

REVIEWED CONDENSED FINANCIAL RESULTS

FOR THE YEAR ENDED
31 AUGUST 2019

Index

OVERVIEW OF THE AYO GROUP	2
GROUP FINANCIAL PERFORMANCE	3
DIVISIONAL PERFORMANCE	4
GOVERNANCE MATTERS	8
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	13
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	14
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	16
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	17
NOTES TO THE SUMMARISED REVIEWED CONSOLIDATED FINANCIAL RESULTS	18
SUMMARISED SEGMENTAL ANALYSIS	52
CORPORATE INFORMATION	54
GLOSSARY OF TERMS AND ACRONYMS	Inside back cover

AYO TECHNOLOGY SOLUTIONS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1996/014461/06

Share code: AYO ISIN: ZAE000252441

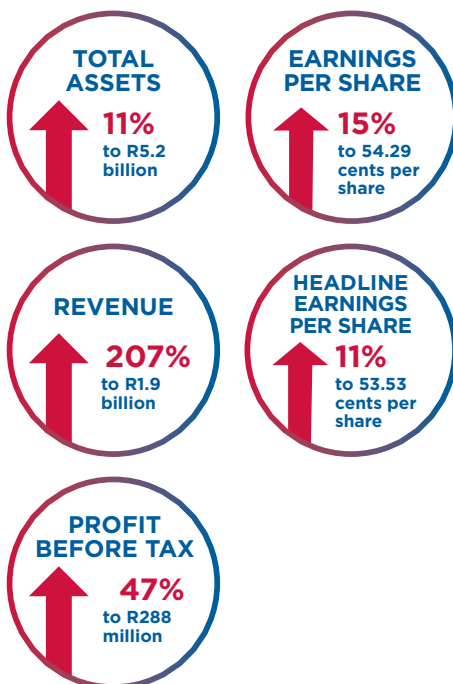
("AYO" or the "Group" or the "Company")



*Building resilience.
Gearing for growth.*

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

2019 Highlights



Overview of the AYO Group

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

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

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

We believe that to truly propel our economy we need to work together, by establishing and fostering strategic partnerships which includes suppliers, clients, staff, governing bodies and the broader community who remains paramount to everything we do. As the age-old African proverb goes “If you want to go fast, go alone. If you want to go far, go together.”

As at 31 August 2019, the AYO Group employs over 1,200 people and has over 500 clients in both the public and private sector with operations located in South Africa, Mauritius, East Africa and the United Kingdom.



Group financial performance

AYO delivered a strong financial performance for the year ended 31 August 2019 despite a challenging operating and economic environment with revenue increasing by 207% to R1.9 billion, profit before tax increasing by 47% to R288 million and headline earnings per share (“HEPS”) increasing by 11% to 53.53 cents per share. The improved financial performance was predominately from significant organic growth as a result of a contract with a multi-national company that commenced in July 2018 and acquisitive growth in relation to the acquisitions of Sizwe IT Proprietary Limited (“Sizwe”), and SGT Solutions Proprietary Limited (“SGT Solutions”).

Revenue increased as a result of organic and acquisitive growth as mentioned above. Despite the challenging economic conditions facing the Group, revenues from our existing subsidiaries remained constant with the exception of Puleng Technologies Proprietary Limited (“Puleng”) which had a significant once-off contract in the prior year.

Operating expenses increased significantly during the year mainly as a result of the inclusion of the results of Sizwe, SGT Solutions and Global Command and Control Proprietary Limited (“GCCT”) as well as increase in operational capacity of AYO in anticipation of obtaining new contracts. Total operating expenses of R233 million have been included in the current year from Sizwe, SGT Solutions and GCCT.

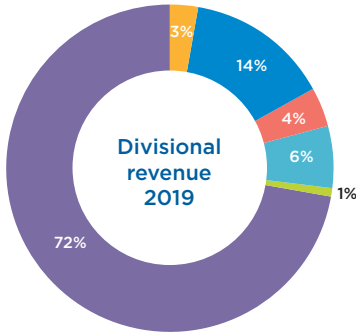
As per the share sale agreements, AYO has the option to acquire 60% of the shares in Mainstreet from African Equity Empowerment Investments Limited (“AEEI”) and 27% of the shares in GCCT. The options are exercisable between two to four years from the date of purchase of Mainstreet and GCCT. These options have been fair valued at year-end and the gain has been disclosed in other operating gains.

Additionally, as a result of listing in the prior financial year the Group had a once-off equity-settled share-based payment expense of R12 million, goodwill impairment of R5 million, listing costs of R7 million and a loss from disposal of a subsidiary of R5 million. In the current year the Group incurred once-off expenses of R3.4 million related to the acquisitions of subsidiaries, R7.8 million related to the interim audits for February 2018 and February 2019 and R11 million on legal costs.

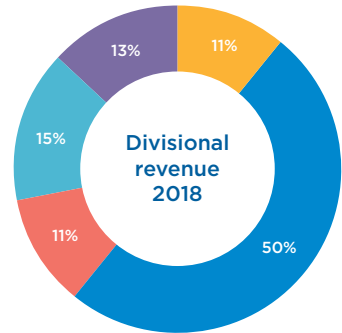
AYO and a significant customer concluded an ICT Master Service Agreement in May 2018 whereby AYO would render to the significant customer a host of ICT services effective from 1 April 2018 for an indefinite period as long as the services are provided under the agreement. However, on 1 October 2019 this significant customer gave AYO six months notice purporting to terminate the agreement. AYO disputes this significant customer’s right to cancel the agreement. By virtue of the dispute AYO has invoked the arbitrations provisions under the agreement and anticipates the matter being arbitrated in the first quarter of 2020.

Since the Group listed it raised R4.3 billion and utilised a portion of the funds into major contracts which have significantly contributed to revenues. The Group utilised R220 million of the funds for the strategic acquisitions of new subsidiaries Sizwe, SGT Solutions and GCCT. R145 million was utilised to purchase cumulative preference shares from Bamebelela Capital Proprietary Limited and R100 million was utilised for the establishment of a Fintech fund. The Group also invested an amount of R90 million into 4Plus an investment holding company which is focused primarily on pursuing opportunities arising out of the 4th industrial revolution on the African continent and K2018010234 (South Africa) Proprietary Limited (“KSA”) a company established by AYO and Loot online to specialise in e-commerce with a key focus being on the business-to-business marketplace for fashion, luxury goods and services in Africa. Since listing the Group has paid dividends of R221 million. The Group has also provided working capital funding for its subsidiaries to enable growth and expansion into different markets. The majority of the raised capital is still invested in banks as disclosed in note 18 and interest income of R488 million has been received from the banks since listing. Refer to the cash flow statement for a more detailed analysis on the cash movements of the Group.

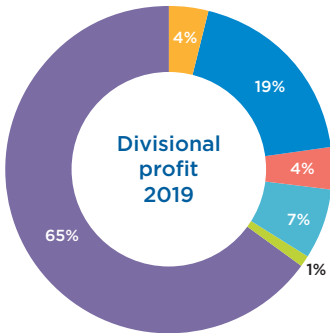
Divisional performance



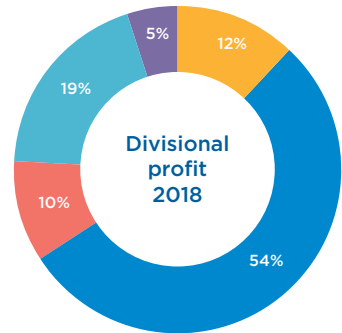
■ Software and consulting
 ■ Security solutions
 ■ Unified communications
 ■ Health care
 ■ Tracking solutions
 ■ Managed services



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	2019 R'000	2018 R'000
Software and consulting		
Revenue	61 348	73 415
Gross profit	22 962	24 514
EBITDA	5 848	479
Profit before tax	5 323	1 450

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

Revenue decreased by 16.4% from R73 million to R61 million while gross margins improved from 33.39% in the prior year to 37.43% in the current year. Revenue decreased mainly as a result of ICT cost cutting from a major customer which impacted on the ability of the division to generate additional revenue from the major customer. There was a new product developed in the current year which helped to mitigate against the decrease in revenue from the major customer. The new product generates higher margins than the other products in the division which resulted in an increase in gross margins. In the current year, there was a sale of a subsidiary in this division which generated a profit of R1.3 million. The division continues to aggressively manage costs and pursue additional clients to ensure that margins and profitability is maintained.

	2019 R'000	2018 R'000
Security solutions		
Revenue	276 304	335 352
Gross profit	105 957	106 734
EBITDA	20 786	15 859
Profit before tax	20 973	16 812

The security solutions division deploys customised security systems to organisational clients with its key focus on identity, access management and Governance, Risk and Compliance (GRC) management. Revenue decreased by 17.6% from R335 million to R276 million while gross margins improved from 31.83% in the prior year to 38.35% in the current year.

The division had a significant non-recurring contract in the prior year which lead to a decrease in revenues in the current reporting period.

Revenue is generated from providing both services and product sales, of which service revenue has a higher margin than product sales. In the current financial year, the focus remained on increasing service revenue due to the higher margin which resulted in the proportion of service revenue to product sales being higher in the current year as compared to the prior year. This optimal sales mix resulted in an increase in gross margins compared to the prior year.

AYO initially owned 57% of this division and entered into an agreement on 16 August 2019 to acquire the remaining equity stake from minority shareholders for a cash consideration of R38.5 million. The division will continue to pursue a broader pool of clients with its improved empowerment credentials as well as expanding into the rest of Africa.

Divisional performance *(continued)*

	2019 R'000	2018 R'000
Unified communications		
Revenue	73 239	75 552
Gross profit	24 473	20 360
EBITDA	2 123	110
Profit/(loss) before tax	1 144	(800)

The unified communications division is a reseller of telecommunications and gaming equipment of globally recognised brands. The key brands that are sold by the division are Plantronics and Konftel. The division managed to secure two additional global brands namely, Jabra and PolyCom from July 2019. Revenue decreased slightly within the division, however, plans were put in place to reduce costs, which is testament to the overall increase in profitability with margins increasing from 26.95% to 33.14%.

Additionally, AYO has also established a subsidiary in Mauritius for unified communications. AYO incurred costs of R1 million to establish the Mauritian subsidiary. The subsidiary is expected to increase product sales to the rest of Africa.

