

AUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED

28 FEBRUARY 2018



DIGITAL ECONOMY. TRANSFORMED

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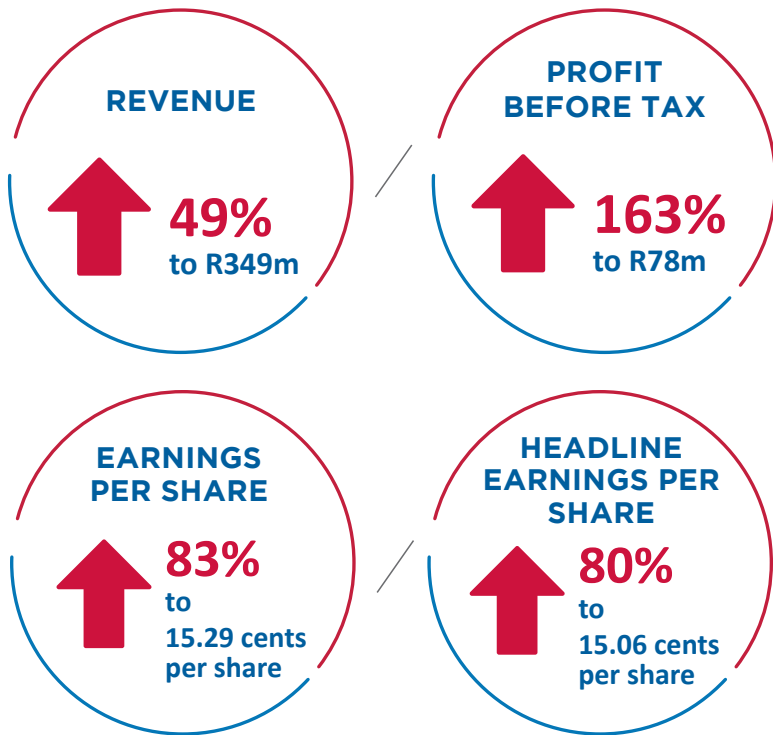
INDEX

3	HIGHLIGHTS
4	OVERVIEW OF THE AYO GROUP
5	GROUP FINANCIAL PERFORMANCE
6	DIVISIONAL PERFORMANCE
9	GOVERNANCE MATTERS
11	AUDITOR'S REPORT
13	CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
14	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
15	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
16	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
17	NOTES TO THE CONDENSED AUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
42-43	CONDENSED SEGMENTAL ANALYSIS
48	CORPORATE INFORMATION
49	GLOSSARY OF TERMS AND ACRONYMS

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")

HIGHLIGHTS



AUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018

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 are 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 include suppliers, clients, governing bodies and the broader community who remain 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.”

Financial market 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 Johannesburg Stock Exchange 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 identified certain misstatements resulting in a Reportable Irregularity being identified. Management believes that their improved governance processes have 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.

The JSE requested that the 2018 and 2019 interim financial results be audited. The interim audits have been successfully completed and the directors are pleased to present the audited results which are outlined in pages 13 to 43 of this report.



Group financial performance

AYO delivered a strong financial performance for the six months ended 28 February 2018 despite a challenging operating and economic environment with revenue increasing by 49% to R349 million, profit before tax increasing by 163% to R78 million and headline earnings per share ("HEPS") increasing by 80% to 15.06 cents per share. The improved financial performance was predominately from significant organic growth in the security solutions division.

AYO listed in December 2018 and as a result of listing the Group had a once-off equity-settled share-based payment expense of R12 million, goodwill impairment of R5 million and listing costs of R7 million.

Since the Group listed, it has raised R4.3 billion and utilised a portion of the funds into major contracts which have significantly contributed to revenues. 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 16 and interest income of R63 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.

Our operations are mainly contract based with the exception of Kalula. In terms of Kalula, the operations are purely based on demand and supply. There is no particular season or period when the group gets more contracts or a higher demand in our products.



Divisional performance

Software and consulting

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Revenue	35 855	55 638	68 974
Gross profit	17 879	13 952	24 514
EBITDA	3 386	4 430	479
Profit before tax	2 250	7 596	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 36% from R56 million to R36 million 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. However, operating margins remained consistent with those of the prior period. The division continues to aggressively manage costs and pursue additional clients to ensure that margins and profitability is maintained.

Security solutions

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Revenue	223 156	89 242	251 134
Gross profit	74 127	31 857	106 734
EBITDA	23 966	4 700	15 859
Profit before tax	23 276	4 669	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 increased by 150% from R89 million to R223 million while gross margins decreased from 35% in the prior period to 33% in the current period.

The division had a significant non-recurring contract in the prior period 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 interim period, 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 period as compared to the prior period. This optimal sales mix resulted in an increase in gross margins compared to the prior period.



Unified Communications

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2016 R'000
Revenue	40 081	38 256	67 207
Gross profit	13 741	14 873	20 360
EBITDA	4 879	4 962	110
Profit before tax	3 991	4 663	(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.

Revenue increased by 5% from R38 million to R40 million as a result of improved demand from customer.

Health care

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2016 R'000
Revenue	49 580	44 728	91 100
Gross profit	13 524	17 485	37 260
EBITDA	9 271	8 742	14 886
Profit before tax	8 220	9 214	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 11% from R45 million to R50 million, with gross profit remaining fairly constant in the current period. Although revenue is primarily 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.



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
GW Madzonga		Non-executive	10 November 2017	20 August 2018
KAW Hardy	Chief Executive Officer	Executive	17 November 2017	23 August 2018
S Nodwele	Chief Investment Officer	Executive	10 November 2017	23 August 2018
TM Ntsasa		Non-executive	10 November 2017	20 August 2018
MF Khoza		Non-executive	10 November 2017	20 August 2018
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
Dr 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
Dr 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	
I Amod		Non - executive	22 January 2019	
K Abdulla	Deputy Executive Chairman	Executive	12 March 2020	

2. Dividends

No dividend was declared for the six months ended 28 February 2018.

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 31 May 2020, in which he provided consulting services on the evaluation of investments and, the presentation of investments for evaluation by the Investment Committee. The Investment Committee recommends investments for approval to the Board. 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 the initial screening, detailed assessments and valuation of potential investments prior to presenting them to the AYO executives and Investment committee for assessments as to whether or not the investments are in accordance with AYO’s acquisition strategy.

Once the synergies, valuation and strategic 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.



Governance Matters (continued)

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 having identified certain misstatements resulting in a Reportable Irregularity being identified. Management believes that their improved governance processes have 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.

5. Litigation

On 31 May 2019, AYO received summons issued by the Public Investment Corporation ("PIC") and the Government Employees Pension Fund ("GEPPF"). 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 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 GEPPF 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.

There is a pending defamation claim by Magda Wierzycka against AYO and seven others in the Western Cape High Court the claim is for the amount of R3 million. AYO is contesting the claim. No provision has been made in respect of this matter as it has not yet been heard before the courts.



Governance Matters (continued)

6. Related party transactions

AYO entered into various transactions with related parties during the period under review. The nature and amounts of these related party transactions has been disclosed in note 27 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.

7. Restatement of Group interim results

Following the completion of the Agreed Upon Procedures for the interim period ended 28 February 2018 and a review by management, management and Board of Directors identified certain corrections which arose as a result of the incorrect application of judgement and estimates. These interim period results were replaced on 4 June 2019. Refer Supplementary Information.

8. Going concern

Management is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon AYO's ability to continue as a going concern. The Directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future. Accordingly, the interim financial results have been prepared on a going concern basis. The Directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient cash reserves to meet its foreseeable cash requirements. The Directors do 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 this report.

The Directors are also not aware of any material non-compliance with statutory or regulatory requirements that may affect the Group.

