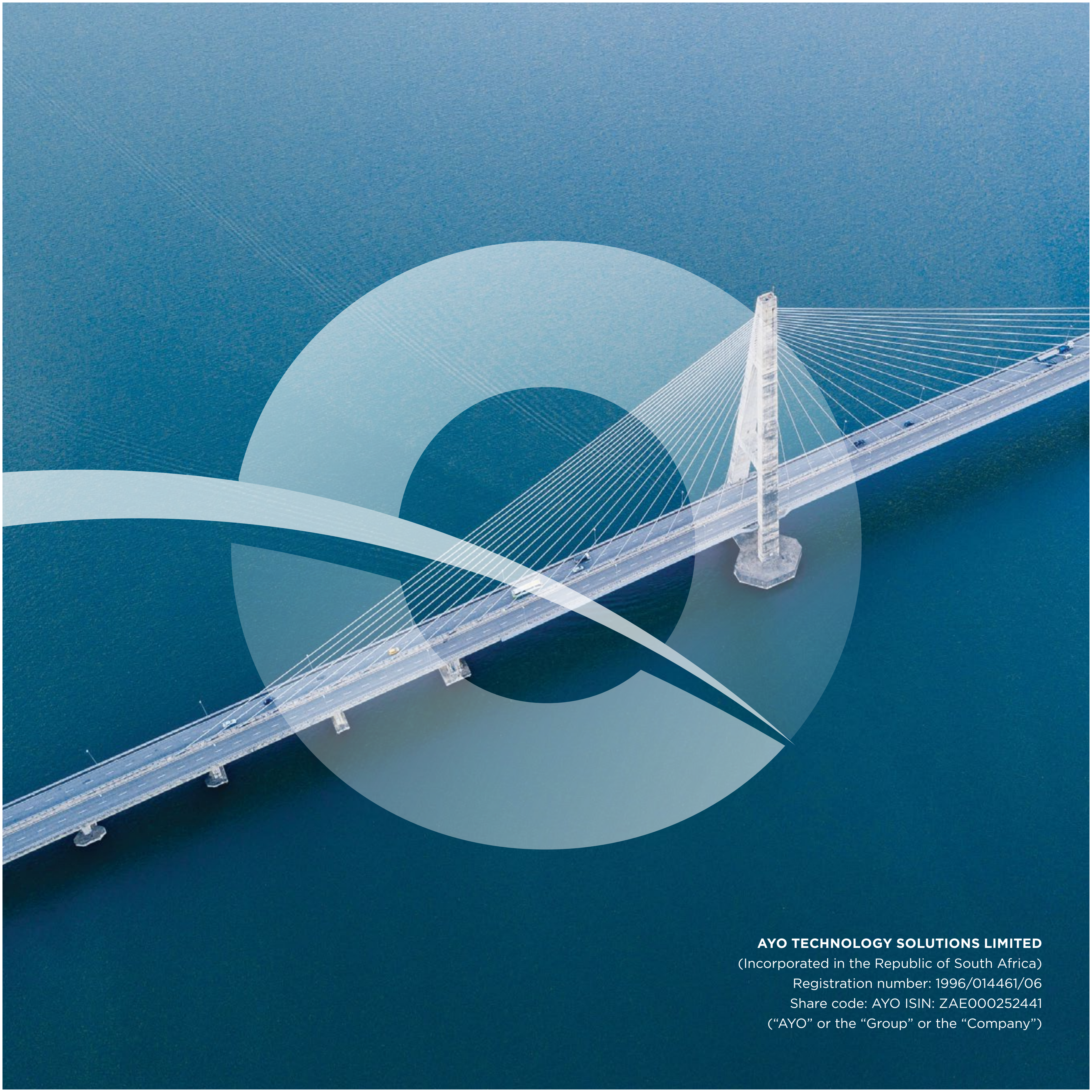
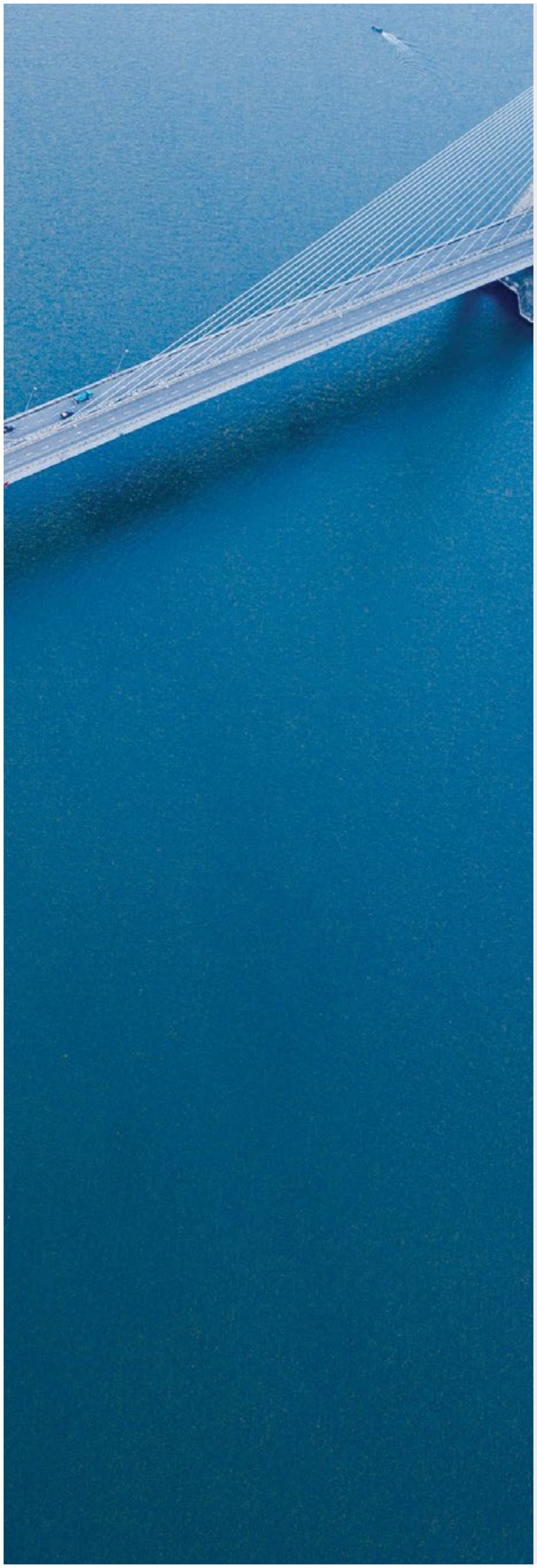
GROUP ANNUAL FINANCIAL STATEMENTS 2020

AYO™
TECHNOLOGY SOLUTIONS LIMITED



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”)



Contents

Level of assurance

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

Preparers

The consolidated annual financial statements have been prepared by the Group Financial and Reporting Accountant, Livhuwani Rasifudi CA(SA) and Group Executive: Finance, Nokukhanya Sithole CA(SA), under the supervision of the Group Chief Financial Officer, Isaiah Tatenda Bundo CA(SA).

Published

22 December 2020

Audit and Risk Committee Report

The Audit and Risk Committee ("the Committee") is pleased to submit this report for the financial year ended 31 August 2020 as recommended by the King Code, the JSE Listing Requirements and the Companies Act of South Africa ("Companies Act") .

MEMBERS OF THE AUDIT AND RISK COMMITTEE AND ATTENDANCE AT MEETINGS

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

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

Name	14 November 2019	11 December 2019	28 January 2020	26 February 2020	18 May 2020	3 July 2020	29 July 2020	20 August 2020
Rosemary Mosia (Chairperson)	×	✓	×	✓	✓	✓	✓	✓
Dr Dennis George	✓	✓	✓	✓	✓	✓	✓	✓
Sello Rasethaba	✓	✓	✓	✓	×	×	×	×
Aziza Amod	✓	✓	✓	✓	✓	✓	✓	✓
Adv. Ngoako Ramathlodi	✓	×	✓	✓	×	✓	✓	✓

In addition to the Committee members, the chief executive officer, chief financial officer, head of internal audit, Group Executive: Finance and the external auditors attend the meetings of the Committee by invitation.

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

ROLE AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The Committee is constituted as a statutory committee of the Board. The Committee has terms of reference in place, which regulate both its statutory duties and those duties assigned to it by the Board. The Committee reviewed, updated, and adopted the audit and risk constitution and risk management charter ("the charter") in May 2020 which was updated to take into account material changes to the JSE Listings Requirements during the year under review. The updated charter was approved by the Board.

The roles and responsibilities of the Committee include:

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

Audit and Risk Committee Report (continued)

KEY FOCUS AREAS IN 2020

The significant areas of focus for the Committee in relation to the 2020 financial year and up to the date of this report included:

- approving the appointment of the new external auditors for the Group;
- reviewing and approving a related party transactions policy for the Group;
- reviewing and approving a materiality policy for the Group;
- approving an internal audit plan for the Group; and
- reviewing the adequacy of the Group's controls and procedures over financial reporting.

EXTERNAL AUDITOR

The previous external auditors of the Group, BDO South Africa Incorporated ("BDO") did not make themselves available for re-appointment as the external auditors of the Company and its subsidiaries at the AGM of the Company which was held on 14 April 2020.

The Board and the Committee appointed Crowe JHB ("Crowe"), which is member of Crowe Global and Thawt Incorporated ("THAWT") as joint external auditors of the Company and its subsidiaries with effect from 30 April 2020. The joint appointment will be ratified at the next AGM. Mr Gary Kartsounis was appointed as the designated auditor for the 2020 financial reporting period.

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

The Committee approved the level of scope, external audit fees and the extent of non-audit services for the 2020 audit. The nature and extent of all non-audit services provided by the external auditors are approved and reviewed by the Committee. The external auditors did not provide any non-audit services during the current year under review.

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

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

KEY AUDIT MATTERS RELATING TO THE 2020 AUDIT

The Committee considered the key audit matters as outlined in the independent auditor's report set out on pages 9 to 14.