	2019 R'000	2018 R'000
Healthcare		
Revenue	111 373	100 975
Gross profit	38 739	37 260
EBITDA	15 237	14 886
Profit before tax	15 793	14 627

The health care division is a specialist provider of optimised and integrated healthcare ICT solutions. The division provides modular and integrated healthcare information systems across all levels in the public and private sector. Revenue for the division increased by 10.57% from R101 million to R112 million, with gross profit remaining fairly constant in the current year. Although the primary revenues are derived from the public sector, the increase in revenue was mainly generated from a successful delivery of a pilot project in relation to a health information exchange for the private health sector. The division continues to focus on meeting and exceeding its ongoing service level commitments and KPIs with all of its customers.

	2019 R'000	2018 R'000
Tracking solutions		
Revenue	25 355	-
Gross profit	6 915	-
EBITDA	(7 309)	-
Loss before tax	(11 458)	-

This division was established after the acquisition of GCCT on 1 March 2019. The division is a leading technology provider for enabled awareness solutions both nationally and internationally. The solutions include asset and force tracking across the globe, integrated situational awareness pictures and constructive simulation technology. Revenue of the division for the six months from 1 March 2019 to 31 August 2019 was R25 million with a R7 million gross profit.

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

	2019 R'000	2018 R'000
Managed services		
Revenue	1 411 673	82 794
Gross profit	360 227	9 091
EBITDA	70 728	(90 674)
Profit/(loss) before tax	53 213	(91 063)

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

Included in this division are the operational results from the contract which AYO secured with a multinational company, as well as the operational results of Sizwe and SGT Solutions. Sizwe was acquired by the Group effective 19 December 2018 and SGT Solutions was acquired by the Group effective 28 February 2019.

AYO commenced work on the contract with a multinational company in July 2018, and work on the contract has progressed well with constant positive feedback being received from the client. Revenue of R430 million was generated in relation to this contract, of which the gross margin amounted to R121 million. AYO is focused on obtaining additional contracts from other multinational companies in order to further organically grow revenue and increase profitability in this division.

Sizwe offers various ICT services to its customers, including a focused spectrum of physical infrastructure, metro and long-distance optic fibre, facility management, continuous energy supply, networking and security solutions to hosting, storage server processing, mobility, data centre, end-user computing and associated consumables. AYO has consolidated revenue of R762 million and gross margins of R172 million from Sizwe for the eight and a half months from 19 December 2018 to 31 August 2019.

Sizwe generates annual revenues in excess of R1.4 billion and net profits in excess of R45 million.

SGT Solutions is a turnkey solutions integrator specialising in the design, supply, deployment, commissioning and maintenance of multi-technology telecommunication systems for mobile broadband and converged solutions. The Company also specialises in integrated, leading-edge and comprehensive solutions across the entire spectrum of telecommunications. AYO has consolidated revenue of R220 million and gross profits of R67 million from SGT Solutions for the six months from 1 March 2019 to 31 August 2019.

SGT Solutions generates annual revenues of approximately R400 million and net profits in excess of R27 million.

Governance matters

1. 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	
IT Bundo	Chief financial officer	Executive	22 January 2019	
V Govender	Corporate affairs	Executive	21 December 2018	
AM Salie	Chief investment officer	Executive	22 January 2019	6 May 2019
N Gamielien	Chief financial officer	Executive	19 May 2014	22 January 2019
WA Mgoqi	Chairman	Non-executive	20 August 2018	
AB Amod		Non-executive	26 February 2013	
CF Hendricks		Non-executive	6 July 2009	22 January 2019
S Young		Non-executive	10 November 2017	22 January 2019
DH George		Non-executive	20 August 2018	
RP Mosia		Non-executive	21 August 2018	
SM Rasethaba		Non-executive	24 August 2018	
NA Ramathlodi		Non-executive	7 March 2018	
TT Hove		Non-executive	20 December 2018	19 August 2019
I Amod		Non-executive	22 January 2019	

2. Litigation

On 31 May 2019, AYO received a summons issued by the Public Investment Corporation (“PIC”) and the Government Employees Pension Fund (“GEPF”). The summons seeks a declaration that the subscription agreement entered into by the PIC and AYO be declared unlawful and set aside and that AYO be ordered to pay the PIC R4 290 654 165 together with interest of 10.25% per annum accrued from 22 December 2017 to the date of final payment. AYO has instructed its attorneys to oppose the action.

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

3. Investment decisions

Upon the resignation of AM Salie (previous Chief Investment Officer (“CIO”)) from the Board and the Investment Committee, this role was taken over on an interim basis by IT Bundo, the Chief Financial Officer (“CFO”). After his resignation, AM Salie entered into an agreement with AYO for the period 1 June 2019 to 30 November 2019, in which he provided consulting services on evaluation of investments and presenting investments for evaluation by the Investment Committee. The Investment Committee recommends investments for approval to the Board of directors. As IT Bundo assumed both roles (CIO and CFO), AYO entered into various agreements with corporate finance advisors which would assist in the process of initial screening, detailed assessments and valuation of potential investments prior to presenting them to the AYO executives and investment committee for assessments of whether or not the investments are in accordance with AYO’s acquisition strategy.

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

AYO is currently in the process of recruiting a permanent Chief Investment Officer.

4. Financial markets announcements

Several SENS announcements were published during the 2019 financial year. The majority relate to allegations against the Company regarding the 2018 interim financial results at the PIC Commission of Inquiry. The JSE Limited (“JSE”) requested AYO’s external auditors, BDO, to perform a factual findings report on the 2018 interim financial results, as a result of management identifying certain misstatements resulting in a Reportable Irregularity being identified. Management believes that their improved governance processes not only ensured that the Reportable Irregularity as reported in the 2018 interim financial results did not continue. Management is of the opinion that the issues noted are isolated to the 2018 interim financial period.

Particulars of the reportable irregularity relate to the evidence presented under oath by Mr Kevin Hardy to the Commission of Inquiry on 8 April 2019 into the affairs of the PIC, purportedly supported by an affidavit, in terms of which he claimed that the interim financial results for the six months ended 28 February 2018 for AYO had been misstated and the verbal interactions with representatives of AYO on 11 and 12 April 2019 have suggested that certain numbers were adjusted in the interim financial results for the six months ended 28 February 2018, although AYO believes that the adjustments were valid.

Subsequent to the factual findings report from BDO, several enquiries were received from the JSE, either in relation to the accounting treatment in terms of IFRS of the misstatements identified, the governance of AYO and the continued listing of AYO on the JSE. AYO has addressed the JSE’s concerns on the governance of the Company and remains committed to continue to improve its governance processes.

The JSE has requested that the 2018 and 2019 interim financial results be audited. The interim audits were performed simultaneously with the 2019 year end audit. Management would like to inform all stakeholders that the delay in the 2019 financial year end results is as a result of all three audits being done simultaneously, combined with the level of risk associated to AYO which increases the audit risk, resulting in increased audit work.

Additionally, as a result of the compliance requirements around year end financial results, management has rather focused on finalising the 31 August 2019 audit and will be releasing the restated audited interim results once all the necessary year end requirements have been finalised.

4. Financial markets announcements continued

As AYO was required to publish its 31 August 2019 financial results by 30 November 2019, the focus was put on completing the audit for the 2019 financial year. The interim audits are expected to be completed by the end of February 2020 and AYO will publish a SENS announcement once the interim audits are complete. We are currently engaged with the JSE in that regard.

5. Related party transactions

AYO entered into various transactions with related parties during the year under review. The nature and amounts of these related party transactions has been disclosed in note 31 of this report.

The Audit and Risk Committee has resolved to develop and recommend to the Board, for approval, a more comprehensive policy for the approval of related party transactions. This policy is expected to be reviewed and adopted by the Board during the first quarter of 2020.

6. Going concern

Management is aware of material uncertainties relating to events or conditions that may cast significant doubt upon AYO's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the date of issue of this report. Management has prepared the financial statements on a going concern basis; as management does not intend to liquidate the Company or cease trading and upon performing an assessment; have taken into account all available information about the future which is at least, but is not limited to 12 months from the date of issue of this report. The uncertainties in relation to the going concern of the entity have been disclosed under the commitments and contingencies note, refer to note 28.

7. Independent reviewers' report

The reviewed condensed consolidated financial results for the year ended 31 August 2019 have been reviewed by BDO South Africa Incorporated, who expressed an unmodified review conclusion. A copy of the independent reviewers' report is available for inspection at the Company's registered office together with the financial statements identified in the independent reviewers' report. The independent reviewers' report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the reviewers' engagement, they should obtain a copy of the independent reviewers' report together with the accompanying financial information from the issuer's registered office. Any reference to future financial performance included in this announcement is the responsibility of the directors and has not been reviewed or reported by the Company's independent reviewers.

8. Declaration of final ordinary dividend

Notice is hereby given that a gross final dividend of 16 cents per share has been declared by the Board of AYO out of income reserves in respect of ordinary shares of no-par value for the year ended 31 August 2019.

A dividend withholding tax of 20% or 3.2 cents per share will be applicable, resulting in a net dividend of 12.8 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax.

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

The Company's income tax number is 9389007031.

8. Declaration of final ordinary dividend continued

The salient dates of the dividend distribution are as follows:

Gross dividend (cents per share)	16
Dividend net of dividend withholding tax (cents per share)	12.8
Announcement date	Wednesday, 20 December 2019
Last day to trade <i>cum</i> dividend	Tuesday, 14 January 2020
Trading ex-dividend commences	Wednesday, 15 January 2020
Record date	Friday, 17 January 2020
Date of payment	Monday, 20 January 2020

Share certificates may not be dematerialised between Wednesday, 15 January 2020 and Friday, 17 January 2020, both days inclusive.

9. Future prospects

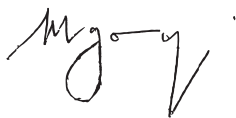
The Group continues to focus on additional acquisitions and increasing the diversification of its service and product offerings. The Group expects an increased contribution to the performance of the Group for the 2020 financial year resulting from the acquisition of Sizwe, SGT Solutions and GCCT which would reflect financial results for a full year.

AYO has been operating in an extremely difficult market environment, exacerbated by the current narrative arising from the PIC Commission of Inquiry as well as the litigation instituted by the PIC and CIPC against the Company. These trying conditions are significantly impeding on our acquisition growth plans and operational performance.

AYO has the potential to become a leading transformative force in the ICT sector. To reach its objectives for all stakeholders, AYO believes that it can work closely with all of its major stakeholders to find a way to end the negative and unwarranted media attention that it is currently exposed to. AYO remains of the opinion that it has done nothing wrong and continues to attempt to deliver on its prospects as outlined in its Pre-Listing Statement and beyond.