9. Auditor's report

The corresponding figures relating to the period ended 28 February 2017 presented in these consolidated interim financial statements were not subjected to an independent review or an audit. The opinion of BDO South Africa Inc. on the condensed consolidated interim financial statements is qualified because of the possible effects of the unaudited corresponding figures relating to the period ended 28 February 2017 on the comparability of the 28 February 2018 financial information with that of the corresponding period ended 28 February 2017.

A copy of the auditor's report for the condensed consolidated interim financial is available for inspection at the Company's registered office.



Governance Matters (continued)

10. 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 interim financial period resulting from the acquisition of Sizwe, SGT Solutions and Global Command and Control Technology Proprietary Limited ("GCCT") which would reflect financial results for a six months period.

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.

11. 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 Plaatjes

Chief executive officer

27 March 2020

Consolidated statement of profit and loss and other comprehensive income

		Restated audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
	Notes			
Revenue	2	348 672	233 822	478 663
Cost of sales		(229 401)	(149 636)	(319 921)
Gross profit		119 271	84 186	158 742
Other income	3	3 452	3 850	5 494
Other operating gains		-	-	7 780
Other operating expenses		(88 238)	(59 235)	(125 263)
Equity-settled share-based payment expense	4	(11 809)	-	-
Listing costs expensed		(6 831)	-	-
Finance income	5	63 367	1 517	2 400
Finance costs	6	(1 324)	(708)	(8 804)
Loss from equity-accounted investments		-	-	(679)
Profit before taxation		77 888	29 610	39 670
Taxation	7	(27 065)	(6 485)	(12 822)
Profit from continuing operations		50 823	23 125	26 848
Profit from discontinued operations	23	-	-	2 810
Total profit after taxation		50 823	23 125	29 658

Other comprehensive income

Items that will be reclassified subsequently to
profit or loss:

Exchange differences on translating foreign
operations

(5) - (4)

Total comprehensive income for the period

50 818 23 125 29 654

Profit after taxation attributable to:

Shareholders of AYO from continuing operations

40 866 17 729 13 866

Shareholders of AYO from discontinued
operations

- - 2 810

Non-controlling interests

9 957 5 396 12 982

Total profit after taxation

50 823 23 125 29 658

Total comprehensive income attributable to:

Shareholders of AYO

40 861 17 729 16 672

Non-controlling interests

9 957 5 396 12 982

Total comprehensive income

50 818 23 125 29 654

Earnings per share (cents)

Basic and diluted - continuing
operations

22 15.29 8.37 6.53

Basic and diluted - discontinued
operations

22 - - 1.33



Consolidated statement of financial position

	Notes	Restated audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
ASSETS				
Non-current assets		67 366	69 962	78 400
Property plant and equipment	8	6 729	8 117	7 118
Goodwill	9	38 454	41 538	43 410
Intangible assets	10	13 276	4 175	12 506
Investments in joint venture		33	33	33
Investments in associates		-	319	-
Loans to related party companies	11	4 780	2 855	4 552
Other financial assets	12	747	1 134	747
Operating lease asset		12	-	-
Deferred tax	13	3 335	11 791	10 034
Current assets		4 502 054	118 467	214 009
Inventories	14	11 742	6 774	9 702
Trade and other receivables	15	174 855	59 450	110 428
Other financial assets	12	72 497	9 186	19 266
Current tax receivable		680	1 256	384
Cash and cash equivalents	16	4 242 280	41 801	74 229
Total assets		4 569 420	188 429	292 409
EQUITY AND LIABILITIES				
EQUITY				
Stated capital	17	4 444 410	178 704	184 130
Reserves		11 809	(2 476)	(4)
Retained income		(103 182)	(158 019)	(151 787)
Attributable to shareholders of AYO		4 353 037	18 209	32 339
Non-controlling interests		24 373	31 412	34 752
Total equity		4 377 410	49 621	67 091
LIABILITIES				
Non-current liabilities		1 990	82 026	83 196
Loans from related party companies	18	-	70 774	80 597
Other financial liabilities	19	38	10 764	50
Finance lease liabilities		1 952	-	2 549
Operating lease liability		-	488	-
Current liabilities		190 020	56 229	141 762
Trade and other payables	20	116 247	33 816	108 502
Loans from related party companies	18	34 817	304	69
Other financial liabilities	19	3 808	6 647	5 692
Finance lease liabilities		-	-	259
Operating lease liabilities		356	56	305
Deferred income		1 213	-	2 981
Current tax payable		17 223	2 749	8 372
Provisions	21	13 167	11 017	12 473
Bank overdraft		3 189	1 640	3 109
Liabilities on disposal groups held-for-sale		-	553	360
Total liabilities		192 010	138 808	225 318
Total equity and liabilities		4 569 420	188 429	292 409



Condensed consolidated statement of changes in equity

	Notes	Restated audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Balance at the beginning of the period		67 091	17 103	17 103
Total comprehensive income attributable to shareholders of AYO		40 866	17 729	16 672
Total comprehensive income attributable to non-controlling interests		9 957	5 396	12 982
Issue of shares	17	4 260 280	-	-
Equity-settled share-based payment		11 809	-	-
Dividends paid to non-controlling interests		(12 593)	(1 625)	(5 985)
Share issue on acquisition of subsidising		-	-	15 301
Non-controlling interests arising out of acquisition	24	-	11 018	11 018
Balance at the end of the period		4 377 410	49 621	67 091
Comprising of:				
Stated capital	17	4 444 410	178 704	184 130
Reserves		11 809	(2 476)	(4)
Retained income		(103 182)	(158 019)	(151 787)
Non-controlling interests		24 373	31 412	34 752
Total equity		4 377 410	49 621	67 091



Condensed consolidated statement of cash flows

	Notes	Restated audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Cash utilised in operations		(5 655)	19 130	53 170
Finance income		37 171	1 517	2 579
Finance costs		(1 324)	(707)	(8 804)
Tax paid		(14 319)	(3 917)	(6 954)
Net cash from operating activities		15 873	16 023	39 991
Cash flows from investing activities				
Net additions to property plant and equipment		(1 132)	(7 082)	(3 288)
Net additions to intangible assets		(1 148)	(2 372)	(1 205)
Business combinations	24	-	(6 601)	(1 559)
Net proceeds on disposal of subsidiary		-	-	17 140
Amounts advanced to acquire other financial assets		(70 112)	-	-
Amounts repaid from other financial assets		18 752	-	-
Net outflow from purchases and disposals of financial assets		-	6 992	(16 868)
Net cash to investing activities		(53 640)	(9 063)	(5 780)
Cash flows from financing activities				
Net proceeds on share issue		4 260 280	-	-
Net proceeds or repayment of other financial liabilities and finance leases		1 430	7 320	(621)
Net repayments or proceeds from loans from shareholder		(43 376)	(2 582)	(530)
Net repayment of loans from/ to group companies		-	-	10 483
Dividends paid		(12 596)	(5 099)	(5 985)
Net cash from (to) financing activities		4 205 738	(361)	3 347
Total cash movement for the period		4 167 971	6 599	37 558
Cash at the beginning of the period		71 120	33 562	33 562
Total cash at the end of the period		4 239 091	40 161	71 120



Notes to the condensed audited consolidated interim financial statements

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The audited summarised consolidated interim financial statements for the six months ended 28 February 2018 have been prepared in accordance with the JSE Limited Listings Requirements ("Listings Requirements") for summary 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 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 summarised consolidated financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous audited consolidated annual financial statements.

The audited summarised consolidated interim financial statements for the six months ended 28 February 2018 have been prepared under the supervision of the Group Chief financial officer, Isaiah Tatenda Bundo CA(SA).

REPORTING ENTITY

The audited condensed consolidated interim financial statements for the six months ended 28 February 2018 comprises of the Company, its subsidiaries, associates and joint venture.

