling interests   |       | 4 239            | 1 043         |
| <b>Total comprehensive loss</b>   |       | <b>(266 542)</b> | (254 327)     |
| <b>Earnings per share (cents)</b>   |       |                  |               |
| Loss per share (cents)  | 33    | (78.60)          | (75.31)       |
| Diluted loss per share (cents)  | 33    | (78.60)          | (75.31)       |

# Consolidated statement of changes in equity for the year ended 31 August 2022

|   | 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 | Shareholders of AYO R'000 | Non-controlling interests R'000 | Total equity R'000 |
|---|-------|----------------------|---------------------|---------------------------|--|---------------------------|-------------------------------|-----------------------------------|------------------------------------|----------------------|-----------------------|---------------------------|---------------------------------|--------------------|
| <b>Balance at 1 September 2020</b>                            |       | 4 270 965            | 173 445             | 4 444 410                 | (913)                                      | 221                       | (14 795)                      | 11 809                            | (36 169)                           | (39 847)             | (227 112)             | 4 177 452                 | 118 641                         | 4 296 091          |
| <b>Total comprehensive income for the year</b>                |       | -                    | -                   | -                         | 3 118                                      | -                         | -                             | -                                 | -                                  | 3 118                | (259 145)             | (256 027)                 | 3 559                           | (252 467)          |
| Profit for the year   |       | -                    | -                   | -                         | -  | -                         | -                             | -                                 | -                                  | -                    | (259 145)             | (259 145)                 | 3 559                           | (255 586)          |
| Total other comprehensive income for the year                 |       | -                    | -                   | -                         | 3 118                                      | -                         | -                             | -                                 | -                                  | 3 118                | -                     | 3 118                     | -                               | 3 119              |
| Dividends   | 37    | -                    | -                   | -                         | -  | -                         | -                             | -                                 | -                                  | -                    | (452 096)             | (452 096)                 | (6 801)                         | (458 897)          |
| Acquisition of shares in subsidiary                           |       | -                    | -                   | -                         | -  | -                         | -                             | -                                 | 2 515                              | -                    | -                     | -                         | -                               | -                  |
| Change in ownership - reduction in shareholding of subsidiary |       | -                    | -                   | -                         | -  | -                         | -                             | -                                 | -                                  | -                    | -                     | -                         | -                               | -                  |
| <b>Balance at 31 August 2021</b>                              |       | 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                         | 3 600 127          |
| <b>Total comprehensive income for the year</b>                |       | -                    | -                   | -                         | (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   | 37    | -                    | -                   | -                         | -  | -                         | -                             | -                                 | -                                  | -                    | (223 574)             | (223 574)                 | -                               | (223 574)          |
| Treasury shares   |       | (2 922)              | -                   | (2 922)                   | -  | -                         | -                             | -                                 | -                                  | -                    | -                     | (2 922)                   | -                               | (2 922)            |
| Change in ownership - loss of control of subsidiary           | 40    | -                    | -                   | -                         | -  | -                         | -                             | -                                 | -                                  | -                    | (20 671)              | (20 671)                  | 20 671                          | -                  |
| <b>Balance at 31 August 2022</b>                              |       | 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          |

# Consolidated statement of cash flows

## for the year ended 31 August 2022

|   | Notes | 2022<br>R'000      | 2021<br>R'000 |
|---|-------|--------------------|---------------|
| <b>Cash flows from operating activities</b>                   |       |                    |               |
| Cash receipts from customers                                  |       | 1 456 166          | 1 904 906     |
| Cash paid to suppliers and employees                          |       | (1 677 419)        | (2 189 038)   |
| <b>Cash generated/(utilised) in operations</b>                | 35    | <b>(221 253)</b>   | (284 132)     |
| Finance income  |       | 66 069             | 126 687       |
| Finance costs   |       | (9 182)            | (12 929)      |
| Dividend income   |       | 8 430              | 1 848         |
| Tax paid  | 36    | (21 984)           | (64 387)      |
| <b>Net cash from operating activities</b>                     |       | <b>(177 920)</b>   | (232 913)     |
| <b>Cash flows from investing activities</b>                   |       |                    |               |
| Acquisition of property, plant and equipment                  | 3     | (11 566)           | (25 595)      |
| Proceeds from the disposal of property, plant and equipment   |       | 302                | 5 584         |
| Acquisition of intangible assets                              | 6     | (1 672)            | (32 509)      |
| Proceeds from disposal of intangible assets                   |       | -                  | 1 777         |
| Acquisition of subsidiaries net of cash acquired              | 41    | -                  | (55 447)      |
| Loss of control of subsidiary                                 |       | (56 496)           | -             |
| Loans advanced to related party companies                     |       | (13 450)           | (94 150)      |
| Loans to related parties repaid                               |       | 5 781              | 52 050        |
| Other loans advanced  |       | (165 438)          | (117 388)     |
| Other loans repaid  |       | 46 053             | -             |
| Purchases of investments at fair value through profit or loss | 10    | (46 350)           | (26 000)      |
| Amounts advanced to acquire other financial assets            |       | (65 129)           | (110 518)     |
| Amounts repaid from other financial assets                    |       | 6 313              | 16 378        |
| Funds withdrawn in Trust                                      |       | 32 101             | 295 521       |
| Funds advanced in Trusts                                      |       | (316 864)          | (273 942)     |
| Finance lease receipts  |       | 23 261             | 9 555         |
| <b>Net cash to investing activities</b>                       |       | <b>(563 154)</b>   | (354 684)     |
| <b>Cash flows from financing activities</b>                   |       |                    |               |
| Dividends paid  | 37    | (214 311)          | (433 405)     |
| Dividends paid to minorities                                  |       | -                  | (3 732)       |
| Share buy back  | 18    | (2 922)            | -             |
| Payments of contingent consideration arrangements             | 25    | (30 000)           | (5 500)       |
| Other financial liabilities loans received                    |       | 17 629             | 1 006         |
| Repayments of other financial liabilities                     |       | (35 099)           | (11 488)      |
| Loans received from related party companies                   |       | (19 013)           | 10 000        |
| Lease liabilities repayments                                  |       | (26 385)           | (26 583)      |
| Payment of long service awards                                |       | (443)              | (727)         |
| <b>Net cash to financing activities</b>                       |       | <b>(310 544)</b>   | (470 429)     |
| <b>Total cash movement for the period</b>                     |       | <b>(1 051 618)</b> | (1 058 026)   |
| Cash at the beginning of the period                           |       | 2 163 722          | 3 221 748     |
| Effect of exchange rate                                       |       | (271)              | -             |
| <b>Total cash at the end of the period</b>                    | 17    | <b>1 111 833</b>   | 2 163 722     |

# 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.

Except where otherwise stated and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous year, except as outlined in note 2.

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

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

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

Refer to note 41 for more details.

#### Subsidiaries consolidated when less than 50% interest is held

The Group consolidates subsidiaries with an effective interest of less than 50% when the Group has control and power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns. Although AYO only has a 40% equity interest in Main Street 1653 Proprietary Limited ("Main Street"), 43% equity interest in Software Tech Holdings Proprietary Limited ("Software Tech"). 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 listed subsidiaries and ii) AYO has majority seats on the board of directors of 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 disposed of 5.5% shareholding in Zaloserve Proprietary Limited ("Zaloserve"). The Company now holds 49.5% shareholding in Zaloserve.

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

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

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

The directors have concluded that the Group has no significant influence over Bamblela Capital Proprietary Limited ("Bamblela"), 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 estimate is based on a discounted cash flow calculation, which incorporate projected financial forecasts of the relevant entities.

#### Fair value estimation

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

#### Terminal value growth rates

When calculating the terminal value, the Group assumes a long-term growth rate. A growth rate is assumed for each subsidiary company after taking into account industry reports on projected growth rates for the sector in which the subsidiary company falls under. 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 47 for further details of the inputs used.

#### Recognition of deferred tax asset

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

#### Allowance for slow moving, damaged and obsolete inventory

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

## 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.

#### 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

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

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

#### Financial assets at amortised cost

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

#### Financial assets at fair value through profit or loss

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

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

#### Subsequent measurement

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

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

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

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

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

#### Impairment of financial assets

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

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

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

Refer to Note 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.

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.

# Accounting policies (continued)

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.8 Financial assets (continued)

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.

### 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.

# Accounting policies (continued)

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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      |

#### Lease liability

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

The lease payments include fixed payments.

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

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

# Accounting policies (continued)

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.11 Leases (continued)

#### 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.

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

# Accounting policies (continued)

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.13 Impairment of assets

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

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

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

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

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

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

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

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

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

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

### 1.14 Share capital

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

### 1.15 Equity settled share-based payment

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

### 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 Non-Current assets held for sale

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

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

### 1.19 Revenue from contracts with customers

The Group revenue from contracts with customers is derived from:

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

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

# Accounting policies (continued)

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.19 Revenue from contracts with customers (continued)

receives and uses the benefits simultaneously, the recognition of revenue based on the actual services rendered provides a faithful depiction of the transfer of goods and services.

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

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

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

#### Managed services

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

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

### 1.20 Cost of sale

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

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

Contract costs comprise:

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

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

### 1.21 Translation of foreign currencies

#### Foreign currency transactions

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

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

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

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

#### Foreign operations

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

# Accounting policies (continued)

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.22 Earnings per share

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

### 1.23 Dividends

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

### 1.24 Segment reporting

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

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

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

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

The Group's segments comprise the following:

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

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

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

# Accounting policies (continued)

## 2. NEW STANDARDS AND INTERPRETATIONS

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

### 2.1 Standards and interpretations not yet effective

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

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

#### IFRS 3 Business combinations

Reference to the Conceptual Framework:

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

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

#### IFRS 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 2022                |                                      |                            | 31 August 2021                |                                      |                            |
|------------------------|-------------------------------|--------------------------------------|----------------------------|-------------------------------|--------------------------------------|----------------------------|
|                        | Cost/<br>Revaluation<br>R'000 | Accumulated<br>depreciation<br>R'000 | Carrying<br>value<br>R'000 | Cost/<br>Revaluation<br>R'000 | Accumulated<br>depreciation<br>R'000 | Carrying<br>value<br>R'000 |
| Land                   | 2 300                         | -                                    | 2 300                      | 1 741                         | -                                    | 1 741                      |
| Buildings              | 2 629                         | (537)                                | 2 092                      | 2 629                         | (484)                                | 2 145                      |
| Plant and machinery    | 10 691                        | (8 317)                              | 2 375                      | 10 110                        | (8 544)                              | 1 566                      |
| Furniture and fixtures | 20 716                        | (13 513)                             | 7 203                      | 19 280                        | (12 697)                             | 6 583                      |
| Motor vehicles         | 17 386                        | (9 078)                              | 8 308                      | 16 158                        | (7 914)                              | 8 244                      |
| Office equipment       | 1 866                         | (1 547)                              | 319                        | 2 281                         | (1 456)                              | 825                        |
| IT equipment           | 34 560                        | (21 091)                             | 13 469                     | 79 754                        | (50 771)                             | 28 983                     |
| Computer software      | 806                           | (726)                                | 80                         | 703                           | (703)                                | -                          |
| Leasehold improvements | 2 520                         | (2 442)                              | 78                         | 6 644                         | (6 364)                              | 280                        |
| Electronic equipment   | 4 864                         | (2 459)                              | 2 405                      | 2 137                         | (1 712)                              | 425                        |
| <b>Total</b>           | <b>98 337</b>                 | <b>(59 710)</b>                      | <b>38 627</b>              | <b>141 437</b>                | <b>(90 645)</b>                      | <b>50 792</b>              |

#### Reconciliation of property, plant and equipment - 2022

|                        | Opening<br>balance<br>R'000 | Additions<br>R'000 | Loss of<br>control of<br>subsidiary<br>R'000 | Disposals<br>R'000 | Revalua-<br>tions<br>R'000 | Deprecia-<br>tion<br>R'000 | Impair-<br>ment<br>R'000 | Closing<br>balance<br>R'000 |
|------------------------|-----------------------------|--------------------|--|--------------------|----------------------------|----------------------------|--------------------------|-----------------------------|
| Land                   | 1 741                       | -                  | -  | -                  | 559                        | -                          | -                        | 2 300                       |
| 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)                      | -                        | 319                         |
| IT equipment           | 28 982                      | 7 050              | (1 010)                                      | (3 439)            | -                          | (12 117)                   | (5 997)                  | 13 469                      |
| Computer software      | -                           | 103                | -  | -                  | -                          | (23)                       | -                        | 80                          |
| Leasehold improvements | 281                         | -                  | (37)   | -                  | -                          | (166)                      | -                        | 78                          |
| Electronic equipment   | 425                         | 2 905              | (29)   | -                  | -                          | (896)                      | -                        | 2 405                       |
| <b>Total</b>           | <b>50 792</b>               | <b>15 749</b>      | <b>(1 219)</b>                               | <b>(4 050)</b>     | <b>559</b>                 | <b>(17 206)</b>            | <b>(5 997)</b>           | <b>38 628</b>               |

#### Reconciliation of property, plant and equipment - 2021

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

\* 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 2022

### 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 R5 997 325 (2021:R26 154 916) was recognised in profit or loss for the year.

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

#### Net carrying amounts of leased assets

|                        | <b>2022</b><br><b>R'000</b> | 2021<br>R'000 |
|------------------------|-----------------------------|---------------|
| Motor vehicles         | -                           | 405           |
| Plant and machinery    | -                           | 818           |
| Leased inventory       | -                           | 92            |
| Leasehold improvements | -                           | 78            |
| IT equipment           | -                           | 267           |
| Electronic equipment   | <b>2 405</b>                | -             |
|                        | <b>2 405</b>                | 1 660         |

The leases relating to motor vehicles, plant and machinery, leased inventory, leasehold improvements and IT equipment came to an end in the current financial year.

#### 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.

|           | <b>Fair value</b><br><b>2022</b><br><b>R'000</b> | Fair value<br>2021<br>R'000 |
|-----------|--|-----------------------------|
| Land      | <b>2 300</b>                                     | 1 741                       |
| Buildings | <b>2 145</b>                                     | 2 145                       |
|           | <b>4 445</b>                                     | 3 886                       |

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:

|           | <b>2022</b><br><b>R'000</b> | 2021<br>R'000 |
|-----------|-----------------------------|---------------|
| Land      | <b>1 669</b>                | 1 669         |
| Buildings | <b>1 943</b>                | 1 996         |
|           | <b>3 612</b>                | 3 665         |

#### Property, plant and equipment encumbered as security

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

#### Statement of cash flows additions

Included in the R15.8 million additions are R 4.2 million additions which were non-cash items.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 4. RIGHT-OF-USE ASSETS

#### Reconciliation of Right-of-use assets – 2022

|                                      | Buildings<br>R'000 | Motor<br>vehicles<br>R'000 | Total<br>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)       |
| <b>Balance at 31 August 2022</b>     | <b>85 512</b>      | <b>8 848</b>               | <b>94 360</b>  |

#### Reconciliation of Right-of-use assets – 2021

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

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 2022 |                                    |                            | 150 199       |                                    |                            |
|----------|----------------|------------------------------------|----------------------------|---------------|------------------------------------|----------------------------|
|          | Cost<br>R'000  | Accumulated<br>impairment<br>R'000 | Carrying<br>value<br>R'000 | Cost<br>R'000 | Accumulated<br>impairment<br>R'000 | Carrying<br>value<br>R'000 |
| Goodwill | 150 199        | (74 741)                           | 75 458                     | 150 199       | (5 606)                            | 144 593                    |

#### Reconciliation of goodwill

|                 | Opening<br>balance<br>R'000 | Impairment<br>R'000 | Opening<br>balance<br>R'000                               | Impairment<br>R'000  | Total<br>R'000 |
|-----------------|-----------------------------|---------------------|---|--|----------------|
| Goodwill – 2022 |                             |                     | 144 593   | (69 135)   | 75 458         |
|                 | Opening<br>balance<br>R'000 | Impairment<br>R'000 | Additions<br>through<br>business<br>combinations<br>R'000 | Reclass to<br>non-current<br>asset held for<br>sale<br>R'000 | Total<br>R'000 |
| Goodwill – 2021 | 131 152                     | (19 602)            | 35 715  | (2 672)  | 144 593        |

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 current 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 less 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 2022

### 5. GOODWILL (continued)

|  | Carrying amount of goodwill |                | Pre-tax discount rate |        | Years |       | Growth rate |      |
|--|-----------------------------|----------------|-----------------------|--------|-------|-------|-------------|------|
|  | 2022                        | 2021           | 2022                  | 2021   | 2022  | 2021  | 2022        | 2021 |
|  | R'000                       | R'000          | %                     | %      | Years | Years | %           | %    |
| <b>Cash-Generating Units</b>                   |                             |                |                       |        |       |       |             |      |
| Health System Technologies Proprietary Limited | 2 157                       | 2 157          | 22.49%                | 21.65% | 5     | 5     | 4.50        | 4.50 |
| Kalula Communications Proprietary Limited      | 8 465                       | 8 465          | 21.09%                | 17.85% | 5     | 5     | 4.50        | 4.50 |
| Zaloserve Proprietary Limited                  | -                           | 69 135         | 20.62%                | 17.68% | 5     | 5     | 4.50        | 4.50 |
| Main Street 1653 Proprietary Limited           | 26 773                      | 26 773         | 21.22%                | 18.90% | 5     | 5     | 4.50        | 4.50 |
| Software Tech Holdings Subsidiaries            | 2 348                       | 2 348          | 20.35%                | 23.33% | 5     | 5     | 4.50        | 4.50 |
| Kathea Communication Proprietary Limited       | 35 715                      | 35 715         | 19.37%                | 18.53% | 5     | 5     | 4.50        | 4.50 |
| <b>Carrying amount at the end of period</b>    | <b>75 458</b>               | <b>144 593</b> |                       |        |       |       |             |      |