10. Appreciation

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



Dr Wallace Mgoqi

Independent non-executive chairman



Howard Platjes

Chief executive officer

20 December 2019



Consolidated statement of profit or loss and comprehensive income

	Notes	2019 R'000	2018 R'000
Revenue	1	1 959 292	638 893
Cost of sales		(1 400 019)	(440 935)
Gross profit		559 273	197 958
Other income	2	10 046	3 293
Other operating losses	3	(22 813)	(7 321)
Other operating expenses	4	(562 230)	(199 536)
Equity-settled share-based payment expense		-	(11 809)
Goodwill impairment		-	(4 957)
Listing costs expensed		-	(6 831)
Finance income	5	316 325	226 954
Finance costs	6	(10 918)	(1 754)
Loss from equity accounted investments		(1 608)	-
Profit before taxation		288 075	195 997
Taxation	7	(69 199)	(48 040)
Profit after taxation		218 876	147 957
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gains on property revaluation		221	-
<i>Items that will subsequently be reclassified to profit or loss:</i>			
Exchange differences on foreign operations		(250)	(28)
Income tax relating to items which may be reclassified		32	-
Total comprehensive income for the period		218 879	147 929
Profit after taxation attributable to:			
Shareholders of AYO		187 676	144 286
Non-controlling interests		31 200	3 671
Total profit after taxation		218 876	147 957
Total comprehensive income attributable to:			
Shareholders of AYO		187 679	144 258
Non-controlling interests		31 200	3 671
Total comprehensive income		218 879	147 929
Earnings per share (cents)			
Basic	26	54.29	47.20

Consolidated statement of financial position

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets		720 965	72 782
Property plant and equipment	8	102 776	7 169
Goodwill	9	185 591	35 248
Intangible assets	10	65 514	17 743
Investments in joint venture		33	33
Investments	11	24 619	-
Operating lease		110	-
Loans receivable	12	265 326	1 989
Other financial assets	13	12 221	6 890
Finance lease receivables	14	350	-
Deferred tax	15	64 425	3 710
Current assets		4 476 141	4 598 350
Inventories	16	178 991	12 378
Other financial assets	13	12 246	93 390
Finance lease receivables	14	669	-
Loans receivable	12	17 199	-
Trade and other receivables	17	584 491	183 222
Current tax receivable		2 329	662
Cash and cash equivalents	18	3 680 216	4 308 698
TOTAL ASSETS		5 197 106	4 671 132
EQUITY AND LIABILITIES			
EQUITY			
Stated capital		4 444 410	4 444 410
Reserves		(75 687)	11 777
Accumulated loss		(70 951)	(7 501)
Attributable to shareholders of AYO		4 297 772	4 448 686
Non-controlling interests	19	185 647	20 294
Total equity		4 483 419	4 468 980

Consolidated statement of financial position

(continued)

	Notes	2019 R'000	2018 R'000
LIABILITIES			
Non-current liabilities		120 207	575
Other financial liabilities	20	797	-
Finance lease liabilities	21	2 853	575
Employee benefit obligation		6 665	-
Deferred income	30	11 244	-
Derivative	22	61 099	-
Contingent consideration liabilities	23	37 549	-
Current liabilities		593 480	201 577
Trade and other payables	24	439 511	132 925
Loans from shareholder		-	5 001
Other financial liabilities	20	59 363	1 133
Finance lease liabilities	21	12 683	389
Operating lease liabilities		-	47
Deferred income	30	17 287	-
Current tax payable		22 048	41 636
Provisions	25	26 094	11 134
Dividends payable		5 093	-
Contingent consideration liabilities	23	10 295	4 256
Bank overdraft	18	1 106	5 056
Total liabilities		713 687	202 152
TOTAL EQUITY AND LIABILITIES		5 197 106	4 671 132

Condensed consolidated statement of changes in equity

	Notes	2019 R'000	2018 R'000
Balance at the beginning of the period		4 468 980	67 091
Total comprehensive income attributable to shareholders of AYO		187 679	144 286
Total comprehensive income attributable to non-controlling interests		31 200	3 671
Issue of shares		-	4 260 252
Equity-settled share-based payment		-	11 809
Dividends paid		(223 680)	-
Dividends paid to non-controlling interests		(3 731)	(17 646)
Disposal of subsidiary		11	
Movement in non-controlling interests – disposal of subsidiary		(384)	(483)
Revaluation reserve		221	-
Foreign currency translation reserve		(250)	-
Changes in ownership of non-controlling interests arising out of acquisition		(11 045)	-
Change in ownership – acquisition of minority		(27 427)	-
Put option reserves		(87 468)	-
Non-controlling interests arising out of acquisition	19	149 313	-
Balance at the end of the period		4 483 419	4 468 980
Comprising of:			
Stated capital		4 444 410	4 444 410
Reserves		(75 687)	11 777
Retained income		(70 951)	(7 501)
Non-controlling interests	19	185 647	20 294
Total equity		4 483 419	4 468 980

Condensed consolidated statement of cash flows

	Notes	2019 R'000	2018 R'000
Cash utilised in operations		(46 602)	(58 930)
Finance income		256 784	215 243
Dividend income		3 021	-
Finance costs		(6 466)	(2 220)
Tax paid		(117 794)	(16 735)
Net cash from operating activities		88 944	137 358
Cash flows from investing activities			
Net additions to property, plant and equipment		(21 226)	(3 751)
Net additions to intangible assets		(19 843)	(6 367)
Business combinations	27	(112 306)	-
Net proceeds/(outflow) on disposal of subsidiary		1 202	-
Loans advanced to Group companies		(23 877)	3 029
Purchase of investments by the Group		(91 541)	-
Net outflow of loans receivable		(293 179)	(108)
Movement in finance lease asset		7 203	-
Net outflow from purchases and disposals of financial assets		86 230	(63 832)
Net cash to investing activities		(467 337)	(71 029)
Cash flows from financing activities			
Net proceeds on share issue		-	4 260 280
Net proceeds or repayment of other financial liabilities and finance lease		(14 481)	(6 075)
Net repayments or proceeds from loans from shareholder		(5 000)	6 950
Repayment of contingent considerations		(3 029)	-
Net repayment of loans from/to Group companies		-	(77 424)
Dividends paid		(223 629)	(17 646)
Net cash (to)/from financing activities		(246 139)	4 166 193
Total cash movement for the period		(624 532)	4 232 522
Cash at the beginning of the period	18	4 303 642	71 120
Total cash at the end of the period	18	3 679 110	4 303 642

Notes to the summarised reviewed consolidated financial results

Accounting policies and basis of preparation

The reviewed condensed financial results for the year ended 31 August 2019 have been prepared in accordance with the JSE Limited Listings Requirements (“Listings Requirements”) for condensed financial statements and the requirements of the Companies Act 71 of 2008 as amended (“Companies Act”). The Listings Requirements require financial reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”) the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and also that they as a minimum contain the information required by IAS 34 “Interim Financial Reporting”. The accounting policies applied in the preparation of the reviewed condensed financial results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous audited consolidated annual financial statements except for the new and revised IFRS standards as detailed below.

These reviewed condensed financial results for the year ended 31 August 2019 have been prepared under the supervision of the Group Chief Financial Officer, Isaiah Tatenda Bundo CA(SA).

New IFRS standards that became effective during the year

Changes in significant accounting policies

IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers became effective for the Group during the current financial year.

In accordance with transition provisions in IFRS 9 the Group has considered all the special transition provisions of the new standard and elected to adopt the new rules without restating comparative information. In accordance with transition provisions in IFRS 15 the Group has applied the new standard using the unmodified approach, the Group has not restated comparative information as these differences are not material.

IFRS 9 – Financial Instruments (“IFRS 9”)

The Group has applied IFRS 9 from 1 September 2018 and there has been no impact on opening retained income of the Group as at 1 September 2018.

Classification initial recognition and measurement

IFRS 9 introduces a single classification and measurement model for financial assets which is dependent on the Group’s business model for managing financial assets and on the contractual cash flow characteristics of those financial assets.

The contractual terms of the Group’s financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

From 1 September 2018, loans receivable, trade receivables and cash and cash equivalents are held to collect contractual cash flows and are categorised as subsequently measured at amortised cost.

Investments are held to collect contractual cash flows and to sell the financial asset and are categorised as measured at fair value through profit or loss (FVTPL).

The Group has classified financial liabilities as subsequently measured at amortised cost except for the contingent consideration arrangements which are measured at fair value through profit or loss (FVTPL).

The classification of financial assets in accordance to IFRS 9 measurement categories from 1 September 2018 is shown below:

			Carrying amount	
			31 August 2018	1 September 2018
	Measurement category		IAS 39	IFRS 9
Financial assets	IAS 39	IFRS 9	R'000	R'000
Loans to Group companies	Loans and receivables	Amortised cost	1 989	1 989
Trade and other receivables	Loans and receivables	Amortised cost	135 762	135 762
Other financial assets	Loans and receivables	Amortised cost	100 280	100 280
Cash and cash equivalents	Loans and receivables	Amortised cost	4 308 698	4 308 698
Financial liabilities				
Loans from Group companies	Amortised cost	Amortised cost	5 001	5 001
Other financial liabilities	Amortised cost	Amortised cost	1 133	1 133
Contingent consideration liability	FVTPL	FVTPL	4 256	4 256
Trade and other payables	Amortised cost	Amortised cost	111 982	111 982
Bank overdraft	Amortised cost	Amortised cost	5 056	5 056

Impairment of financial instruments

The Group recognises an allowance for expected credit losses for trade receivables and loans receivables. Expected credit loss is the difference between the contractual cash flows due to the Group and all the cash flows the Group expects to recover from the assets.

For trade receivables the Group applies a simplified approach in calculating the expected credit losses. This is aided by a provision matrix that is based on historical credit loss experiences for each past due ageing category adjusted for forward looking information.

The adoption of IFRS 9 impairment assessment approach had no impact on the carrying amounts reported at 31 August 2018.

IFRS 15 – Revenue from Contracts with Customers

The Group has applied IFRS 15 retrospectively without restatement.

Apart from providing additional and more detailed disclosure around revenue recognition IFRS 15 did not have a significant impact on the Group's existing revenue recognition practices and annual financial statements.