These key audit matters were:

- valuation of unlisted shares;
- occurrence of related party transactions and completeness of related party disclosures; and
- valuation of intangible assets and goodwill.

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

Audit and Risk Committee Report (continued)

INTERNAL AUDIT

A head of internal audit was appointed on 1 March 2020. The head of internal audit reports directly to the Chair of the Committee and provides the Committee with assurance on the effectiveness of the Group's internal control environment.

During the year under review the Committee:

- reviewed and approved an annual internal audit plan and charter;
- assessed the appropriateness and expertise of the head of internal audit as well as the internal audit department. The Committee resolved to bolster the internal audit department with additional resources;
- received reasonable assurance on the adequacy of the Group's financial reporting procedures;
- considered the internal audit reports on the Group's systems of internal controls, including financial controls, and business risk management; and
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to internal audit findings and considered management's responses to adverse internal audit findings.

FINANCIAL REPORTING

The Committee reviews the Group's accounting policies and the annual financial statements to ensure that they are in compliance with International Financial Reporting Standards ("IFRS"), the JSE Listings Requirements and the Companies Act. During the year under review, the Committee:

- considered the appropriateness of the accounting policies adopted;
- considered the accounting treatment of significant transactions;
- reviewed the process implemented by management for the preparation of the annual financial statements and is satisfied that the processes applied in preparing the financial statements were appropriate;
- confirmed the going concern as the basis of preparation of the annual financial statements;
- ensured that the annual financial statements fairly present the financial position of the Group, the result of operations and cash flows for the financial year ended 31 August 2020; and
- considered the findings contained from JSE queries and ensured that these were taken into account when the annual financial statements for the year ended 31 August 2020 were prepared.

ANNUAL FINANCIAL STATEMENTS

The Committee reviewed the annual financial statements for the year ended 31 August 2020 and is satisfied that they comply in all material respects with the requirements of International Financial Reporting Standard ("IFRS"), the Companies Act, and the JSE Listing Requirements.

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

Audit and Risk Committee Report (continued)

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

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

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

GOING CONCERN

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

CONCLUSION

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

On behalf of the Audit and Risk Committee.

Rosemary Mosia
Chair of the Audit and Risk Committee

22 December 2020

Directors’ responsibilities and approval

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

The consolidated annual financial statements, set out on pages 24 to 130, are based on appropriate accounting policies which have been consistently applied throughout the Group and which are supported by reasonable and prudent judgements and estimates. The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment.

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

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

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

During the period under review, no director had any material interest in any contract which is or was significant in the Company, any of its subsidiaries, associate or joint venture that would cause conflict of interest in the ordinary course of business. Related party transactions with the directors are disclosed in note 44.

The independent external auditors are responsible for reporting on whether the consolidated annual financial statements are fairly presented in accordance with the applicable financial reporting framework. The independent auditor’s report to the shareholders of the Group is set out on pages 9 to 14 of this report.

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

- the annual financial statements set out on pages 24 to 130, fairly present in all material respects the financial position, financial performance and cash flows of the Group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

The consolidated annual financial statements set out on pages 24 to 130, which have been prepared under the supervision of the Group chief financial officer Isaiah Tatenda Bundo CA(SA), on the going concern basis, were approved by the Board of directors on 22 December 2020. The consolidated annual financial statements are signed on the directors' behalf by:

Howard Plaatjes
Chief Executive Officer
22 December 2020

Isaiah Tatenda Bundo
Chief Financial Officer
22 December 2020

Company Secretary's certification

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

CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as the Company Secretary, I hereby confirm in terms of the Companies Act, that for the year ended 31 August 2020, AYO Technology Solutions Limited ("AYO") has lodged with the Companies and Intellectual Property Commission ("CIPC"), all such returns and notices that are required of a public company in terms of the Companies Act, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

Per Wazeer Moosa
Company Secretary

22 December 2020

Independent Auditor's report

To the Shareholders of AYO Technology Solutions Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the Consolidated Annual Financial Statements of AYO Technology Solutions Limited and its subsidiaries (the "Group") set out on pages 24 to 130, which comprise the Consolidated Statement of Financial Position as at 31 August 2020, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a Summary of Significant Accounting Policies.

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of AYO Technology Solutions Limited and its subsidiaries as at 31 August 2020, and its Consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Other Matter

The consolidated financial statements of the group for the year ended 31 August 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 13 March 2020.

Key Audit Matters

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

Independent Auditor’s report (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of goodwill and intangible assets	
Under IFRS, the group is required to annually test goodwill and intangible assets with an indefinite useful life for impairment. The test compares the carrying amount of the asset with its recoverable amount, which is the higher of its fair value less costs to sell (if known) and its value in use. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management. Refer to note 1 (accounting policies) as well as notes 5 and 6. We have determined this to be a key audit matter due to the judgement required by management in preparing a ‘value-in-use’ model to satisfy the impairment test.	Our audit procedures focused on evaluating and challenging the key assumptions applied by management’s specialist, who communicated directly with the auditor experts, in conducting the impairment review. These procedures included, amongst others, the following: • reviewed the model for compliance with IAS 36 Impairment of Assets; • verified the mathematical accuracy and methodology appropriateness of the underlying model calculations; and • agreed the key financial inputs to the actual trial balance. We have made use of auditors’ valuation experts to: • assess the model for arithmetical accuracy; • evaluate the cash flow projections and the process by which they were developed, comparing the cash flows to the latest budgets, and assessing the historical accuracy of the budgeting process; • assess the reasonability and appropriateness of the key inputs; • perform a sensitivity analysis of the key assumptions in the model; and • assess the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the group. We have also: • Obtained an understanding on the field of expertise, as well as the nature timing and extent of procedures. • Evaluated the capabilities, competence, and objectivity of the expert. • Evaluated the adequacy of work performed by the expert. We assessed whether disclosures made relating to the goodwill and intangible assets impairment was appropriate and applicable in accordance with International Financial Reporting Standards.

Independent Auditor's report (continued)

Valuation of unlisted shares	
Investment in unlisted investments are carried at fair value through profit or loss. The valuation of these investments are based on an entity discounted cash flow valuation technique and other relevant techniques. The use of a discounted cash flow valuation requires the estimation of a number of significant inputs, including the future expected cash flows and the weighted average cost of capital used to perform the discounting. In determining the fair value of the unlisted companies, which are not traded in an active market, valuation techniques which require significant judgement and estimates are applied by management. These are in accordance with Level 3 inputs as per International Financial Reporting Standard 13 Fair Value Measurement (IFRS 13). The judgements are based on existing market conditions, determined at the end of each reporting period to determine the fair value of these financial instruments. Accordingly, the valuation of unlisted investments at fair value through profit or loss was considered to be a key audit matter, due to the significant contribution to results of the separate financial statements as well as the significance of the assumptions, estimates and the level of judgement involved. The disclosures relating to investment in unlisted shares are contained in note 1 (accounting policies) and notes 7, 10 and 46 (financial disclosures).	In assessing the fair value of the unlisted investments, we obtained an understanding of the overall control environment as well as the processes which have been implemented by management, including management specialists, and which have been overseen by the board of directors. Our audit procedures included an assessment of the reasonability of the forecast which was done by performing the following: • Tested the mathematical accuracy of the valuation models, by performing a recalculation of each valuation. • Assessed the budgeting process, and confirming reasonability of the forecasts; • Obtained management representations with regard to the valuations. We have made use of auditors' valuation experts to: • Assess the model for arithmetical accuracy; • Evaluate the cash flow projections and the process by which they were developed, comparing the cash flows to the latest budgets, and assessing the historical accuracy of the budgeting process; • Assess the reasonability and appropriateness of the key inputs; • Perform a sensitivity analysis of the key assumptions in the model; and • Assess the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the company; We have also: • Obtained an understanding on the field of expertise, as well as the nature timing and extent of procedures. • Evaluated the capabilities, competence, and objectivity of the expert. • Evaluated the adequacy of work performed by the expert. We have assessed management experts' qualifications, experience and expertise with respect to the valuation performed. We inspected the disclosures in the financial statements in relation to the valuation of unlisted investments for compliance with International Financial Reporting Standards.

Independent Auditor's report (continued)

Occurrence of related party transactions and completeness of related party disclosure	
There are significant and complex transactions between the company and its subsidiaries and other related entities. Significant audit effort was required for testing the completeness of related party disclosures, as well as the occurrence of related party transactions, as disclosed in note 44 to the financial statements, resulting in this being regarded as a key audit matter.	Our procedures in assessing the occurrence of related party transactions, and the completeness of related party disclosure included, amongst others, the following: • Obtained an understanding of the overall control environment regarding related parties, as well as the processes which have been implemented by management in this regard, and which have been overseen by the board of directors; • Tested the design and implementation of relevant controls in place over related party transactions; • Identified related parties through the review of shareholder records, minutes of meetings, director's registers, the Group structure and other records; • Reviewed the prior year working papers for names of known related parties and compared these to the current year list of related parties provided by management; • Obtained the list of known affiliations of those charged with governance to other entities and compared this to client schedules; • For related party transactions identified, we agreed the transactions to disclosure included in the related entities' financial statements or to the company's general ledger as applicable; • Obtained signed declarations of directors' interests in contracts; • By using computer assisted techniques, we scanned the general ledger and bank statements for known related parties and: – Ensured that all material recorded entries were included in the related party disclosure in the financial statements; – Obtained an understanding of the transaction to determine whether it is within the scope of the entity's ordinary business; and – Agreed material transactions to supporting documents and board approvals where applicable. • For related party transactions recorded, we agreed the transactions on a judgemental sample basis to: – Supporting evidence – Resolutions passed – Minutes of meetings • Assessed a selection of related party transactions for compliance with the: – Memorandum of Incorporation – Companies Act – JSE listing requirements; and • Obtained management representations as to the occurrence and validity of related party transactions and completeness of related party disclosures. We assessed whether the related party disclosure was appropriate and applicable in terms of International Financial Reporting Standards.