The growth rate relates to the terminal growth rate used for the forecasted period. 2. 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. 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 2022

### 6. INTANGIBLES ASSETS

|   | 31 August 2022 |              |             |          | 31 August 2021 |              |             |          |
|---|----------------|--------------|-------------|----------|----------------|--------------|-------------|----------|
|   | Cost           | Accumulated  | Accumulated | Carrying | Cost           | Accumulated  | Accumulated | Carrying |
|   | R'000          | amortisation | impairment  | value    | R'000          | amortisation | impairment  | value    |
| Software systems                                    | 21 454         | (12 640)     | -           | 8 815    | 21 331         | (11 947)     | -           | 9 384    |
| Licenses and computer software                      | 17 253         | (9 664)      | -           | 7 589    | 38 412         | (8 557)      | (922)       | 28 933   |
| Trade names   | 7 603          | (6 335)      | -           | 1 268    | 7 603          | (5 702)      | -           | 1 901    |
| Development of software and other intangible assets | 8 145          | (4 060)      | -           | 4 085    | 12 233         | (4 060)      | -           | 8 173    |
| Brands  | 31 278         | (1 780)      | (1 744)     | 27 754   | 31 277         | (1 780)      | (1 744)     | 27 753   |
| Distribution and assignment rights                  | 73 004         | (17 517)     | -           | 55 487   | 71 175         | (7 484)      | -           | 63 691   |
| Customer list                                       | 22 811         | (5 897)      | -           | 16 914   | 22 810         | (5 009)      | -           | 17 801   |
|   | 181 547        | (57 892)     | (1 744)     | 121 912  | 204 841        | (44 539)     | (2 666)     | 157 636  |

#### Reconciliation of intangible assets - 2022

|   | Opening | Additions | Disposals | Loss of control | Amortisation | Transfers | Foreign  | Closing |
|---|---------|-----------|-----------|-----------------|--------------|-----------|----------|---------|
|   | balance |           |           | in subsidiary   |              |           | exchange |         |
|   | R'000   | 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)  | (462)           | (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  | -         | -         | -               | (10 032)     | (3 075)   | 1 829    | 55 487  |
| Customer list                                       | 17 802  | -         | -         | -               | (887)        | -         | -        | 16 914  |
| Total   | 157 636 | 1 613     | (21 317)  | (462)           | (17 387)     | -         | 1 829    | 121 912 |

#### Reconciliation of intangible assets - 2021

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 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 Electronic Continuity of Care (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. In the prior year the useful life was assessed to be three 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

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 current 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 2022

### 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 2022

### 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 |               |
|---|---|--------------------|-----------|-----------------|---------------|
|   |   | 2022<br>%          | 2021<br>% | 2022<br>R'000   | 2021<br>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        | 72 513          | 43 502        |
| <b>Total</b>                              |   |                    |           | <b>72 513</b>   | <b>43 502</b> |

#### 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 from equity accounted investments

R29 million (2021: profits of R24.5 million) of profit from equity accounted investments related to joint ventures is included in Group statement of profit or loss.

| Reconciliation of joint venture carrying amount | 2022<br>R'000 | 2021<br>R'000 |
|---|---------------|---------------|
| Opening balance                                 | 43 502        | 18 963        |
| Profit from joint ventures                      | 29 011        | 24 539        |
| Closing balance                                 | 72 513        | 43 502        |

No dividends were received during the year ended 31 August 2022 from joint ventures.

#### Summarised financial information of material joint venture

|   | Vunani Fintech Fund |               |
|---|---------------------|---------------|
|   | 2022<br>R'000       | 2021<br>R'000 |
| <b>Summarised statement of profit or loss</b>   |                     |               |
| Other operating gains                           | 101 900             | 80 600        |
| Other operating expenses                        | (2 973)             | (3 285)       |
| Finance income                                  | 801                 | 267           |
| Finance costs                                   | (19 695)            | (12 522)      |
| <b>Profit before tax</b>                        | <b>80 033</b>       | <b>65 060</b> |
| Taxation  | (22 011)            | (15 981)      |
| <b>Profit after tax</b>                         | <b>58 022</b>       | <b>49 079</b> |
| <b>Share of profit after tax</b>                | <b>29 011</b>       | <b>24 539</b> |
| <b>Profit from equity-accounted investments</b> | <b>29 011</b>       | <b>24 539</b> |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

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

#### 7.1 Investment in joint ventures (continued)

|   | 2022<br>R'000  | 2021<br>R'000  |
|---|----------------|----------------|
| <b>Summarised statement of financial position</b> |                |                |
| <b>Assets</b>                                     |                |                |
| <b>Non-current assets</b>                         |                |                |
| Loans to group companies                          | 6 349          | 3 251          |
| Investments at fair value through profit or loss  | 429 539        | 326 496        |
| <b>Total non-current assets</b>                   | <b>435 888</b> | <b>329 747</b> |
| <b>Current assets</b>                             |                |                |
| Cash and cash equivalents                         | 510            | 462            |
| <b>Total current assets</b>                       | <b>510</b>     | <b>462</b>     |
| <b>Total assets</b>                               | <b>436 399</b> | <b>330 209</b> |
| <b>Liabilities</b>                                |                |                |
| <b>Non-current liabilities</b>                    |                |                |
| Loan from shareholder                             | 246 510        | 215 965        |
| Deferred tax liability                            | 52 011         | 30 000         |
| <b>Total non-current liabilities</b>              | <b>298 521</b> | <b>245 965</b> |
| <b>Current liabilities</b>                        |                |                |
| Trade and other payables                          | 364            | 456            |
| <b>Total current liabilities</b>                  | <b>364</b>     | <b>456</b>     |
| <b>Total liabilities</b>                          | <b>298 885</b> | <b>246 421</b> |
| <b>Total net assets</b>                           | <b>137 513</b> | <b>83 788</b>  |
| <b>Share of net assets</b>                        |                |                |
| Share of net assets of joint ventures             | 29 011         | 24 539         |
|   | <b>29 011</b>  | <b>24 539</b>  |

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 |               |
|--|----------------------------------|--------------------|-----------|-----------------|---------------|
|  |                                  | 2022<br>%          | 2021<br>% | 2022<br>R'000   | 2021<br>R'000 |
| Global Command and Communication Technologies Proprietary Limited ("GCCT") | AYO Technology Solutions Limited | 24                 | -         | 179             | -             |
| CreAlpha Proprietary Limited ("Crealpha")                                  | AYO Technology Solutions Limited | 30                 | -         | -               | -             |
| <b>Total</b>   |                                  |                    |           | <b>179</b>      | <b>-</b>      |

#### 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%.

#### Crealpha

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

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

#### 7.2 Investment in associate (continued)

##### Restrictions relating to associates

There are currently no restrictions relating to associates.

##### Loss from equity accounted investments

R3.8 million (2021: Rnil) loss from equity accounted associates is included in Group statement of profit or loss.

|   | 2022<br>R'000 |
|---|---------------|
| <b>Reconciliation of associates carrying amount</b>     |               |
| Initial recognised associate fair value 1 November 2021 | 3 941         |
| Loss from associates                                    | (3 761)       |
| Carrying amount of the investment 31 August 2022        | 179           |

##### Summarised financial information of associates:

|   | GCCT<br>2022<br>R'000 | Crealpha<br>2022<br>R'000 |
|---|-----------------------|---------------------------|
| <b>Summarised statement of profit or loss</b>     |                       |                           |
| Revenue   | 44 583                | -                         |
| <b>Loss before tax</b>                            | (21 478)              | (1 014)                   |
| Taxation  | -                     | -                         |
| <b>Loss after tax</b>                             | (21 478)              | (1 014)                   |
| <b>Share of loss after tax</b>                    | (5 155)               | (304)                     |
| Profit from equity-accounted investments          | (5 155)               | (304)                     |
|   | <b>2022<br/>R'000</b> | <b>2022<br/>R'000</b>     |
| <b>Summarised statement of financial position</b> |                       |                           |
| <b>Assets</b>                                     |                       |                           |
| Non-current assets                                | 17 307                | -                         |
| Current assets                                    | 61 404                | 28 429                    |
| <b>Total assets</b>                               | 78 711                | 28 429                    |
| <b>Liabilities</b>                                |                       |                           |
| Non-current liabilities                           | 66 771                | 30 000                    |
| Current liabilities                               | 54 736                | 1                         |
| <b>Total liabilities</b>                          | 121 507               | 30 001                    |
| <b>Total net assets</b>                           | (42 796)              | (1 572)                   |
| <b>Share of net assets</b>                        | (10 271)              | (472)                     |

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 8. LOANS TO RELATED PARTY COMPANIES

|  | 2022<br>R'000 | 2021<br>R'000 |
|--|---------------|---------------|
| <b>*GCCT - Loan 1</b><br>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.   | 27 466        | -             |
| <b>*GCCT - Loan 2</b><br>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 R61.4 million (2021: R77.8 million) and non-current assets of GCCT with a carrying amount of R17.3 million (2021: R9.5 million) as at 31 August.  | 31 281        | -             |
| <b>*GCCT - Loan 3</b><br>The loan is unsecured, bears interest at the prime rate. The loan is repayable on 7 November 2023.  | 26 384        | -             |
| <b>*GCCT - Loan 4</b><br>The loans are unsecured, bear interest at the prime rate and the loans are repayable as follows:<br>A total of R4.3 million no later than 31 August 2023.<br>A total of R4.5 million no later than 31 August 2023.<br>A total of R4.8 million no later than 28 February 2023.<br>A total of R3.8 million no later than 31 May 2023.<br>The outstanding balance inclusive of interest will be repaid no later than 31 December 2023.   | 17 377        | -             |
| <b>Bowwood and Main No 180 Proprietary Limited ("Bowwood")</b><br>The loan was unsecured and bore interest at the prime overdraft rate, compounded monthly. The loan was repayable in a single instalment by the issue of ordinary shares by the Borrower, in terms of a subscription agreement, to SGT Solutions. The subscription agreement was not concluded and the loan capital was repaid on 27 May 2021. The loan balance at 31 August 2021 consisted of the accumulated interest of R3 687 076 which was repaid in the current year. | -             | 3 687         |
| <b>African Equity Empowerment Investments Limited ("AEEI") - Loan 1</b><br>The loan was unsecured and bore interest at prime plus 2%.  | -             | 5 123         |
| <b>AEEI - Loan 2</b><br>The loan is unsecured, bears interest at the prime rate and the loan is repayable on 31 August 2022.   | 8 612         | 8 862         |
| <b>AEEI - Loan 3</b><br>The loan is unsecured, bears interest at the prime rate. There are no fixed terms of repayment, however, AEEI has been granted an unconditional right to defer payment for at least 12 months from the statement of financial position date.   | 6 788         | 6 287         |
| <b>Vunani Fintech Fund Proprietary Limited - Loan 1</b><br>The loan is unsecured, bears interest at the prime rate and the loan is repayable on 28 March 2024.   | 132 319       | 122 556       |
| <b>Vunani Fintech Fund Proprietary Limited - Loan 2</b><br>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.  | 114 191       | 93 409        |
| <b>Zaloserve Management Proprietary Limited ("ZM")</b><br>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.  | 16 825        | 15 584        |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 8. LOANS TO RELATED PARTY COMPANIES (continued)

|  | 2022<br>R'000  | 2021<br>R'000 |
|--|----------------|---------------|
| <b>Isakhiwo Group International Proprietary Limited</b><br>The loan bore interest at the prime rate and was repayable from distributions received by the shareholder from time to time. The loan was repaid in the current year.   | -              | 5 286         |
| <b>^Crealpha Proprietary Limited</b><br>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. | 24 316         | -             |
| <b>Communications Products Proprietary Limited (“Communications Products”)</b><br>The loan is unsecured, bears no interest and the loan is repayable on 31 August 2023.  | 610            | -             |
|  | <b>406 169</b> | 260 794       |
| <b>Split between non-current and current portions:</b>   |                |               |
| Non-current assets   | <b>280 764</b> | 222 252       |
| Current assets   | <b>125 405</b> | 38 542        |
| <b>Total</b>   | <b>406 169</b> | 260 794       |

<sup>^</sup> The fair value of R24 million does not equal the value at amortised cost which would have been R30 million.

\* In the prior year, GCCT was consolidated with the loans eliminated, however, due to the loss of control, the loans are no longer eliminated and have been included in the current year consolidated annual financial statements.

Current interest rates are variable and average between 7 and 10% (2021: 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 2022

### 9. OTHER LOANS RECEIVABLE

|  | 2022<br>R'000 | 2021<br>R'000 |
|--|---------------|---------------|
| <b>Volt Africa Proprietary Limited (“Volt”)</b><br>The loan is unsecured and bears interest at a rate of prime plus 2%. The loan is repayable on 31 August 2023.   | 7 250         | 7 314         |
| <b>Cumulative preference shares – Bambelela Capital Proprietary Limited (“Bambelela”)</b><br>In December 2018, AYO subscribed for 500 000 cumulative, redeemable, non-participating convertible class C preference shares of no par value in Bambelela for a consideration of R145 million. The preference shares are redeemable on 31 March 2023. 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%.   | 143 485       | 161 162       |
| <b>Cumulative preference shares – 4Plus Technology Venture Fund Africa Proprietary Limited (“4Plus”)</b><br>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 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%. | 77 380        | 37 399        |
| <b>4Plus</b><br>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         | -             |
| <b>Last Mile Logistics Africa Proprietary Limited (“LMLA”)</b><br>The loan was secured by trade debtors, bank accounts and loans receivable of Last Mile. Interest was charged at the prime rate. The was disposed of in the current year to Nevzotron.  | -             | 28 406        |
| <b>Fueltech Solutions Proprietary Limited (“Fueltech”)</b><br>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.  | 16 942        | -             |
| <b>Nevzotron Proprietary Limited (“Nevzotron”)</b><br>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        | -             |
| <b>Preference shares – Dinaledi Technologies Proprietary Limited (“Dinaledi”)</b><br>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.  | 15 162        | -             |
| <b>LML Shared Solutions Proprietary Limited (“LMLS”) – Loan 1</b><br>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        | 17 996        |
| <b>LMLS – Loan 2</b><br>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        | -             |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 9. OTHER LOANS RECEIVABLE (continued)

|   | 2022<br>R'000  | 2021<br>R'000  |
|---|----------------|----------------|
| <b>LMLS - Loan 3</b>  | <b>6 911</b>   | -              |
| Interest is charged at the prime rate. The loans are repayable as follows:<br>- R16 million on 18 October 2025<br>- R31 million within 36 months<br>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. |                |                |
| <b>LMLS - Loan 4</b>  | <b>7 190</b>   | -              |
| 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.  |                |                |
| <b>LMLS - Loan 5</b>  | <b>16 856</b>  | -              |
| 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 30 September 2024.  |                |                |
| <b>Louisyahna Creations Proprietary Limited (“Louisyahna”)</b>  | <b>-</b>       | 740            |
| The loan was unsecured and bore no interest. It was repayable over 48 monthly payments of R15 420, which were to end on 1 August 2025. The loan was repaid in full in the current year.   |                |                |
|   | <b>404 374</b> | <b>253 017</b> |
| <b>Split between non-current and current portions:</b>  |                |                |
| Non-current assets  | <b>252 833</b> | 84 356         |
| Current assets  | <b>151 541</b> | 168 661        |
| <b>Total</b>  | <b>404 374</b> | <b>253 017</b> |

<sup>^</sup> 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.

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

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

#### Other loans receivable:

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.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 9. OTHER LOANS RECEIVABLE (continued)

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 current year on the loan is R2.1 million due to doubt of the recoverability of the loan.

#### LMLS

There is an impairment of R69 million against various outstanding loans due to doubt of the recoverability of the loans.

#### Dinaledi

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

#### Volt

An impairment of R0.8 million was raised against the loan in the current year.

#### AEEI

An impairment of R1 million was raised against the loan in the current year.