USE OF JUDGEMENTS AND ESTIMATES

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

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

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values, the fair valuation calculations are performed by the Group's finance department and operational team on an annual basis. The Group's finance department reports to the chief financial officer.

The valuation reports are approved by the investment committee in accordance with the Group's reporting policies.



Notes to the condensed audited consolidated interim financial statement (continued)

2. REVENUE

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Sale of goods	51 239	132 924	81 164
Rendering of services	297 433	100 898	397 499
	348 672	233 822	478 663

3. OTHER INCOME

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Commission received	-	3 366	4 761
Fees earned	-	484	738
Profit on sale of property plant and equipment	1 195	-	(5)
Recoveries	2 257	-	-
	3 452	3 850	5 494

4. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Equity - settled share -based payment expense	11 809	-	-

Prior to listing, the Company issued 31 960 000 shares to a B-BBEE Consortium at an issue price of R1,50 per share.

The shares were issued for cash and the B-BBEE Consortium is restricted from selling the shares for a period of 5 years from the issue date. The fair value of the shares at the date of issuance was R1,87 which was determined using the net asset value of the Company on transaction date. In line with IFRS 2 an adjustment of R11 809 375 was recognised to account for the difference between the issue price and the fair value of the shares. The adjustment was recognised as an expense in the statement of comprehensive income with the contra recognised directly in equity.

5. FINANCE INCOME

	Restated Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Bank	63 140	1 402	2 101
Loans to Group companies	227	115	299
	63 367	1 517	2 400



Notes to the condensed audited consolidated interim financial statement (continued)

6. FINANCE COSTS

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Shareholder loan	1 304	603	8 106
Finance leases	-	43	412
Bank	-	62	163
SARS	20	-	123
	1 324	708	8 804

7. TAXATION

	Restated Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Major components of the tax expense			
South African normal taxation	20 343	3 404	12 686
Local income tax – recognised in current tax for prior periods	-	2 652	655
Foreign normal taxation	23	54	114
Total current tax expense	20 366	6 110	13 455
Deferred tax arising on originating and reversing temporary differences	6 699	375	(633)
Total deferred tax expense	6 699	375	(633)
Total tax expense	27 065	6 485	12 822

8. PROPERTY PLANT AND EQUIPMENT

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Opening balance	7 118	2 495	2 495
Additions	1 130	2 466	3 380
Additions through business combinations	-	4 640	5 060
Disposals	(2)	(25)	(401)
Depreciation	(1 517)	(1 459)	(3 416)
Closing balance	6 729	8 117	7 118



Notes to the condensed audited consolidated interim financial statement (continued)

9. GOODWILL

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Carrying amount at beginning of period	43 411	17 301	17 301
Disposal of subsidiary	-	(6 042)	(4 630)
Acquisition of subsidiaries	-	30 279	30 740
Impairment of goodwill	(4 957)	-	-
Carrying amount at the end of period	38 454	41 538	43 411

The value of the cash generating units to which the goodwill is allocated has been determined based on the value in use calculations using cash flow projections. During the interim period the goodwill in Software Tech Holdings Proprietary Limited of R3 784 331 was impaired as the calculated carrying value was more than the recoverable amount. There was also an impairment of goodwill of R1 172 962 in a Software Tech Holdings Group subsidiary recognised in the Group as the calculated carrying value was more than the recoverable amount. The calculated carrying values reduced compared to the prior period resulting in the impairments due to poor trading performance of the companies. The total goodwill impairment recognised is R4 957 293.

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	2 157
Investment in Software Tech Holdings Group Proprietary Limited	-	1 911	3 784
Investment in Software Tech Holdings Subsidiaries	5 558	6 731	6 731
Investment in Puleng Technologies Proprietary Limited	22 274	22 274	22 274
Investment in Kalula Communications Proprietary Limited	8 465	8 465	8 465
	38 454	41 538	43 411

10. INTANGIBLE ASSETS

	Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Carrying amount at beginning of period	12 506	2 181	2 181
Additions	770	2 371	1 205
Additions through business combinations	-	-	9 876
Amortisation	-	(377)	(756)
Carrying amount at the end of period	13 276	4 175	12 506

In the prior period included in intangibles is the fair value of the acquired distribution rights recognised at the acquisition of Kalula as disclosed in note 23.



Notes to the condensed audited consolidated interim financial statement (continued)

11. LOANS TO RELATED PARTY COMPANIES

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Digital Health Africa Proprietary Limited	168	168	168
Africa Equity Empowerment Investments Limited	4 611	2 686	4 383
Sekunjalo Health and Commodities Proprietary Limited	1	1	1
	4 780	2 855	4 552

The loan with Digital Health Africa Proprietary Limited is unsecured bears no interest and will not be recalled within 12 months.

The loan with African Equity Empowerment Investments Limited is unsecured and interest is charged at prime overdraft rate. There are no fixed terms of repayment and management does not expect to enforce settlement within the next twelve months.

The loan with Sekunjalo Health & Commodities Proprietary Limited is unsecured and bears no interest and is repayable on demand.

12. OTHER FINANCIAL ASSETS

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Cadiz Life Investment Enterprise Development Fund	747	1 134	747
SAEBEX Property Limited	-	650	-
Funds placed with 3 Laws Capital Proprietary Limited	71 048	-	-
Forward Exchange Contract	-	-	-
Alacrity Technologies Proprietary Limited	-	-	15 729
Ragna CC	30	625	30
SA Components CC	-	4 451	3 024
Afrozaar Limited	-	-	-
Staff loans	1 419	3 460	483
Puleng Technology Solutions	-	-	-
Health Systems Technology	-	-	-
	73 244	10 320	20 013
Non- current assets	747	1 134	747
Current assets	72 497	9 186	19 266
	73 244	10 320	20 013



Notes to the condensed audited consolidated interim financial statement (continued)

13. DEFERRED TAX

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Deferred tax asset/(liability) is comprised of:			
Provision for doubtful debts	1 265	-	1 248
Provisions	1 915	-	3 037
Tax losses available for set off against future taxable income	141	11 791	9 238
Property plant and equipment	-	-	18
Intangible assets	(274)	-	(3 102)
Prepaid expenses	(729)	-	(733)
Income received in advance	256	-	328
Operating leases	79	-	-
Investments	(8)	-	-
Other accruals	690	-	-
Total deferred tax asset	3 335	11 791	10 034
Deferred tax liability	(1011)	-	(3 835)
Deferred tax asset	4 346	-	13 869
Total net deferred tax asset	3 335	11 791	10 034

14. INVENTORIES

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Finished goods	11 742	6 774	9 702

15. TRADE AND OTHER RECEIVABLES

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Trade receivables	123 854	48 465	98 057
Prepayments	2 851	2 837	2 616
Deposits	759	1 633	1 627
Value added income tax expense	14 288	3 273	496
Sundry customers	1 758	421	6 308
Accrued income	31 345	2 821	1 324
	174 855	59 450	110 428

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



Notes to the condensed audited consolidated interim financial statement (continued)

16. CASH AND CASH EQUIVALENTS

	Audited as at 28 February 2018 R'000	Audited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Cash and cash equivalent consist of:			
Cash on hand	11	15	27
Bank balances	4 242 269	41 786	74 262
Bank overdraft	(3 189)	(1 640)	(3 109)
Total	4 239 091	40 161	71 120

The significant increase in cash and cash equivalents is due to the cash that was raised on listing of R4.2 billion. The cash raised on listing was deposited with ABSA bank Limited.

AYO has provided an unlimited guarantee for African Equity Empowerment Investments ("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 28 February 2018 the amount owing by AEEI to ABSA on the overdraft facility was R9.4 million (2017: R10 million). At 28 February 2018 the amount owing by AEEI to Investec for the revolving credit facility was R33.0 million (2017: nil).