Independent Auditor's report (continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "AYO Technology Solutions Limited Group Annual Financial Statements", "AYO Technology Solutions Limited Company Annual Financial Statements", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the document titled "AYO Technology Solutions Limited Integrated Report 2020". The other information does not include the consolidated annual financial statements and our auditor's reports thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's report (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Thawt inc

THAWT INCORPORATED
M A Khan
Director
Registered Auditor
Monte Vista, Cape Town, 7460

22 December 2020

Crowe JHB

CROWE JHB
G Kartsounis
Partner
Registered Auditor
Sandown, Johannesburg, 2196

22 December 2020

Directors' report

The Directors have pleasure in submitting their report which forms part of the Consolidated Annual Financial Statements for the year ended 31 August 2020.

1. NATURE OF BUSINESS

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

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

2. FINANCIAL RESULTS

The Annual Financial Statements have been prepared in accordance with IFRS, the requirements of the Companies Act, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA financial reporting guides issued by the Accounting Practices Committee and the Listings Requirements of the JSE Limited. The accounting policies have been applied consistently compared to the prior year except as outlined in note 2 of the Consolidated Annual Financial Statements.

Group financial performance

The Group's revenue significantly increased by 47% to R2.89 billion in the 2020 financial year as compared to revenue of R1.96 billion in the prior financial year. The significant increase in revenue is as a result of the additional revenues included in AYO's financial results from the acquisitions of Zaloserve Proprietary Limited ("Zaloserve"), SGT Solutions Proprietary Limited ("SGT Solutions") and Global Command and Control Technologies Proprietary Limited ("GCCT") as well as revenue generated from additional sale contracts secured in the current financial year by Puleng Technologies Proprietary Limited ("Puleng") and Kalula Communications Proprietary Limited ("Kalula").

AYO concluded an ICT Master Service Agreement ("MSA") with a significant customer in terms of which AYO would render a host of ICT services to the significant customer effective from 1 July 2018 for a period of seven years. The customer terminated the contract with AYO effective 31 July 2020. AYO charged the customer an amount of R59.9 million for early termination of the contract. AYO's sub-contractor on the MSA charged AYO an amount of R37.4 million for early termination of the sub-contract agreement. AYO generated revenue of R418 million with a gross profit of R73 million on the MSA in the current financial year.

Although there was a significant increase in revenue, profit before tax decreased by 62% to R104 million for the 2020 financial year as compared to profit before tax of R273 million in the prior year.

The COVID-19 pandemic as well as the poor economic environment has had a negative impact on the current and forecasted financial performance of some the Group's investments which in turn led to the Group recognising fair value losses on its investments and an increased expected credit loss allowance on loans advanced to some investee companies and trade debtors. The total fair value losses and credit loss allowances recognised in the current financial year amounts to R135 million as compared to an amount of R60 million in the prior financial year. Profit before tax for the current financial year excluding the fair value losses and expected credit losses is R239 million.

The Group has a significant cash holding balance of R3.2 billion from which it earns interest income. There was a significant decrease in the prime overdraft rate in the current financial year which resulted in a significant decrease in the interest income that the Group obtained for its cash holding. Interest income decreased by 25% to R242 million in the current financial year as compared to R323 million in the prior year.

Full details of the financial position, results of operations and cash flows of the Group are set out in these Consolidated Annual Financial Statements.

Directors' report (continued)

3. SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the year under review.

4. DIVIDENDS

An interim dividend of 35 cents per share amounting to R120 million was paid to shareholders during the year under review.

Notice is hereby given that a gross final dividend of 65 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 2020.

A dividend withholding tax of 20% or 13 cents per share will be applicable, resulting in a net dividend of 52 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax.

The issued share capital at the declaration date is 344 123 944 ordinary shares.

The Company's income tax number is 9389007031.

5. DIRECTORATE

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

Director	Office	Designation	Date of appointment	Date of resignation
H Plaatjes	Chief executive officer	Executive	21 December 2018	
IT Bundo	Chief financial officer	Executive	22 January 2019	
V Govender	Corporate affairs	Executive	21 December 2018	
Dr. WA Mgoqi	Chairman	Non-executive	20 August 2018	
K Abdulla	Deputy executive chairman	Executive	12 March 2020	
Prof. LCH Fourie		Non-executive	7 July 2020	
AB Amod		Non-executive	26 February 2013	
Dr. DH George		Non-executive	20 August 2018	
RP Mosia		Non-executive	21 August 2018	
SM Rasethaba		Non-executive	24 August 2018	11 November 2020
Adv. NA Ramathlodi		Non-executive	7 March 2018	
I Amod		Non-executive	22 January 2019	

Directors' report (continued)

6. DIRECTORS' INTERESTS IN SHARES

As at 31 August 2020, the Directors of the Company held direct and indirect beneficial interest in 0.8729% (2019: 3.2164%) of it's issued ordinary shares, as set out below.

	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total percentage
2020					
A Amod	**1 250**	**–**	**–**	**–**	**0.0004%**
I Amod	**1 250**	**–**	**–**	**–**	**0.0004%**
D George	**–**	**–**	**–**	**3 000 000**	**0.8718%**
K Abdulla	**1 250**	**–**	**–**	**–**	**0.0004%**
2019					
S Young	2 500	–	–	–	0.0007%
A Amod	1 250	–	–	–	0.0004%
I Amod	1 250	–	–	–	0.0004%
D George	–	–	–	11 063 304	3.2149%

There has been no changes in Directors' shareholding between the end of the reporting period and the date of this report.

7. CORPORATE GOVERNANCE

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

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

Directors’ report (continued)

8. GOING CONCERN

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

The Directors have determined the appropriate basis of preparation of the Consolidated Annual Financial Statements after considering the Group’s significant risks, outstanding legal matters, the current financial performance of the Group, the Group’s financial budgets and assessing the solvency and liquidity of the Group taking into account the current financial position and existing cash resources and borrowing facilities.

The financial performance of the Group has not been severely impacted by the Covid-19 pandemic. AYO has been classified as an essential service provider, as such management does not expect significant operational or financial disruptions on the Group because of the corona virus.

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

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. If 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 some 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.

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

9. EVENTS AFTER THE REPORTING PERIOD

On 6 September 2020, AYO withdrew its funds from the Cadiz Life Investment Enterprise Development Fund (“Cadiz”). The funds will be utilised by AYO as part of its entrepreneurship development expenditure into small- to medium-sized information, communication, and technology companies for B-BBEE compliance.

AYO withdrew R540 million from the Bank of China on 10 September 2020 and invested the funds with Numus Capital Proprietary Limited (“Numus Capital”). Numus Capital is a niche stock broking and asset management firm. The funds placed with Numus Capital will be utilised to invest in the money market and on listed shares on the Johannesburg Stock Exchange. At the time of issue of the Consolidated Annual Financial Statements, AYO had invested funds of R595 million with Numus Capital.

AYO withdrew R200 million from the Bank of China on 8 October 2020, and R100 million on 28 October 2020. The withdrawn funds were invested with Ninety One Fund Managers SA (RF) Proprietary Limited (“Ninety One”). The funds with Ninety One will be utilised to invest in the money market. At the time of issue of the consolidated annual financial statements, AYO had invested funds of R520 million with Ninety One.

On 17 August 2020, AYO concluded a binding offer to acquire 100% of the issued share capital and outstanding shareholder claims in Kathea Communication Solutions Proprietary Limited (“Kathea Communication”) for an upfront consideration of R59.8 million and an earn-out of R30 million. Kathea Communication is a value-added distributor of voice, audio visual, video conferencing and workspace management products solutions and services and represents some of the top brands in the communication, collaboration, audio visual and workspace technology arenas.

Directors' report (continued)

9. EVENTS AFTER THE REPORTING PERIOD (continued)

The earn-out amount is to be paid in one instalment provided that Kathea Communications achieves minimum warranted earnings before interest, tax, depreciation and amortisation ("Warranted EBITDA") of R22 million in the 2021 financial year. If Kathea Communications does not achieve the Warranted EBITDA, AYO will be entitled to claw back some or all the shortfall in the earn-out amount. As at reporting date it is estimated that AYO will pay a maximum of R30 million for the earn-out.

The binding offer is subject to certain conditions precedent, the main ones being the successful completion of due diligence to the satisfaction of AYO, competition commission approval and the conclusion of a definitive sale of share agreement. At the time of issue of the consolidated annual financial statements, AYO was still performing a due diligence process on Kathea Communication and the transaction had not yet been approved by the competition commission.

On 17 August 2020, the Group concluded a binding offer to acquire 60% of the issued share capital and outstanding shareholder claims in Disruptive Vision Proprietary Limited (trading as Kathea Energy) ("Kathea Energy") for an upfront consideration of R25.2 million and an earn-out of R10.8 million. Kathea Energy is a value-added distributor of alternative energy solutions and represents some of the top brands in the alternative energy sector.

The earn-out amount is to be paid equally over a three-year period provided that Kathea Energy achieves a minimum warranted earnings before interest, tax, depreciation and amortisation ("Warranted EBITDA") of R13.5 million in the 2021 financial year, R14.8 million in the 2022 financial year and R16.3 million in the 2023 financial year. If Kathea Energy does not achieve the Warranted. EBITDA, AYO will be entitled to claw back some or all the shortfall in the earn-out amount in each respective financial year. As at reporting date it is estimated that AYO will pay a maximum of R10.8 million for the earn-out.

The binding offer is subject to certain conditions precedent, the main ones being the successful completion of due diligence to the satisfaction of AYO, competition commission approval and the conclusion of a definitive sale of share agreement. At the time of issue of the Consolidated Annual Financial Statements, AYO was still performing a due diligence process on Kathea Energy and the transaction had not yet been approved by the competition commission.

A gross final dividend of 65 cents per share in South African rand has been declared by the Board of Directors in respect of the year ended 31 August 2020.