The adoption of IFRS 15 did not have any other significant impact on the timing or amount of revenue recognised by the Group.

Notes to the summarised reviewed consolidated financial results *(continued)*

IFRS Standards that have been issued but not yet effective

IFRS 16 – Leases (“IFRS 16”)

IFRS 16 replaces IAS 17 “Leases” and its related interpretations. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Consequently, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability.

The standard is effective for the Group for the financial year commencing 1 September 2019.

The Group is in the process of assessing the full impact of IFRS 16. The Group expects an increase in depreciation expense and finance charges and a reduction in operating lease charges as a result of adopting the new standard.

Reporting entity

The reviewed condensed financial results for the year ended 31 August 2019 comprises of the Company, its subsidiaries, associates and joint venture.

Use of judgements and estimates

In preparing these reviewed condensed financial results management has made judgements estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the audited consolidated financial statements for the year ended 31 August 2018 with the exception of the judgement and estimates required in line with IFRS 9 for the expected credit loss of loans receivable and the judgements noted below;

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

Business combinations

In the calculation of Goodwill arising from a business combination the Group allocates the excess of fair value of the consideration transferred over the net of the fair value of the identifiable assets and liabilities of the acquired entity. Management made judgements in determining the fair value allocation of the consideration transferred as well as estimates of the useful lives of the intangible assets recognised in the business combination.

Subsidiaries consolidated when less than 50% interest is held

The Group consolidates subsidiaries with an effective interest of less than 50% when the Group has control and power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns. The rights to appoint a majority of directors and key management personnel at the investee, give the company the power to direct the relevant activities of the investee.

Although AYO only has a 40% equity interest in Mainstreet 1653 Proprietary Limited ("Mainstreet") and 24% equity interest in GCCT it has been determined that AYO controls Mainstreet and GCCT respectively in terms of IFRS 10 Consolidated Financial Statements. As per the shareholders agreement AYO has the rights to variable returns from involvement with Mainstreet and GCCT and it has the ability to use its power over the investee to affect the amount of the returns in Mainstreet and GCCT.

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

The directors have concluded that the Group does not have significant influence over Bambelela Capital Proprietary Limited ("Bambelela") even though it has 32% of the voting rights. This is because the Group has no representation on the board of directors and AYO and does not participate in any financial or operating activities in Bambelela. The voting rights only provide AYO with limited decision making powers. Consequently the investment has been accounted for in accordance with IFRS 9 at FVTP.

Significant judgements made by management mentioned above would have a significant effect on the carrying amounts recognised in the financial results.

Fair value measurement of investments

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

Notes to the summarised reviewed consolidated financial results *(continued)*

	2019 R'000	2018 R'000
1. Revenue		
Sale of goods	679 139	97 244
Rendering of services	1 280 153	541 649
	1 959 292	638 893

Revenue disaggregated by primary geographical markets is as follows:

2019	South Africa R'000	Rest of Africa R'000	Total R'000
Software and consulting	61 348	-	61 348
Security solutions	276 304	-	276 304
Unified communications	65 993	7 246	73 239
Healthcare	111 373	-	111 373
Tracking solutions	25 090	265	25 355
Managed services	1 407 267	4 406	1 411 673
Total	1 947 375	11 917	1 959 292

Revenue disaggregated by pattern of revenue recognition is as follows:

2019	Revenue recognised over time R'000	Revenue recognised at a point in time R'000	Total R'000
Software and consulting related	25 572	147 148	172 720
Security services solutions related	193 509	82 795	276 304
Communication products and hardware related	71 117	2 122	73 239
Project related services	641 113	795 916	1 437 029
Total	931 311	1 027 981	1 959 292

	2019 R'000	2018 R'000
2. Other income		
Total other income	10 046	3 293
The increase in other income is primarily as a result of corporate service fees of R4 million earned during the year from providing shared services to other related entities.		
3. Other operating losses		
Other operating gains/(losses) comprises of:		
Profit on sale of property, plant and equipment	455	-
Profit/(loss) on disposal of subsidiary	1 345	(4 662)
Net foreign exchange gains/(losses)	853	(2 659)
Fair value adjustments on assets designated as through profit or loss	(47 013)	-
Fair value adjustments on contingent considerations	(4 822)	-
Fair value adjustments on derivatives	26 369	-
Total other operating losses	(22 813)	(7 321)
4. Other operating expenses		
Employee costs	(288 336)	(98 689)
Other operating expenses	(273 894)	(100 847)
	(562 230)	(199 536)
Employee costs and other operating expenses increased significantly during the year mainly as a result of the inclusion of the results of Sizwe, SGT Solutions and GCCT as well as increase in operational capacity of AYO in anticipation of obtaining new contracts. 49% of the total increase in employee costs and 36% of the total increase in other operating expenses for the period is as a result of these business combination transactions.		

Notes to the summarised reviewed consolidated financial results *(continued)*

	2019 R'000	2018 R'000
5. Finance income		
Bank and cash	281 517	226 488
Interest – Group companies	-	466
Loans receivable – joint ventures	4 635	-
Loans receivable – other	2 013	-
Cumulative preference shares – Bambelela	10 996	-
3 Laws Investment	14 891	-
Funds in Trust	1 762	-
Other financial assets	511	-
Total	316 325	226 954
6. Finance costs		
Bank	465	103
Trade payables	-	-
South African Revenue Service	4 157	81
Finance leases	349	193
Vendor financing programme	2 869	-
Shareholder loan	3 078	1 377
Total	10 918	1 754
7. Taxation		
Major components of the tax expense		
South African normal taxation	90 791	42 017
Under provision – prior periods	399	-
Foreign normal taxation	15	23
Total current tax expense	91 205	42 040
Deferred tax expense		
Benefit of unrecognised tax loss or tax credit or temporary difference used to reduce deferred tax expense	-	9 229
Tax adjustment	518	-
Deferred tax arising on originating and reversing temporary differences	(22 524)	(3 229)
Total deferred tax expense	(22 006)	6 000
Total tax expense	69 199	48 040

	2019 R'000	2018 R'000
8. Property plant and equipment		
Property plant and equipment		
Opening balance	7 170	7 118
Additions	31 775	4 635
Additions through business combinations	98 399	-
Disposals	(13 032)	(1 500)
Revaluations	221	-
Foreign exchange movements	(1)	-
Derecognition due to loss of control	(41)	-
Depreciation	(21 470)	(3 084)
Impairment	(245)	-
Closing balance	102 776	7 169
9. Goodwill		
Goodwill relates to the Group's interest in Zaloserve Proprietary Limited, Mainstreet 1653 Group, Health System Technologies Proprietary Limited, The Software Tech Proprietary Limited Group, Puleng Technologies Proprietary Limited and Kalula Communications Proprietary Limited. The Group performs an annual valuation for purposes of valuing the shares in its investments. The valuation method is the basis for testing the goodwill for impairment.		
Opening balance	35 248	43 411
Additions through business combination	150 343	-
Disposals	-	(3 205)
Impairment	-	(4 957)
Closing Balance	185 591	35 248
Goodwill acquired through business combinations has been allocated to individual cash-generating units for impairment testing as follows:		
Investment in Health System Technologies Proprietary Limited	2 157	2 157
Investment in Software Tech Holdings Subsidiaries	2 352	2 352
Investment in Puleng Technologies Proprietary Limited	22 274	22 274
Investment in Kalula Communications Proprietary Limited	8 465	8 465
Investment in Zaloserve Proprietary Limited	70 455	-
Investment in Mainstreet 1653 Proprietary Limited	62 773	-
Investment in Global Command and Control Technologies Proprietary Limited	17 115	-
Closing balance	185 591	35 248

Notes to the summarised reviewed consolidated financial results *(continued)*

	2019 R'000	2018 R'000
10. Intangible assets		
Intangible assets consists of:		
Opening balance	17 743	12 506
Additions	20 334	6 053
Additions through business combinations:		-
- Licences and computer software	674	-
- Trade names	4 156	-
- Brands	12 829	-
- Customer lists	13 527	-
Disposals	(94)	-
Amortisation	(3 655)	(816)
Closing Balance	65 514	17 743

Significant additions include distribution and assignments rights and additions through business combinations.

Distribution and assignments rights

The distribution rights arose during the 2017 financial year from the business combination for Kalula Communications Proprietary Limited and an additional distributorship rights of R13 million were acquired in the current period by AYO international Holdings Proprietary Limited. This distribution rights regulates the purchase of Plantronics products by Computer Aided Telephony Systems Proprietary Limited ("CAATS") for resale by the Group.

Additions through business combinations

Additions through business combinations include:

Licences And Computer Software

The licences relate to ServiceNow licences purchased during the reporting period which is a service management software. These licences have a useful life of three years based on the licence agreement which commenced on 1 July 2018.

Trade Names

The trade name intangible arose from the longevity of trading in the market hence the Group recognises it.

Brands

The brands are related to the underlying company in the Group due to the distinct service it offers.

Customer Lists

Customer lists relates to customer relationships of the Group companies with its customers.

11. Investments

Investments comprises of:

	2019 R'000	2018 R'000
Bambelela Capital Proprietary Limited	16 182	-
K2018010234 (South Africa) Proprietary Limited	2 850	-
4Plus Technology Venture Fund Africa	5 587	-
Closing balance	24 619	-

Bambelela Capital Proprietary Limited ("Bambelela")

On 28 September 2018 AYO purchased 32% of the issued shares in Bambelela for a nominal amount. The 32% shareholding does not represent a significant influence over the entity. This is because the Group has no representation on the board of directors and does not participate in any financial or operating activities in Bambelela. The voting rights only provide the Group with limited decision making. The investment has been accounted for as an investment at fair value. Bambelela holds a 49% interest in Vunani Limited, a diversified financial services Group.

K2018010234 (South Africa) Proprietary Limited ("KSA")

On 4 March 2019 AYO subscribed for 19% of share capital in KSA. KSA is a company established by AYO and Loot online to specialise in e-commerce with a key focus being on the business-to-business marketplace for fashion, luxury goods and services in Africa. KSA's key focus will be on marketing locally manufactured goods and global brands.

4Plus Technology Venture Fund Africa Proprietary Limited ("4Plus")

4Plus is an investment holding company which is focused primarily on pursuing opportunities arising out of the 4th industrial revolution on the African continent. As at year-end, the company had interests in digital advertising technology, artificial intelligence and software development. The focus of the businesses owned by 4Plus in the current financial period under review was on the development of technology platforms and intellectual property ("IP").