Notes to the condensed audited consolidated interim financial statement (continued)

17. STATED CAPITAL

	Audited as at 28 February 2018	Unaudited as at 28 February 2017	Audited as at 31 August 2017
Authorised			
Ordinary shares of no-par value	2 000 000 000	2 000 000 000	2 000 000 000
Issued			
Ordinary shares of no-par value	344 125 194	202 151 960	212 382 539
	Audited as at 28 February 2018	Unaudited as at 28 February 2017	Audited as at 31 August 2017
Reconciliation of number of issued shares:			
Opening balance	212 382 539	202 151 960	202 151 960
Issue of shares	131 742 655	-	10 230 579
Closing balance	344 125 194	202 151 960	212 382 539
	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Issued capital			
344 125 194 ordinary shares of no-par value	4 339 444	807	850
Share premium	183 280	177 897	183 280
Share issue costs written off against share capital	(78 314)	-	-
	4 444 410	178 704	184 130

In 2017 there were 212 383 539 ordinary shares of no-par value in issue.

On 21 December 2017 AYO listed on the JSE at an issue price of R43,00 per share. Prior to the listing AYO issued 31 960 000 shares to the B-BBEE Consortium at an issue price of R1,50 per share.

Share issue costs were incurred in the current period. This relates to sponsor fees and placement fees.

Notes to the condensed audited consolidated interim financial statement (continued)

18. LOANS FROM RELATED PARTY COMPANIES

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
African Equity Empowerment Investments Limited	514	8 847	10 080
This shareholder loan was unsecured with no fixed terms of repayment. Interest was charged at prime plus 3%. There were no fixed terms of repayment, however, the Company had been granted an unconditional right to defer payment over 12 months.			
African Equity Empowerment Investments Limited	28 437	61 248	69 777
This loan was unsecured, bears no interest and has no fixed repayment terms, however, the company had been granted an unconditional right to defer payment over 12 months.			
African Equity Empowerment Investments Limited	797	649	739
This loan was unsecured with no fixed terms of repayment. Interest was charged at prime plus 5%. There were no repayment terms, however the company had been granted an unconditional right to defer payment.			
Sekunjalo Technology Group Proprietary Limited	1	-	1
This loan is interest free and payable on demand.			
G. Rushby	67	334	69
This loan is unsecured, bears no interest and has no fixed repayment terms.			
African Equity Empowerment Investments Limited	5 001	-	-
The loan was unsecured with no fixed repayment terms Interest was charged at prime plus 3%.			
	34 817	71 078	80 666
Non-current liability	-	70 774	80 596
Current liability	34 817	304	69
	34 817	71 078	80 666

19. OTHER FINANCIAL LIABILITIES

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Amrichprop 27 Properties Proprietary Limited	-	12 287	50
SAEBEX Proprietary Limited	-	-	3
Borrowings	3 846	-	4 724
Loans from directors of subsidiary	-	4 859	700
Foreign exchange contract	-	265	265
	3 846	17 411	5 742



Notes to the condensed audited consolidated interim financial statement (continued)

20. TRADE AND OTHER PAYABLES

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Trade payables	99 265	29 616	88 013
Accruals	11 635	639	13 390
Amounts received in advance	2 136	2 134	1 382
Value and taxation	3 211	1 427	5 717
	116 247	33 816	108 502

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

21. PROVISIONS

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Commission	291	212	298
Incentive program	220	334	448
Onerous contract	1 542	-	-
Leave pay	3 206	2 123	2 697
Bonuses	3 448	3 398	4 080
Provision for warranty cost	4 460	4 950	4 950
	13 167	11 017	12 473

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Reconciliation of provisions			
Opening balance	12 473	7 269	7 269
Additions	6 490	3 168	11 158
Utilised during the period	(4 926)	-	(6 043)
Additions through business combinations	-	580	580
Reversed	(870)	-	(491)
Closing balance	13 167	11 017	12 473



Notes to the condensed audited consolidated interim financial statement (continued)

22. 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.

	Restated Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Basic and diluted earnings per share - continuing operations (cents)	15.29	8.37	6.53
Basic and diluted earnings per share - discontinued operations (cents)	-	-	1.33

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Earnings attributable to owners of AYO from continuing operations	40 866	17 729	13 861
Earnings attributable to owners of AYO from discontinued operations	-	-	2 810
Weighted average number of shares (000)	267 275	211 775	212 079

Headline earnings per share

Headline earnings is determined as follows:

Earnings attributable to owners of AYO from continuing operations	40 866	17 729	9 199
Earnings attributable to owners of AYO from discontinued operations	-	-	2 810

Adjusted for:

(Profit) loss on sale of property plant and equipment	(10)	2	9
Profit on disposal of associate	(593)	-	-
Profit on disposal of discontinued operations	-	-	(4 671)
Headline earnings for the year from continuing operations	40 263	17 731	9 204
Headline earnings for the year from discontinued operations	-	-	2 810
Weighted average number of shares (000)	267 275	211 775	212 079
Headline earnings per share - continuing operations (cents)	15.06	8.37	4.33
Headline earnings per share - discontinued operations (cents)	-	-	1.33



Notes to the condensed audited consolidated interim financial statement (continued)

23. DISCONTINUED OPERATIONS

During the financial year ended 31 August 2017, the following disposals were made:

On 30 June 2017, the Group disposed of a going concern in Software Tech Holdings Proprietary Limited to Alacrity Technologies Proprietary Limited for a cash consideration of R17 140 000.

The going concern was sold as it no longer aligned with the Group's long-term strategy.

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Carrying value of assets sold			
Property plant and equipment	-	-	342
Financial assets	-	-	474
Goodwill	-	-	4 631
Trade and other receivables	-	-	8 467
Cash and cash equivalents	-	-	2 300
Trade and other payables	-	-	(218)
Provisions	-	-	(2 641)
Operating lease liability	-	-	(8)
Total net assets sold	-	-	13 347
Consideration received	-	-	(19 440)
Profit on disposal	-	-	(6 093)
Consideration received			
Cash	-	-	(2 300)
Loan receivable	-	-	(17 140)
Closing balance	-	-	(19 440)



Notes to the condensed audited consolidated interim financial statement (continued)

24. BUSINESS COMBINATIONS

During the financial year ending 31 August 2017, the following acquisitions were made:

Acquisition of Puleng Technologies Proprietary Limited (“Puleng”)

AYO completed the acquisition of a 57% shareholding in Puleng on 1 October 2016. Puleng is involved in data and user security services.

Acquisition of Kalula Communication Proprietary Limited (“Kalula”)

AYO completed the acquisition of a 51% shareholding in Kalula on 1 September 2016. Kalula is a reseller of telecommunications and gaming equipment of globally recognized brands.

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

	Puleng R'000	Kalula R'000	Total R'000
Property plant and equipment	1 155	3 905	5 060
Intangible asset	-	9 876	9 876
Loans	1 153	(999)	154
Inventories	-	4 458	4 458
Trade and other receivables	49 652	13 104	62 756
Cash and cash equivalents	14 001	(1 035)	12 966
Other financial liabilities	-	(2 798)	(2 798)
Trade and other payables	(56 528)	(9 241)	(65 769)
Deferred tax	-	(2 765)	(2 765)
Tax payable	(111)	(981)	(1 092)
Provisions	-	(1 495)	(1 495)
Total identifiable assets and liabilities	9 322	12 029	21 351
Non-controlling interests	(4 008)	(5 894)	(9 902)
Goodwill	22 274	8 465	30 739
Total purchase consideration	27 588	14 600	42 188

Total consideration is comprised of the following:

Cash	14 525	-	14 525
Loan	-	4 724	4 724
Ordinary shares issued	5 425	9 876	15 301
Contingent consideration	7 638	-	7 638
Total purchase consideration	27 588	14 600	42 188

Net cash outflow on acquisition date

Cash consideration paid	(14 525)	-	(14 525)
Cash acquired	14 001	-	14 001
Overdraft acquired	-	(1 035)	(1 035)
Net cash paid (gained)	(524)	(1 035)	(1 559)



Notes to the condensed audited consolidated interim financial statement (continued)

24. BUSINESS COMBINATIONS (continued)

Non-controlling interests

The Group has elected to measure the non-controlling interests at its proportionate percentage of the recognised amounts of the acquirees'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.