On 16 September 2020, the South African president announced that a number of South Africa's lockdown regulations which came about as a result of the global Covid-19 pandemic will be relaxed as the country moves to a level 1 lockdown from 20 September 2020. Management has assessed this as a non-adjusting event after reporting period. The Company and its subsidiaries is an essential service provider and has been able to operate during the lockdown period when stricter restrictions were imposed. As at the date of issue of the Consolidated Annual Financial Statements, management has assessed that this event currently has a negligible anticipated impact on the operations and financial position of the Group for the foreseeable future.

Management has assessed the current economic conditions as well as the projected inflation and gross domestic product on the expected credit loss allowances ("ECL") for loans receivables and trade receivables as a result of the corona virus. As at the date of publication of the Consolidated Annual Financial Statements, management consider the ECL as disclosed in notes 9 and 15 to be appropriate and no further adjustment is required to the Consolidated Annual Financial Statements.

The Directors are not aware of any other material facts or circumstances which occurred between the reporting date and date of this report that would require any adjustments to the Consolidated Annual Financial Statements.

Directors' report (continued)

10. REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the Audit and Risk Committee, as required in section 94(7)(f) of the Companies Act, is set out on pages 2 to 5 of these consolidated annual financial statements.

11. BOARD EVALUATION OF THE AUDIT AND RISK COMMITTEE

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

12. COMPANY SECRETARY

The Company Secretary is Mr Wazeer Moosa of:

Postal address:
PO Box 181
Waterfront
Cape Town
8000

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

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

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

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

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

Directors' report (continued)

13. INTERESTS IN SUBSIDIARIES

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

14. ACQUISITIONS DURING THE YEAR

AYO completed the acquisition of a 100% shareholding in NSX Solutions Consulting Proprietary Limited ("NSX") on 17 October 2019 for a consideration of R500 000. A loan of R850 000 was extended to NSX. NSX is a company which provides cloud computing solutions.

On 21 February 2020, AYO acquired an additional 25% of shares in Kalula Communications Proprietary Limited ("Kalula") for a consideration of R12 million. AYO previously held 51% shareholding in Kalula and now has 76% shareholding. Kalula is a company which sells headsets and video conferencing equipment.

On 1 May 2020, AYO subscribed for 20% of the issued share capital in Last Mile Logistics Africa Proprietary Limited ("Last Mile") for a nominal amount. Last Mile is a company with interests in the logistics sector.

On 5 October 2019, AYO subscribed for 5% of the issued share capital in 4Plus Technology Venture Fund Africa Proprietary Limited ("4Plus") and on 16 December 2019, AYO subscribed for a further 7% of the issued share capital in 4Plus. AYO previously held 10% in 4Plus and as at 31 August 2020, has a total of 22% shareholding in 4Plus. 4Plus has interests in digital media, artificial intelligence, software development and telecommunications.

On 14 April 2020, AYO subscribed for 150 cumulative, redeemable, non-participating convertible preference shares of no-par value in Loot B2B Proprietary Limited (previously known as K2018010234 (South Africa) Proprietary Limited) for consideration of R15 million.

On 9 April 2020, AYO subscribed for 1 500 cumulative, redeemable, non-participating convertible preference shares of no par value in 4Plus for consideration of R15 million and on 4 May 2020, AYO subscribed for a further 1 500 cumulative, redeemable, non-participating convertible preference shares of no par value in 4Plus for consideration of R15 million. At 31 August 2020, AYO holds 3 000 cumulative, redeemable, non-participating convertible preference shares of no par value in 4Plus.

For more details refer to note 9, 10 and 50 of these Consolidated Annual Financial Statements.

15. LIQUIDITY AND SOLVENCY

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

16. AUDITORS

The previous auditors of the Group BDO South Africa Inc. did not seek re-appointment as the auditors of the Group at the Annual General Meeting of the Company held on 14 April 2020.

The Company appointed Thawt Inc. ("THAWT") and Crowe JHB ("CROWE"), which is a member of Crowe Global ("CROWE Global") as the Company and its subsidiaries joint external auditors with effect from 30 April 2020.

The joint appointment will be ratified at the next Annual General Meeting.

Directors' report (continued)

17. SPECIAL RESOLUTIONS

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the Company. The only resolutions passed at AGM on 14 April 2020 are as follows:

- The approval of the Non-Executive Directors' remuneration, the effect of which was to approve the annual remuneration of Non-Executive Directors for the period from 1 September 2019 to 31 August 2020.
- The approval of the general authority to re-purchase the Company's shares, the effect of which was to authorise the Company and or its subsidiaries to re-purchase its own securities.

18. LITIGATION

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.

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

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.

Directors' report (continued)

19. LEVEL OF ASSURANCE

These Consolidated Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

20. PREPARER

These Consolidated Annual Financial Statements were prepared by the Group Financial and Reporting Accountant, Livhuwani Rasifudi CA(SA) and Group Executive: Finance, Nokukhanya Sithole CA(SA) under the supervision of the Group chief financial officer, Isaiah Tatenda Bundo CA(SA).

21. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

PUBLISHED

22 December 2020

Consolidated statement of financial position
as at 31 August 2020

	Notes	31 August 2020 R'000	31 August 2019 R'000
Assets			
Non-current assets		**805 533**	653 462
Property, plant and equipment	3	**91 110**	102 776
Right-of-use of assets	4	**35 292**	–
Goodwill	5	**131 152**	131 152
Intangible assets	6	**82 783**	79 828
Investments in equity-accounted joint ventures	7	**18 963**	33
Loans to related party companies	8	**120 165**	108 562
Other loans receivable	9	**192 411**	156 764
Investments at fair value through profit or loss	10	**62 921**	24 619
Other financial assets	11	**1 000**	12 355
Finance lease receivables	12	**25 189**	350
Operating lease receivable		**–**	110
Deferred tax assets	13	**44 547**	36 913
Current assets		**4 183 370**	4 476 137
Inventories	14	**142 364**	178 991
Loans to related party companies	8	**65 898**	–
Other loans receivable	9	**12 670**	17 199
Trade and other receivables	15	**692 926**	584 491
Other financial assets	11	**23 228**	12 242
Finance lease receivables	12	**18 052**	669
Current tax receivable		**3 061**	2 329
Cash and cash equivalents	16	**3 225 171**	3 680 216
Total assets		**4 988 903**	5 129 599
Equity and liabilities			
Equity			
Stated capital	17	**4 444 410**	4 444 410
Reserves	18	**(39 847)**	(30 470)
Retained income		**(227 111)**	(77 458)
Equity attributable to shareholders of AYO		**4 177 452**	4 336 482
Non-controlling interests		**118 640**	134 392
Total equity		**4 296 092**	4 470 874
Liabilities			
Non-current liabilities		**30 903**	63 042
Derivatives financial liability	20	**7 587**	3 934
Lease liabilities	21	**16 190**	2 853
Employee benefit obligation	22	**6 375**	6 665
Deferred income	23	**751**	11 244
Contingent consideration liabilities	24	**–**	37 549
Loans from related party companies	26	**–**	797
Current liabilities		**661 908**	595 683
Trade and other payables	25	**523 665**	443 836
Loans from related party companies	26	**–**	20 863
Other financial liabilities	19	**887**	38 500
Lease liabilities	21	**24 395**	12 683
Deferred income	23	**47 889**	18 589
Current tax payable		**11 628**	24 124
Provisions	27	**35 541**	26 094
Dividend payable		**9 382**	5 093
Contingent consideration liabilities	24	**5 097**	4 795
Bank overdraft	16	**3 424**	1 106
Total liabilities		**692 811**	658 725
Total equity and liabilities		**4 988 903**	5 129 599

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 August 2020

	Notes	2020 R'000	2019 R'000
Revenue	28	**2 885 214**	1 959 292
Cost of sales	29	**(2 259 858)**	(1 400 019)
Gross profit		**625 356**	559 273
Other operating income	30	**68 569**	10 046
Other operating gains/(losses)	31	**(82 562)**	(44 434)
Other operating expenses	32	**(692 846)**	(549 407)
Movement in credit loss allowance		**(59 827)**	(12 823)
Finance income	33	**241 794**	322 856
Finance costs	34	**(17 429)**	(10 918)
Profit from equity-accounted investments		**20 571**	(1 608)
Profit before taxation		**103 626**	272 985
Taxation	35	**(70 846)**	(91 186)
Profit after taxation		**32 780**	181 799
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Gains on property revaluation		**-**	221
Items that will be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(834)**	(250)
Income tax relating to items that will not be reclassified		**-**	32
Total items that will not be subsequently reclassified to profit or loss		**(834)**	(218)
Other comprehensive income for the year net of tax		**(834)**	3
Total comprehensive income for the year		**31 946**	181 802
Profit after taxation attributable to:			
Shareholders of AYO		**21 343**	150 599
Non-controlling interests		**11 437**	31 200
Total profit after taxation		**32 780**	181 799
Total comprehensive income attributable to:			
Shareholders of AYO		**20 509**	150 602
Non-controlling interests		**11 437**	31 200
Total comprehensive income		**31 946**	181 802
Earnings per share (cents)			
Basic earnings per share (cents)	36	**6.20**	43.76

Consolidated statement of changes in equity
for the year ended 31 August 2020

	Stated capital R'000	Share premium R'000	Total share capital R'000	Foreign currency translation reserve R'000	Revaluation reserve R'000
Balance at 1 September 2018	4 261 130	183 280	4 444 410	(32)	–
Total comprehensive income for the year	**–**	**–**	**–**	**(218)**	**221**
Profit for the year	–	–	–	–	–
Total other comprehensive income for the year	–	–	–	(218)	221
Transfer between share premium and share capital	9 835	(9 835)	–	–	–
Derecognition relating to sale of business	–	–	–	–	–
Raising of NCI put option liabilities	–	–	–	–	–
Dividends	–	–	–	–	–
Business combinations	–	–	–	–	–
Changes in ownership – acquisition of minorities	–	–	–	–	–
Balance at 1 September 2019	4 270 965	173 445	4 444 410	(250)	221
Adoption of IFRS 16 on 1 September 2019	–	–	–	–	–
Restated balance on 1 September 2019	**4 270 965**	**173 445**	**4 444 410**	**(250)**	**221**
Total comprehensive income for the year	**–**	**–**	**–**	**(663)**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**–**
Total other comprehensive income for the year	**–**	**–**	**–**	**(663)**	**–**
Acquisition of additional shares in subsidiary	**–**	**–**	**–**	**–**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**
Change in ownership – disposal of subsidiary	**–**	**–**	**–**	**–**	**–**
Changes in ownership – acquisition of minorities	**–**	**–**	**–**	**–**	**–**
Balance at 31 August 2020	**4 270 965**	**173 445**	**4 444 410**	**(913)**	**221**