The development included a unique, and highly customised front-end CMS platform that maximises site speed through cloud caching and Google search engine optimisation. The IP also extends to technology partnerships with global technology companies. One major exclusive partnership with a back-end CMS that allows the custom packaging of a full enterprise content management solution for publishers and corporates in Africa, has been entered into. AYO believes that 4Plus has a great potential of extracting synergies with Group companies and has the potential for growth in the future.

At year-end, 4Plus significant investments were in Volt Africa Proprietary Limited, IOX Africa Proprietary Limited and Chaday Media Proprietary Limited.

AYO invested R75 million in 4Plus as at year-end. The subsidiaries in 4Plus are mostly high potential start-up companies with revenue streams being forecasted for the 2020 financial period.

Notes to the summarised reviewed consolidated financial results *(continued)*

11. Investments continued

	2019 R'000	2018 R'000
Reconciliation of investments		
Opening Balance	-	-
Additions	90 660	-
Fair value gains	16 181	-
Fair value losses	(82 222)	-
Closing balance	24 619	-

Additional note to investments

The South African government has pinpointed small business start-ups in South Africa as a way to stimulate economic growth in the country and to help solve the large unemployment problem. We are making small investments which will be up to a maximum of 5% of our total assets to support start-up companies to assist in the transformation of the ICT sector.

Our focus is on disruptive tech startups that tackle Africa's challenges and further its digital economy through entrepreneurship. These are early-revenue stage companies that require funding for growth or expansion, with a strong product or service offering and a scalable business model to add complementary innovation to some of our mature subsidiaries.

The board believes in the value and future positive potential of the entities invested in. The board believes that the investments have been made in good faith, for proper purpose and in the best interests of the Group.

12. Loans receivable

Loans to major shareholders

	2019 R'000	2018 R'000
Africa Equity Empowerment Investments Limited	5 367	1 820

Loans to joint ventures

Tamlalor Proprietary Limited	103 027	-
Digital Health Africa Proprietary Limited	168	168
	103 195	168

Other loans receivable

Volt Africa Proprietary Limited	11 535	-
Cortex Logic Proprietary Limited	11 432	-
Sekunjalo Health and Commodities Proprietary Limited	-	1
Cumulative Preference shares – Bambelela	150 996	-
	173 963	1

Non-current assets	265 326	1 989
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Current assets	17 199	-
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Total loans receivable	282 525	1 989
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Loans to major shareholders

Africa Equity Empowerment Investments Limited (“AEEI”)

This loan is unsecured and interest is charged at the prime overdraft rate. There are no fixed terms of repayment and management does not expect to enforce settlement within the next 12 months.

Loans to joint ventures

Tamlalor Proprietary Limited (“Tamlalor”)

This loan is unsecured and bears interest at prime. The loan is repayable on 28 February 2024.

Digital Health Africa Proprietary Limited (“Digital Health”)

This loan is unsecured, bears no interest and has no repayment terms.

Other loans receivable

Volt Africa Proprietary Limited (“Volt”)

This loan bears interest at prime plus 2% per annum. 50% of the loan balance is repayable on 1 January 2020 with remaining balance payable on 1 January 2024.

Cortex Logic Proprietary Limited (“Cortex”)

The loan has no fixed repayment terms and bears interest at a rate of prime plus 2%. The loan is secured by a guarantee and pledge of shares in Cortex by the majority shareholders.

Notes to the summarised reviewed consolidated financial results *(continued)*

12. Loans receivable continued

Cumulative preference shares – Bambelela

On 14 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. Interest is accrued at a variable prime rate multiplied by a dividend adjustment rate of 72%. Interest accrued is R11 million for the period under review.

Financial loss will be incurred if counterparties fail to make payments as they fall due.

The expected credit loss is based on the payment profiles of the loans receivables. The loans were provided by the Company in the current year therefore there is no historical loss rate. The loans receivables do not have a fixed term payment whereas the loans to Group are required to pay the loan together with its interest at a future date. The Group considers a financial asset (loan receivables and loans to Group companies) in default when the contractual payments are 90 days past due where repayment terms are defined as part of the loan agreement.

There were no signs of impairment indicators in the current year therefore no indications of inability for debtors to pay their debts when they are due. As a result the expected credit loss for loans receivables and loans to the Group:

	Stage 1 – Performing		Stage 2 – Underperforming		Stage 3 – Underperforming		Total	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Gross carrying value of loans receivable	179 498	1 989	-	-	108 351	-	287 849	1 989
Expected credit loss	-	-	-	-	(5 324)	-	(5 324)	-
Net carrying value of loans receivable	179 498	1 989	-	-	103 027	-	282 525	1 989

13. Other financial assets

Other financial assets are comprised of:

	2019 R'000	2018 R'000
Fair value designated		
Cadiz Life Investment Enterprise Development Fund	10 234	6 890
Nesa Capital Fund	188	-
Funds placed with 3 Laws Capital Proprietary Limited	-	88 827
	10 422	95 717
Foreign exchange contracts	1 344	99
Loans and receivables at amortised cost		
Supplier development loan	5 500	3 635
Ragna CC	30	30
Staff loans	1 534	799
Ikeganya Support Services Proprietary Limited ("Ikeganya")	1 983	-
Uhula ICT Proprietary Limited ("Uhula")	1 700	-
Sizwe Connect Proprietary Limited ("Sizwe Connect")	1 933	-
Other	21	-
	12 701	4 464
Non-current assets	12 221	6 890
Current assets	12 246	93 390
Total other financial assets	24 467	100 280

Fair value designated

Funds placed with 3 Laws Capital Proprietary Limited

In line with AYO's strategy to diversify its investments it placed an additional R400 million with 3 Laws Capital Proprietary Limited ("3 Laws") on 18 November 2018. AYO withdrew the funds placed with 3 Laws on 15 March 2019. The portfolio yielded a net return of R7 million from 1 September 2018 to 22 February 2019.

Oasis Bond Fund

In line with AYO's strategy to diversify its investments, it invested R100 million in the Oasis Bond Fund and R300 million in the Oasis Balanced Fund on 21 December 2018. AYO withdrew the funds placed with Oasis on 22 May 2019. Refer to note 29 fair value information for fair value disclosure.

Loans and receivables at amortised cost

Ikeganya, Uhula and Sizwe Connect

The loans to Ikeganya Uhula and Sizwe Connect arose as a result of the business combination with Zaloserve. The loans are unsecured and interest free.

Notes to the summarised reviewed consolidated financial results *(continued)*

	2019 R'000	2018 R'000
14. Finance lease receivables		
Gross investment in leases	1 331	-
- within one year	892	-
- in second to fifth year inclusive	439	-
Unearned finance income	(312)	-
- Unearned finance income within one year	(223)	-
- Unearned finance income in second to fifth year inclusive	(89)	-
Present value minimum lease payments due	1 019	-
- within one year	669	-
- in second to fifth year inclusive	350	-
Total finance lease receivables	1 019	-
The finance lease arrangements relate to the Group's managed services segment. The finance lease arrangements are for IT equipment which includes laptops, printers, tablets and CCTV equipment. The average term of the finance leases is three to five years. There were no contingent rents recognised as income during the year. The average effective lending rate was 22%.		
15. Deferred tax		
Deferred tax asset/(liability) is comprised of:		
Allowance for credit losses	1 935	1 428
Provisions	17 298	4 700
Tax losses available for set off against future taxable income	12 349	527
Property plant and equipment	(2 361)	(90)
Intangible assets	(8 298)	(2 757)
Prepaid expenses	(1 028)	(206)
Fair value adjustment on investments	18 541	(10)
Operating lease liability	315	2
Finance lease assets	(4 131)	-
Finance lease liabilities	3 792	-
Income received in advance	8 262	116
Fair value adjustments on derivatives	17 108	-
Contingent considerations	643	-
Total deferred tax asset	64 425	3 710
Deferred tax liability	(20 307)	(3 063)
Deferred tax asset	84 732	6 773
Total net deferred tax asset	64 425	3 710

	2019 R'000	2018 R'000
16. Inventories		
Finished goods	66 604	5 682
Work in progress	116 669	6 696
Inventory written down to net realisable value	(4 282)	-
Total inventories	178 991	12 378
17. Trade and other receivables		
Trade receivables	378 670	143 184
Loss allowance	(9 107)	(7 422)
Trade receivables at amortised cost	369 563	135 762
Prepayments	28 970	1 436
Operating lease receivables	34	-
Deposits	28 563	1 360
Value added income tax expense	11 560	4 827
Funds held in trust	101 295	-
Accrued income	4 070	3 997
Deferred finance charges	9 646	-
Sundry income	30 790	35 840
Total trade and other receivables	584 491	183 222

Notes to the summarised reviewed consolidated financial results *(continued)*

	2019 R'000	2018 R'000
18. Cash and cash equivalents		
Cash and cash equivalents comprised:		
Cash on hand	153	11
Bank balances	3 680 063	4 308 687
Bank overdraft	(1 106)	(5 056)
Total	3 679 110	4 303 642
Bank balances are held with		
ABSA Bank Limited	2 735 145	4 268 950
Investec Bank Limited	265 308	-
Bank of China – Johannesburg Branch	501 213	-
Nedbank Limited	9 965	2 431
Standard Bank of South Africa Limited	86 398	2 938
First National Bank Limited	51 098	29 312
HSBC Bank Limited	761	-
Albaraka Bank Limited	28 958	-
AfrAsia Bank Limited	111	-
Cash on hand	153	11
Total	3 679 110	4 303 642
AYO has provided an unlimited guarantee for AEEI's overdraft facility of R10 million held with ABSA Bank Limited ("ABSA") and for AEEI's revolving credit facility held with Investec Bank Limited ("Investec"). At 31 August 2019 the amount owing by AEEI to ABSA on the overdraft facility was R9.4 million (2018: R3.5 million). At 31 August 2019 the amount owing by AEEI to Investec on the revolving credit facility was R32 million (2018: R32 million). Unrestricted cross surety and cession of the Zaloserve's trade receivable was provided as surety for the FNB overdraft facility by Sizwe Africa IT Group (Proprietary) Limited. The value of the trade receivables is R223 million.		
19. Non-controlling interests		
Opening balance	20 294	34 752
Total comprehensive income attributable to NCIs	31 200	3 671
Additions through business combinations	149 313	-
Change in ownership	(11 045)	-
Dividends paid to NCIs	(3 731)	(17 646)
Disposal of subsidiary	(384)	(483)
Closing balance	185 647	20 294

	2019 R'000	2018 R'000
20. Other financial liabilities		
Loans from a director of a subsidiary	-	1 130
SAEBEX Proprietary Limited	-	3
African Equity Empowerment Investments Limited	20 863	-
Amount payable to previous NCI shareholders of Puleng	38 500	-
Long term borrowings	797	-
Total	60 160	1 133
Non-current liabilities	797	-
Current liabilities	59 363	1 133
Total	60 160	1 133
African Equity Empowerment Investments Limited		
The loan bears interest at prime plus 2% and is repayable within 12 months from signature date of loan agreement.		
Amount payable to previous shareholders of Puleng		
AYO entered into an agreement to purchase the remaining 47% of Puleng from the minority NCI shareholders for a consideration of R38.5 million		
21. Finance lease liabilities		
Minimum lease payments due	17 911	1 125
- within one year	14 449	394
- in second to fifth year inclusive	3 462	731
Future finance charges	(2 375)	(161)
- within one year	(1 766)	(161)
- in second to fifth year inclusive	(609)	-
Present value of minimum lease payments		
- within one year	12 683	389
- in second to fifth year inclusive	2 853	575
	15 536	964
The finance lease arrangements relate to vehicles leased by Kalula, SGT and Sizwe. The average lease term is two to five years. The average effective lending rate was 22%. The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.		