Equity issued as part of consideration paid for the acquisition of Kalula Communication Proprietary Limited ("Kalula")

The fair value of 5 267 200 ordinary shares issued as part of the consideration for the business combination was determined based on the free cash flow of the Company less the statement of balance values (at the acquisition date) of debt and other financing plus cash on hand (per statement of financial position) which is in excess of normal working capital requirements

25. EVENTS AFTER REPORTING PERIOD

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 balanced and bond fund of R418 million on 22 May 2019 and recieved these funds on 28 May 2019.

On 28 September 2018, AYO concluded the acquisition of a 32% shareholding in Bambelela Capital Proprietary Limited ("Bambelela") (previously Vunani Group Proprietary Limited). Bambelela holds a 49% shareholding in Vunani Limited, a diversified financial services Group. The directors have concluded that the Group has no significant influence over 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 does not participate in any financial or operating policy decision 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 fair value through profit for loss ("FVTPL").

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.

In line with AYO's strategy to diversify its investments it placed an additional amount of R400 million with 3 Laws Capital Proprietary Limited on 18 November 2018. AYO withdrew R470 million placed with 3 Laws on 22 February 2019. The portfolio yielded a net return of R7 million from 1 September 2018 to 22 February 2019. On 15 March 2019, AYO withdrew the remaining R20.6 million it placed with 3 Laws Capital Proprietary Limited.



Notes to the condensed audited consolidated interim financial statement (continued)

25. EVENTS AFTER THE REPORTING PERIOD (continued)

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. 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.

On 9 February 2019, the Group acquired a 40% shareholding in Main Street. On 28 February Main Street concluded the acquisition of a 100% equity interest in SGT Solutions for a consideration of R60 million. Although AYO only has a 40% equity interest in Main Street it has been determined that AYO controls Main Street 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 Main Street. 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.

On 1 March 2019 the Group acquired a 24% equity shareholding interest in 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 power to direct the relevant activities of GCCT by virtue of the rights arising from its voting rights, combined with the rights arising from the shareholders' agreement to appoint the majority of the directors of the board. 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.

On 8 March 2019, AYO subscribed for 19% of the issued share capital in K2018010234 (South Africa) Proprietary Limited (“K2018”). K2018 specialises in e-commerce for R15 million.

On 19 March 2019, AYO entered into a joint venture with other joint venture partners and formed Tamlalor Proprietary Limited (“Tamlalor”). AYO provided loan funding of R100 million and obtained 50% in Tamlalor. Tamlalor was formed to invest in disruptive financial services technology as part of AYO's (go to market) strategy. Tamlalor is jointly controlled by AYO, Bambelela and Vunani Capital Proprietary Limited (“Vunani Capital”). Vunani Capital is the appointed investment manager.



Notes to the condensed audited consolidated interim financial statement (continued)

25. EVENTS AFTER THE REPORTING PERIOD (continued)

AYO International Holdings, acquired 51% of Headsets Solutions Africa for R750 000. This transaction was effective on 1 March 2019. The Company distributes telephonic and communications hardware. AYO international holdings is incorporated in Mauritius. It's shares were transferred to the Company on 12 October 2018 for a consideration for a consideration of \$100.

On 2 April 2019, AYO concluded an agreement to subscribe for 10% of the issued share capital in 4 Plus Technology Venture Fund Africa Proprietary Limited ("4 Plus"). 4 Plus has interests in digital media, artificial intelligence, software development and telecommunications. On 4 October 2019, the Company increased its ownership interest in 4Plus Technology Venture Fund Africa Proprietary Limited by a further 5% increasing its total ownership to 15% for R62.6 million.

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 disputed this significant customer's right to cancel the agreement. By virtue of the dispute AYO invoked the arbitrations provisions under the agreement. On 22 January 2020, AYO and the significant customer by mutual agreement reached a settlement in respect of the declared dispute. AYO will cease to provide the significant customer with ICT services on 31 July 2020.

On 31 August 2019 AYO invested an additional R3 million into Inyosi Fund to be utilised in the ICT companies.

On 13 September 2019, AYO acquired 43% of the share capital of Puleng from the minority shareholders for a consideration of R38.5 million and as from that date AYO owns 100% of Puleng.

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 R500 000. A loan of R850 000 was extended to NSX. 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.

On 1 November 2019, the Company concluded an offer to acquire 55% of the share capital of VOX Spectrum Limited ("VOX") for an upfront consideration of R9.4 million and an earn-out of R10.7 million. The earn out amount is to be paid equally over a period 3 years provided that VOX achieves a minimum warranted net profit after tax (Warranted NPAT) of R7.3 million in the first year, R8.4 million in the second year and R9.7 million in the third year. In the event that VOX does not achieve the Warranted NPAT over the 3 year period then the earn out payments shall be pro-rata to the amount met as percentage of the Warranted NPAT. As at reporting date it is estimated that AYO will pay a maximum of R10.7 million for the earn-out.



Notes to the condensed audited consolidated interim financial statement (continued)

A gross final dividend of 16 cents per share was approved by the Board on 20 December 2019 in South African rand in respect of the year ended 31 August 2019. The dividend was paid on 20 January 2020 to shareholders recorded in the register of the Company at close of business on 13 January 2020.

The following loans were advanced during the ordinary course of business from the end of the period 28 February 2018 to the reporting date of interim results; R43.2 million to Kalula Communications Proprietary Limited, R98.2 million to Global Command and Control Technologies Proprietary Limited, R30 million to SGT Solutions, R23 million to AYO International Holdings, R10.7 million of this amount is held by Computer Aided Telephony Systems Limited for the purchase of plantronics products, R100 million to Tamlalor Proprietary Limited, R3.5 million to Futuretell Proprietary Limited, R60 million to Mainstreet and R4.5 million was issued as Supplier Development Loans.

Mr Khalid Abdulla has been appointed as the deputy executive chairman of AYO, effective 12 March 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 audited interim results.

26. CONTINGENT LIABILITY

Litigation

On 31 May 2019, AYO received summons issued by the Public Investment Corporation ("PIC") and the Government Employees Pension Fund ("GEPEF"). 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 R 4 290 654 165, 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.

There is a pending defamation claim by Magda Wierzycka against AYO and seven others in the Western Cape High Court. The claim is for an amount of R3 million. AYO is contesting the claim. No provision has been made in respect of this matter as it has not yet been heard before the courts.