NCI put options reserve R'000	Share-based payment reserve R'000	Changes in ownership reserve R'000	Total reserves R'000	Retained income R'000	Total attributable to shareholders of AYO R'000	Non-controlling interests R'000	Total equity R'000
–	11 809	–	11 777	(7 502)	4 448 686	20 294	4 468 980
–	**–**	**–**	**3**	**150 599**	**150 602**	**31 200**	**181 802**
–	–	–	–	150 599	150 599	31 200	181 799
–	–	–	3	–	3	–	3
–	–	–	–	–	–	–	–
–	–	–	–	10	10	(384)	(374)
(14 795)	–	–	(14 795)	–	(14 795)	–	(14 795)
–	–	–	–	(223 681)	(223 681)	(3 730)	(227 411)
–	–	–	–	–	–	101 172	101 172
–	–	(27 455)	(27 455)	3 115	(24 340)	(14 160)	(38 500)
(14 795)	11 809	(27 455)	(30 470)	(77 459)	4 336 482	134 392	4 470 874
–	–	–	–	1 012	1 012	(10)	1 002
(14 795)	**11 809**	**(27 455)**	**(30 470)**	**(76 447)**	**4 337 494**	**134 382**	**4 471 876**
–	**–**	**–**	**(663)**	**21 343**	**20 680**	**11 437**	**32 117**
–	**–**	**–**	**–**	**21 343**	**21 343**	**11 437**	**32 780**
–	**–**	**–**	**(663)**	**–**	**(663)**	**–**	**(663)**
–	**–**	**–**	**–**	**3 495**	**3 495**	**(3 495)**	**–**
–	**–**	**–**	**–**	**(175 503)**	**(175 503)**	**(2 722)**	**(178 225)**
–	**–**	**–**	**–**	**(463)**	**(463)**	**(17 213)**	**(17 676)**
–	**–**	**(8 714)**	**(8 714)**	**–**	**(8 714)**	**(3 286)**	**(12 000)**
(14 795)	**11 809**	**(36 169)**	**(39 847)**	**(227 575)**	**4 176 989**	**119 103**	**4 296 092**

Consolidated statement of cash flows

for the year ended 31 August 2020

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities			
Cash receipts from customers		**2 494 984**	1 950 208
Cash paid to suppliers and employees		**(2 467 054)**	(2 000 528)
Cash generated/(utilised) in operations	37	**27 930**	(50 320)
Finance income		**201 654**	285 644
Finance costs		**(16 354)**	(6 466)
Dividend income		**-**	3 021
Tax paid	38	**(91 986)**	(117 794)
Net cash from operating activities		**121 244**	114 085
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	**(23 281)**	(31 775)
Proceeds from the disposal of property, plant and equipment		**4 971**	14 425
Acquisition of intangible assets		**(11 484)**	(19 937)
Proceeds from disposal of intangible assets		**59**	93
Proceeds from disposal of subsidiary		**-**	1 203
Purchase of additional shares from minority interests		**(12 000)**	-
Acquisition of subsidiaries net of cash acquired		**(187)**	(112 306)
Loans advanced to related party companies		**(58 350)**	(103 547)
Other loans advanced		**(70 747)**	(169 670)
Purchases of investments at fair value through profit or loss		**(107 985)**	(90 659)
Amounts advanced to acquire other financial assets		**(13 030)**	(809 366)
Amounts repaid from other financial assets		**12 805**	901 226
Funds held in Trust		**-**	(101 294)
Finance lease receipts		**6 447**	7 135
Net cash to investing activities		**(272 782)**	(514 472)
Cash flows from financing activities			
Loan from shareholder repaid		**-**	(5 000)
Dividends paid	39	**(168 693)**	(221 108)
Dividends paid to minorities		**(2 722)**	(2 520)
Payments of contingent consideration arrangements		**(38 625)**	(4 460)
Repayments of other financial liabilities		**(38 825)**	(1 133)
Finance lease repayments		**-**	(10 254)
Loans received from related party companies		**-**	20 330
Repayment of loans from related parties		**(21 252)**	-
Lease liabilities repayments		**(35 430)**	-
Payment of long service awards		**(277)**	-
Net cash to financing activities		**(305 824)**	(224 145)
Total cash movement for the period		**(457 362)**	(624 532)
Cash at the beginning of the period		**3 679 110**	4 303 642
Total cash at the end of the period		**3 221 748**	3 679 110

Accounting policies

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The consolidated annual financial statements have been prepared on the going-concern basis in accordance with, and in compliance with International Financial Reporting Standards ("IFRS"), SAICA financial reporting guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, as amended and the Listings Requirements of the JSE Limited.

The consolidated annual financial statements have been prepared on the historical cost basis, except where otherwise stated and incorporate the principle accounting policies set out below. These accounting policies are consistent with the previous year, except as outlined in note 2.

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

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

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

Business combinations

Management uses valuation techniques to determine the fair value of assets and liabilities acquired in a business combination. Furthermore, the fair value of the contingent consideration is also dependent on the outcome of required variables such as future profitability.

Refer to note 41 for more details.

Subsidiaries consolidated when less than 50% interest is held

The Group consolidates subsidiaries with an effective interest of less than 50% when the Group has control and power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns. The right to appoint a majority of directors and key management personnel to the investee gives the Company the power to direct the relevant activities of the investee. Although AYO only has a 40% equity interest in Main Street 1653 Proprietary Limited ("Main Street"), 43% equity interest in Software Tech Holdings Proprietary Limited ("Software Tech") and 24% equity interest in Global Command and Control Technologies Proprietary Limited ("GCCT") it has been determined that AYO controls Main Street, Software Tech and GCCT respectively in terms of IFRS 10 Consolidated Financial Statements. As per the shareholder's agreement, AYO has the right to variable returns from involvement with Main Street, Software Tech and GCCT and it has the ability to use its power over the investee to affect the amount of the returns in Main Street, Software Tech and GCCT. Management applied judgement in assessing the impact of additional rights granted to the parent company in the shareholder's agreement in respect of its investment in Main Street, Software Tech and GCCT.

Refer to note 50 for more detail.

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The directors have concluded that the Group has no significant influence over Bambelela Capital Proprietary Limited ("Bambelela") and 4Plus Technology Venture Fund Africa Proprietary Limited ("4Plus") even though it has 32% of the voting rights in Bambelela and 22% in 4Plus. This is because the Group has no representation on the Board of directors of Bambelela and 4Plus and AYO does not participate in any financial or operating policy decision in Bambelela and 4Plus. 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").

Property, plant and equipment

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

Refer to note 3 for more details.

Intangible assets

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

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

Refer to notes 5 and 6 for more details.

Financial assets at amortised cost

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

Refer to notes 9 and 15 for more details.

Put option over non-controlling interest

The Group estimates the fair value of the written put option over non-controlling interest. The estimation is based on a discounted cash flow calculation which is based on the projected financial forecasts of the relevant entities. Management made judgements with regard to inputs into the model in determining the fair value of the written put options. Refer to note 20 for further details.

Accounting Policies (continued)

Fair value estimation

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

Terminal value growth rates

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

Terminal values

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

Discount rates

Free cash flows are discounted at the subsidiary Company's weighted average cost of capital (WACC), being the weighted cost of equity as determined using the capital asset pricing model (CAPM) and the weighted after-tax cost of debt and/or any other non-equity form of financing. The discount rates used are between 15% and 26%.

Risk-free rate

The risk-free rate utilised is the yield on 10-year government bonds. These yields were obtained from the financial press at the time of preparing the valuations. Where no 10-year SA bonds are in issue, the nearest long-term SA bond rate is used. The risk-free rate used is 7.35% and 7.38%.

Beta

The equally weighted average of the relevant industry betas are used. The betas are calculated over a five-year period (where possible). This is assumed to provide a fair estimate of the Group's recent market price. The beta used was in the range of 0.44 and 1.4.

Specific risk premium

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

Value of equity

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

1.3 Consolidation

Basis of consolidation

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

Control is achieved when the Company has power over the investee; is exposed or has rights to variable returns from involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Consolidation (continued)

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

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

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

Business combinations

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

Transactions with non-controlling shareholders are accounted for as equity transactions and included in the statement of changes in equity.

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost. The cost of property, plant and equipment comprises of any costs incurred to bring the asset to the location and condition necessary for it to operate as intended by management and costs to construct an item of property, plant and equipment.

Property, plant and equipment are carried at cost less accumulated depreciation and impairment. If plant and machinery is comprised of major components with different useful lives, these components are depreciated as separate items.

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

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

Accounting Policies (continued)

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

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

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

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

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

1.5 Goodwill

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

Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to a cash-generating unit ("CGU") or to a group of CGUs. Impairment is determined by assessing the recoverable amount, which is the higher of fair value less costs to sell and value-in-use of the CGU to which the goodwill is allocated. Where the CGU's recoverable amount is less than its carrying value an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to other assets of the unit *pro rata*, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in the statement of profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Intangible assets

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

Intangible assets with a finite useful life are stated at cost less any accumulated amortisation and any impairment losses. Intangible assets with indefinite useful lives are not amortised. For intangible assets with indefinite useful lives, a review is done annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

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

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

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

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

1.7 Interest in joint venture

The results of joint ventures are incorporated in these consolidated annual financial statements using the equity method of accounting.

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

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

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

Accounting Policies (continued)

1.8 Financial assets

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

Initial recognition

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

Financial assets are initially recognised at fair value. Trade receivables that are not subject to significant financing components are initially measured at the relevant transaction prices.