The loss allowance as at 31 August 2022 and 31 August 2021 was determined as follows:

|  | Notes | Stage 1        |         | Stage 2          |           | Stage 3          |          | Total            |           |
|--|-------|----------------|---------|------------------|-----------|------------------|----------|------------------|-----------|
|  |       | Performing     |         | Under-performing |           | Non-performing   |          |                  |           |
|  |       | 2022           | 2021    | 2022             | 2021      | 2022             | 2021     | 2022             | 2021      |
|  |       | R'000          | R'000   | R'000            | R'000     | R'000            | R'000    | R'000            | R'000     |
| Gross amount   |       | <b>585 603</b> | 489 334 | <b>262 670</b>   | 158 160   | <b>125 667</b>   | 16 960   | <b>973 941</b>   | 664 454   |
| Other loans receivable                                     | 9     | <b>313 805</b> | 217 296 | <b>138 638</b>   | 129 898   | <b>125 667</b>   | 16 960   | <b>578 111</b>   | 364 154   |
| Loans to related party companies                           | 8     | <b>263 945</b> | 260 794 | <b>124 032</b>   | 28 262    | -                | -        | <b>387 978</b>   | 289 056   |
| Other financial assets                                     | 11    | <b>7 852</b>   | 11 244  | -                | -         | -                | -        | <b>7 852</b>     | 11 244    |
| Expected credit loss rate                                  |       | <b>0%</b>      | 0%      | <b>14%</b>       | 61%       | <b>94%</b>       | 100%     |                  |           |
| Lifetime expected credit loss                              |       | -              | -       | <b>(38 015)</b>  | (122 439) | <b>(117 531)</b> | (16 960) | <b>(155 546)</b> | (139 399) |
| <b>Carrying value of loans with expected credit losses</b> |       | <b>585 603</b> | 489 334 | <b>224 656</b>   | 35 721    | <b>8 136</b>     | -        | <b>818 395</b>   | 525 055   |

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

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

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

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

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

|  | 2022             | 2021             |
|--|------------------|------------------|
|  | R'000            | R'000            |
| Opening balance  | <b>(139 398)</b> | (58 670)         |
| Expected credit loss allowance on other loans receivable | <b>(16 148)</b>  | (80 728)         |
| <b>Loss allowance as at 31 August</b>                    | <b>(155 546)</b> | <b>(139 398)</b> |

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 2022

### 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<br>2022<br>% | Ownership interest<br>2021<br>% | Carrying amount<br>2022<br>R'000 | Carrying amount<br>2021<br>R'000 |
|---|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| <b>Bambelela</b><br>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                              | 114 627                          | 91 408                           |
| <b>LMLA</b><br>On 1 May 2020, AYO subscribed for 20% of the issued share capital in LMLA. LMLA is a company with interests in the logistics sector.   | -                               | 20                              | -                                | 11 915                           |
| <b>4Plus</b><br>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                              | 22                              | 1 432                            | 19 818                           |
| <b>Louisyahna</b><br>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                              | -                                | 2 000                            |
| <b>Loot B2B</b><br>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 2022, AYO has a total shareholding of 30% in Loot B2B.   | 30                              | 30                              | -                                | -                                |
| <b>Kyramanzi</b><br>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                              | -                               | -                                | -                                |
| <b>Synclabs</b><br>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                              | -                               | -                                | -                                |
| <b>AOH</b><br>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                              | -                               | -                                | -                                |
| <b>Fueltech</b><br>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 property sector.   | 10                              | -                               | -                                | -                                |
| <b>Closing balance</b>  |                                 |                                 | <b>116 059</b>                   | <b>125 141</b>                   |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

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

|                                      | 2022<br>R'000  | 2021<br>R'000  |
|--------------------------------------|----------------|----------------|
| <b>Reconciliation of investments</b> |                |                |
| Opening balance                      | 125 141        | 62 921         |
| Additions - 4Plus                    | 24 000         | 14 000         |
| Additions - Loot B2B                 | -              | 10 000         |
| Additions - Louisyahna               | -              | 2 000          |
| Additions - Kyramanzi                | 5 000          | -              |
| Additions - AOH                      | 2 850          | -              |
| Additions - Synclabs                 | 4 500          | -              |
| Additions - FuelTech                 | 10 000         | -              |
| Loss on disposal of LMLA             | (11 915)       | -              |
| Changes in fair values               | (43 517)       | 36 220         |
| <b>Closing balance</b>               | <b>116 059</b> | <b>125 141</b> |

Total investments for the year: R46,35 million

#### LMLA

LMLA was disposed of in the current financial year.

#### Investment in 4Plus

The Group invested a further R24 million in the investment in the current year, however, a fair value loss of R31 million was recognised in the current year because of the 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.

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

Kyramanzi, AOH, Synclabs, Fueltech, 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.

#### Fair value information

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 11. DERIVATIVES

#### 11.1 Derivative Financial asset

|  | <b>Audited<br/>2022<br/>R'000</b> | Audited<br>2021<br>R'000 |
|--|-----------------------------------|--------------------------|
| Opening balance                                | -                                 | -                        |
| Fair value adjustments on derivative liability | -                                 | -                        |
| *Recognition of call option                    | <b>113 738</b>                    | -                        |
| <b>Total</b>                                   | <b>113 738</b>                    | -                        |

\* In the prior year, GCCT was consolidated with the AYO call options were eliminated however, on 1 November, 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

|                        | <b>Reviewed<br/>2022<br/>R'000</b> | Audited<br>2021<br>R'000 |
|------------------------|------------------------------------|--------------------------|
| Opening balance        | <b>19 953</b>                      | 7 587                    |
| Fair value adjustments | <b>19 064</b>                      | 12 366                   |
| <b>Closing balance</b> | <b>39 017</b>                      | <b>19 953</b>            |

As per the share sale agreements, AYO has a written option which gives AEEI the right to sell to AYO its 60% shareholding in Main Street and its 31% shareholding in GCCT. The options are exercisable between three to four years from the date of purchase of Main Street and GCCT. Mainstreet was acquired on 9 February 2019 and GCCT was acquired on 1 March 2019. These options have been fairly valued at year-end and the fair value adjustments of R19 million (2021: R12 million) on the derivative liability and R114 million on the derivative asset have been disclosed in other operating gains/losses.

### 12. FINANCE LEASE RECEIVABLES

|  | <b>2022<br/>R'000</b> | 2021<br>R'000 |
|--|-----------------------|---------------|
| <b>Gross investment in the lease due</b>             | <b>17 868</b>         | 42 019        |
| - within one year                                    | <b>14 638</b>         | 23 957        |
| - in second to fifth year inclusive                  | <b>3 230</b>          | 18 062        |
| Less: Unearned finance income                        | <b>(1 588)</b>        | (5 691)       |
|  | <b>16 280</b>         | 36 328        |
| <b>Present value of minimum lease payments due</b>   |                       |               |
| - within one year                                    | <b>13 149</b>         | 13 474        |
| - in second to fifth year inclusive                  | <b>3 131</b>          | 22 854        |
|  | <b>16 280</b>         | 36 328        |
| <b>Split between non-current and current portion</b> |                       |               |
| Non-current assets                                   | <b>3 131</b>          | 22 854        |
| Current assets                                       | <b>13 149</b>         | 13 474        |
|  | <b>16 280</b>         | 36 328        |

The average lease terms are three to five years and the average effective lending rate was 22% (2021: 22%). The finance lease arrangements relate to the Group's managed services segment. The finance lease arrangements are for equipment, which includes laptops, printers, tablets and CCTV equipment.

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 13. DEFERRED TAX

|  | 2022<br>R'000   | 2021<br>R'000   |
|--|-----------------|-----------------|
| Deferred tax liability   | (67 371)        | (76 004)        |
| Deferred tax asset   | 93 833          | 98 242          |
| <b>Total net deferred tax asset</b>  | <b>26 462</b>   | <b>22 238</b>   |
| <b>Deferred tax liability</b>  |                 |                 |
| Property, plant and equipment  | (3 256)         | (5 151)         |
| Right of use assets  | (25 151)        | (43 472)        |
| Intangible assets  | (36 140)        | (27 381)        |
| Prepaid expenses   | (2 824)         | -               |
| <b>Total</b>   | <b>(67 371)</b> | <b>(76 004)</b> |
| <b>Deferred tax asset</b>  |                 |                 |
| Provisions   | 24 416          | 19 188          |
| Allowance for credit losses  | 815             | 3 672           |
| Income received in advance   | 2 088           | 3 289           |
| Fair value adjustments on investments  | 26 251          | 16 835          |
| Lease liabilities  | 28 513          | 46 029          |
| Prepaid expenses   | -               | 76              |
| <b>Deferred tax balances from temporary differences other than unused tax losses</b> | <b>82 083</b>   | <b>89 089</b>   |
| Tax losses available for set-off against future taxable income                       | 11 750          | 9 153           |
| <b>Total</b>   | <b>93 833</b>   | <b>98 242</b>   |
|  | 2022<br>R'000   | 2021<br>R'000   |
| <b>Reconciliation of deferred tax asset/(liability)</b>                              |                 |                 |
| Balance at the beginning of the year   | 22 238          | 44 547          |
| Change in tax rate   | (2 088)         | -               |
| Business combinations  | 1 372           | 1 372           |
| Allowance for credit losses  | (2 769)         | 1 299           |
| Provisions   | 4 272           | (9 739)         |
| Tax losses available for set off against future taxable income                       | 2 925           | 5 868           |
| Accelerated capital allowances of property, plant and equipment                      | 1 711           | 6 304           |
| Taxable temporary differences movement on intangible assets                          | (8 786)         | (15 613)        |
| Prepaid expenses   | (2 854)         | 2 487           |
| Fair value adjustment on investments   | 10 696          | (13 583)        |
| Lease liabilities  | (15 912)        | 34 223          |
| Income received in advance   | (1 363)         | (2 045)         |
| Right of use assets  | 17 020          | (32 882)        |
| <b>Balance at the end of the year</b>  | <b>26 462</b>   | <b>22 238</b>   |

\* 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 balance for current year.

### 14. INVENTORIES

|  | 2022<br>R'000  | 2021<br>R'000  |
|--|----------------|----------------|
| Finished goods                                 | 95 086         | 72 346         |
| Consumables                                    | 1 168          | 6 019          |
| Goods in transit                               | 60 154         | -              |
| Work in progress                               | 51 624         | 78 875         |
| <b>Total</b>                                   | <b>208 032</b> | <b>157 240</b> |
| Inventory written down to net realisable value | (7 781)        | (8 365)        |
| <b>Net carrying amount</b>                     | <b>200 251</b> | <b>148 875</b> |

R7.8 million (2021: R8 million) of inventory was written off in the current year. The carrying value of inventory R200 million (2021: R149m) is carried at net realisable value.

The inventory write down to net realisable value relates primarily to the write down of work in progress stock held for an onerous contract. This write down is in cost of sales. Refer to note 24 for more detail.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 15. TRADE AND OTHER RECEIVABLES

|   | 2022<br>R'000  | 2021<br>R'000  |
|---|----------------|----------------|
| <b>Financial Instruments:</b>                     |                |                |
| Trade receivables                                 | 373 218        | 337 721        |
| Loss allowance                                    | (10 366)       | (10 441)       |
| <b>Trade receivables at amortised cost</b>        | <b>362 852</b> | <b>327 280</b> |
| Deposits  | 17 220         | 18 460         |
| Accrued income                                    | 3 936          | 2 194          |
| Funds held in Trust                               | 352 206        | 81 953         |
| Related party receivables                         | 14 493         | 14 428         |
| Expected credit loss of related party receivables | (14 081)       | (13 831)       |
| Sundry customers                                  | 23 042         | 6 097          |
| <b>Non-financial instruments</b>                  |                |                |
| Value added taxation                              | 7 589          | 23 156         |
| Prepayments                                       | 27 087         | 36 816         |
| Provision for impairment of prepayments           | (9 041)        | (9 041)        |
| <b>Total</b>                                      | <b>785 303</b> | <b>487 512</b> |

#### 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

74% (2021: 83%) 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.

22% (2021: 12%) 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% (2021: 6%) of the Group's trade receivables stem from sales within the Healthcare, Software and consulting and Tracking solutions segments. These sales are predominantly to state institutions, recoverability of these customers are extremely good. The credit risk has been assessed as low by the divisional management at year-end based on recent payment history. Credit concentration is high as sales are to few customers and there have been low defaults in the past.

#### Categorisation of trade and other receivables

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

|                           | 2022<br>R'000  | 2021<br>R'000  |
|---------------------------|----------------|----------------|
| Financial instruments     | 759 668        | 436 581        |
| Non-financial instruments | 25 635         | 50 931         |
|                           | <b>785 303</b> | <b>487 512</b> |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 15. TRADE AND OTHER RECEIVABLES (continued)

#### Expected credit loss allowance

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

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

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

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

|                            | Gross amount<br>R'000 | Expected credit loss rate | Lifetime expected credit loss<br>R'000 | Carrying amount<br>R'000 |
|----------------------------|-----------------------|---------------------------|--|--------------------------|
| <b>Current</b>             | <b>207 774</b>        | <b>0%</b>                 | <b>(802)</b>                           | <b>206 972</b>           |
| 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                   |
|                            | <b>373 218</b>        | <b>-</b>                  | <b>(10 366)</b>                        | <b>362 852</b>           |

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

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

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.

|   | 2022<br>R'000 | 2021<br>R'000 |
|---|---------------|---------------|
| <b>Reconciliation of expected credit loss</b> |               |               |
| Loss allowance opening balance                | 10 440        | 13 178        |
| Net movement charged to profit or loss        | 2 846         | (2 738)       |
| Allowances reversed through profit or loss    | (1 914)       | -             |
| Loss of control in subsidiary                 | (1 007)       | -             |
| <b>Closing balance</b>                        | <b>10 365</b> | <b>10 440</b> |

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.

#### Fair value of trade and other receivables

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

For more information on credit risk refer to note 46.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 16. OTHER FINANCIAL ASSETS

| Other financial assets are comprised of:   | 2022<br>R'000  | 2021<br>R'000  |
|--|----------------|----------------|
| <b>At fair value through profit or loss</b>  |                |                |
| <b>Cadiz Life Investment Enterprise Development Fund</b>   | 1 001          | 1 005          |
| The fund is an innovative 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.  |                |                |
| <b>Funds invested in Unit trusts</b>   | 12 252         | -              |
| <b>Vunani Securities Proprietary Limited ("Vunani Securities")</b>   | 200 357        | 116 983        |
| AYO invested funds of R183.3 million (2021: R113.7 million) in the stock market through Vunani securities. Fair value gains of R17.1 million (2021: R3.2 million) were recognised on the portfolio for the year ended 31 August 2022.  |                |                |
| <b>Foreign exchange contracts</b>  | 1 772          | 802            |
| <b>Numus Capital Proprietary Limited ("Numus")</b>   | -              | 17 411         |
| Numus is a boutique asset management company. AYO invested funds of R18 million in the stock market through Numus in the prior year. This investment was transferred to Vunani Securities in the current year.   |                |                |
| <b>Total for fair value through profit or loss</b>   | <b>215 382</b> | <b>136 201</b> |
| <b>Loans and receivables at amortised cost</b>   |                |                |
| <b>Supplier development loan</b>   | 1 970          | 972            |
| 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.  |                |                |
| <b>Staff loans</b>   | 4 158          | 3 713          |
| 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.  |                |                |
| <b>Breakage fee receivable</b>   | -              | 250            |
| AYO paid a breakage fee of R250 000, in terms of the offer to purchase agreement with the shareholders of Kathea Energy. The breakage fee together with any interest accrued was to be deducted from the purchase consideration in the event that a definitive sale of shares agreement is entered into between AYO and the shareholders of Kathea Energy and becomes unconditional in all respects. If the definitive sale of shares agreement is not entered for any reason whatsoever except as a result of AYO not negotiating in good faith, the breakage fee together with any interest accrued was repayable to AYO. The definitive sale of share agreement for Kathea Energy was not concluded and the breakage fee was repaid to AYO. |                |                |
| <b>Mantella Trading 634 Proprietary Limited</b>  | -              | 4 021          |
| The loan was unsecured, interest free and had no fixed repayment dates.  |                |                |
| <b>Uhula ICT Proprietary Limited ("Uhula")</b>   | 1 700          | 1 700          |
| The loan is unsecured, bears no interest and is repayable within the next 12 months.   |                |                |
| <b>Ragna CC</b>  | -              | 47             |
| The loan was unsecured, bears no interest and has no fixed repayment terms.  |                |                |
|  | <b>7 828</b>   | <b>10 703</b>  |
| <b>Total other financial assets</b>  | <b>223 210</b> | <b>146 904</b> |

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

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

#### Fair values information

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

Fair values are determined annually at reporting date.

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 17. CASH AND CASH EQUIVALENTS

|   | 2022<br>R'000    | 2021<br>R'000 |
|---|------------------|---------------|
| <b>Cash and cash equivalents consists of:</b> |                  |               |
| Cash on hand                                  | 172              | 107           |
| Bank balances                                 | 1 114 740        | 2 163 616     |
| Bank overdraft                                | (3 079)          | (1)           |
| <b>Total</b>                                  | <b>1 111 833</b> | 2 163 722     |
| Current assets                                | 1 114 912        | 2 163 722     |
| Current liabilities                           | (3 079)          | (1)           |

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 R186 488.
- 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 R1.78 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 provides the majority of banking services used by the Group. Refer to the table below for credit rating in long-term in terms of Moody’s Investors Service (“Moody’s”).

|   | 2022<br>R'000    | 2021<br>R'000 |
|---|------------------|---------------|
| <b>Bank balances are held with</b>                          |                  |               |
| Absa Bank Limited - Ba2                                     | 55 627           | -             |
| Ninety One Fund Managers SA (RF) Proprietary Limited - Baa3 | 697 380          | 853 782       |
| Sasfin Bank Limited   | 14 709           | -             |
| Nedbank Limited - Ba2                                       | 63 411           | 71 139        |
| Vunani Securities   | 98 196           | -             |
| Access Bank Botswana Limited                                | 9 387            | -             |
| Windhoek Bank   | 25 871           | -             |
| Standard Bank of South Africa Limited - Ba2                 | 144 130          | 1 170 711     |
| *First National Bank Limited - BB-                          | 5                | 51 544        |
| HSBC Bank Limited   | (110)            | 744           |
| Albaraka Bank Limited                                       | -                | 12 803        |
| Cash on hand  | 172              | 107           |
| AfrAsia Bank Limited  | 3 055            | 2 892         |
| <b>Total</b>  | <b>1 111 833</b> | 2 163 722     |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 18. STATED CAPITAL

|   | 2022<br>R'000    | 2021<br>R'000 |
|---|------------------|---------------|
| <b>Authorised</b>                               |                  |               |
| 2 000 000 000 Ordinary shares of no par value   | -                | -             |
| <b>Issued</b>                                   |                  |               |
| 341 998 531 (2021: 344 123 944) Ordinary shares | <b>4 349 280</b> | 4 349 280     |
| Share premium                                   | <b>173 444</b>   | 173 444       |
| Share issue costs                               | <b>(78 314)</b>  | (78 314)      |
| Treasury shares                                 | <b>(2 922)</b>   | -             |
| <b>Closing balance</b>                          | <b>4 441 488</b> | 4 444 410     |

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

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

AYO acquired 804 904 (2021: nil) of its own shares through purchases on the JSE during the period under review. The acquired shares have been accounted for as treasury shares.

### 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.

#### 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 Main Street and GCCT respectively. At a Group level these written put options are considered to be options over own equity.