Notes to the condensed audited consolidated interim financial statement (continued)

27. RELATED PARTIES

Entity name	Relationship
African Equity Empowerment Investments Limited	Holding company
Afrinat Proprietary Limited	Fellow subsidiary
Premier Fishing SA Proprietary Limited	Fellow subsidiary
Tripos Travel Proprietary Limited	Fellow subsidiary
Exaro HST Proprietary Limited	Joint venture
Digital Health Africa Proprietary Limited	Joint venture
3 Laws Capital Proprietary Limited	Common major shareholder*
Independent News and Media Proprietary Limited	Common major shareholder*
KimCo Trust	Common major shareholder*
Saratoga Private Equity Proprietary Limited	Common major shareholder*
Sekpharma Proprietary Limited	Common major shareholder*
Sekunjalo Capital Proprietary Limited	Common major shareholder*
Sekunjalo Health and Commodities Proprietary Limited	Common major shareholder*
Sekunjalo Technology Group Proprietary Limited	Common major shareholder*
Tripos Tourism Investments Proprietary Limited	Common major shareholder*
BT Communications Proprietary Limited	Common major shareholder*
Health System Technologies Proprietary Limited	Subsidiary
Premfresh Seafoods Proprietary Limited	Common major shareholder*
World Wide Creative Proprietary Limited	Subsidiary
Thunder Capital Proprietary Limited	Common major shareholder*
Software Tech Holdings Proprietary Limited	Subsidiary
Puleng Technologies Proprietary Limited	Subsidiary
African News Agency Proprietary Limited	Common major shareholder*
Loot Online Proprietary Limited	Common major shareholder
Heavy Chef Proprietary Limited	Common major shareholder*
Afrinat Proprietary Limited	Fellow subsidiary
Sagarmatha Technologies Limited	Fellow subsidiary
Sekunjalo Investment Holdings	Common major shareholder*
Sekunjalo Investments Limited	Common major shareholder*
Biton Music Productions Proprietary Limited	Common major shareholder
Emergent Energy Proprietary Limited	Associate Investment
Sekunjalo Technology Solutions Group Proprietary Limited	Common major shareholder*
Ragna CC	Common major shareholder
Directors	Refer to Director's Report
C. Snyman	Director of fellow subsidiary
Salim Young	Director
Richard G Cheary	Director of fellow subsidiary
Anthony Brown	Director
Cornelis Johannes Truter	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")

¹ These entities were not assessed as controlled at period end but are included for completeness purposes as they are connected to the Group.



Notes to the condensed audited consolidated interim financial statement (continued)

27. RELATED PARTIES (continued)

Related party transactions	Restated Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Sales to related parties			
African Equity Empowerment Investments Limited	7	-	2 436
Exaro HST Proprietary Limited	-	-	651
Sekpharma Proprietary Limited	1 367	-	284
Premier Fishing SA Proprietary Limited	220	-	49
African News Agency Publishing Proprietary Limited	903	-	-
BT Communications Proprietary Limited	174	-	-
Emergent Energy Proprietary Limited	33	-	-
Loot Online Proprietary Limited	1 168	-	-
Health System Technologies Proprietary Limited	6 344	-	-
Sagarmartha Technologies Limited	8 682	-	-
Heavy Chef Proprietary Limited	104	-	-
Sekunjalo Investment Holdings	3	-	-
Sekunjalo Investment Limited	181	-	-
Purchases from related parties			
African Equity Empowerment Investments Limited	60 508	-	-
Premier Fishing SA Proprietary Limited	4 448	-	-
Triplos Tourism Investments Proprietary Limited	57	-	-
BT Communications Proprietary Limited	1 866	-	-
African News Agency Publishing Proprietary Limited	178	-	-
Ragna CC	7	-	-
Richard G Cheary	24	-	-
World Wide Creative Proprietary Limited	54	-	-
Heavy Chef Proprietary Limited	116	-	-
Human resources services fees paid to related parties			
Premier Fishing SA Proprietary Limited	-	-	239
Advertising and marketing expenses paid to related parties			
African Equity Empowerment Investments Limited	-	-	557
Independent News and Media Proprietary Limited	93	-	-
Heavy Chef Proprietary Limited	125	-	-
Consulting fees paid to related parties			
African Equity Empowerment Investments Limited	-	-	111
Saratoga Private Equity Proprietary Limited	-	-	60
Sekunjalo Capital Proprietary Limited	263	-	50
Thunder Capital Proprietary Limited	6	-	-
Salim Young	341	-	-
Heavy Chef Proprietary Limited	50	-	-



Notes to the condensed audited consolidated interim financial statement (continued)

27. RELATED PARTIES (continued)

	Restated Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Related party balances			
Legal fees paid to related parties			
African Equity Empowerment Investments Limited	-	-	714
Management fees paid to related parties			
African Equity Empowerment Investments Limited	-	-	2 968
Management fees received from related parties			
Health System Technologies Proprietary Limited	2 940		
Travel agency fees paid to related parties			
Tripos Travel Proprietary Limited	222	-	134
Tripos Tourism Investments Proprietary Limited	-	-	9
Recoveries related parties			
Afrinat Proprietary Limited	2 271	-	3 374
Interest received from related parties			
African Equity Empowerment Investments Limited	228	115	306
Interest paid to related parties			
African Equity Empowerment Investments Limited	695	603	8 089
3 Laws Capital Proprietary Limited	1 216	-	-
Anthony Brown	609	-	-
C. Snyman	6	-	-
Dividends received from related parties			
Software Tech Holdings Proprietary Limited	7 773	-	-
Puleng Technologies Proprietary Limited	1 938	-	-
Saratoga Private Equity	7 756	-	-
Commision received from related parties			
Health Systems Technologies Proprietary Limited	2 152	-	-
Administration Fees paid to related parties			
African Equity Empowerment Investments Limited	1 555	-	-
Emergent Energy Proprietary Limited	1	-	-
Professional service fees paid to received from related parties			
Premier Fishing SA Proprietary Limited	24	-	-
Rent paid to related parties			
Biton Music Productions Proprietary Limited	390	-	-
Rent received from related parties			
Emergent Energy Proprietary Limited	18	-	-
Website Development Costs paid to related parties			
African Equity Empowerment Investments Limited	2	-	-
ICT related expenses paid to related parties			
African Equity Empowerment Investments Limited	4	-	-
Sekunjalo Investment Holdings	2	-	-



Notes to the condensed audited consolidated interim financial statement (continued)

27. RELATED PARTIES (continued)

	Restated Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Related party balances			
Business strategy costs			
Heavy Chef Proprietary Limited	30	-	-
Other Expenses			
Heavy Chef Proprietary Limited	24	-	-
Emergent Energy Proprietary Limited	16	-	-
Listing Costs			
African Equity Empowerment Investments Limited	57 700	-	-
Trade receivables from related parties			
Afrinat Proprietary Limited	-	-	-
African Equity Empowerment Investments Limited	1	-	1
African Technology and Media Holdings Proprietary Limited	-	-	1 411
Sekpharma Proprietary Limited	283	-	228
Exaro HST Proprietary Limited	5 354	-	5 354
Premier Fishing SA Proprietary Limited	8	-	-
African News Agency Proprietary Limited	374	-	-
Loot Online Proprietary Limited	17	-	-
Heavy Chef Proprietary Limited	48	-	-
BT Communications Proprietary Limited	18	-	-
Afrinat Proprietary Limited	5	-	-
Health System Technologies Proprietary Limited	1 699	-	-
Sagarmatha Technologies Limited	1 525	-	-
Sekunjalo Investment Holdings	1	-	-
Sekunjalo Investments Limited	49	-	-
Trade payables to related parties			
Premier Fishing SA Proprietary Limited	24	-	8
Tripos Travel Proprietary Limited	33	-	-
African Equity Empowerment Investments Limited	89	-	-
BT Communications Proprietary Limited	923	-	-
African News Agency Publishing Proprietary Limited	202	-	-
Health System Technologies Proprietary Limited	43	-	-
Premfresh Seafoods Proprietary Limited	121	-	-



Notes to the condensed audited consolidated interim financial statement (continued)

27. RELATED PARTIES (continued)

	Restated Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Related party balances			
World Wide Creative Proprietary Limited	2	-	-
Cornelis Johannes Truter	50	-	-
Thunder Capital Proprietary Limited	17	-	-
Loans receivable from related parties			
Sekunjalo Health and Commodities Proprietary Limited	1	1	1
Digital Health Africa Proprietary Limited	168	168	168
African Equity Empowerment Investments Limited	4 611	2 686	4 382
Anthony Brown	277	-	-
C. Snyman	153	-	-
Saratoga Private Equity Proprietary Limited	73	-	-
Loans payable to related parties			
African Equity Empowerment Investments Limited	29 747	70 774	80 596
Sekunjalo Technology Group Proprietary Limited	1	-	1
KimCo Trust	700	-	-
Ragna CC	30	-	-
R Cheary	4	-	-
Funds placed with related parties for management			
3 Laws Capital Proprietary Limited	-	-	-
Investments Accounts			
3 Laws Capital Proprietary Limited	36 216	-	-
Sekunjalo Capital	35 000	-	-