Financial assets at amortised cost

Financial assets are measured at amortised cost if they are held with an objective to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest on the amount outstanding.

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

Financial assets at fair value through profit or loss

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

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

Subsequent measurement

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

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

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

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

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

Impairment of financial assets

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

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

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Financial assets (continued)

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

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

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

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

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

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

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

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

1.9 Financial liabilities

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

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

Trade and other payables, other financial liabilities and bank overdraft

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

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

Contingent consideration liability

Contingent considerations liabilities are initially measured at fair value.

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

Accounting Policies (continued)

Written put option over non-controlling interest

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

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

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

1.10 Tax

Deferred tax assets and liabilities

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated annual financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

Current tax assets and liabilities

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

Tax expenses

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

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

1.11 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4. Transition effects were recognised as adjustments to the opening balance of retained income.

Group as a Lessee

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

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

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

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 Leases (continued)

For contracts entered into post 1 September 2019, the Group considers whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply the definition, the group assesses whether the contract meets key evaluations which are:

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

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

Right-of-use assets

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

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

The Group depreciates the underlying asset on a straight-line basis from lease commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Right-of-use assets' useful lives are presented in the following table:

Items	Method used	Useful lives
Buildings	Straight-line	2 –5 years
Motor vehicles	Straight-line	2 –6 years
Plant and equipment	Straight-line	3 years

Lease liability

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

The lease payments include fixed payments.

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

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

Group as Lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Accounting Policies (continued)

Leases – IAS 17 Comparative information

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits from the use of the underlying asset are diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

Finance leases

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

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

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

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

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

1.12 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average cost.

1.13 Impairment of assets

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

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

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

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

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Impairment of assets (continued)

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

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

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

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

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

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

1.14 Share capital

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

1.15 Equity settled share-based payment

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

1.16 Employee benefits

Retirement benefits

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

Employee leave entitlement

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

Bonus plans

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

Accounting Policies (continued)

1.17 Provisions, contingent assets and contingent liabilities

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

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

Refer to note 27 for a detailed description of the provisions.

The Group discloses contingent assets and contingent liabilities. Refer to note 43 for more details.

1.18 Revenue from contracts with customers

The Group revenue from contracts with customers is derived from:

A) Sale of hardware and software
- Revenue from the sale of hardware or communication products
- Revenue from the sale of software

B) Installation and support services
- Revenue from the installation of hardware or software
- Revenue from professional services

C) Managed services
- Management fee income

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

The Group assesses each contract with a customer to determine whether it is a principal or an agent. The Group has assessed that it is the principal in its current contracts that it has entered with customers. The Group regards itself as the principal in a transaction where it controls a promised good or service before the good or service is transferred to a customer.

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

Sale of hardware and software

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

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

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

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Revenue from contracts with customers (continued)

Installation and support services

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

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

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

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

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

Managed services

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

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

1.19 Other income

Interest revenue comprises of interest earned on bank accounts and interest earned on loans receivable. Interest revenue is recognised, in profit or loss, using the effective interest rate method.

Dividend income from other investments other than investment in subsidiaries and commission income are recognised when the Company's rights to receive payment are established.

Accounting Policies (continued)

1.20 Finance cost

All borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Translation of foreign currencies

Foreign currency transactions

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

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

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

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

Foreign operations

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

1.22 Earnings per share

Earnings per share are calculated on the weighted average number of shares in issue in respect of the year and is based on profit attributable to ordinary shareholders. Headline earnings per share are calculated in terms of the requirements set out in Circular 01/2019 issued by SAICA.

1.23 Dividends

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

Accounting Policies (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.24 Segment reporting

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

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

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

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

The Group's segments comprise the following:

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

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

Refer to note 48 for the financial detail of how each operating segment has performed during the year under review.

Accounting Policies (continued)

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

IFRS 16 – Leases

IFRS 16 sets out the requirements for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 Leases along with three interpretations which are IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AYO adopted IFRS 16 Leases retrospectively from 1 September 2019 but did not restate comparatives as permitted under the modified transition approach in the standard. The cumulative effects of the adjustments arising from the new leasing rules have been recognised in the opening retained income on 1 September 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which were previously classified as operating leases under the principles of IAS 17 excluding low-value leases or those leases with a remaining lease term of less than 12 months. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 September 2019. The weighted average incremental borrowing rate used to measure the lease liabilities on 1 September 2019 was 10.83%. For leases previously classified as finance lease, the right-of-use asset and lease liability were measured on the date of initial application as the same amounts as under IAS 17 at 1 September 2019.

Impact on transition

Lease liability

The following is a reconciliation of the total operating lease liabilities as at 31 August 2019, as disclosed in the prior year annual financial statements, to the lease liability recognised on 1 September 2019:

	R'000
Operating lease liabilities as at 31 August 2019 before discounting	19 630
Discounted using the incremental borrowing rate of 10.83%	17 015
Reconciliation items:	
Finance lease obligation reclassified to lease liability	45 624
Short-term leases recognised to income statement	(1 523)
Lease liabilities recognised as at 1 September 2019 under IFRS 16	61 116

Right-of-use assets

The associated right-of-use assets for motor vehicles and property were measured on a modified retrospective basis. The right-of-use assets were measured at an amount equal to the lease liability.

The impact of the change in the accounting policy on the statement of financial position on 1 September 2019 was an increase in right-of-use assets of R61 million, increase in lease liabilities of R61 million and an increase in retained earnings of R1 million.

The adjustment to retained earnings is as a result of cumulative effects on opening balances due to change in accounting policy.

Accounting Policies (continued)

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.1 Standards and interpretations effective and adopted in the current year (continued)

Practical expedients applied on adoption of IFRS 16

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The use of hindsight in determining the lease term for agreements with options to extend or terminate the lease.
- The accounting for leases with a remaining lease term of less than 12 months as at 1 September 2019 as short-term leases.
- The initial direct cost was excluded in the measurement of the right-of-use asset at 1 September 2019.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise mostly of IT equipment.

2.2 Standards and interpretations not yet effective

Standards and interpretations applicable to the Group for the year ended 31 August 2021:

IFRS 3 Business combinations

The amendments confirmed that definition of a business must include input and a process and clarified that the process must be substantive and the inputs and processes must together significantly contribute to creating outputs. The effective date of the amendment for the Group is for financial years commencing on 1 September 2020.

The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The effective date of the amendment for the Group is for financial years commencing on 1 September 2022.

The Group is in the process of assessing the impact of the amendments.

IFRS 7 Financial instruments disclosures

The amendment clarifies the requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmark such as interbank offered rates on hedge accounting. The effective date of the amendment for the Group is for financial years beginning 1 September 2020.

The amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The effective date of the amendment for the Group is for financial years beginning 1 September 2021.

The Group is in the process of assessing the impact of the amendments.

IFRS 9 Financial instruments

The amendment clarifies the requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmark such as interbank offered rates on hedge accounting. The effective date of the amendment for the Group is for financial years beginning 1 September 2020.

Accounting Policies (continued)

The amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The effective date of the amendment for the Group is for financial years beginning 1 September 2021.

The Group is in the process of assessing the impact of the amendments.

IAS 1 Presentation of financial statements

The amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS standards. The amendment is effective for the Group, for the financial year commencing 1 September 2020.

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

The Group is in the process of assessing the impact of the amendments.

IAS 8 Accounting policies, changes in accounting estimates and errors

The amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS standards. The amendment is effective for the Group, for the financial year commencing 1 September 2020.

The Group is in the process of assessing the impact of the amendment.

IAS 16 Property, Plant and Equipment

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

The Group is in the process of assessing the impact of the amendment.

IAS 37 Provisions, Contingent liabilities and contingent assets

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

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

The Group is in the process of assessing the impact of the amendment.

IAS 39 Financial instruments: recognition and measurement

The amendment clarifies the requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmark such as interbank offered rates on hedge accounting. The amendment is effective for the Group, for the financial year commencing 1 September 2020.

The amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The effective date of the amendment for the Group is for financial years beginning 1 September 2021.

The Group is in the process of assessing the impact of the amendment.

Notes to the consolidated annual financial statements

for the year ended 31 August 2020

3. PROPERTY, PLANT AND EQUIPMENT

	31 August 2020			31 August 2019		
	Cost R'000	**Accumulated depreciation R'000**	**Carrying value R'000**	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Land	**1 741**	**-**	**1 741**	1 741	–	1 741
Buildings	**2 627**	**(433)**	**2 194**	2 629	(379)	2 250
Plant and machinery	**11 693**	**(10 330)**	**1 363**	14 227	(12 139)	2 088
Furniture and fixtures	**22 446**	**(15 272)**	**7 174**	24 924	(16 800)	8 124
Motor vehicles	**26 794**	**(16 553)**	**10 241**	36 975	(17 720)	19 255
Office equipment	**2 489**	**(1 089)**	**1 400**	2 333	(1 429)	904
IT equipment	**113 070**	**(48 351)**	**64 719**	110 133	(44 614)	65 519
Computer software	**1 645**	**(1 601)**	**44**	1 601	(1 507)	94
Leasehold improvements	**9 485**	**(7 800)**	**1 685**	8 278	(5 550)	2 728
Electronic equipment	**2 164**	**(1 615)**	**549**	1 653	(1 580)	73
Total	**194 154**	**(103 044)**	**91 110**	204 494	(101 718)	102 776