Notes to the summarised reviewed consolidated financial results *(continued)*

	2019 R'000	2018 R'000
22. Derivatives		
Opening balance	-	-
Additions	87 468	-
Settlements	-	-
Fair value adjustments	(26 369)	-
Closing balance	61 099	-
Put-options over non-controlling interests		
As per the share sale agreements, AYO has the option to acquire 60% of the shares in Mainstreet from African Equity Empowerment Investments ("AEEI") and 31% of the shares in GCCT. The options are exercisable between three to four years from the date of purchase of Mainstreet and GCCT. These options have been fair valued at year-end and the gain of R26 million has been disclosed in other operating gains as per note 3.		
23. Contingent consideration liabilities		
Opening balance	4 256	4 478
Contingent consideration arrangements entered into	43 226	-
Settlements	(4 460)	-
Fair value adjustments	4 822	(222)
Closing balance	47 844	4 256
New contingent considerations of R43 million were acquired in the period under review. These relate to contingent consideration arrangements for Zaloserve and SGT Solutions. Refer to the business combination note 27.		
24. Trade and other payables		
Trade payables	324 342	111 982
Leave pay and other accruals	108 630	16 546
Amounts received in advance	1 979	1 145
Value and taxation	4 560	3 252
Total	439 511	132 925
The fair value of trade and other payables approximates carrying value due to its short-term nature.		
25. Provisions		
Provisions are comprised of:		
Commission	533	303
Partner reward program	-	204
Leave pay	-	4 710
Bonuses	15 643	5 917
Onerous contract	5 680	-
Project and product warranties	3 742	-
Promotions and marketing	496	-
Total	26 094	11 134

25. Provisions continued

	2019 R'000	2018 R'000
Reconciliation of provisions		
Opening balance	11 134	7 523
Additions	39 966	8 998
Utilised during the period	(34 111)	(4 682)
Additions through business combinations	30 514	-
Reversed	(1 554)	(705)
Closing balance	45 949	11 134
The project and product warranties provision represents management's best estimate of the company's liability under one period warranties granted on electrical products, based on prior experience and industry averages for defective products. There is no expected reimbursement (from the manufacturer) in respect of this provision.		

26. Earnings per share

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)

54.29

47.20

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 shareholders of AYO

186 820

144 258

Weighted average number of shares ('000)

344 124

305 700

Headline earnings per share

Headline earning is determined as follows:

Earnings attributable to owners of AYO

186 817

144 286

Adjusted for:

Profit on sale of property, plant and equipment

(352)

(9)

Profit on disposal of associate

-

(1 074)

(Profit)/loss on disposal of subsidiary

(1 044)

1 429

Impairment of property, plant and equipment

176

-

Loss from equity accounted investments

1 608

-

Amortisation

2 632

-

Depreciation

15 458

-

Foreign currency translation

(614)

-

Goodwill impairment

-

3 084

Fair value adjustment on derivatives

(20 462)

-

Headline earnings

184 219

147 716

Weighted average number of shares ('000)

344 124

305 700

Headline earnings per share (cents)

53.53

48.32

Notes to the summarised reviewed consolidated financial results *(continued)*

27. Business combinations

Acquisition of Zaloserve Proprietary Limited (“Zaloserve”)

AYO acquired a 55% equity interest in Zaloserve Proprietary Limited (“Zaloserve”) on 19 December 2018 for a consideration of R165 million after obtaining approval from the Competition Commission. The effective date in terms of the agreement was 1 November 2018 however in terms of IFRS 3 Business Combinations the date of acquisition has been determined as 19 December 2018 as a result of the significant conditions precedents being met. Zaloserve is an investment holding company that holds a 100% shareholding in Opiwize Proprietary Limited which in turn holds a 100% shareholding in Sizwe Africa IT Proprietary Limited (“Sizwe”).

Sizwe offers various ICT services to its customers including a focused spectrum of physical infrastructure, metro and long-distance optic fibre, facility management, continuous energy supply, networking and security to hosting, storage server processing mobility, data centre, end-user computing and associated consumables.

Acquisition of Mainstreet 1653 Proprietary Limited (“Mainstreet”)

On 9 February 2019, AYO concluded the acquisition of a 40% equity interest in SGT Solutions Proprietary Limited (“SGT Solutions”) for a consideration of R60 million via a special purpose vehicle, Mainstreet 1653 Proprietary Limited (“Mainstreet”) that in turn holds the entire equity interest in SGT Solutions Proprietary Limited. Although AYO only has a 40% equity interest it has been determined that AYO controls Mainstreet in terms of IFRS 10 Consolidated Financial Statements. As per the shareholders agreement, AYO has the right to appoint directors and key management personnel that give AYO the power to direct the relevant activities of Mainstreet.

SGT Solutions is a turnkey solutions integrator specialising in the design, supply, deployment, commissioning and maintenance of multi-technology telecommunication systems for mobile broadband and converged solutions through partnerships with its customers and technology providers. The Company specialises in integrated leading-edge and comprehensive solutions across the entire spectrum of telecommunications. SGT Solutions has been operating in South Africa for the past 14 years.

Acquisition of Global Command and Control Technologies Proprietary Limited (“GCCT”)

On 9 February 2019 AYO acquired a 24% equity shareholding interest in Global Command and Control Technologies Proprietary Limited (“GCCT”). Although AYO only has a 24% equity interest it has been determined that AYO controls GCCT in terms of IFRS 10 Consolidated Financial Statements. AYO has the right to direct the relevant activities of GCCT.

GCCT supplies microwave and related services to telecommunication network operators (public and private) in South Africa. The company offers full local radio frequency, network planning deployment, product support, field maintenance and logistic services.

27. Business combinations continued

The fair value of the acquired brands, customer lists are provisional upon the fair value determination of the assets and liabilities of Zaloserve, Mainstreet and GCCT. The provisional fair values of the identified assets and liabilities are shown below:

Assets acquired and liabilities assumed	Zaloserve R'000	Mainstreet R'000	GCCT R'000	Total R'000
Property, plant and equipment	88 169	3 075	7 155	98 399
Intangible assets	22 344	7 098	1 744	31 186
Other financial assets	6 018	-	-	6 018
Finance lease receivables	8 155	-	-	8 155
Inventories	92 702	50 321	16 166	159 189
Trade and other receivables	166 888	51 225	12 718	230 831
Current tax receivable	-	765	-	765
Cash and cash equivalents	81 129	38 135	-	119 264
Deferred tax	11 838	18 018	-	29 856
Other financial liabilities	-	(3 814)	(3 012)	(6 826)
Finance lease liabilities	(24 826)	-	-	(24 826)
Deferred income	(26 439)	-	(9 957)	(36 396)
Trade and other payables	(239 933)	(81 517)	-	(321 450)
Current tax payable	(414)	-	-	(414)
Provisions	(6 266)	(15 530)	-	(21 796)
Total identifiable assets and liabilities	179 365	67 776	24 814	271 955
Non-controlling interests	(87 977)	(40 666)	(18 859)	(147 502)
Goodwill	70 455	62 773	17 115	150 343
Total	161 843	89 883	23 070	274 796
Consideration paid				
Cash	148 500	60 000	23 070	231 570
Contingent consideration	13 343	29 883	-	43 176
Total purchase consideration	161 843	89 883	23 070	274 796
Net cash outflow on acquisition date				
Cash consideration paid	(148 500)	(60 000)	(23 070)	(231 570)
Cash acquired	81 129	38 135	-	119 264
Net cash outflow	(67 371)	(21 865)	(23 070)	(112 306)

Non-controlling interests

The Group has elected to measure the non-controlling interests at a proportionate percentage of the recognised amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill recognised on acquisition relates to the expected synergies and economies of scale expected from combining the operations of the entities which cannot be separately recognised as an intangible asset.

Notes to the summarised reviewed consolidated financial results *(continued)*

27. Business combinations continued

Gain on acquisition

During the current year the Group acquired the going concern of GCCT where the net assets acquired exceeded the consideration and a gain on bargain purchase was recognised.

Contingent considerations

The contingent consideration arrangement for Zaloserve requires AYO to pay the former owners of Zaloserve for achieving certain earn-out targets for the 2019, 2020 and 2021 financial years up to a maximum undiscounted amount of R5.5 million for each financial year.

The contingent consideration arrangement for SGT Solutions requires AYO and AEEI to pay the former owners of SGT Solutions for achieving certain earn-out targets for the 2020 and 2021 financial years up to a maximum undiscounted amount of R20 million for each financial year.

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

Acquisition related costs

Acquisition costs of R3.4 million were recognised in profit or loss for the 2019 financial year.

Impact of the acquisitions on the Group results

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

	Zaloserve R'000	Mainstreet R'000	GCCT R'000	Total R'000
Revenue	766 368	219 517	25 355	1 011 241
Profit/(loss) after tax	30 821	19 546	(6 323)	44 404

Revenue and profits of the acquirees' since acquisitions which would have been included in the AYO Group results had the business combinations taken place at the beginning of the 2019 financial year:

	Zaloserve R'000	Mainstreet R'000	GCCT R'000	Total R'000
Revenue	1 651 026	477 149	25 355	2 153 530
Profit/(loss) after tax	32 790	28 474	(6 323)	54 941

28. Commitments and contingencies

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

AYO has instructed its attorneys to oppose the action.