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

|                                      | 2022<br>R'000   | 2021<br>R'000 |
|--------------------------------------|-----------------|---------------|
| Share-based payment reserve          | <b>11 809</b>   | 11 809        |
| Foreign currency translation reserve | <b>2 206</b>    | 2 206         |
| Revaluation reserve                  | <b>221</b>      | 221           |
| Changes in ownership reserve         | <b>(31 186)</b> | (31 022)      |
| Written NCI put option reserve       | <b>(14 795)</b> | (14 795)      |
|                                      | <b>(31 745)</b> | (31 581)      |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 20. LEASE LIABILITY

|  | 2022<br>R'000  | 2021<br>R'000 |
|--|----------------|---------------|
| <b>Maturity analysis</b>                       |                |               |
| Less than one year                             | 32 788         | 37 046        |
| One to five years                              | 73 071         | 78 321        |
| More than five years                           | 17 917         | 28 695        |
| Less : Future finance charges                  | (17 248)       | (18 410)      |
| <b>Total lease liability</b>                   | <b>106 529</b> | 125 652       |
| Non-current liabilities                        | 76 660         | 90 673        |
| Current liabilities                            | 29 869         | 34 979        |
|  | <b>106 529</b> | 125 652       |
| <b>Amounts recognised in profit or loss</b>    |                |               |
| Interest on lease liability                    | 7 985          | 9 192         |
| Depreciation on the right of use assets        | 27 357         | 31 430        |
| Expenses relating to short-term leases         | 170            | -             |
| Income from sub-leasing of right-of-use assets | -              | 823           |
| <b>Total</b>                                   | <b>35 342</b>  | 41 445        |

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% (2021: 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 and an addition from the business combination.

### 21. DEFERRED INCOME

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

|   | 2022<br>R'000 | 2021<br>R'000 |
|---|---------------|---------------|
| <b>Reconciliation</b>   |               |               |
| Opening balance   | 33 252        | 48 640        |
| Additions through business combination                                  | -             | 992           |
| Additions   | 59 349        | 40 795        |
| Loss of control in subsidiary   | (2 775)       | -             |
| Revenue recognised on delivery of goods or services previously paid for | (44 751)      | (57 175)      |
| <b>Closing balance</b>  | <b>45 075</b> | 33 252        |

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

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 40.

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

Refer to note 26 for IFRS 15 disclosures.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 22. TRADE AND OTHER PAYABLES

|                                   | 2022<br>R'000  | 2021<br>R'000 |
|-----------------------------------|----------------|---------------|
| <b>Financial instruments:</b>     |                |               |
| Trade payables                    | 223 653        | 146 414       |
| <b>Non-financial instruments:</b> |                |               |
| Leave pay and other accruals      | 119 484        | 161 421       |
| Amounts received in advance       | 347            | 541           |
| Value added taxation              | 50 119         | 3 936         |
| <b>Total</b>                      | <b>393 603</b> | 312 312       |

#### 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.

### 23. LOANS FROM RELATED PARTY COMPANIES

|  | 2022<br>R'000 | 2021<br>R'000 |
|--|---------------|---------------|
| <b>Fellow shareholders of a subsidiary</b>   |               |               |
| <b>Mustek Limited</b>  |               |               |
| This loan was provided by Mustek Limited to Sizwe Africa IT Group Proprietary Limited. The loan was unsecured, bore interest at prime and was repayable by 27 November 2021. | -             | 10 601        |
|  | -             | <b>10 601</b> |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 24. PROVISIONS

#### Reconciliation of provisions

|   | Opening<br>balance<br>R'000          | Additions<br>R'000         | Utilised<br>during<br>the year<br>R'000           | Reversed<br>during<br>the year<br>R'000           | Total<br>R'000         |
|---|--------------------------------------|----------------------------|---|---|------------------------|
| <b>Reconciliation of provisions - 2022</b>      |                                      |                            |   |   |                        |
| 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                 |
| Fine - JSE                                      | -                                    | 2 000                      | -   | -   | 2 000                  |
| Legal costs                                     | -                                    | 16 662                     | -   | -   | 16 662                 |
| Reimbursement- Puleng severance cost            | -                                    | 1 210                      | -   | -   | 1 210                  |
| Provisions for marketing and promotions         | 261                                  | -                          | (193)   | (68)  | -                      |
| <b>Total</b>                                    | <b>33 502</b>                        | <b>55 732</b>              | <b>(23 280)</b>                                   | <b>(14 170)</b>                                   | <b>51 784</b>          |
|   | <b>Opening<br/>balance<br/>R'000</b> | <b>Additions<br/>R'000</b> | <b>Utilised<br/>during<br/>the year<br/>R'000</b> | <b>Reversed<br/>during<br/>the year<br/>R'000</b> | <b>Total<br/>R'000</b> |
| <b>Reconciliation of provisions - 2021</b>      |                                      |                            |   |   |                        |
| Commission                                      | 682                                  | 9 957                      | (7 075)   | (1 242)   | 2 323                  |
| Bonuses   | 13 780                               | 19 184                     | (8 551)   | (10 618)  | 13 795                 |
| Onerous contract                                | 14 226                               | 1 738                      | (6 047)   | (6 273)   | 3 645                  |
| Project and product warranties and product risk | 6 638                                | 8 619                      | (1 715)   | (63)  | 13 479                 |
| Provisions for marketing and promotions         | 215                                  | 260                        | (214)   | -   | 261                    |
| <b>Total</b>                                    | <b>35 541</b>                        | <b>39 758</b>              | <b>(23 601)</b>                                   | <b>(18 195)</b>                                   | <b>33 502</b>          |

#### Commission

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

#### Bonuses

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

#### Provision for 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.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 25. CONTINGENT CONSIDERATION LIABILITIES

|   | 2022<br>R'000 | 2021<br>R'000 |
|---|---------------|---------------|
| Opening balance   | 24 228        | 5 097         |
| <b>Contingent consideration arrangements entered into</b> | -             | 24 228        |
| Kathea Communications                                     | -             | 24 228        |
| Amount due for payment                                    |               | (553)         |
| Settlements   | (30 000)      | -             |
| Fair value adjustments                                    | 5 772         | (4 544)       |
| <b>Closing balance</b>                                    | -             | 24 228        |

The contingent consideration arrangement for Zaloserve required AYO to pay the former owners of Zaloserve for achieving certain earn-out targets for the 2019, 2020 and 2021 financial years, up to a maximum undiscounted amount of R5.5 million for each financial year. The contingent consideration arrangement for Zaloserve ended during the prior financial year. The earn-out target for the 2021 financial year was not achieved by Zaloserve and a fair value gain of R4.5 million was recognised in the statement of profit or loss in relation to the zaloserve contingent consideration arrangement. The contingent consideration liability was written off in full in the prior financial year.

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.

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 47.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 26. REVENUE FROM CONTRACTS WITH CUSTOMERS

|  | 2022<br>R'000    | 2021<br>R'000 |
|--|------------------|---------------|
| <b>Revenue from contracts with customers</b>                   |                  |               |
| Sale of goods  | 1 055 849        | 1 051 740     |
| Rendering of services  | 699 330          | 647 752       |
|  | <b>1 755 179</b> | 1 699 492     |
| <b>Disaggregation of revenue from contracts with customers</b> |                  |               |
| The Group disaggregates revenue from customers as follows:     |                  |               |
| Sale of goods  | 1 055 849        | 1 051 740     |
| Fees earned  | 335 512          | 346 030       |
| Service revenue  | 363 818          | 301 722       |
| Total revenue from rendering of services                       | 699 330          | 647 752       |
| <b>Total revenue recognition contracts with customers</b>      | <b>1 755 179</b> | 1 699 492     |
| <b>Timing of revenue recognition by revenue pattern</b>        |                  |               |
| <b>At a point in time</b>                                      |                  |               |
| Software- and consulting-related                               | 16 653           | 70 263        |
| Security services solutions-related                            | -                | 113 041       |
| Communication Products and hardware-related                    | 352 942          | 278 263       |
| Project-related services                                       | 691 480          | 541 022       |
|  | <b>1 061 075</b> | 1 002 589     |
| <b>Over-time</b>   |                  |               |
| Software- and consulting-related                               | 27 770           | 37 811        |
| Security services solutions-related                            | -                | 54 558        |
| Communication Products- and hardware-related                   | 76 463           | 95 445        |
| Project-related services                                       | 589 871          | 509 089       |
|  | <b>694 104</b>   | 696 904       |
|  | <b>1 755 179</b> | 1 699 492     |

| <b>Revenue disaggregated by primary geographical markets is as follows: 2022</b> | South Africa<br>R'000 | Rest of Africa<br>R'000 | Europe<br>R'000 | USA<br>R'000  | Total<br>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        |
| <b>Total</b>   | <b>1 706 232</b>      | <b>23 213</b>           | <b>9 509</b>    | <b>16 225</b> | <b>1 755 179</b> |

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

#### Unsatisfied long-term warranties and maintenance contracts

Transaction price allocated to long-term contracts

|        |        |
|--------|--------|
| 45 075 | 38 189 |
|--------|--------|

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 2022

### 27. COST OF SALES

| <b>Comprised of:</b>          | <b>2022<br/>R'000</b> | 2021<br>R'000    |
|-------------------------------|-----------------------|------------------|
| Sale of goods                 | 908 579               | 731 415          |
| Rendering of services         | 375 535               | 424 399          |
| Employee costs                | 81 777                | 95 072           |
| Depreciation and amortisation | 1 643                 | 2 004            |
|                               | <b>1 367 534</b>      | <b>1 252 890</b> |

### 28. OTHER OPERATING INCOME

|                     | <b>2022<br/>R'000</b> | 2021<br>R'000 |
|---------------------|-----------------------|---------------|
| Other income        | 5 782                 | 10 873        |
| Dividend income     | 9 076                 | -             |
| Rental income       | 251                   | -             |
| Fees earned         | 137                   | -             |
| Recoveries          | 450                   | -             |
| Administration fees | 316                   | -             |
|                     | <b>16 012</b>         | 10 873        |

### 29. OTHER OPERATING GAINS

|   | <b>2022<br/>R'000</b> | 2021<br>R'000 |
|---|-----------------------|---------------|
| Gain on sale of business  | 4 586                 | -             |
| Fair value gains/(losses) on investments designated as at fair value through profit or loss | (28 871)              | 50 010        |
| Fair value loss on NCI written put option   | (19 063)              | (12 366)      |
| *Fair value gains/(losses) on call options  | 113 739               | -             |
| Net foreign exchange gains/(losses)   | 6 140                 | (9 920)       |
| Fair value (losses)/gains on contingent considerations                                      | (5 772)               | 4 544         |
| Loss on sale of investments   | (10 434)              | -             |
| Profit on sale of property, plant and equipment   | 543                   | 1 200         |
| Profit on sale of intangible assets   | 6 391                 | -             |
| Profit on early termination of lease  | 293                   | 330           |
| Fair value loss - initial recognition of loan   | (8 675)               | -             |
|   | <b>58 877</b>         | 33 798        |

\* In the prior year, GCCT was consolidated with the AYO call options eliminated however, on 1 November, 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.

### 30. OTHER OPERATING EXPENSES

| <b>Major items included in other operating expenses:</b> | <b>2022<br/>R'000</b> | 2021<br>R'000 |
|--|-----------------------|---------------|
| Employee costs   | 321 299               | 430 853       |
| Depreciation and amortisation                            | 60 011                | 65 169        |
| Impairment expenses                                      | 75 868                | 45 756        |
| Consulting fees  | 121 336               | 52 387        |
| Other operating expenses                                 | 228 856               | 188 859       |
|  | <b>807 370</b>        | 783 024       |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 31. FINANCE INCOME

|   | 2022<br>R'000  | 2021<br>R'000  |
|---|----------------|----------------|
| Bank and cash   | 66 502         | 96 100         |
| Interest - Related party companies                        | 9 241          | 3 136          |
| Loans receivable  | 36 512         | 43 160         |
| Cumulative preference shares - Bambelela                  | 8 668          | 8 163          |
| Cumulative preference shares - 4Plus interest             | 9 981          | 5 921          |
| Cumulative preference shares - Loot B2B interest          | 2 695          | 2 208          |
| Cumulative preference shares - Dinaledi preference shares | 561            | -              |
| Funds in Trust  | 5 747          | 5 479          |
| Other financial assets                                    | 7 487          | 472            |
|   | <b>147 394</b> | <b>164 639</b> |

### 32. INCOME TAX EXPENSE

|   | 2022<br>R'000   | 2021<br>R'000 |
|---|-----------------|---------------|
| <b>Major components of the tax expense</b>                              |                 |               |
| South African normal taxation   | 46 367          | 53 366        |
| Under provision - prior periods   | (118)           | 56            |
| <b>Total current tax expense</b>  | <b>46 249</b>   | <b>53 422</b> |
| <b>Deferred tax expense</b>   |                 |               |
| Deferred tax arising on originating and reversing temporary differences | (14 880)        | 4 442         |
| Arising from prior period adjustments                                   | 118             | (285)         |
| Deferred tax expense (income) resulting from reduction in tax rate*     | 1 417           | -             |
| <b>Total deferred tax expense</b>                                       | <b>(13 345)</b> | <b>4 157</b>  |
| <b>Total tax expense</b>  | <b>32 904</b>   | <b>57 579</b> |
| <b>Reconciliation of the tax expense</b>                                |                 |               |
| Reconciliation between accounting profit and tax expense.               |                 |               |
| Accounting profit   | (233 160)       | (200 524)     |
| Tax at the applicable tax rate of 28% (2021: 28%)                       | (65 285)        | (56 147)      |
| <b>Tax effect of adjustments on taxable income</b>                      |                 |               |
| Impairment loss   | 27 934          | 25 385        |
| Donations   | 670             | 795           |
| Legal fees  | 12 776          | 4 956         |
| Fines and penalties   | 772             | 978           |
| Tax losses utilised   | -               | (94)          |
| Prepaid expenses  | 5 189           | -             |
| Learnerships  | (1 031)         | (680)         |
| Expected credit losses  | 722             | (1 479)       |
| Consulting fees   | 11 110          | 5 118         |
| Provisions non-deductible   | (8 440)         | -             |
| Interest income on preference shares exempt from tax                    | (6 134)         | -             |
| SARS Interest on late payment of tax                                    | 151             | -             |
| Interest on lease liabilities   | 1 370           | -             |
| Depreciation on right-of-use assets                                     | 4 068           | -             |
| Lease payments claimed as a deduction                                   | (7 785)         | -             |
| Profit on sale of assets  | (630)           | -             |
| Dividend income exempt from tax   | (3 920)         | (518)         |
| Fair value and accounting adjustments                                   | (6 295)         | 11 032        |
| Profit from equity accounted joint venture                              | (7 070)         | (5 969)       |
| Change in Tax Rate  | 1 424           | -             |
| Foreign exchange gains  | -               | (157)         |
| Interest income exempt from tax   | (10)            | (2 286)       |
| Interest expense on lease liabilities                                   | (929)           | 1 255         |
| Non-deductible expenditure  | 74 247          | 75 389        |
|   | <b>32 904</b>   | <b>57 579</b> |

\* 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 2022

### 33. EARNINGS PER SHARE

|   | 2022<br>R'000       |                   | 2021<br>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)   |                     | <b>(78.60)</b>    |               | (75.31)          |
| 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   |                     | <b>(270 303)</b>  |               | (259 146)        |
| Weighted average number of shares (000)   |                     | <b>343 878</b>    |               | 344 124          |
| <b>Net asset value per share</b>  |                     |                   |               |                  |
| <b>Net asset value per share (cents)</b>  |                     | <b>904</b>        |               | 1 046            |
|   | <b>Gross of tax</b> | <b>Net of tax</b> | Gross of tax  | Net of tax       |
| <b>Headline earnings per share</b>  |                     |                   |               |                  |
| Headline loss/earnings is determined as follows:<br>(Loss)/earnings attributable to shareholders of AYO   |                     | <b>(270 303)</b>  |               | (259 146)        |
| <b>Adjusted for:</b>  |                     |                   |               |                  |
| Profit on sale of property, plant and equipment   | <b>(405)</b>        | <b>(292)</b>      | (1 200)       | (864)            |
| Loss on disposal of subsidiary  | <b>(4 586)</b>      | <b>(3 302)</b>    | -             | -                |
| Profit on sale of intangibles   | <b>(6 391)</b>      | <b>(4 602)</b>    | -             | -                |
| Impairment of intangibles and property, plant and equipment   | <b>2 969</b>        | <b>2 137</b>      | 26 257        | 18 905           |
| Goodwill impairment   | <b>69 135</b>       | <b>69 135</b>     | 19 602        | 19 602           |
| <b>Headline earnings</b>  |                     | <b>(207 226)</b>  |               | <b>(221 503)</b> |
| Weighted average number of shares (000)   |                     | <b>343 878</b>    |               | 344 124          |
| Headline (loss)/earnings per share (cents)  |                     | <b>(60.26)</b>    |               | (64.37)          |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 34. RESTATEMENT OF PRIOR YEAR FIGURES

In the current year, it was noted that the prior year headline loss per share was incorrectly disclosed due to the NCI portion of adjustments being classified as immaterial.