Reconciliation of property, plant and equipment – 2020

	Opening balance R'000	**Additions R'000**	**Business combinations R'000**	**Disposals R'000**	**Sale of subsidiary R'000**	**Depreciation R'000**	**Impairment R'000**	**Closing balance R'000**
Land	**1 741**	**-**	**-**	**-**	**-**	**-**	**-**	**1 741**
Buildings	**2 250**	**-**	**-**	**-**	**-**	**(56)**	**-**	**2 194**
Plant and machinery	**2 088**	**139**	**-**	**-**	**-**	**(864)**	**-**	**1 363**
Furniture and fixtures	**8 124**	**1 020**	**-**	**(207)**	**(56)**	**(1 707)**	**-**	**7 174**
Motor vehicles	**19 256**	**1 387**	**-**	**(4 497)**	**(805)**	**(5 031)**	**(69)**	**10 241**
Office equipment	**904**	**520**	**-**	**(14)**	**-**	**(10)**	**-**	**1 400**
IT equipment	**65 519**	**19 380**	**35**	**(4 827)**	**(4 427)**	**(10 961)**	**-**	**64 719**
Computer software	**94**	**44**	**-**	**-**	**-**	**(94)**	**-**	**44**
Leasehold improvements	**2 727**	**281**	**-**	**-**	**-**	**(1 323)**	**-**	**1 685**
Electronic equipment	**74**	**510**	**-**	**-**	**-**	**(35)**	**-**	**549**
Total	**102 777**	**23 281**	**35**	**(9 545)**	**(5 288)**	**(20 081)**	**(69)**	**91 110**

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment – 2019

	Opening balance R'000	Additions R'000	Business combinations R'000	Disposals R'000	Revaluations R'000	Foreign exchange movements R'000	Disposal of subsidiary R'000	Depreciation R'000	Impairment R'000	Closing balance R'000
Land	–	–	1 814	–	72	–	–	–	(145)	1 741
Buildings	–	–	2 237	–	149	–	–	(36)	(100)	2 250
Plant and machinery	1 194	166	1 350	(62)	–	–	–	(560)	–	2 088
Furniture and fixtures	1 615	1 304	6 384	(20)	–	–	–	(1 159)	–	8 124
Motor vehicles	334	2 654	22 961	(2 459)	–	–	–	(4 234)	–	19 256
Office equipment	376	571	174	–	–	–	–	(217)	–	904
IT equipment	2 841	23 779	63 061	(10 490)	–	(1)	(41)	(13 630)	–	65 519
Computer software	80	227	–	–	–	–	–	(214)	–	94
Leasehold improvements	317	3 074	330	–	–	–	–	(994)	–	2 727
Electronic equipment	412	–	88	–	–	–	–	(426)	–	74
Total	7 169	31 775	98 399	(13 032)	221	(1)	(41)	(21 470)	(245)	102 776

Revaluations

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

The fair value measurements on land and buildings were performed on 13 June 2019 by Spectrum Valuations & Assets Solutions Proprietary Limited, independent valuers not related to the Group. Spectrum Valuations & Assets Solutions Proprietary Limited are members of the Institute of Valuers and they have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

	Fair value 2020 R'000	Fair value 2019 R'000
Land	**1 741**	1 814
Buildings	**2 194**	2 210
	3 935	4 024

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

3. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2020 R'000	2019 R'000
Land	**1 669**	1 669
Buildings	**2 045**	2 101
	3 714	3 770

4. RIGHT-OF-USE ASSETS

	Plant and equipment R'000	Buildings R'000	Motor vehicles R'000	Total R'000
IFRS 16 – Initial recognition 1 September 2019	**64**	**62 388**	**11 863**	**74 315**
Reclassification of existing finance leases under IFRS 16	**–**	**650**	**–**	**650**
Additions – new leases entered into	**–**	**2 981**	**501**	**3 482**
Disposal of subsidiary	**–**	**(845)**	**–**	**(845)**
Depreciation	**(22)**	**(34 987)**	**(7 301)**	**(42 310)**
Balance at 31 August 2020	**42**	**30 187**	**5 063**	**35 292**

The Group leases various office buildings, motor vehicles and equipment. The lease contracts have an average period of three years.

The Group's lease agreements do not have any purchase options.

For additional information refer to note 21.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

5. GOODWILL

	31 August 2020 Cost R'000	Accumulated impairment R'000	Carrying value R'000	31 August 2019 Cost R'000	Accumulated impairment R'000	Carrying value R'000
Goodwill	**136 758**	**(5 606)**	**131 152**	136 113	(4 961)	131 152

Reconciliation of goodwill

	Opening balance R'000	Impairment R'000	Additions through business combinations R'000	Total R'000
Goodwill – 2020	**131 152**	**(645)**	**645**	**131 152**

	Opening balance R'000	Impairment R'000	Additions through business combinations R'000	Total R'000
Goodwill – 2019	35 244	–	95 908	131 152

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

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

In the current year, there was a goodwill of R644 862 recognised on the acquisition of NSX Solutions Consulting Proprietary Limited ("NSX"). The goodwill of R644 862 was subsequently impaired as the carrying value was more than the recoverable amount of the CGU. NSX lost all of its customer contracts as it was not able to continue with normal operations due to the national lockdown and as a result the Goodwill recognised on the acquisition of NSX was impaired.

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

5. GOODWILL (continued)

	Carrying amount of goodwill		Significant assumptions used					
			Pre-tax discount rate		Number of forecast years		*Growth rate	
	2020 R'000	2019 R'000	**2020 %**	2019 %	**2020 Years**	2019 Years	**2020 %**	2019 %
Cash-Generating Units								
Puleng Technologies Proprietary Limited	**22 274**	22 274	**16.01**	22.85	**5**	5	**4.13**	4.5
Health System Technologies Proprietary Limited	**2 157**	2 157	**18.60**	17.74	**5**	5	**4.50**	4.5
Kalula Communications Proprietary Limited	**8 465**	8 465	**15.45**	19.97	**5**	5	**4.30**	4.5
Zaloserve Proprietary Limited	**69 135**	69 135	**16.63**	20.67	**6**	5	**4.13**	4.5
Main Street 1653 Proprietary Limited	**26 773**	26 773	**18.21**	26.70	**5**	5	**3.20**	4.5
Software Tech Holdings Subsidiaries	**2 348**	2 352	**22.85**	31.30	**5**	5	**4.13**	4.5
Carrying amount at the end of period	**131 152**	**131 152**						

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

The discount rates decreased in the current year due to the decrease in the prime lending rate and the decrease in the risk free rate.

The terminal growth rate decreased in the current year due to the impact of anticipated low macro economic growth rate.

Key inputs used in measuring the value of CGUs are based on managements past experience as well as economic data obtained from StatSA.

6. INTANGIBLES ASSETS

	31 August 2020				31 August 2019		
	Cost R'000	**Accumulated amortisation R'000**	**Accumulated impairment R'000**	**Carrying value R'000**	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Software systems	**20 204**	**(11 142)**	**–**	**9 062**	18 724	(10 834)	7 890
Licenses and computer software	**14 270**	**(6 132)**	**(922)**	**7 216**	6 840	(4 768)	2 072
Trade names	**22 011**	**(19 350)**	**–**	**2 661**	22 011	(18 590)	3 421
Software development	**10 755**	**(3 603)**	**–**	**7 152**	8 190	(3 489)	4 701
Brands	**14 573**	**–**	**(1 744)**	**12 829**	14 573	–	14 573
Distribution and assignment rights	**23 592**	**–**	**–**	**23 592**	22 479	–	22 479
Customer list	**26 097**	**(5 826)**	**–**	**20 271**	26 097	(1 405)	24 692
	131 502	**(46 053)**	**(2 666)**	**82 783**	118 914	(39 086)	79 828

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

6. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets – 2020

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Amortisation R'000	Impairment R'000	Foreign exchange gains/losses R'000	Closing balance R'000
Software systems	**7 890**	**1 480**	**–**	**–**	**(308)**	**–**	**–**	**9 062**
Licenses	**2 072**	**7 440**	**48**	**(58)**	**(1 364)**	**(922)**	**–**	**7 216**
Trade names	**3 421**	**–**	**–**	**–**	**(760)**	**–**	**–**	**2 661**
Software development	**4 701**	**2 565**	**–**	**–**	**(114)**	**–**	**–**	**7 152**
Brands	**14 573**	**–**	**–**	**–**	**–**	**(1 744)**	**–**	**12 829**
Distribution and assignment rights	**22 479**	**–**	**–**	**–**	**–**	**–**	**1 113**	**23 592**
Customer list	**24 692**	**–**	**–**	**–**	**(4 421)**	**–**	**–**	**20 271**
Total	**79 828**	**11 485**	**48**	**(58)**	**(6 967)**	**(2 666)**	**–**	**82 783**

Reconciliation of intangible assets – 2019

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Amortisation R'000	Closing balance R'000
Software systems	1 621	6 694	–	–	(425)	7 890
Licenses and computer software	1 997	1 259	–	(94)	(1 090)	2 072
Trade names	–	4 186	–	–	(765)	3 421
Software development	4 249	452	–	–	–	4 701
Brands	–	–	14 573	–	–	14 573
Distribution and assignment rights	9 876	12 603	–	–	–	22 479
Customer list	–	–	26 097	–	(1 405)	24 692
Total	17 743	25 194	40 670	(94)	(3 685)	79 828

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

6. INTANGIBLE ASSETS (continued)

SOFTWARE SYSTEMS

Software systems include the following:

– Billing system

Based on the terms of the service contract to which the billing system relates, a notice period of one year is required to terminate the contract. The billing system has a value of R70 977 which will be derecognised when the service contract is terminated.

– Electronic Continuity of Care Record System ("eCCR") system

The eCCR system was internally developed with phase 1 completed in the 2018 financial year.

The product went live on 1 March 2019. Phase 2A which began in October 2016 was completed on October 2017 and is now in use. Phase 2B was completed in October 2019. Management has assessed that the ECCR system has a useful life of three years.

– Health Benefit Protocol and Plan Management System ("HBPPM")

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

– Enterprise Consumer Price Index System ("EMCI")

The EMCI system is intended as the master, authoritative source of consumer identity and demographic data for healthcare providers in South Africa, and will issue a Unique Health Identifier (UHI) which will be used as the standard to access/consolidate the patient's records across the private care settings, whilst cross-referencing to individual MRNs at source systems. Further development – phase 2 is being done on EMCI. Implementation date is June 2021.

Free bed enquiry system

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

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

LICENCES

Licenses are comprised of a Service Now licence and Finnivo reporting license. Service Now is a service management software which was purchased in the 2018 financial year to service a major customer of AYO. The contract with the major customer was cancelled in the current financial year as the Group does not expect to receive any future economic benefits from the Service Now licence and a balance of R0.5 million relating to the Service Now license was therefore fully impaired. Finnivo reporting license is a financial management reporting tool.