Notes to the condensed audited consolidated interim financial statement (continued)

28. 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:** Other techniques for all inputs which have a significant effect on the recorded fair value and are observable, either directly or indirectly for the asset or liability.
- **Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. As at 28 February 2018, the Group held the following instruments measured at fair value:

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

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

Financial instrument	Note	Fair value hierarchy
Non-financial assets		
Intangible assets acquired through business combinations	10	Level 3
Financial assets		
Other financial assets - designated at fair value through profit/(loss)	12	Level 2
Trade receivables	15	Level 3 ¹
Cash and cash equivalents	16	Level 1 ²
Investments at fair value through profit/(loss)		Level 3
Financial liabilities		
Foreign exchange contracts	19	Level 1 ¹
Other financial liabilities	19	Level 3 ¹
Trade payables	20	Level 3 ¹
Bank overdraft	16	Level 1 ²
Contingent consideration liability	19	Level 3

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

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



Notes to the condensed audited consolidated interim financial statement (continued)

28. FAIR VALUE INFORMATION (continued)

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

	Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000	Valuation method	Fair value hierarchy
Financial assets					
Intangible assets acquired through business combinations					
Distribution rights	9 876	-	-	Relief from royalties and excess earnings method	Level 3
Other financial assets designated at fair value through profit or loss					
Cadiz Investment Enterprise Development Fund	747	1 134	747	Investor statement	Level 2
3 Laws Capital Proprietary Limited	71 048	-	-	Investor statement	Level 2
	71 795	1 134	747		

Reconciliation of assets and liabilities measured at level 2 and 3

	Opening balance R'000	Additions R'000	Settlements/ Disposals R'000	Gains/(losses) in profit or loss R'000	Closing balance R'000
28 February 2018					
Financial assets					
Intangible assets acquired through business combinations					
Distribution rights	-	9 876	-	-	9 876
Other financial assets designated at fair value through profit or loss					
Cadiz Investment Enterprise Development Fund	747	-	-	-	747
3 Laws Capital Proprietary Limited	-	71 048	-	-	71 048
	747	71 048	-	-	71 795

	Opening balance R'000	Additions R'000	Settlements/ Disposals R'000	Gains/(losses) in profit or loss R'000	Closing balance R'000
28 February 2017					
Financial assets					
Other financial assets designated at fair value through profit or loss					
Cadiz Investment Enterprise Development Fund	-	1 134	-	-	1 134



Notes to the condensed audited consolidated interim financial statement (continued)

28. FAIR VALUE INFORMATION (continued)

31 August 2017	Opening balance R'000	Additions R'000	Settlements/ Disposals R'000	Gains/(losses) in profit or loss R'000	Closing balance R'000
Financial assets					
Other financial assets designated at fair value through profit or loss					
Cadiz Investment Enterprise Development Fund	-	1 134	-	(384)	747



Notes to the condensed audited consolidated interim financial statement (continued)

29. CONDENSED SEGMENTAL ANALYSIS

	Segmental revenue			Segmental profit		
	Restated Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000	Restated Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Software and consulting	35 855	55 638	71 106	17 879	13 952	18 577
Security solutions	223 156	89 242	251 134	74 127	31 857	80 647
Unified communications	40 081	38 255	67 207	13 741	14 873	24 657
Health care	49 580	44 728	91 100	13 524	17 485	34 673
Head Office	-	5 959	21 381	-	6 019	228
Total	348 672	233 822	501 928	119 271	84 186	158 782
Other income	-	-	-	3 452	3 850	-
Administration and support services				(87 065)	(59 235)	112 029
Equity-settled share-based payment expense				(11 809)	-	-
Listing cost expense				(6 831)	-	-
Finance income				62 319	1 517	2 400
Finance costs				(1 324)	(708)	(8 804)
Loss from equity-accounted investments				-	-	(679)
Total revenue and profit before taxation	348 672	233 822	501 928	78 013	29 610	39 670

Segment profit represents the gross 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.



Notes to the condensed audited consolidated interim financial statement (continued)

29. CONDENSED SEGMENTAL ANALYSIS (continued)

	Restated Audited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
Segmental assets			
Software and consulting	42 965	38 273	47 536
Security solutions	121 109	31 050	121 343
Unified communications	22 362	31 017	27 563
Health care	66 992	45 755	56 999
Head office	4 312 657	30 543	31 067
Total segmental assets	4 566 085	176 638	284 508
Unallocated*	3 335	11 791	-
Total consolidated assets	4 569 420	188 429	284 508
Segmental liabilities			
Software and consulting	(18 024)	(13 255)	(14 333)
Security solutions	(88 333)	(11 849)	(79 473)
Unified communications	(14 395)	(22 620)	(20 015)
Health care	(23 889)	(12 619)	(19 954)
Head office	(47 369)	(78 465)	(91 183)
Total consolidated liabilities	(192 010)	(138 808)	(224 958)

*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		
	Restated Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000	Restated Audited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Software and consulting	489	475	1 143	272	1 141	2 099
Security solutions	315	210	439	245	2 361	261
Unified communications	230	246	772	21	4 498	163
Health care	853	898	1 851	1 681	1 468	-
Head office	7	6	2	58	7	-
Total	1 894	1 835	4 207	2 277	9 475	2 523



SUPPLEMENTARY INFORMATION

Statement of comprehensive income (extract) for the period ended 28 February 2018

Following the completion of the Agreed Upon Procedures for the interim period ended 28 February 2018 and a review by management, management has identified certain corrections to the unaudited interim results for the six months ended 28 February 2018 ("2018 interim results") which arose as a result of incorrect application of judgements and accounting errors.

Below is the details of the restatements to the previously published 2018 interim results.

	Previously reported Unaudited at 28 February 2018 R'000	Adjustments at 28 February 2018 R'000	Restated audited at 28 February 2018 R'000
Revenue	348 672	-	348 672
Cost of sales	(223 859)	(5 542)	(229 401)
Gross profit	124 813	(5 542)	119 271
Operating expenses	(70 613)	(32 813)	(103 426)
Operating profit before interest	54 200	(38 355)	15 845
Investment revenue	38 220	25 147	63 367
Finance cost	(1 324)	-	(1 324)
Profit before taxation	91 096	(13 208)	77 888
Profit after taxation	62 366	(11 543)	50 823

Statement of financial position (extract) as at 28 February 2018

	Previously reported Unaudited at 28 February 2018 R'000	Adjustments at 28 February 2018 R'000	Restated Audited at 28 February 2018 R'000
Deferred tax	1 358	1 977	3 335
Goodwill	43 411	(4 957)	38 454
Other financial assets	71 449	1 048	72 497
Inventories	37 546	(25 804)	11 742
Trade and other receivables	160 756	14 099	174 855
Net assets	314 520	(13 637)	300 883
Retained income	(104 351)	1 169	(103 182)
Non-controlling interest	40 658	(16 285)	24 373
Loans from related companies	29 817	5 000	34 817
Trade and other payables	128 710	(12 463)	116 247
Current tax payable	3 827	13 396	17 223
Provisions	8 166	5 001	13 167
Total Equity and Liabilities	106 827	(4 182)	(102 645)



SUPPLEMENTARY INFORMATION (continued)

Basic and diluted earnings per share has been restated as a result of the errors. The impact on earnings per share and headline earnings per share is as follows:

	Previously reported Unaudited at 28 February 2018	Adjustments at 28 February 2018	Restated Audited at 28 February 2018
Headline earnings per share (cents)			
- Basic	17.36	(2.39)	15.29
- Diluted	17.36	(2.39)	15.29