|   | <b>As previously<br/>stated<br/>2021<br/>R'000</b> | <b>Adjustment<br/>2021<br/>R'000</b> | <b>Restated<br/>2021<br/>R'000</b> | <b>Audited<br/>2020<br/>R'000</b> | <b>Adjustment<br/>2020<br/>R'000</b> | <b>Restated<br/>2020<br/>R'000</b> |
|---|--|--------------------------------------|------------------------------------|-----------------------------------|--------------------------------------|------------------------------------|
| Earnings per share ("EPS") is derived by dividing the earnings attributable to equity holders of AYO by the weighted average number of ordinary shares. |  |                                      |                                    |                                   |                                      |                                    |
| Basic and diluted earnings per share (cents)  | (75.31)  |                                      | (75.31)                            | 6.20                              |                                      | 6.20                               |
| There are no dilutive options and other dilutive potential ordinary shares, therefore, basic and diluted earnings per share are the same.               |  |                                      |                                    |                                   |                                      |                                    |
| The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:             |  |                                      |                                    |                                   |                                      |                                    |
| Earnings attributable to owners of AYO  | (259 146)  |                                      | (259 146)                          | 21 343                            |                                      | 21 343                             |
| Weighted average number of shares ('000)  | 344 124  |                                      | 344 124                            | 344 124                           |                                      | -                                  |
| <b>Headline earnings per share</b>  |  |                                      |                                    |                                   |                                      |                                    |
| Headline earnings is determined as follows:   |  |                                      |                                    |                                   |                                      |                                    |
| Earnings attributable to owners of AYO  | (259 146)  |                                      | (259 146)                          | 21 343                            |                                      | 21 343                             |
| <b>Adjusted for:</b>  |  |                                      |                                    |                                   |                                      |                                    |
| Profit on sale of property, plant and equipment   | (1 200)  |                                      | (1 200)                            | (1 326)                           | -                                    | (1 326)                            |
| Loss on disposal of subsidiary  | -  | -                                    | -                                  | 6 627                             | -                                    | 6 627                              |
| Impairment of intangibles and property, plant and equipment   | 26 257   | (13 260)                             | 12 997                             | 2 734                             | -                                    | 2 734                              |
| Goodwill impairment   | 19 602   | -                                    | 19 602                             | 644                               | -                                    | 644                                |
| Tax effect of adjustments   | (7 016)  | 3 713                                | (3 303)                            | (2 430)                           | 1 132                                | (1 298)                            |
| Total non-controlling interest effects of adjustments   | -  | (13 260)                             | (13 260)                           | -                                 | (4 042)                              | (4 042)                            |
| <b>Headline earnings</b>  | <b>(221 503)</b>                                   | <b>(9 547)</b>                       | <b>(231 050)</b>                   | <b>27 592</b>                     | <b>(2 910)</b>                       | <b>24 682</b>                      |
| Weighted average number of shares ('000)  | 344 124  | 344 124                              | 344 124                            | 344 124                           | 344 124                              | 344 124                            |
| Headline earnings per share (cents)   | (64.37)  | (2.77)                               | (67.14)                            | 8.02                              | (0.85)                               | 7.17                               |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 35. CASH GENERATED BY OPERATIONS

|  | 2022<br>R'000    | 2021<br>R'000    |
|--|------------------|------------------|
| Profit before tax                                      | (233 160)        | (200 524)        |
| <b>Adjustments for:</b>                                |                  |                  |
| Depreciation and amortisation                          | 61 950           | 71 513           |
| (Loss)/profit on sale of property, plant and equipment | 389              | (1 200)          |
| Profit on sale of intangible assets                    | (6 391)          | -                |
| Share of profit from equity - accounted joint venture  | (25 250)         | (24 539)         |
| Dividend income  | (8 430)          | -                |
| Finance income   | (147 394)        | (164 639)        |
| Finance cost   | 13 892           | 13 529           |
| Fair value gains (losses)                              | 57 482           | (33 317)         |
| Inventory write down to net realisable value           | 8 415            | 8 366            |
| Foreign exchange gains (losses)                        | (6 335)          | 11 893           |
| Loss on sale of investments                            | (1 481)          | -                |
| Impairment losses                                      | 44 640           | 126 587          |
| Loss on sale of subsidiary                             | 2 673            | -                |
| Loans day one losses                                   | 8 677            | -                |
| Profit on loss of control of subsidiary                | (7 259)          | -                |
| Lease modification adjustment                          | -                | (331)            |
| Movements in provisions                                | 19 461           | (4 330)          |
| Employee benefit expenses                              | -                | 173              |
| Expected credit losses on trade receivables            | 1 019            | (2 737)          |
| <b>Changes in working capital</b>                      |                  |                  |
| Inventories  | (67 723)         | 10 006           |
| Trade and other receivables                            | (42 576)         | 149 358          |
| Trade and other payables                               | 96 107           | (227 588)        |
| Deferred income  | 10 040           | (16 351)         |
| <b>Cash utilised in operations</b>                     | <b>(221 253)</b> | <b>(284 132)</b> |

### 36. TAX PAID

|   | 2022<br>R'000   | 2021<br>R'000   |
|---|-----------------|-----------------|
| Tax payable balance at the beginning of the year      | 1 184           | (8 566)         |
| Business combinations                                 | (3 760)         | 911             |
| Current tax for the year recognised in profit or loss | (32 904)        | (55 548)        |
| Balance at the end of the year                        | 13 496          | (1 184)         |
| <b>Tax paid</b>                                       | <b>(21 984)</b> | <b>(64 387)</b> |

### 37. DIVIDENDS PAID

|                    | 2022<br>R'000 | 2021<br>R'000 |
|--------------------|---------------|---------------|
| Dividends declared | 224 000       | 447 361       |
| Dividends paid     | (214 311)     | (429 405)     |

A gross final dividend of 60 cents per share in South African rand has been declared 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 2022

### 38. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

#### Reconciliation of liabilities arising from financing activities - 2022

|                                       | Opening<br>balance<br>R'000 | Business<br>combinations/<br>(Loss in<br>control of<br>subsidiary)<br>R'000 | Interest<br>expenses<br>R'000 | Fair value<br>movements<br>R'000 | Other<br>non-cash<br>movements<br>R'000 | Total<br>non-cash<br>movements<br>R'000 | Cashflows<br>R'000 | Closing<br>balance<br>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<br>companies | 10 601                      | -   | 467                           | -                                | 7 946                                   | 8 413                                   | (19 013)           | -                           |
| Contingent liabilities                | 24 228                      | -   | -                             | 5 772                            | -                                       | 5 772                                   | (30 000)           | -                           |
| Derivative financial<br>liabilities   | 19 953                      | -   | -                             | 19 064                           | -                                       | 19 064                                  | -                  | 39 017                      |
| Employee benefits                     | 5 476                       | (1 671)   | -                             | -                                | (129)                                   | (1 800)                                 | (443)              | 3 233                       |
| <b>Total</b>                          | <b>188 046</b>              | <b>(1 671)</b>  | <b>12 501</b>                 | <b>24 836</b>                    | <b>20 096</b>                           | <b>55 762</b>                           | <b>(93 311)</b>    | <b>150 497</b>              |

#### Reconciliation of liabilities arising from financing activities - 2021

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 39. NON-CURRENT ASSETS HELD FOR SALE

In the prior year, on 23 August 2021, management committed to a plan to sell Puleng, the subsidiary was classified as held for sale as at 31 August 2021. On 1 November 2021, the Group disposed of its 100% equity interest in Puleng in exchange of Preference shares of Dinaledi Technologies Proprietary Limited for a consideration of R20 million. A loss on sale of the subsidiary of R2.7 million has been recognised in profit or loss.

|  | <b>August<br/>2021<br/>R'000</b> |
|--|----------------------------------|
| <b>Assets classified as held for sale</b>                                      |                                  |
| Property, plant and equipment  | 430                              |
| Right-of-use of assets   | 2 037                            |
| Other financial assets   | 640                              |
| Deferred tax assets  | 842                              |
| Cash and cash equivalents  | 1 006                            |
| Current tax receivable   | -                                |
| Trade and other receivables  | 54 835                           |
| <b>Total assets held for sale</b>  | <b>59 790</b>                    |
| <b>Liabilities directly associated with assets classified as held for sale</b> |                                  |
| Lease liabilities  | 1 921                            |
| Trade and other payables   | 21 475                           |
| Taxation   | 257                              |
| <b>Total liabilities held for sale</b>   | <b>23 396</b>                    |
| <b>Cash flow statement</b>   |                                  |
| <b>Cash flows from operating activities</b>                                    |                                  |
| Cash receipts from customers   | 211 887                          |
| Cash paid to suppliers and employees   | (237 447)                        |
| <b>Cash generated/(utilised) in operations</b>                                 | <b>(25 560)</b>                  |
| Finance income   | 247                              |
| Finance costs  | (263)                            |
| Tax paid   | (2 511)                          |
| <b>Net cash from operating activities</b>                                      | <b>(28 087)</b>                  |
| <b>Cash flows from investing activities</b>                                    |                                  |
| Acquisition of property, plant and equipment                                   | (208)                            |
| Proceeds from the disposal of property, plant and equipment                    | 48                               |
| Amounts repaid from other financial assets                                     | 160                              |
| Funds advanced in Trusts   | (6 880)                          |
| <b>Net cash to investing activities</b>  | <b>(6 880)</b>                   |
| <b>Cash flows from financing activities</b>                                    |                                  |
| Lease liabilities repayments   | (219)                            |
| <b>Net cash to financing activities</b>  | <b>(219)</b>                     |
| <b>Total cash movement for the period</b>                                      | <b>(35 186)</b>                  |
| Cash at the beginning of the period  | 36 193                           |
| <b>Total cash at the end of the period</b>                                     | <b>1 007</b>                     |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 40. DISPOSAL OF SUBSIDIARIES

#### 40.1 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. This resulted in AYO's shareholding interest of 24% remaining the same. The loss of control resulted in Group recognising GCCT as an associate measured using equity method.

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

|  | <b>R'000</b>   |
|--|----------------|
| Property, plant and equipment              | 1 219          |
| Right of use asset                         | 859            |
| Intangible assets                          | 462            |
| Deferred tax assets                        | 5 980          |
| Inventories                                | 3 082          |
| Loans to group companies                   | 5 200          |
| Trade & other receivables                  | 10 129         |
| Cash & cash equivalents                    | 56 496         |
| Loans from related party companies         | (100 322)      |
| Trade and other payables                   | (5 068)        |
| Lease liabilities                          | (1 118)        |
| Long service award                         | (1 671)        |
| Deferred income                            | (2 775)        |
| Non-controlling interests                  | 20 266         |
| <b>Net assets</b>                          | <b>(7 261)</b> |
| Consideration received                     | -              |
| <b>Loss on deemed sale of subsidiaries</b> | <b>(7 261)</b> |

The loss on deemed disposal (control lost) is included in the loss for the period under review in the consolidated statement of profit or loss.

#### 40.2 Puleng

On 23 August 2021, management committed to a plan to sell Puleng, the subsidiary was classified as held for sale as at 31 August 2021. On 1 November 2021, the Group disposed of its 100% equity interest in Puleng in exchange of Preference shares of Dinaledi Technologies Proprietary Limited for a consideration of R20 million. A loss on sale of the subsidiary of R2.7 million has been recognised in profit or loss.

At the date of disposal, the carrying amounts of Puleng's net assets were as follows:

|                               | <b>R'000</b>  |
|-------------------------------|---------------|
| Property, plant and equipment | 308           |
| Right-of-use of assets        | 1 918         |
| Other financial assets        | 640           |
| Deferred tax assets           | 998           |
| Current tax receivable        | 339           |
| Trade and other receivables   | 31 763        |
| Cash and cash equivalents     | 401           |
| Lease liability               | (1 829)       |
| Trade and other payables      | (4 244)       |
| Goodwill                      | -             |
| <b>Net assets</b>             | <b>30 294</b> |

The gain on disposal of GCCT of R7.3 million and loss on disposal of Puleng of R2.7 million which has resulted in a net gain of R4.6 million is disclosed in other operating gains/(losses) in the Statement of Profit or Loss and in note 29.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 41. BUSINESS COMBINATIONS

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

There have been no acquisitions in the current financial year.

| <b>Assets acquired and liabilities assumed:</b>  | <b>2021<br/>R’000</b> |
|--|-----------------------|
| Property, plant and equipment                    | 691                   |
| Right of use asset                               | 2 451                 |
| Intangible assets                                | 62 012                |
| Deferred tax asset                               | (12 673)              |
| Finance lease receivables                        | 2 095                 |
| Inventories                                      | 18 077                |
| Trade and other receivables                      | 21 622                |
| Cash and cash equivalents                        | 5 778                 |
| Other financial liabilities                      | (11 488)              |
| Lease liabilities                                | (2 576)               |
| Current tax payable                              | (911)                 |
| Trade and other payables                         | (28 993)              |
| Provisions                                       | (2 291)               |
| Dividend receivable                              | (4 000)               |
| Bank overdraft                                   | (1 490)               |
| <b>Total identifiable assets and liabilities</b> | <b>48 304</b>         |
| Goodwill   | 35 715                |
| <b>Total purchase consideration</b>              | <b>84 019</b>         |

### 42. CONTINGENCIES

#### Litigation

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

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

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

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 have made an estimate and raised the provision for the amount.

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.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 42. CONTINGENCIES (continued)

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.

#### Options

The share sale agreements for Mainstreet and GCCT give AYO the option to sell its 40% shareholding in Main Street and its 24% shareholding in GCCT to AEEI at a price defined by a formula in the share sale agreements ("AYO put options"). The AYO put option for Main Street has been valued at R1.2 million as at 31 August 2021, and the AYO put option for GCCT has been valued at nil as at 31 August 2021. The options are exercisable between two to four years from the date of purchase of Main Street and GCCT. As at 31 August 2021, the minimum period of two years from date of purchase had not elapsed. The asset is not recognised as the recognition criteria of an asset is not met, due to the inflow of economic benefits not being probable.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 43. GOING CONCERN

The reviewed provisional condensed 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. The realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors have determined the appropriate basis of preparation of the reviewed provisional condensed financial results 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 Company taking into account the current financial position and existing cash resources and borrowing facilities.

On 31 May 2019, AYO received a summons issued by the PIC and GEPP. The summons seeks a declaration that the subscription agreement entered into by the PIC with AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4.3 billion together with interest of 10.25% per annum accrued from 22 December 2017 to date of final payment. AYO has instructed its attorneys to oppose the action. The Company has since been reconfigured into a technology holding company and will be able to continue to trade as such through the portfolio of investments it holds should the PIC and GEPP be successful in their application. Certain subsidiaries of AYO have been in existence for more than 20 years, delivering satisfactory trading performance and dividend income for AYO. These subsidiaries are expected to continue trading at an optimal level independent of the PIC funding.

AYO's previous banker, First National Bank Limited ("FNB"), closed its transactional banking facility with effect from 3 May 2021. 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 competition tribunal granted an order for FNB to reopen the transactional banking facility for a period of six months from the date of the order. FNB has reopened the transactional banking facility of AYO.

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 reviewed provisional condensed financial results.

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 44. RELATED PARTIES

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

Significant related party transactions entered into include:

| Entity name   | Relationship   |
|---|--|
| African Equity Empowerment Investments Limited              | Holding company  |
| Afrinat Proprietary Limited                                 | Fellow subsidiary  |
| Bowwood and Main No.180 Proprietary Limited                 | Fellow subsidiary  |
| espAfrika Proprietary Limited                               | Fellow subsidiary  |
| Orleans Cosmetics Proprietary Limited                       | Fellow subsidiary  |
| 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              |
|   | Shareholders are members of key management for Zaloserve |
| Zaloserve Management Proprietary Limited                    | Common shareholding                                      |
| 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                                 |
| Omnicare Family Healthcare Centre                           | Common director  |
| Collateral Trading Proprietary Limited                      | Common director  |
| 4Plus Technology Venture Fund Africa Proprietary Limited    | Investment   |
| Bambelela Capital Proprietary Limited                       | Investment   |
| Loot B2B Proprietary Limited                                | Investment   |
| Volt Africa Proprietary Limited                             | Investment   |
| Isakhiwo Group International Proprietary Limited            | Shareholder  |
| <b>Directors</b>  | Refer to director's report                               |

| Related party transactions include the following:                               | 2022<br>R'000 | 2021<br>R'000 |
|---|---------------|---------------|
| <b>Sales to related parties</b>   |               |               |
| Independent Newspaper Proprietary Limited                                       | 154           | -             |
| Mustek Limited  | 1 593         | 55            |
| Sizwe Asset Finance Proprietary Limited   | -             | 6 422         |
| African Equity Empowerment Investments Limited                                  | -             | 9             |
| AS Brown  | -             | 19            |
| Loot Online Proprietary Limited   | 16            | -             |
| <b>Purchases of hardware and managed services from related parties</b>          |               |               |
| BT Communications Services South Africa Proprietary Limited                     | 6 014         | 5 459         |
| Tripos Tourism Investments Proprietary Limited                                  | -             | 20            |
| Mustek Limited  | 52 623        | 12 307        |
| Sizwe Asset Finance Proprietary Limited   | -             | 66 608        |
| African Equity Empowerment Investments Limited                                  | -             | 1             |
| Dr FM Surve   | -             | 2             |
| Communication Product Proprietary Limited                                       | 36 521        | -             |
| Saratoga Software PTY LTD   | 1 571         | -             |
| Loot Online Proprietary Limited   | 81            | -             |
| <b>Dividend income from related parties</b>                                     |               |               |
| Bambelela Capital Proprietary Limited - cumulative redeemable preference shares | 2 108         | 635           |
| <b>Dividend paid to related parties</b>   |               |               |
| Saratoga Private Equity Proprietary Limited                                     | -             | 2 762         |
| A. Robinson   | -             | 485           |
| M. Gebhardt   | -             | 485           |
| <b>Corporate service income from related parties</b>                            |               |               |
| African Equity Empowerment Investments Limited                                  | -             | 21            |
| Independent Newspaper Proprietary Limited                                       | -             | 2 609         |
| African News Agency Proprietary Limited   | -             | 387           |
| espAfrika Proprietary Limited   | -             | 67            |
| Loot Online Proprietary Limited   | -             | 504           |
| Volt Africa Proprietary Limited   | -             | 290           |
| Tripos Travel Proprietary Limited   | -             | 29            |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 44. RELATED PARTIES (continued)