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

AYO and a significant customer concluded an ICT Master Service Agreement in May 2018 whereby AYO would render to the significant customer a host of ICT services effective from 1 July 2018 for an indefinite period as long as the services are provided under the agreement. On 1 October 2019 however this significant customer gave AYO six months notice purporting to terminate the agreement. AYO disputes this significant customer’s right to cancel the agreement. By virtue of the dispute, AYO has invoked the arbitrations provisions under the agreement and anticipates the matter being arbitrated in the first quarter of 2020.

29. Fair value information

The Group does not have any financial instruments which are traded in an active market. Fair value is determined using valuation techniques as outlined below. Where possible, inputs are based on quoted prices and other market determined variables.

Fair value hierarchy

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

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

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

Notes to the summarised reviewed consolidated financial results *(continued)*

29. Fair value information continued

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

Assets and liabilities	Fair value at 31 August 2019 R'000	Fair value at 31 August 2018 R'000	Valuation method	Fair value hierarchy
Intangible assets acquired through business combinations	29 084	-	Discounted cash flow	Level 3
Investments	24 619	-	Discounted cash flow	Level 3
Other financial asset	10 422	-	Discounted cash flow	Level 3
Derivatives – put options over non-controlling interests	61 099	-	Discounted cash flow	Level 3
Contingent consideration liabilities	47 844	-	Discounted cash flow	Level 3

Financial instruments measured at cost for which a fair value is disclosed

Financial assets that are not measured at fair value, namely Trade and other receivables, cash and cash equivalents, loans receivables and financial assets are categorised as loans and receivables. It has been concluded that the carrying amount of these assets approximate their fair value.

Financial liabilities that are not measured at fair value namely loans, trade and other payables and financial liabilities are categorised as financial liabilities. It has been concluded that the carrying amount of these liabilities approximate fair value.

	2019 R'000	2018 R'000
Intangible assets acquired through business combinations		
Opening balance	-	-
- Additions:		
Licenses and computer software	674	-
Trade names	4 156	-
Brands	12 829	-
Customer lists	13 527	-
	31 186	-
Disposals	(94)	-
Amortisation losses in profit (loss)	(2 008)	-
Closing balance	29 084	-

29. Fair value information continued

	2019 R'000	2018 R'000
Investments		
Opening balance		
Additions	90 660	-
Changes in fair values	(66 041)	-
Closing balance	24 619	-
Other financial assets		
Opening balance	95 717	747
Additions	803 000	494 968
Interest	8 962	-
Dividends	3 021	-
Settlements	(912 763)	(400 000)
Fair value adjustments	12 485	2
Closing balance	10 422	95 717
Derivatives - put options		
Opening balance	-	-
Additions	87 468	-
Settlements	-	-
Fair value adjustments	(26 369)	-
	61 099	-
Contingent consideration liability		
Opening balance	4 256	4 478
Additions	43 226	-
Settlements	(4 460)	-
Fair value adjustments	4 822	(222)
Closing balance	47 844	4 256

Valuation processes applied by the Group

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 summarised reviewed consolidated financial results *(continued)*

30. Deferred income

	2019 R'000	2018 R'000
Deferred income comprises of:		
Additions through business combinations	30 354	
Additions	5 412	
Reversals through profit and loss	(7 235)	
	28 531	
Non-current liabilities	11 244	
Current liabilities	17 287	
Total deferred income	28 531	
The group generates deferred revenue on future warranties and maintenance contracts where upfront payment has been received. The deferred revenue is released to the income statement in line with the costs incurred over the period of the contract.		

31. Related parties

The Group entered into various transactions with related parties in the ordinary course of business which are shown below:

Entity name	Relationship
African Equity Empowerment Investments Limited	Holding Company
AYO International Holdings	Subsidiary
Zaloserve Proprietary Limited	Subsidiary
Global Command and Control Technologies Proprietary Limited	Subsidiary
Kalula Communications Proprietary Limited	Subsidiary
Main Street 1653 Proprietary Limited	Subsidiary
Health System Technologies Proprietary Limited	Subsidiary
Sizwe Africa IT Group Proprietary Limited	Subsidiary
Puleng Technologies Proprietary Limited	Subsidiary
Afrinat Proprietary Limited	Fellow subsidiary
espAfrika Proprietary Limited	Fellow subsidiary
Premier Fishing SA Proprietary Limited	Fellow subsidiary
Tripos Travel Proprietary Limited	Fellow subsidiary
Exaro HST Proprietary Limited	Joint venture
Tamlalor Proprietary Limited	Joint venture
Digital Health Africa Proprietary Limited	Joint venture
Vunani Capital Proprietary Limited	Joint control in joint venture
Biton Music Productions Proprietary Limited	Common shareholding
3 Laws Capital Proprietary Limited	Common shareholding*
African News Agency Proprietary Limited	Common shareholding*
BT Communications Services South Africa Proprietary Limited	Common shareholding*
Independent News and Media Proprietary Limited	Common shareholding*
KimCo Trust	Common shareholding*
Prodirect Investments 112 Proprietary Limited	Common shareholding*
Sekunjalo Capital Proprietary Limited	Common shareholding*
Sekunjalo Health and Commodities Proprietary Limited	Common shareholding*
Sekunjalo Technology Group Proprietary Limited	Common shareholding*
Imagine Awards	Common shareholding*
Premfresh Seafoods Proprietary Limited	Common shareholding*
Prodirect Investments 112 Proprietary Limited	Common shareholding*
Sekunjalo Investment Holdings	Common shareholding*
Tripos Tourist Investments Proprietary Limited	Common shareholding*
Headset Solutions Africa Proprietary Limited	Common shareholding
SGT Solutions Proprietary Limited	Common shareholding
Bambelela Proprietary Limited	Investment
K2018010234 (South Africa) Proprietary Limited	Investment
Volt Africa Proprietary Limited	Investment
Salim Young	Former director
Clifford van der Venter	Director of fellow subsidiary

* These entities are controlled by shareholders that have more than 5% shares in AYO and African Equity Empowerment Investment Management ("AEEI").

Notes to the summarised reviewed consolidated financial results *(continued)*

31. Related parties continued

Significant related party transactions entered into include;

African News Agency Proprietary Limited (“ANA”)

ANA Creative Agency was contracted to develop and integrate market intelligence services into AYO’s brand development and marketing strategy. They also conducted media monitoring for reputation management on all platforms, prepare AYO’s advertising campaigns including commercials to be broadcast, or other appropriate forms of AYO’s messaging to the market. ANA will also provide event management and event marketing for AYO to host exhibitions and conferencing with industry leaders in the ICT sector.

espAfrika Proprietary Limited (“espAfrika”)

AYO entered into a co-sponsorship agreement with espAfrika to launch and showcase AYO at the Cape Town International Jazz Festival.

3 Laws Capital Proprietary Limited (“3 Laws”)

AYO placed funds with 3 Laws during the current year under review. There was interest income received on the funds placed with 3Laws. 3Laws returned all AYO’s funds placed under its management on 15 March 2019 and the interest earned on the funds on 18 March 2019.

African Equity Empowerment Investment Management (“AEEI”)

AYO entered into a Management Agreement with AEEI which has been ongoing since 2017.

BT Communications Services South Africa Proprietary Limited (“BT”)

AYO concluded an alliance agreement with BT on 12 December 2017. This agreement governed the relationship between BT and AYO in respect of the partnership between BT and AYO pertaining to providing BT’s ICT services to BT’s existing and target clients (being international companies headquartered in South Africa), with BT acting as the sub-contractor.

Independent News and Media Proprietary Limited (“Independent News and Media”)

AYO paid Independent News and Media an amount of R9 million in the current financial year for a marketing and advertising campaign that AYO placed with Independent News and Media to promote AYO’s brand in the market.

Tripes Tourist Investments Proprietary Limited (“Tripes”)

Tripes is a travel agent company which is a subsidiary of AEEI. Various companies in the Group, including AYO, use Tripes to arrange travel and accommodation for its employees.

All travel and accommodation expenses incurred by AYO’s representatives are subject to an internal procedure by AYO. The payments by AYO to Tripes comprise the cost of the travel, the accommodation and Tripes’ professional fees. Tripes earns a market-related professional fee for providing these services to AYO.

K2018010234 (South Africa) Proprietary Limited (“KSA”)

On 4 March 2019 AYO subscribed for 19% of share capital in KSA. KSA is a company established by AYO and Loot online to specialise in e-commerce with a key focus being on the business-to-business marketplace for fashion, luxury goods and services in Africa.

31. Related parties continued

	2019 R'000	2018 R'000
Related party transactions include the following:		
Sales to related parties		
African Equity Empowerment Investments Limited	639	76
BT Communications Services South Africa Proprietary Limited	556	-
Kalula Communications Proprietary Limited	212	-
Independent Newspapers Proprietary Limited	3 175	-
Premier Fishing SA Proprietary Limited	-	282
Management fees received from related parties		
Health System Technologies Proprietary Limited	4 902	-
Kalula Communications Proprietary Limited	663	-
Commission received from related parties		
Health System Technologies Proprietary Limited	3 245	-
Purchases of information technology management services from related parties		
African News Agency Proprietary Limited	10 771	-
Health System Technologies Proprietary Limited	280	-
Kalula Communications Proprietary Limited	112	-
BT Communications Services South Africa	302 358	37 633
Sizwe Africa IT Group Proprietary Limited	1 077 916	-
Human resources services fees paid to related parties		
Premier Fishing SA Proprietary Limited	-	194
Advertising and marketing expenses paid to related parties		
African Equity Empowerment Investments Limited	-	346
African News Agency Proprietary Limited	5 376	-
Independent News and Media Proprietary Limited	15 134	335
espAfrika Proprietary Limited	11 335	3 051
Orleans Cosmetics Proprietary Limited	207	-
Consulting fees paid to related parties		
Sekunjalo Capital Proprietary Limited	-	400
Salim Young	-	341
Clifford van der Venter (Non-exec director Premier Fishing & Brands Limited)	74	-
Corporate finance service fees paid to related parties		
African Equity Empowerment Investments Limited	-	57 700
Administration fees paid to related parties		
African Equity Empowerment Investments Limited	7 560	7 203