Statement of cash flows (extract) as at 28 February 2018

	Previously reported Unaudited at 28 February 2018 R'000	Adjustments 28 February 2018 R'000	Restated Audited at 28 February 2018 R'000
Net cash from operating activities	18 644	2 893	15 873
Cash flows from investing activities			
Net additions to property, plant and equipment	(1 119)	(13)	(1 132)
Amounts advanced to acquire other financial assets	51 274	(121 386)	(70 112)
Amounts repaid from other financial assets	-	18 752	18 752
Net cash to investing activities	(104 625)	50 985	(53 640)
Cash flows from financing activities			
Net proceeds on share issue	4 265 280	(5 000)	4 260 280
Net proceeds or repayment of other financial liabilities and finance lease	1 208	222	1 430
Net proceeds from loans from shareholder	(79)	(43 297)	(43 376)
Net repayment of loans from/to group companies	(51 084)	51 084	-
Dividends paid	(12 457)	(140)	(12 597)
Net cash from financing activities	4 304 107	(150 862)	4 153 245
Cash at the beginning of the period	71 120	-	71 120
Total cash movement for the year	4 168 051	-	4 168 051
Total cash at the end of the year	4 239 091	-	4 239 091



Notes to the restated group interim results

1. Cost of Sales

The cost of sales expenses was understated by an amount of R6.7 million in the previously reported results for the six months ended 28 February 2018. The company processed an adjustment which was to reverse accruals to the amount of R18 million. Subsequent investigations have revealed that the actual amount which should have been reversed was R11.3 million resulting in the understatement of cost of sales by R6.7million and overstatement of work in progress.

2. Other operating expenses

The operating expenses were understated by an amount of R32.8 million in the previously reported results for the six months ended 28 February 2018. The understatement of operating expenses by R32.8 million is comprised of a reversal of commission expense of R10 million and a reversal of salary expenses of R2.1 million. The company processed a reversal of R10 million to commission expense as there was a dispute on the commission structure by the board of directors. Subsequent to the inspection of the employment contracts it was noted that the commission structure was embedded in the existing employment contracts therefore should be accounted for and not reversed. The company processed a reversal of R2.1 million for salary expenses as these expenses related to a company which was disposed of and was not for the account for the Group. Subsequent investigations have revealed that an amount of R2.1 million should not have been reversed as the related income recovery was already accounted for.

3. Warranty expense

The warranty expense relates to a contingent purchase consideration provision in relation to an acquisition of a subsidiary. There was a recalculation performed on the contingent purchase consideration provision for the previously reported results as there were change in assumptions related to the provision. A mathematical mistake occurred during the recalculation which resulted in an understatement of the warranty provision and expense by an amount of R0.5 million.

4. Listing cost expenses

The company capitalised listing costs of R5.7 million on the basis that these costs were incurred directly or indirectly in relation to the raising of capital in the listing. During the year end audit, it was identified that the listing cost should be expensed and therefore the previously reported results have been adjusted to account for the expense.

5. Investment revenue

During the review of the published 2018 interim results it was identified that there was accrued interest income of R25.1 million which reflected in AYO's bank statements for the month ended 31 March 2018. The interest income was not reflected on AYO's bank statements as at 28 February 2018 and the investment income was understated by an amount of R25.1 million as a result of accrued interest income not being taken into account in the previously reported results for the six months ended 28 February 2018.



6. Taxation

Due to the errors identified above and audit adjustments raised the taxation expense was understated by an amount of R11.5 million.

7. Retained income and non-controlling interest

The net effect of the adjustments identified above is an increase in profit attributable to shareholders of AYO and retained income of R0.8 million. The adjustments identified in notes 1 and 2 were in relation to a subsidiary with non-controlling interests and the net effect of the adjustments is a decrease in non-controlling interest of R8.5 million.

8. Inventories

The adjustment to cost of sales of R6.7 million, reversal of salary expenses of R2.1 million and capitalisation of listing costs of R5.2 million were processed to work in progress resulting in the overstatement of inventory by R14.5 million.

9. Trade and other receivables

The adjustment for commission of R10 million and the accrual for interest of R21.9 million has been processed to trade and other receivables resulting in a net understatement of trade and other receivables of R11.9 million.

10. Provisions

The adjustment to warranty expenses was processed to provisions resulting to the understatement of the provision liability by R4.6 million.

11. Goodwill

The adjustment to Goodwill is in relation to an impairment loss of R4.9 million which has been recognised in the audited interim results. This impairment loss was not recognised in the previously reported unaudited interim results. The impairment is to Goodwill recognised in Software Tech Holdings Proprietary Limited of R3.7 million and to Goodwill recognised in Software Tech Holdings Group subsidiary of R1.2 million. The impairment loss was recognised due to the poor trading performance of the companies.

12. Other financial assets

The adjustment to other financial assets is in relation to interest income of R1 million which has been recognised in the audited interim results. The interest income is as per the statements received from the counterparty and should have been recognised in the previously reported unaudited interim results.

13. Deferred tax and tax payable

Due to the errors identified above and audit adjustments raised deferred taxation was understated by R1.9 million and current tax payable was understated by an amount of R13.3 million.



Dividends

Declaration of cash dividend

Notice was given that an interim gross dividend of 35 cents (2017: nil cents) per share had been declared out of income reserves in respect of ordinary shares of no par value for the six months ended 28 February 2019.

A dividend withholding tax of 20% or 7 cents per share was applicable, resulting in a net dividend of 28 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax or was entitled to a reduced rate in terms of an applicable double-tax agreement.

The issue share capital at the declaration date is 344 125 194 ordinary shares.
The income tax number of the Company is 9389007031.

Dates of importance:

Last day to trade in order to participate in the dividend	Tuesday, 23 April 2019
Shares trade ex dividend	Wednesday, 24 April 2019
Record date	Friday, 26 April 2019
Payment date	Monday, 29 April 2019

Share certificates may not dematerialised or rematerialised between Wednesday, 24 April 2019, and Friday, 26 April 2019, both days inclusive.

Appreciation

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

Dr Wallace Mgoqi
Independent Non Executive Chairman

Mr Howard Plaatjes
Chief Executive Officer

Cape Town
27 March 2020

DIRECTORS

W Mgoqi (Chairman) *#; K Abdulla (Deputy Executive Chairman); H Plaatjes (Chief Executive Officer); IT Bundo (Chief Financial Officer); V Govender (Corporate Affairs Director); R Mosia*#; A B Amod*#; S Rasethaba*#; D George*#; Advocate N A Ramatlhodi*# ; I Amod*#; * Non-Executive # Independent

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Joint Sponsors: Vunani Proprietary Limited
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Merchantec Capital Proprietary Limited
13th floor, Illovo Point, 68 Meloille Road, Illovo, Sandton, 2196

Glossary of terms and acronyms

AFS	Annual Financial Statements
AYO	AYO Technology Solutions 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
Company	AYO Technology Solutions Limited
Companies Act	Companies Act of South Africa (No.71 of 2008)
Directors	Companies Act of South Africa (No.71 of 2008), section 66
EPS	Earnings per share
FVTPL	Fair Value through Profit or Loss
GEPF	Government Employee Pension Fund
Group	AYO Technology Solutions Limited, its subsidiaries and joint ventures
IFRS	International Financial Reporting Standards
HST	Health Systems Technologies Proprietary Limited
JSE	Johannesburg Stock Exchange
Kalula Communications	Kalula Communications Proprietary Limited
NCI	Non-controlling interest
HEPS	Headline earnings per share
Inc.	Incorporated
PIC	Public Investment Corporation
PAYE	Pay as you earn
Puleng	Puleng Technologies Proprietary Limited
SARS	South African Revenue Service
SDL	Skills development levy
SLA	Service level agreement
Software Tech Holdings	Software Tech Holdings Proprietary Limited