| Related party transactions include the following:                                  | 2022<br>R'000 | 2021<br>R'000 |
|--|---------------|---------------|
| <b>Recoveries from (expenses) to related parties</b>                               |               |               |
| Loot Online Proprietary Limited  | -             | 105           |
| Volt Africa Proprietary Limited  | -             | 2 514         |
| Independent News and Media Proprietary Limited                                     | 551           | -             |
| <b>Fair value gains (losses) on investments in related parties</b>                 |               |               |
| 4Plus Technology Venture Fund Africa Proprietary Limited                           | (42 386)      | (25 964)      |
| Bambelela Capital Proprietary Limited  | 23 219        | 60 269        |
| Loot B2B Proprietary Limited   | -             | (10 000)      |
| Last Mile Logistics Africa Proprietary Limited                                     | -             | 11 915        |
| <b>Fair value gains (losses) on derivate financial assets with related parties</b> |               |               |
| African Equity Empowerment Investments Limited (Main Street and GCCT Call option)  | 94 675        | (16 149)      |
| <b>Administration and management fees expense to related parties</b>               |               |               |
| African Equity Empowerment Investments Limited                                     | 7 560         | 7 560         |
| Sekunjalo Properties Proprietary Limited   | -             | 1 308         |
| Springbok Consulting Close Corporation   | 1 251         | 851           |
| Communication Product Proprietary Limited  | 1 643         | -             |
| <b>Advertising and marketing expenses to related parties</b>                       |               |               |
| African News Agency Proprietary Limited  | 10 700        | 214           |
| Independent News and Media Proprietary Limited                                     | 5 826         | 292           |
| Volt Africa Proprietary Limited  | -             | 62            |
| AS Brown   | 2             | 25            |
| <b>Cleaning expenses to related parties</b>  |               |               |
| Prodirect Investments 112 Proprietary Limited                                      | -             | 40            |
| <b>Consulting fees to related parties</b>  |               |               |
| African Equity Empowerment Investments Limited                                     | -             | 23            |
| <b>Staff welfare expenses to related parties</b>                                   |               |               |
| Omnicare Family Healthcare Centre  | -             | 2 640         |
| <b>Donations to related parties</b>  |               |               |
| Loot B2B Proprietary Limited   | -             | 19            |
| Afrinat Proprietary Limited  | -             | 3             |
| Vunani Fintech Fund Proprietary Limited  | -             | 90            |
| Collateral Trading Proprietary Limited   | -             | 70            |
| <b>Sponsorship fees paid to related parties</b>                                    |               |               |
| espAfrika Proprietary Limited  | -             | 3 000         |
| <b>Socio-economic development expense to related parties</b>                       |               |               |
| Sekunjalo Development Foundation   | -             | 2 000         |
| <b>Entertainment expenses to related parties</b>                                   |               |               |
| Loot Online Proprietary Limited  | -             | 380           |
| Orleans Cosmetics Proprietary Limited  | -             | 178           |
| Collateral Trading Proprietary Limited   | -             | 24            |
| <b>Impairment expenses in respect of related parties</b>                           |               |               |
| Global Command and Control Technologies Proprietary Limited                        | 5 000         | -             |
| Kyramanzi Proprietary Limited  | 5 000         | -             |
| Independent News and Media Proprietary Limited                                     | 250           | 3 582         |
| CreAlpha Proprietary Limited   | 5 815         | -             |
| Loot B2B Proprietary Limited   | 2 695         | 12 208        |
| Fueltech Proprietary Limited   | 10 000        | -             |
| AOH Enterprise Proprietary Limited   | 2 850         | -             |
| <b>Payroll processing fees to related parties</b>                                  |               |               |
| Premier Fishing SA Proprietary Limited   | -             | 90            |
| Independent News and Media Proprietary Limited                                     | -             | 113           |
| <b>Protective equipment purchased from related parties</b>                         |               |               |
| Collateral Trading Proprietary Limited   | -             | 80            |
| <b>Office Equipment purchased from related parties</b>                             |               |               |
| Loot Online Proprietary Limited  | 24            | 28            |
| <b>Computer Equipment sold to related parties</b>                                  |               |               |
| Loot Online Proprietary Limited  | -             | 475           |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 44. RELATED PARTIES (continued)

|   | 2022<br>R'000 | 2021<br>R'000 |
|---|---------------|---------------|
| <b>Related party transactions include the following:</b>                          |               |               |
| <b>Office expenses paid to related parties</b>                                    |               |               |
| Loot Online Proprietary Limited   | -             | 2             |
| <b>Printing and stationary expenses to related parties</b>                        |               |               |
| Loot Online Proprietary Limited   | 21            | 22            |
| <b>Rental expenses to related parties</b>   |               |               |
| Prodirect Investments 112 Proprietary Limited                                     | -             | 4 650         |
| Biton Music Productions Proprietary Limited                                       | -             | 984           |
| <b>Subscriptions expenses to related parties</b>                                  |               |               |
| Sekunjalo Investments Holdings Proprietary Limited                                |               | 1 647         |
| <b>Professional services fees paid related parties</b>                            |               |               |
| Vunani Corporate Finance Proprietary Limited                                      | 5 782         | 7 514         |
| African Equity Empowerment Investments Limited                                    |               | 1 650         |
| Volt Africa Proprietary Limited   |               | 12            |
| LML Shared Solutions Proprietary Limited  | 49 088        | -             |
| <b>Travel expenses paid to related parties</b>                                    |               |               |
| Tripos Travel Proprietary Limited   | 5 351         | 2 057         |
| <b>Security expenses paid to related parties</b>                                  |               |               |
| Biton Music Productions Proprietary Limited                                       | 78            | 54            |
| <b>Information, communication and technology expenses paid to related parties</b> |               |               |
| Independent News and Media Proprietary Limited                                    | -             | 13            |
| Loot Online Proprietary Limited   | 1             | 312           |
| <b>Interest received from related parties</b>                                     |               |               |
| 4Plus Technology Venture Fund Africa Proprietary Limited                          | 10 067        | 5 921         |
| African Equity Empowerment Investments Limited                                    | 1 207         | 593           |
| Bambelela Capital Proprietary Limited – cumulative redeemable preference shares   | 8 668         | 8 163         |
| Global Command and Control Technologies Proprietary Limited                       | 8 433         | -             |
| Loot B2B Proprietary Limited  | 2 695         | 2 208         |
| Vunani Fintech Fund Proprietary Limited   | 19 695        | 11 557        |
| Bowwood and Mains No.180 Proprietary Limited                                      | -             | 2 647         |
| Volt Africa Proprietary Limited   | 741           | 614           |
| Zaloserve Management Proprietary Limited  | 1 241         | 184           |
| Isakhiwo Group International Proprietary Limited                                  | 15            | 161           |
| CreAlpha Proprietary Limited  | 1 951         | -             |
| <b>Interest paid to related parties</b>   |               |               |
| Mustek Limited  | 397           | 601           |
|   | <b>2022</b>   | <b>2021</b>   |
| <b>Related party balances include the following:</b>                              | <b>R'000</b>  | <b>R'000</b>  |
| <b>Loans receivables from related parties</b>                                     |               |               |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 44. RELATED PARTIES (continued)

|  | 2022<br>R'000 | 2021<br>R'000 |
|--|---------------|---------------|
| <b>Related party balances include the following:</b>   |               |               |
| 4Plus Technology Venture Fund Africa Proprietary Limited – cumulative redeemable preference shares | 77 380        | 37 399        |
| 4Plus Technology Venture Fund Africa Proprietary Limited – loan                                    | 2 086         | -             |
| African Equity Empowerment Investments Limited   | 16 356        | 20 271        |
| Bambelela Capital Proprietary Limited – cumulative redeemable preference shares                    | 143 485       | 161 162       |
| Loot B2B Proprietary Limited – cumulative redeemable preference shares                             | 30 788        | 28 093        |
| Vunani Fintech Fund Proprietary Limited  | 246 510       | 215 966       |
| Volt Africa Proprietary Limited  | 21 579        | 20 838        |
| LML Shared Solutions Proprietary Limited   | 173 476       | -             |
| Bowwood and Main No.180 Proprietary Limited  | -             | 3 687         |
| Isakhiwo Group International Proprietary Limited   | -             | 5 286         |
| Zaloserve Management Proprietary Limited   | 16 825        | 15 584        |
| Saratoga Private Equity Proprietary Limited  | -             | 18            |
| Dinaledi Proprietary Limited (Pref shares)   | 20 562        | -             |
| CreAlpha Proprietary Limited   | 31 951        | -             |
| Global Command and Control Technologies Proprietary Limited  | 107 508       | -             |
| Communication Products Proprietary Limited   | 610           | -             |
| Fueltech Proprietary Limited   | 20 108        | -             |
| <b>Accumulated impairment on loans receivable from related parties</b>                             |               |               |
| Loot B2B Proprietary Limited   | (30 788)      | (28 093)      |
| Volt Africa Proprietary Limited  | (13 524)      | (13 524)      |
| Global Command and Control Technologies Proprietary Limited  | (5 000)       | -             |
| CreAlpha Proprietary Limited   | (5 815)       | -             |
| <b>Loans payable to related parties</b>  |               |               |
| Mustek Limited   | -             | 10 601        |
| <b>Investments in related parties at cost</b>  |               |               |
| 4Plus Technology Venture Fund Africa Proprietary Limited   | 221 230       | 197 230       |
| Bambelela Capital Proprietary Limited  | 16 182        | 16 182        |
| Loot B2B Proprietary Limited   | 25 000        | 25 000        |
| Kyramanzi (Pty) Ltd  | 5 000         | -             |
| Fueltech Proprietary Limited   | 10 000        | -             |
| AOH Enterprise Proprietary Limited   | 2 850         | -             |
| <b>Accumulated fair value gains (losses) on investments in related parties</b>                     |               |               |
| 4Plus Technology Venture Fund Africa Proprietary Limited   | (219 798)     | (177 411)     |
| Bambelela Capital Proprietary Limited  | 98 445        | 75 226        |
| Loot B2B Proprietary Limited   | (25 000)      | (25 000)      |
| Last Mile Logistics Africa Proprietary Limited   | -             | 11 915        |
| Kyramanzi (Pty) Ltd  | (5 000)       | -             |
| Fueltech Proprietary Limited   | (10 000)      | -             |
| AOH Enterprise Proprietary Limited   | (2 850)       | -             |
| <b>Carrying amounts of investments in related parties</b>  |               |               |
| 4Plus Technology Venture Fund Africa Proprietary Limited   | 1 432         | 19 819        |
| Bambelela Capital Proprietary Limited  | 114 627       | 91 408        |
| Last Mile Logistics Africa Proprietary Limited   | -             | 11 915        |
| <b>Derivative Financial liability</b>  |               |               |
| African Equity Empowerment Investments Limited   | 19 953        | 7 587         |
| Fair Value adjustment  | 19 063        | 12 366        |
| <b>Derivative Financial asset</b>  |               |               |
| Fair Value adjustment  | 113 739       | -             |
| <b>Trade receivables from related parties</b>  |               |               |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 44. RELATED PARTIES (continued)

|   | 2022<br>R'000 | 2021<br>R'000 |
|---|---------------|---------------|
| <b>Related party balances include the following:</b>                    |               |               |
| Independent News and Media Proprietary Limited                          | 6 887         | 6 887         |
| Global Command and Control Technologies Proprietary Limited             | 36            | -             |
| Mustek Limited  | 83            | -             |
| Sizwe Asset Finance Proprietary Limited                                 | -             | 84 148        |
| African Equity Empowerment Investments Limited                          | -             | 12            |
| Tripos Travel Proprietary Limited                                       | -             | 17            |
| Volt Africa Proprietary Limited   | 2 286         | 2 286         |
| Loot Online Proprietary Limited   | 1 199         | 1 246         |
| African News Agency Proprietary Limited                                 | 445           | 445           |
| espAfrika Proprietary Limited   | 77            | 77            |
| Independent Newspaper Proprietary Limited                               | 151           | -             |
| <b>Other receivables from related parties</b>                           |               |               |
| 4Plus Technology Venture Fund Africa Proprietary Limited                | 529           | 529           |
| Orleans Cosmetics Proprietary Limited                                   | 207           | 207           |
| Independent News and Media Proprietary Limited                          | 5 571         | 5 571         |
| Sekunjalo Investments Holdings Proprietary Limited                      | 1 930         | 1 930         |
| <b>Accumulated impairment on other receivables from related parties</b> |               |               |
| 4Plus Technology Venture Fund Africa Proprietary Limited                | (529)         | (529)         |
| Orleans Cosmetics Proprietary Limited                                   | (207)         | (207)         |
| Independent News and Media Proprietary Limited                          | (11 416)      | (11 166)      |
| Sekunjalo Investments Holdings Proprietary Limited                      | (1 930)       | (1 930)       |
| <b>Prepayments to related parties</b>                                   |               |               |
| African News Agency Proprietary Limited                                 | -             | 10 700        |
| Independent News and Media Proprietary Limited                          | 9 041         | 9 041         |
| <b>Accumulated impairment on prepayments to related parties</b>         |               |               |
| Independent News and Media Proprietary Limited                          | (9 041)       | (9 041)       |
| <b>Rental deposit to related party</b>                                  |               |               |
| Prodirect Investments 112 Proprietary Limited                           | -             | 4 253         |
| <b>Lease liability payable to related parties</b>                       |               |               |
| Sekunjalo Properties Proprietary Limited                                | -             | 1 205         |
| <b>Trade payables to related parties</b>                                |               |               |
| African Equity Empowerment Investments Limited                          | 725           | 3 915         |
| Loot Online Proprietary Limited   | 15            | 75            |
| Independent News and Media Proprietary Limited                          | 136           | -             |
| Volt Africa Proprietary Limited   | -             | 14            |
| Tripos Travel Proprietary Limited                                       | 212           | 377           |
| Mustek Limited  | 12 565        | 944           |
| Sizwe Asset Finance Proprietary Limited                                 | -             | 17 108        |
| Communication Products Proprietary Limited                              | 7 030         | -             |
| Springbok Consulting Close Corporation                                  | 172           | -             |
| <b>Other payables to related parties</b>                                |               |               |
| Vunani Corporate Finance Proprietary Limited                            | 1 725         | 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.

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 45. DIRECTORS' EMOLUMENTS

|                     | AYO Group     |                 |  |              |                      |                     |                 |                 |               |                                  |          |                 |
|---------------------|---------------|-----------------|--|--------------|----------------------|---------------------|-----------------|-----------------|---------------|----------------------------------|----------|-----------------|
|                     | Basic salary  | Other benefits* | Pension or provident fund contribution or receivable | Bonus        | Short-term incentive | Long-term incentive | Directors' fees | Consulting fees | Total         | Other Group Company Remuneration |          |                 |
|                     |               |                 | R'000  |              |                      |                     |                 |                 |               | R'000                            | R'000    | Directors' fees |
| R'000               | R'000         | R'000           | R'000  | R'000        | R'000                | R'000               | R'000           | R'000           | R'000         | R'000                            |          |                 |
| <b>2022</b>         |               |                 |  |              |                      |                     |                 |                 |               |                                  |          |                 |
| 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             |
|                     | <b>16 301</b> | <b>819</b>      | <b>2 127</b>   | <b>1 784</b> | <b>32 427</b>        | <b>7 947</b>        | <b>5 044</b>    | <b>1 450</b>    | <b>67 899</b> | <b>2 770</b>                     | <b>-</b> | <b>70 669</b>   |

| Figures in Rand     | AYO Group     |                 |  |              |               |                      |                     |                 |                 |               |                                  |          |               |
|---------------------|---------------|-----------------|--|--------------|---------------|----------------------|---------------------|-----------------|-----------------|---------------|----------------------------------|----------|---------------|
|                     | 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 |          |               |
|                     |               |                 | R'000  |              |               |                      |                     |                 |                 |               | R'000                            | R'000    | R'000         |
| R'000               | R'000         | R'000           | R'000  | R'000        | R'000         | R'000                | R'000               | R'000           | R'000           | R'000         | R'000                            | R'000    |               |
| <b>2021</b>         |               |                 |  |              |               |                      |                     |                 |                 |               |                                  |          |               |
| H Plaatjes*         | 3 929         | 163             | 705  | 385          | -             | 8 940                | 2 470               | -               | -               | 16 591        | -                                | -        | 16 591        |
| IT Bundo*           | 3 447         | 174             | 412  | 325          | -             | 5 825                | 2 113               | -               | -               | 12 296        | -                                | -        | 12 296        |
| V Govender*         | 2 904         | 105             | 469  | 280          | -             | 5 240                | 1 820               | -               | -               | 10 819        | -                                | -        | 10 819        |
| Khalid Abdulla      | 4 335         | 91              | 583  | 409          | -             | 4 000                | -                   | -               | -               | 9 417         | -                                | -        | 9 417         |
| I Amod*             | 1 500         | 56              | -  | -            | 4 000         | -                    | -                   | 322             | 800             | 6 677         | 299                              | -        | 6 976         |
| AB Amod^            | -             | -               | -  | -            | -             | -                    | -                   | 788             | 900             | 1 688         | 1 562                            | -        | 3 250         |
| Dr W Mgoqi#         | -             | -               | -  | -            | -             | -                    | -                   | 1 181           | 100             | 1 281         | -                                | -        | 1 281         |
| Dr D George#        | -             | -               | -  | -            | -             | -                    | -                   | 866             | 100             | 966           | -                                | -        | 966           |
| R Mosia#            | -             | -               | -  | -            | -             | -                    | -                   | 709             | 100             | 809           | 260                              | -        | 1 069         |
| S Rasethaba#        | -             | -               | -  | -            | -             | -                    | -                   | 285             | 160             | 445           | -                                | -        | 445           |
| N Ramathlodi#       | -             | -               | -  | -            | -             | -                    | -                   | 394             | 100             | 494           | 249                              | -        | 743           |
| Prof Dr LCH Fourie# | -             | -               | -  | -            | -             | -                    | -                   | 394             | 100             | 494           | -                                | -        | 494           |
|                     | <b>16 116</b> | <b>589</b>      | <b>2 169</b>   | <b>1 399</b> | <b>4 000</b>  | <b>24 005</b>        | <b>6 403</b>        | <b>4 938</b>    | <b>2 360</b>    | <b>61 977</b> | <b>2 370</b>                     | <b>-</b> | <b>64 347</b> |