Notes to the summarised reviewed consolidated financial results *(continued)*

31. Related parties continued

	2019 R'000	2018 R'000
Related party transactions include the following (continued):		
Administration fees paid to related parties		
3 Laws Capital Proprietary Limited	1 063	1 263
Corporate service fees received from related parties		
Independent News and Media Proprietary Limited	3 175	-
Travel agency fees paid to related parties		
Tripos Travel Proprietary Limited	5 939	1 047
Health System Technologies Proprietary Limited	23	-
Recoveries from related parties		
Afrinat Proprietary Limited	-	2 136
Rental expenses paid to related parties		
Biton Music Productions Proprietary Limited	-	1 006
Prodirect Investments 112 Proprietary Limited	1 728	-
Sekunjalo Properties Proprietary Limited	950	-
Health System Technologies Proprietary Limited	31	-
Interest received from related parties		
African Equity Empowerment Investments Limited	-	466
3 Laws Capital Proprietary Limited	5 619	18 827
Bambalela Proprietary Limited	10 996	-
AYO International Holdings Proprietary Limited	353	
Bambelela Proprietary Limited	4 576	
Global Command and Control Technologies Proprietary Limited	1 991	
Headset Solutions Africa Proprietary Limited	91	
Kalula Communications Proprietary Limited	774	
Main Street 1653 Proprietary Limited	1 957	
SGT Solutions Proprietary Limited	1 518	
Tamlalor Proprietary Limited	4 605	
Sundry income paid to related parties		
Global Command and Control Technologies Proprietary Limited	990	-
Kalula Communications Proprietary Limited	108	-
Conferences, Meetings & Seminars paid to (received from) related parties		
Independent Newspaper Proprietary Limited	904	-
Dividend receivable from related parties		
Puleng Technologies Proprietary Limited	7 676	
Professional service fees paid to related parties		
Premier Fishing SA Proprietary Limited	103	-
African News Agency Proprietary Limited	6	-
Vunani Capital Proprietary Limited	9 888	-

31. Related parties continued

	2019 R'000	2018 R'000
Related party transactions include the following (continued):		
Entertainment paid to related parties		
Imagine Awards (Surve Philanthropies)	413	-
Licenses paid to related parties		
Health System Technologies Proprietary Limited	70	-
Subscriptions paid to related parties		
Sekunjalo Investment Holdings	1 538	-
Leasing Charges		
Sizwe Africa IT Group Proprietary Limited	25	-
Levies		
Independent Media Proprietary Limited	72	-
Printing & Stationery		
Sizwe Africa IT Group Proprietary Limited	17	-
Donations		
Independent Media Proprietary Limited	255	-
Warranty Expense		
Puleng Technologies Proprietary Limited	203	-
Related party balances include the following:		
Trade receivables from related parties		
Afrinat Proprietary Limited	-	25
African Equity Empowerment Investments Limited	723	-
Independent News and Media Proprietary Limited	4 145	-
Exaro HST Proprietary Limited	-	5 354
4Plus Technology Venture Fund	529	-
Global Command and Control Technologies Proprietary Limited	1 040	-
Health System Technologies Proprietary Limited	4 712	-
Kalula Communications Proprietary Limited	1 114	-
Sekunjalo Investment Holdings Proprietary Limited	1 281	-

Notes to the summarised reviewed consolidated financial results *(continued)*

31. Related parties continued

	2019 R'000	2018 R'000
Related party balances include the following (continued):		
Trade payables to related parties		
African Equity Empowerment Investments Limited	-	4 314
African News Agency Proprietary Limited	175	-
BT Communications Services South Africa Proprietary Limited	27 360	37 158
Independent News and Media Proprietary Limited	6 931	-
Premier Fishing SA Proprietary Limited	-	29
Tripos Travel Proprietary Limited	-	397
Health System Technologies Proprietary Limited	79	-
Premfresh Seafoods Proprietary Limited	121	-
Sizwe Africa IT Group	56	-
Tripos Tourist Investments Proprietary Limited	25	-
Loans receivable from related parties		
African Equity Empowerment Investments Limited	5 367	5 000
Sekunjalo Health and Commodities Proprietary Limited	-	1
Digital Health Africa Proprietary Limited	168	168
AYO International Holdings Proprietary Limited	12 000	-
Computer Aided Telephony Systems Proprietary Limited	10 734	-
Global Command and Control Technologies Proprietary Limited	61 642	-
Headset Solutions Africa Proprietary Limited	879	-
Kalula Communications Proprietary Limited	15 627	-
Main Street 1653 Proprietary Limited	31 957	-
SGT Solutions Proprietary Limited	31 518	-
Tamlalor Proprietary Limited	103 027	-
Volt Africa Proprietary Limited	11 535	-
Loans payable to related parties		
African Equity Empowerment Investments Limited	20 863	1 820
Sekunjalo Technology Group Proprietary Limited	-	1
KimCo Trust	-	615
Dividend receivable		
Puleng Technologies Proprietary Limited	4 176	-
Contingent Consideration		
Zaloserve Proprietary Limited	14 307	-
Funds placed with related parties for management		
3 Laws Capital Proprietary Limited	-	88 827

32. Events after reporting period

On 13 September 2019 AYO settled its obligations in relation to the purchase of 43% of the share capital of Puleng Technologies Proprietary Limited (“Puleng”) from the minority shareholders for a consideration of R38.5 million.

On 17 October 2019 the Board of directors approved the Company concluding a binding offer to acquire 100% of the share capital of NSX Experts Proprietary Limited (“NSX”) for a consideration of R850 000. NSX is a company which provides cloud computing solutions. At the time of issue of the financial statements, AYO did not have sufficient information to provide the disclosures as required by IFRS3 Business Combinations as the initial accounting for the transaction was incomplete. The business was owner-managed prior to acquisition and the management of AYO has decided to do an exercise of determining the fair value of assets and liabilities. The exercise will be concluded within the next 12 months.

On 1 November 2019, the Company concluded an offer to acquire 55% of the share capital of VOX Spectrum Limited (“VOX”) for a consideration of R10 million. VOX is a multinational company which designs, engineers, constructs, installs and maintains a broad range of voice data video and wireless infrastructure for clients worldwide. At the time of issue of the financial statements, AYO did not have sufficient information to provide the disclosures as required by IFRS 3 Business Combinations as the initial accounting for the transaction was incomplete due to conditional proceedings of the offer being finalised.

AYO and a significant customer concluded an ICT Master Service Agreement in May 2018 whereby AYO would render to the significant customer a host of ICT services effective from 1 April 2018 for an indefinite period as long as the services are provided under the agreement. On 1 October 2019 however this significant customer give AYO six months' notice purporting to terminate the agreement. AYO disputes this significant customer's right to cancel the agreement. By virtue of the dispute AYO has invoked the arbitrations provisions under the agreement and anticipates the matter being arbitrated in the first quarter of 2020.

A final dividend of 16 cents per share was approved by the Board of directors on 17 December 2019 in South African rand, in respect of the year ended 31 August 2019. The dividend is payable on 20 January 2020 to shareholders recorded in the register of the Company at close of business on 17 January 2020.

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

Summarised segmental analysis

33. Summarised segmental analysis

	Segmental revenue		Segmental profit	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Software and consulting	61 348	73 415	22 962	24 514
Security solutions	276 304	335 352	105 957	106 734
Unified communications	73 239	75 552	24 473	20 360
Healthcare	111 373	100 975	38 739	37 260
Tracking solutions	25 355	–	6 915	–
Managed services	1 411 673	53 599	360 227	9 090
Total	1 959 292	638 893	559 273	197 958
Administration and support services			(552 184)	(208 031)
Equity-settled share-based payment expense			–	(11 809)
Other operating gains/(losses)			(22 813)	(7 321)
Finance income			316 325	226 954
Finance costs			(10 918)	(1 754)
Loss from equity accounted investments			(1 608)	–
Total revenue and profit before taxation	1 959 292	638 893	288 075	195 997

Segment profit represents the profit before tax earned by each segment without the allocation of central administration costs, fair value adjustments, interest income and finance costs. 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.

	2019 R'000	2018 R'000
Segmental assets		
Software and consulting	22 017	20 719
Security solutions	83 099	73 793
Unified communications	48 022	22 304
Health care	350 355	63 860
Tracking solutions	85 343	-
Managed services	5 709 245	4 486 746
Total segmental assets	6 298 081	4 667 422
Eliminations	(1 165 400)	-
Unallocated*	64 425	3 710
Total consolidated assets	5 197 106	4 671 132
Segmental liabilities		
Software and consulting	8 592	8 715
Security solutions	65 965	58 059
Unified communications	56 909	16 937
Healthcare	29 973	16 898
Tracking solutions	96 801	-
Managed services	581 847	101 543
Total segmental liabilities	840 087	202 152
Eliminations	(126 400)	-
Total consolidated liabilities	713 687	202 152

* 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 and intangible assets	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Software and consulting	983	985	437	328
Security solutions	444	465	332	296
Unified communications	409	685	58	163
Healthcare	742	1 377	7 953	4 730
Tracking solutions	943	-	9 015	-
Managed services	21 604	388	163 900	5 171
Total	25 125	3 900	181 695	10 688

Corporate information

Directors:	Wallace Mgoqi (Chairman)**, Howard Plaatjes (Chief executive officer)^, Isaiah Tatenda Bundo (Chief financial officer)^, Vanessa Govender (Corporate affairs director)^, Rosemary Mosia**, Aziza Amod*, Sello Rasethaba**, Dennis George**, Ngoako Ramatlhodi** and Ismet Amod* <i>* Non-executive # Independent</i> <i>^ Executive</i>
Registered office:	2 Fir Street, 2nd Floor, Old Warehouse Building, Black River Park, Observatory, Cape Town, 7925
Company secretary:	Wazeer Moosa 2 Fir Street, 2nd Floor, Old Warehouse Building, Black River Park, Observatory, Cape Town, 7925 Email: wazeer.moosa@ayotsl.com
Auditors:	BDO South Africa Incorporated 123 Hertzog Boulevard, 6th Floor, Cape Town, 8001
Transfer secretaries:	Link Market Services South Africa Proprietary Limited Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001
Joint sponsor:	Vunani Proprietary Limited 151 Katherine Street, Vunani Office Park, Sandown, 2196
Joint sponsor:	Merchantec Capital 13th Floor, Illovo Point, 68 Melville Rd, Illovo, Sandton, 2196



Glossary of terms and acronyms

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

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