\* Executive Directors

^ Non-Executive Directors

# Independent Non-Executive Directors

\* Other benefits comprise travel allowance and medical benefits

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 45. DIRECTORS' EMOLUMENTS (continued)

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 R716 625 (2021: R682 496), by Premier an amount of R227 677 (2021: R399 692), by Health Systems Technologies Limited ("HST") an amount of R499 250 (2021: R480 000) and by SGT Solutions an amount of R520 000 (2021: Rnil). AEEI, HST, Premier and SGT Solutions 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 R318 748 (2021: R260 204). 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 (2021: Rnil) and by Premier an amount of R295 981 (2021: R249 361). 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 (2021: R172 083) by AEEI and an amount of R295 980 (2021: R126 487) 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 2022, the directors of the Company held in aggregate a direct beneficial interest of 2 500 (2021: 3 750) and an indirect non-beneficial interest of 3 145 850 (2021: 3 000 000) in the Company's shares, equivalent to 0.9206% (2021: 0.8729%) of the issued share capital.

|             | Direct beneficial | Direct non-beneficial | Indirect beneficial | Indirect non-beneficial | Total percentage |
|-------------|-------------------|-----------------------|---------------------|-------------------------|------------------|
| <b>2022</b> |                   |                       |                     |                         |                  |
| AB Amod     | 1 250             | -                     | -                   | -                       | 0.0004%          |
| K Abdulla   | 1 250             | -                     | -                   | 145 850                 | 0.00043%         |
| D George    | -                 | -                     | -                   | 3 000 000               | 0.8772%          |
|             | <b>2 500</b>      | <b>-</b>              | <b>-</b>            | <b>3 145 850</b>        | <b>0.9206%</b>   |
| <b>2021</b> |                   |                       |                     |                         |                  |
| I Amod      | 1 250             | -                     | -                   | -                       | 0.0004%          |
| AB Amod     | 1 250             | -                     | -                   | -                       | 0.0004%          |
| K Abdulla   | 1 250             | -                     | -                   | -                       | 0.0004%          |
| D George    | -                 | -                     | -                   | 3 000 000               | 0.8718%          |
|             | <b>3 750</b>      | <b>-</b>              | <b>-</b>            | <b>3 000 000</b>        | <b>0.8729%</b>   |

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 46. FINANCIAL RISK MANAGEMENT

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

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

| <b>Risk</b>                             | <b>Exposure arising from</b>   | <b>Measurement</b>                          | <b>Management</b>   |
|---|--|---|---|
| Liquidity risk                          | Trade payables, lease obligations, contingent consideration arrangements, derivative financial liabilities, and guarantees | Cash flow forecasts                         | Available cash resources, borrowing facilities.                                       |
| Credit risk                             | Trade receivables, loans receivable, finance lease receivable and cash and cash equivalents                                | Credit ratings for banks and aging analysis | Credit evaluation, securities, use of credit limits, diversification of bank deposits |
| Market risk<br>- Foreign currency rates | Loans at variable rates of interest  | Sensitivity analysis                        | Not applicable  |
| Market risk<br>- 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.

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

| <b>Facility</b>                       | <b>Bank</b>    | <b>2022<br/>R'000</b> | <b>2021<br/>R'000</b> |
|---------------------------------------|----------------|-----------------------|-----------------------|
| Overdrafts (expiring within one year) | <b>Nedbank</b> | <b>2 968</b>          | 7 000                 |

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 46. FINANCIAL RISK MANAGEMENT (continued)

#### 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<br>R'000 | Between one to five years<br>R'000 | More than five years<br>R'000 | Total<br>R'000 | Carrying amount<br>R'000 |
|--------------------------------------|--------------------------|------------------------------------|-------------------------------|----------------|--------------------------|
| <b>As at 31 August 2022</b>          |                          |                                    |                               |                |                          |
| 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                  |
| <b>Total</b>                         | <b>438 958</b>           | <b>112 088</b>                     | <b>17 917</b>                 | <b>568 964</b> | <b>568 964</b>           |
|                                      | Within one year<br>R'000 | Between one to five years<br>R'000 | More than five years<br>R'000 | Total<br>R'000 | Carrying amount<br>R'000 |
| <b>As at 31 August 2021</b>          |                          |                                    |                               |                |                          |
| Other financial liabilities          | 2 136                    | -                                  | -                             | 2 136          | 2 136                    |
| Derivative financial liability       | -                        | 19 953                             | -                             | 19 953         | 19 953                   |
| Lease liabilities                    | 37 046                   | 78 321                             | 28 695                        | 144 062        | 144 062                  |
| Trade payables                       | 312 312                  | -                                  | -                             | 312 312        | 312 312                  |
| Contingent consideration liabilities | 24 228                   | -                                  | -                             | 24 228         | 24 228                   |
| Loans to related party               | 10 601                   | -                                  | -                             | 10 601         | 10 601                   |
| <b>Total</b>                         | <b>386 323</b>           | <b>98 274</b>                      | <b>28 695</b>                 | <b>513 292</b> | <b>513 292</b>           |

#### Credit risk

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

#### Risk management

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

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

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

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

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 46. FINANCIAL RISK MANAGEMENT (continued)

#### Security

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

#### Impairment of financial assets

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

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

|                                  | 2022<br>R'000    | 2021<br>R'000    |
|----------------------------------|------------------|------------------|
| <b>Financial asset</b>           |                  |                  |
| Other loans receivable           | 404 374          | 253 017          |
| Other financial assets           | 223 210          | 146 904          |
| Trade and other receivables      | 785 303          | 487 512          |
| Cash and cash equivalents        | 1 111 833        | 2 163 722        |
| Loans to related party companies | 406 169          | 260 794          |
| <b>Total</b>                     | <b>2 930 889</b> | <b>3 311 949</b> |

The exposure to credit risk for trade receivables by geographic region as at 31 August 2022 was as follows:

|                          | 2022<br>R'000  | 2021<br>R'000  |
|--------------------------|----------------|----------------|
| <b>Geographic region</b> |                |                |
| South Africa             | 781 109        | 478 388        |
| Rest of Africa           | 4 194          | 9 084          |
| Europe                   | -              | 40             |
| <b>Total</b>             | <b>785 303</b> | <b>487 512</b> |

The exposure to credit risk for trade receivables by sector as at 31 August 2022 was as follows:

|                         | 2022<br>R'000  | 2021<br>R'000  |
|-------------------------|----------------|----------------|
| <b>Sector</b>           |                |                |
| Private                 | 582 969        | 250 990        |
| Government institutions | 202 334        | 236 522        |
| <b>Total</b>            | <b>785 303</b> | <b>487 512</b> |

#### 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.

#### 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% (2021: 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.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 46. FINANCIAL RISK MANAGEMENT (continued)

|   | 2022<br>R'000 | 2021<br>R'000 |
|---|---------------|---------------|
| <b>Impact on profit before tax</b>        |               |               |
| Interest rate - increase by 3% (2021: 3%) | -             | (4 939)       |
| Interest rate - decrease by 3% (2021: 3%) | -             | 4 939         |

#### 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:

|                           | 2022<br>USD'000 | 2021<br>USD'000 |
|---------------------------|-----------------|-----------------|
| Cash and cash equivalents | 3 055           | 2 893           |
| Trade debtors             | 4 692           | 249             |
| Trade payables            | 3 006           | 2 178           |

|                | 2022<br>EURO'000 | 2021<br>EURO'000 |
|----------------|------------------|------------------|
| Trade payables | 157              | -                |

|                           | 2022<br>POUND'000 | 2021<br>POUND'000 |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | -                 | 37                |
| Trade debtors             | 2 944             | 25                |
| Trade payables            | 256               | -                 |

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

|                      | 2022  | 2021  |
|----------------------|-------|-------|
| United States Dollar | 16.88 | 14.67 |
| EURO                 | 16.86 | -     |
| British Pound        | 20    | 20.03 |

#### 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% (2021: 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.

|  | 2022<br>R'000 | 2021<br>R'000 |
|--|---------------|---------------|
| <b>Increase in profit after tax</b>              |               |               |
| USD exchange rate - increase by 6% (2021: 6%)    | 31            | 27            |
| USD exchange rate - strengthens by 6% (2021: 6%) | (31)          | (27)          |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 47. FAIR VALUE INFORMATION

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

#### Fair value hierarchy

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

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

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

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

|   | Notes | Fair value hierarchy |
|---|-------|----------------------|
| <b>Financial assets</b>   |       |                      |
| 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 <sup>1</sup> |
| Loans to related parties  | 8     | Level 2 <sup>1</sup> |
| Trade receivables   | 15    | Level 3 <sup>1</sup> |
| Cash and cash equivalents   | 17    | Level 1 <sup>2</sup> |
| Foreign exchange contract   | 16    | Level 1 <sup>1</sup> |
| Investments at fair value through profit/(loss)                             | 10    | Level 3              |
| Derivatives   | 11.1  | Level 3              |
| <b>Financial liabilities</b>  |       |                      |
| Other financial liabilities   |       | Level 3 <sup>1</sup> |
| Trade payables  | 22    | Level 3 <sup>2</sup> |
| Bank overdraft  | 17    | Level 1              |
| Contingent consideration liability  | 25    | Level 3              |
| Derivatives - Put options over non-controlling interests                    | 11.2  | Level 3              |
| Loans from related party companies  | 23    | Level 2 <sup>1</sup> |

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

<sup>2</sup> 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 2022

### 47. FAIR VALUE INFORMATION (continued)

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

|  | Fair value at<br>31 August<br>2022<br>R'000 | Fair value at<br>31 August<br>2021<br>R'000 | Valuation method                | Fair value<br>hierarchy |
|--|---|---|---------------------------------|-------------------------|
| <b>Financial assets</b>  |   |   |                                 |                         |
| <b>Investments at fair value through profit/(loss)</b>                               |   |   |                                 |                         |
| Bambelela  | 114 627                                     | 91 408                                      | *Percentage of net assets value | Level 3                 |
| 4Plus  | 1 432                                       | 19 818                                      | Discounted cash flow            | Level 3                 |
| LMLA   | -   | 11 915                                      | Discounted cash flow            | Level 3                 |
| Louisyahna   | -   | 2 000                                       | Cost                            | Level 3                 |
| <b>Total investments at fair value through profit/(loss)</b>                         | <b>116 059</b>                              | <b>125 141</b>                              |                                 |                         |
| <b>Other financial assets - designated at fair value through profit/(loss)</b>       |   |   |                                 |                         |
| Cadiz Investment Enterprise Development Fund   | 1 001                                       | 1 005                                       | ^Investor statement             | Level 2                 |
| Numus Capital Proprietary Limited  | -   | 17 411                                      | ^Investor statement             | Level 1                 |
| Vunani Securities  | 200 357                                     | 116 983                                     | ^Investor statement             | Level 1                 |
| Unit trusts  | 12 252                                      | -   | ^Investor statement             | Level 1                 |
| Foreign exchange contracts   | 1 772                                       | 802   | ^Investor statement             | Level 1                 |
| Derivative Financial asset   | 113 738                                     | -   | Discounted cash flow            | Level 3                 |
| <b>Total other financial assets - designated at fair value through profit/(loss)</b> | <b>329 120</b>                              | <b>136 201</b>                              |                                 |                         |
| <b>Financial liabilities</b>   |   |   |                                 |                         |
| Written put options over non-controlling interests                                   | 39 017                                      | 19 953                                      | Binominal option pricing model  | Level 3                 |
| Contingent consideration liabilities   | -   | 24 228                                      | Discounted cash flow            | Level 3                 |
| <b>Total financial liabilities</b>   | <b>39 017</b>                               | <b>44 181</b>                               |                                 |                         |

\* 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 2022

### 47. FAIR VALUE INFORMATION (continued)

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

| 31 August 2022   | Opening balance<br>R'000 | Additions<br>R'000 | Disposals/<br>Settlements<br>R'000 | Unrealised gains/<br>(losses) in<br>profit or loss<br>R'000 | Closing balance<br>R'000 |
|--|--------------------------|--------------------|------------------------------------|---|--------------------------|
| <b>Financial assets</b>  |                          |                    |                                    |   |                          |
| <b>Investments at fair value through profit/(loss)</b>                               |                          |                    |                                    |   |                          |
| 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)  | -                        |
| <b>Total investments at fair value through profit/(loss)</b>                         | <b>125 141</b>           | <b>46 350</b>      | <b>(11 915)</b>                    | <b>(43 517)</b>   | <b>116 059</b>           |
| <b>Written call option</b>   | -                        | -                  | -                                  | 113 738   | 113 738                  |
| <b>Other financial assets - designated at fair value through profit/(loss)</b>       |                          |                    |                                    |   |                          |
| Cadiz Investment Enterprise Development Fund   | 1 005                    | -                  | -                                  | (4)   | 1 001                    |
| Numus  | 17 411                   | -                  | (17 411)                           | -   | -                        |
| Vunani Securities  | 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                   |
| <b>Total other financial assets - designated at fair value through profit/(loss)</b> | <b>135 399</b>           | <b>188 874</b>     | <b>(17 411)</b>                    | <b>20 486</b>   | <b>327 348</b>           |
| <b>Financial liabilities</b>   |                          |                    |                                    |   |                          |
| Written put options over non-controlling interests                                   | 19 953                   | -                  | -                                  | 19 064  | 39 017                   |
| Contingent consideration liabilities   | 24 228                   | -                  | (30 000)                           | 5 772   | -                        |
| <b>Total financial liabilities</b>   | <b>44 181</b>            | <b>-</b>           | <b>(30 000)</b>                    | <b>24 836</b>   | <b>39 017</b>            |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 47. FAIR VALUE INFORMATION (continued)

| 31 August 2021   | Opening<br>balance<br>R'000 | Additions<br>R'000 | Disposals/<br>Settlements<br>R'000 | Unrealised<br>gains/<br>(losses) in<br>profit or loss<br>R'000 | Closing<br>balance<br>R'000 |
|--|-----------------------------|--------------------|------------------------------------|--|-----------------------------|
| <b>Financial assets</b>  |                             |                    |                                    |  |                             |
| <b>Investments at fair value through profit/(loss)</b>                               |                             |                    |                                    |  |                             |
| Bambelela  | 31 139                      | -                  | -                                  | 60 269   | 91 408                      |
| Loot B2B   | -                           | 10 000             | -                                  | (10 000)   | -                           |
| 4Plus  | 31 782                      | 14 000             | -                                  | (25 964)   | 19 818                      |
| LMLA   | -                           | -                  | -                                  | 11 915   | 11 915                      |
| Louisyahna   | -                           | 2 000              | -                                  | -  | 2 000                       |
| <b>Total investments at fair value through profit/(loss)</b>                         | <b>62 921</b>               | <b>26 000</b>      | <b>-</b>                           | <b>36 220</b>  | <b>125 141</b>              |
| <b>Other financial assets - designated at fair value through profit/(loss)</b>       |                             |                    |                                    |  |                             |
| Cadiz Investment Enterprise Development Fund   | 9 702                       | 1 005              | (9 702)                            | -  | 1 005                       |
| Numus Capital Proprietary Limited  | -                           | 17 411             | -                                  | -  | 17 411                      |
| Vunani Securities Proprietary Limited  | -                           | 116 983            | -                                  | -  | 116 983                     |
| <b>Total other financial assets - designated at fair value through profit/(loss)</b> | <b>9 702</b>                | <b>135 399</b>     | <b>(9 702)</b>                     | <b>-</b>   | <b>135 399</b>              |
| <b>Financial liabilities</b>   |                             |                    |                                    |  |                             |
| Written put options over non-controlling interests                                   | 7 587                       | -                  | -                                  | 12 366   | 19 953                      |
| Contingent consideration liabilities   | 5 097                       | 24 228             | -                                  | (5 097)  | 24 228                      |
| <b>Total financial liabilities</b>   | <b>12 684</b>               | <b>24 228</b>      | <b>-</b>                           | <b>7 269</b>   | <b>44 181</b>               |
|  |                             |                    |                                    | <b>2022</b>  | <b>2021</b>                 |
| Cost of debt   |                             |                    |                                    | <b>6.57%</b>   | 5.11%                       |
| Beta   |                             |                    |                                    | <b>0.59 - 1.08</b>   | 0.51 - 1.62                 |
| Weighted average cost of capital   |                             |                    |                                    | <b>17% - 23.32%</b>  | 17.76% - 24%                |
| Specific risk premium  |                             |                    |                                    | <b>1% - 6%</b>   | 1% - 6%                     |
| Debt-equity ratio  |                             |                    |                                    | <b>12% - 65%</b>   | 6% - 41%                    |
| Terminal growth rate   |                             |                    |                                    | <b>4.50%</b>   | 4.50%                       |
| Risk free rate   |                             |                    |                                    | <b>11%</b>   | 9.69%                       |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 47. FAIR VALUE INFORMATION (continued)

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

|   | Risk free rate |            |
|---|----------------|------------|
|   | Increase       | Decrease   |
| <b>Written NCI put options</b>                                      | <b>1%</b>      | <b>1%</b>  |
| Mainstreet Group ('000)   | -              | -          |
| Global Command and Control Technologies Proprietary Limited (R'000) | -              | -          |
|   | -              | -          |
|   | Share price    |            |
|   | Increase       | Decrease   |
| <b>Investments</b>  | <b>10%</b>     | <b>10%</b> |
| Bambelela   | 1 333          | (1 333)    |

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  |
| <b>Investments</b> | <b>1%</b>                        | <b>1%</b> |
| 4Plus              | 1 040                            | (1 168)   |

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

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 48. SEGMENTAL ANALYSIS

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

#### Geographical information

The operations of the Group are mainly domiciled in South Africa. A total of 3% (2021: 6%) of external revenue is attributable to foreign sales mainly to African countries, India and Europe.

#### Major customers

52% (2021: 40%) of the Group's revenue is derived from the public sector, mainly in the Western Cape, and is derived from the health care segment and managed services segment. The balance relates to sales to the private sector.

|   | Segmental revenue |                  | Segmental gross profit |                  |
|---|-------------------|------------------|------------------------|------------------|
|   | 2022<br>R'000     | 2021<br>R'000    | 2022<br>R'000          | 2021<br>R'000    |
| Software and consulting                         | 44 423            | 43 607           | 13 830                 | 9 310            |
| Security solutions                              | -                 | 226 585          | -                      | 80 704           |
| Unified communications                          | 365 304           | 190 163          | 85 626                 | 51 519           |
| Health care                                     | 64 101            | 89 932           | 29 895                 | 35 498           |
| Tracking solutions                              | 8 677             | 111 063          | 3 373                  | 29 708           |
| Managed services                                | 1 272 674         | 1 038 142        | 254 921                | 239 862          |
| <b>Total</b>                                    | <b>1 755 179</b>  | <b>1 699 492</b> | <b>387 645</b>         | <b>446 602</b>   |
| Administration and support services             |                   |                  | (807 730)              | (783 024)        |
| Other operating income                          |                   |                  | 16 012                 | 10 873           |
| Other operating gains                           |                   |                  | (58 877)               | 10 873           |
| Movement in credit loss allowances              |                   |                  | (47 412)               | (84 422)         |
| Finance income                                  |                   |                  | 147 394                | 164 639          |
| Finance costs                                   |                   |                  | (13 556)               | (13 529)         |
| Profit on equity accounted investment           |                   |                  | 25 250                 | 24 539           |
| <b>Total revenue and profit before taxation</b> | <b>1 755 179</b>  | <b>1 699 492</b> | <b>(351 274)</b>       | <b>(223 448)</b> |

|                         | Segmental finance income |                | Segmental finance costs |                 | Segmental taxation |                 |
|-------------------------|--------------------------|----------------|-------------------------|-----------------|--------------------|-----------------|
|                         | 2022<br>R'000            | 2021<br>R'000  | 2022<br>R'000           | 2021<br>R'000   | 2022<br>R'000      | 2021<br>R'000   |
| Software and consulting | 41                       | 67             | (177)                   | (123)           | 1 983              | (1 743)         |
| Security solutions      | 71                       | 247            | (35)                    | (263)           | -                  | 156             |
| Unified communications  | 287                      | 563            | (698)                   | (703)           | (7 044)            | (2 890)         |
| Health care             | 1 915                    | 1 442          | (187)                   | (203)           | (4 019)            | (3 351)         |
| Tracking solutions      | 237                      | 1 398          | (63)                    | (691)           | (405)              | 2 750           |
| Managed services        | 144 843                  | 160 922        | (12 396)                | (11 546)        | (4 834)            | (52 502)        |
| <b>Total</b>            | <b>147 394</b>           | <b>164 639</b> | <b>(13 556)</b>         | <b>(13 529)</b> | <b>(14 320)</b>    | <b>(57 579)</b> |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 48. SEGMENTAL ANALYSIS (continued)

|                                       | 2022<br>R'000         | 2021<br>R'000         |
|---------------------------------------|-----------------------|-----------------------|
| <b>Segmental assets</b>               |                       |                       |
| Software and consulting               | 21 800                | 14 633                |
| Security solutions                    | -                     | 59 790                |
| Unified communications                | 176 881               | 132 986               |
| Health care                           | 104 907               | 89 594                |
| Tracking solutions                    | -                     | 87 249                |
| Managed services                      | 3 481 085             | 3 820 097             |
| <b>Total segmental assets</b>         | <b>3 784 673</b>      | 4 204 349             |
| Unallocated*                          | 26 462                | 22 237                |
| <b>Total consolidated assets</b>      | <b>3 811 135</b>      | 4 226 586             |
|                                       | <b>2022<br/>R'000</b> | <b>2021<br/>R'000</b> |
| <b>Segmental liabilities</b>          |                       |                       |
| Software and consulting               | 14 109                | 9 880                 |
| Security solutions                    | -                     | 23 596                |
| Unified communications                | 84 870                | 57 303                |
| Health care                           | 17 200                | 8 802                 |
| Tracking solutions                    | -                     | 12 654                |
| Managed services                      | 587 554               | 521 573               |
| <b>Total segmental liabilities</b>    | <b>703 733</b>        | 633 808               |
| Unallocated*                          | -                     | (7 349)               |
| <b>Total consolidated liabilities</b> | <b>703 733</b>        | 626 459               |

\* 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 |                |
|-------------------------|-------------------------------|---------------|---|----------------|
|                         | 2022<br>R'000                 | 2021<br>R'000 | 2022<br>R'000   | 2021<br>R'000  |
| Software and consulting | 309                           | 1 033         | 53  | 2 977          |
| Security solutions      | -                             | -             | -   | -              |
| Unified communications  | 12 000                        | 6 759         | 3 936   | 63 921         |
| Health care             | 1 703                         | 3 920         | 1 273   | 6 556          |
| Tracking solutions      | -                             | 7 229         | -   | 97             |
| Managed services        | 21 084                        | 52 374        | 11 265  | 162 352        |
| <b>Total</b>            | <b>35 095</b>                 | <b>71 315</b> | <b>16 527</b>   | <b>235 903</b> |

#### Non-current assets held for sale

In prior year, management made the decision to dispose of the investment in Puleng which falls into the Security Solutions division. This investment was reclassified as held for sale as at 31 August 2021. The investment was disposed on 1 November 2021. Refer to note 39 for further details.

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 49. EVENTS AFTER THE REPORTING PERIOD

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

In the previous financial year, AYO disposed of 5.5% of its shareholding in Zaloserve to Zaloserve management. On 19 October 2022, the board approved the transaction to reverse the sale of 5.5% of the issued share capital. As of 19 October 2022, the Group held 55% equity interest in Zaloserve.

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.

### 50. INVESTMENTS IN SUBSIDIARIES

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

| Name of company  | Share holding<br>2022<br>% | Share holding<br>2021<br>% | Carrying amount<br>2022<br>R'000 | Carrying amount<br>2021<br>R'000 |
|--|----------------------------|----------------------------|----------------------------------|----------------------------------|
| AYO International Holdings Proprietary Limited               | 100                        | 100                        | -                                | -                                |
| *Global Command and Control Technologies Proprietary Limited | -                          | 24                         | -                                | 3 940                            |
| Kalula Communications Proprietary Limited                    | 76                         | 76                         | 23 557                           | 22 087                           |
| Main Street 1653 Proprietary Limited                         | 40                         | 40                         | 30 582                           | 19 577                           |
| Sekunjalo Medical Services Proprietary Limited               | 100                        | 100                        | 108 182                          | 83 486                           |
| Software Tech Holdings Proprietary Limited                   | 42.59                      | 42.59                      | 6 432                            | 5 706                            |
| Zaloserve Proprietary Limited                                | 49.5                       | 49.5                       | 38 497                           | 100 913                          |
| NSX Solutions Consulting Proprietary Limited                 | 100                        | 100                        | -                                | -                                |
| Kathea Communication Solutions Proprietary Limited           | 100                        | 100                        | 97 088                           | 86 401                           |
|  |                            |                            | <b>304 338</b>                   | 322 110                          |

\*The Group lost control of GCCT on 1 November 2021.

#### Gains/(loss) on disposal of subsidiary

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

|  | 2022<br>R'000  | 2021<br>R'000 |
|--|----------------|---------------|
| <b>Reconciliation of investments in subsidiaries</b> |                |               |
| Opening balance                                      | 322 110        | 460 052       |
| Acquisitions   | -              | 59 791        |
| Disposal   | (3 940)        | (17 623)      |
| Reclassification to non-current assets held for sale | (13 832)       | (19 792)      |
| Changes in fair values                               | -              | (160 318)     |
| <b>Closing balance</b>                               | <b>304 338</b> | 322 110       |

### Subsidiaries with material non-controlling interest

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

| Subsidiary                                 | Country of incorporation | Ownership held by non-controlling interest |       |
|--|--------------------------|--|-------|
|  |                          | 2022                                       | 2021  |
| Software Tech Holdings Proprietary Limited | RSA                      | 57%  | 57%   |
| Kalula Communications Proprietary Limited  | RSA                      | 24%  | 24%   |
| Zaloserve Proprietary Limited              | RSA                      | 50.5%                                      | 50.5% |
| Main Street 1653 Proprietary Limited       | RSA                      | 60%  | 60%   |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 50. INVESTMENTS IN SUBSIDIARIES (continued)

|  | Non-current<br>assets<br>R'000                        | Current<br>assets<br>R'000                            | Total<br>assets<br>R'000 | Non-current<br>liabilities<br>R'000                   | Current<br>liabilities<br>R'000                | Total<br>liabilities<br>R'000                  | Carrying<br>amount<br>of<br>non-con-<br>trolling<br>interest<br>R'000 |
|--|---|---|--------------------------|---|--|--|---|
| <b>Summarised statement of financial position for entities with non-controlling interest 2022</b>                            |   |   |                          |   |  |  |   |
| Software Tech Holdings Proprietary Limited   | 8 983   | 12 818  | 21 800                   | 875   | 13 980   | 14 855   | 1 394   |
| Kalula Communications Proprietary Limited  | 4 164   | 71 763  | 75 927                   | 54 449  | 22 880   | 77 329   | -   |
| Zaloserve Proprietary Limited  | 63 850  | 421 959   | 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  |
|  | <b>137 999</b>  | <b>677 483</b>  | <b>815 482</b>           | <b>133 676</b>  | <b>434 252</b>                                 | <b>567 928</b>                                 | <b>49 410</b>   |
|  |   |   |                          |   |  |  | Profit/<br>(loss)<br>allocated<br>to                                  |
|  | Revenue<br>R'000                                      | Profit/<br>(loss)<br>before<br>R'000                  | Tax<br>expense<br>R'000  | Profit/<br>(loss)<br>after tax<br>'000                | Other<br>compre-<br>hensive<br>income<br>R'000 | Total<br>compre-<br>hensive<br>income<br>R'000 | non-<br>con-<br>trolling<br>interest<br>R'000                         |
| <b>Summarised statement of profit or loss and other comprehensive income for entities with non-controlling interest 2022</b> |   |   |                          |   |  |  |   |
| 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   | (1 460)                  | 969   | -  | 969  | 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  |
|  | <b>1 457 417</b>                                      | <b>9 160</b>  | <b>(918)</b>             | <b>8 242</b>  | <b>(21)</b>                                    | <b>8 221</b>                                   | <b>8 042</b>  |
|  | Cash flow<br>from<br>operating<br>activities<br>R'000 | Cash flow<br>from<br>investing<br>activities<br>R'000 |                          | Cash flow<br>from<br>financing<br>activities<br>R'000 | Net<br>increase/<br>(decrease)<br>R'000        |  | Dividends<br>paid to non-<br>controlling<br>interest<br>R'000         |
| <b>Summarised statement of cash flow for entities with non-controlling interest 2022</b>                                     |   |   |                          |   |  |  |   |
| Software Tech Holdings Proprietary Limited   | (647)   | (52)  |                          | (382)   | (1 081)  |  | -   |
| Kalula Communications Proprietary Limited  | 813   | (5 546)   |                          | (2 430)   | (7 163)  |  | -   |
| Zaloserve Proprietary Limited  | 65 552  | 19 222  |                          | (53 435)  | 31 339   |  | -   |
| Main Street 1653 Proprietary Limited   | 33 710  | 691   |                          | (52 109)  | (17 708)                                       |  | -   |
|  | <b>99 428</b>   | <b>14 315</b>   |                          | <b>(108 356)</b>                                      | <b>5 387</b>                                   |  | <b>-</b>  |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

### 50. INVESTMENTS IN SUBSIDIARIES (continued)

|  | Non-current assets<br>R'000 | Current assets<br>R'000           | Total assets<br>R'000 | Non-current liabilities<br>R'000 | Current liabilities<br>R'000        | Total liabilities<br>R'000          | Carrying amount of non-controlling interest<br>R'000     |
|--|-----------------------------|-----------------------------------|-----------------------|----------------------------------|-------------------------------------|-------------------------------------|--|
| <b>Summarised statement of financial position for entities with non-controlling interest 2021</b>                            |                             |                                   |                       |                                  |                                     |                                     |  |
| Software Tech Holdings Proprietary Limited   | 5 747                       | 8 886                             | 14 633                | 1 555                            | 9 070                               | 10 625                              | 2 725  |
| Global Command and Control Technologies Proprietary Limited  | 9 457                       | 77 792                            | 87 249                | 54 536                           | 57 443                              | 111 979                             | (18 239)   |
| Kalula Communications Proprietary Limited  | 5 253                       | 60 165                            | 65 418                | 41 039                           | 26 717                              | 67 757                              | (72)   |
| Zaloserve Proprietary Limited  | 99 935                      | 389 622                           | 489 557               | 43 321                           | 258 341                             | 301 662                             | 108 022  |
| Main Street 1653 Proprietary Limited   | 57 216                      | 170 715                           | 227 931               | 89 394                           | 89 245                              | 178 639                             | 38 307   |
|  | 177 608                     | 707 180                           | 884 788               | 229 845                          | 440 816                             | 670 662                             | 130 743  |
|  |                             |                                   |                       |                                  |                                     |                                     | Profit/(loss) allocated to non-controlling interest '000 |
|  | Revenue<br>R'000            | Profit/(loss) before tax<br>R'000 | Tax expense<br>R'000  | Profit/(loss) after tax<br>R'000 | Other comprehensive income<br>R'000 | Total comprehensive income<br>R'000 |  |
| <b>Summarised statement of profit or loss and other comprehensive income for entities with non-controlling interest 2021</b> |                             |                                   |                       |                                  |                                     |                                     |  |
| Software Tech Holdings Proprietary Limited   | 43 607                      | 408                               | (1 743)               | (1 335)                          | (33)                                | (1 368)                             | (797)  |
| Global Command and Control Technologies Proprietary Limited  | 111 063                     | (10 701)                          | 2 750                 | (7 951)                          | -                                   | (7 951)                             | (4 573)  |
| Kalula Communications Proprietary Limited  | 97 665                      | 2 623                             | (750)                 | 1 873                            | -                                   | 1 873                               | 450  |
| Zaloserve Proprietary Limited  | 715 711                     | (31 557)                          | 8 851                 | (22 707)                         | -                                   | (22 707)                            | (11 467)   |
| Main Street 1653 Proprietary Limited   | 326 262                     | 37 030                            | (12 671)              | 24 359                           | -                                   | 24 359                              | 18 630   |
|  | 1 294 309                   | (2 197)                           | (3 564)               | (5 761)                          | (33)                                | (5 794)                             | 2 243  |

# Notes to the consolidated annual financial statements (continued)

## for the year ended 31 August 2022

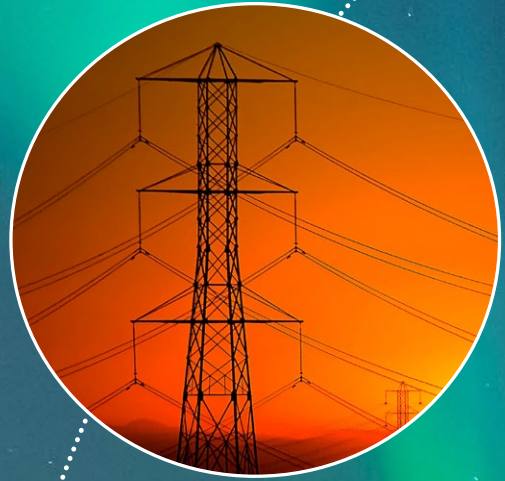
### 50. INVESTMENTS IN SUBSIDIARIES (continued)

|   | Cash flow from operating activities<br>R'000 | Cash flow from investing activities<br>R'000 | Cash flow from financing activities<br>R'000 | Net increase/<br>(decrease)<br>R'000 | Dividends paid to non-controlling interest<br>R'000 |
|---|--|--|--|--------------------------------------|---|
| <b>Summarised statement of cash flow for entities with non-controlling interest</b> |  |  |  |                                      |   |
| <b>2021</b>   |  |  |  |                                      |   |
| Software Tech Holdings Proprietary Limited  | (675)  | (193)  | (9 009)                                      | (9 877)                              | (5 794)   |
| Global Command and Control Technologies Proprietary Limited                         | 28 506                                       | 1 179  | (6 828)                                      | 22 858                               | -   |
| Kalula Communications Proprietary Limited   | 3 104  | (26 322)                                     | 2 565  | (20 653)                             | -   |
| Zaloserve Proprietary Limited   | (46 003)                                     | (10 088)                                     | 33 334                                       | (22 757)                             | -   |
| Main Street 1653 Proprietary Limited  | 24 114                                       | 46 908                                       | (63 257)                                     | 7 765                                | -   |
|   | 9 046  | 11 484                                       | (43 195)                                     | (22 664)                             | (5 794)   |

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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