BRANDS

This intangible assets was acquired through business combination

The acquired brands relate to the underlying companies distinct service offerings apart from other similar offerors. In assessing the brand the Group has been taken into account the key components which include brand identity, brand loyalty and brand awareness and therefore ascribing a monetary value to the brand. This intangible asset has been assessed to have an indefinite useful life based on the lack of legal, contractual or economic factors that would limit its useful life and was allocated to the Zaloserve Proprietary Limited ("Zaloserve") CGU. Management assessed the recoverable amount of the intangible asset at reporting date, which exceeded the carrying value by using forecast cash flows. The recoverable

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

6. INTANGIBLE ASSETS (continued)

amount is sensitive to the extrapolated growth rates, future cash flow projections and discount rates used for the value-in-use calculation in order to calculate the recoverable amount of the asset. Such assumptions are relevant to goodwill as well as intangible assets such as brands which have indefinite useful lives. The key assumptions used to determine the recoverable amount are disclosed in note 5.

DISTRIBUTION AND ASSIGNMENT RIGHTS

The distribution rights arose during the 2017 financial year from the business combination for Kalula Communications Proprietary Limited ("Kalula") and an additional distributorship right was acquired in the prior year by AYO international Holdings Proprietary Limited ("AIH"). This distribution rights regulates the purchase of Plantronics products by AIH for resale by the Group.

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

CUSTOMER LISTS

Customer lists were acquired through a business combination in the prior year.

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

IMPAIRMENT ASSESSMENT OF INTANGIBLES

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

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

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

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

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

There was intellectual property recognised as an intangible asset in subsidiary GCCT with a carrying amount of R1.8 million. This intangible asset has been impaired in the current year due to the poor trading performance of GCCT. The intangible asset has a recoverable amount of nil which represents its fair value less cost to sell. This intangible asset was included in the tracking solution segment.

AYO had a licence (service Now) a service agreement tool which purchased the 2018 financial year to service a major customer of AYO. The contract with the customer was cancelled in the current financial year and an amount of R0.5 million relating to the Service Now licence was impaired. This is intangible asset has a recoverable amount of nil which represents its value in use. This intangible asset was included in managed services segment.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

7. INVESTMENTS IN EQUITY ACCOUNTED JOINT VENTURES

The following table lists the joint ventures in the Group:

		Ownership interest		Carrying amount	
		2020	2019	**2020**	2019
Name of company	**Held by**	**%**	%	**R'000**	R'000
Exaro HST Proprietary Limited	Health Systems Technologies Proprietary Limited	**50**	50	**–**	33
Digital Health Africa Proprietary Limited	Health Systems Technologies Proprietary Limited	**50**	50	**–**	–
Vunani Fintech Fund Proprietary Limited	AYO Technology Solutions Limited	**50**	50	**18 963**	–
Total				**18 963**	**33**

Exaro HST Limited ("Exaro")

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

Digital Health Africa Proprietary Limited ("Digital Health Africa")

Digital Health Africa Proprietary Limited is a jointly controlled entity based in South Africa and is not operational.

Vunani Fintech Fund Proprietary Limited ("Vunani Fintech Fund")

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

Restrictions relating to joint ventures

There are currently no restrictions relating to the joint ventures.

Profit from equity accounted investments

R20.6 million (2019: loss of R1.6 million) of profit from equity accounted investment is included in Group statement of profit or loss. This includes R1.6 million relating to a prior year reversal. The reversal of the loss was due to the entity making profits in the current reporting period.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

7. INVESTMENTS IN EQUITY ACCOUNTED JOINT VENTURES (continued)

Summarised financial information of material joint venture

	Vunani Fintech Fund	
	2020	2019
	R'000	R'000
Summarised statement of profit or loss		
Non-operating gains	**62 586**	–
Other operating expenses	**(3 044)**	(1 221)
Investment income	**2 062**	2 639
Finance costs	**(9 659)**	(4 635)
Profit/(loss) before tax	**51 945**	(3 217)
Taxation	**(14 019)**	–
Profit/(loss) after tax	**37 926**	(3 217)
Share of profits/(loss) after tax	**18 963**	**(1 608)**
Reversal of prior year impairment of loan to joint venture	**1 608**	–
Profit from equity-accounted investments	**20 571**	**(1 608)**

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

7. INVESTMENTS IN EQUITY ACCOUNTED JOINT VENTURES (continued)

	2020 R'000	2019 R'000
Summarised statement of financial position		
Assets		
Non-current assets		
Loans to group companies	**2 029**	–
Investments	**158 184**	9 550
Total non-current assets	**160 213**	**9 550**
Current assets		
Cash and cash equivalents	**3 076**	91 556
Trade and other receivables	**6**	312
Total current assets	**3 082**	**91 868**
Total assets	**163 295**	**101 418**
Liabilities		
Non-current liabilities		
Loan from shareholder	**114 294**	104 635
Deferred tax liability	**14 019**	–
Total non-current liabilities	**128 313**	**104 635**
Current liabilities		
Trade and other payables	**274**	–
Total current liabilities	**274**	**–**
Total liabilities	**128 587**	104 635
Total net assets	**34 708**	(3 217)
Share of net assets	**17 354**	(1 608)
Share of net assets of joint ventures	**17 354**	(1 575)
Impairment expense recognised to loan to joint venture	**–**	1 608
Reversal of prior year impairment	**1 608**	–
	18 963	33

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

8. LOANS TO RELATED PARTY COMPANIES

	2020 R'000	2019 R'000
Digital Health Africa Proprietary Limited The loan is unsecured, bears no interest and has no fixed repayment terms This loan was impaired in the current financial year.	**–**	168
African Equity Empowerment Investments Limited ("AEEI") The loan is unsecured, bears interest at the prime plus 2% and the loan is repayable on 13 December 2020.	**10 973**	–
Bowwood and Main No 180 Proprietary Limited The loan is unsecured and bears interest at the prime overdraft rate, compounded monthly. The loan is repayable in a single instalment by the issue of ordinary shares by the Borrower, in terms of a subscription agreement, to SGT Solutions. Interest of R 1 040 391 was charged during the year under review. This loan is payable by 31 December 2020.	**49 041**	–
Vunani Fintech Fund Proprietary Limited The loan is unsecured, bears interest at the prime rate and the loan is repayable on 28 March 2024. AYO has subordinated, for the benefit of other creditors, so much of their claims against Vunani Fintech Fund as would enable Vunani Fintech Fund's total assets to exceed its total liabilities.	**114 293**	103 027
AEEI This loan is unsecured and interest is charged at the prime overdraft rate. There are no fixed terms of repayment, however, AEEI has been granted an unconditional right to defer payment for 12 months.	**5 872**	5 367
AEEI The loan is unsecured, bears interest at prime plus 2% and is repayable by 31 December 2020.	**5 884**	–
	186 063	108 562
Split between non-current and current portions:		
Non-current assets	**120 165**	108 562
Current assets	**65 898**	–
Total	**186 063**	108 562

Current interest rates are variable and average 7% (2019: 11%). The carrying amount of loans to related parties is considered to be a reasonable approximation of the fair value as interest is charged at market rates.

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

9. OTHER LOANS RECEIVABLE

	2020 R'000	2019 R'000
Volt Business Solutions Proprietary Limited The loan is unsecured and bears interest at a rate of prime plus 2%. 50% of the balance is repayable on 1 January 2022 and the remaining balance due on 1 January 2024. This loan was impaired in full in the current year.	**–**	11 535
Cortex Logic Proprietary Limited The loan is unsecured, bears interest at the prime rate plus 2%. R5 million of the balance is repayable on 30 November 2020 with the remaining balance payable on 28 February 2021.	**12 670**	11 432
Cumulative preference shares – Bambelela Capital Proprietary Limited On 28 September 2018, AYO subscribed for 500 000 cumulative, redeemable, non-participating convertible class C preference shares of no par value in Bambelela Capital Proprietary Limited for consideration of R145 million. The preference shares are redeemable on 31 March 2022. AYO has the right to convert the preference shares into ordinary shares equal to the redemption amount of redemption date. Interest is accrued at variable prime rate multiplied by adjustment rate at 72%.	**160 932**	150 996
Cumulative preference shares – 4Plus Technology Venture Fund Africa Proprietary Limited ("4Plus") On 9 April 2020, AYO subscribed for 1 500 cumulative, redeemable, non-participating convertible preference shares of no par value in 4Plus for a consideration of R15 million and on 4 May 2020, AYO subscribed for a further 1 500 cumulative, redeemable, non-participating convertible preference shares of no par value in 4Plus for a consideration of R15 million. At 31 August 2020, AYO holds 3000 cumulative, redeemable, non-participating convertible preference shares of no par value in 4Plus. The preference shares are redeemable on 9 April 2027 and 4 May 2027 respectively. AYO has the right to convert the preference shares into ordinary shares equal to the redemption amount of redemption date. Interest is accrued at prime rate plus 2%.	**31 479**	–
	205 081	**173 963**
Split between non-current and current portions:		
Non-current assets	**192 411**	156 764
Current assets	**12 670**	17 199
Total	**205 081**	**173 963**

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

9. OTHER LOANS RECEIVABLE (continued)

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

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

Stages definitions:

Stage 1 – The counter party is making contractual payments within the stipulated period. No default has occurred in the past.

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

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

Loans receivables:

Loans receivables includes borrowings to entities that are non-related to AYO company, it also includes redeemable cumulative preference shares. The loans are unsecured with the exception of loan to Last Mile Logistics Africa Proprietary Limited ("Last Mile") (Formerly known as K2019465714 Proprietary Limited), Last Mile loan is secured by trade debtors, loans receivables and bank accounts of Last Mile. In the current year, AYO advanced a loan of R25.4 million to Last Mile. The outstanding balance as at 31 August 2020 on this loan was R25.4 million. The loan bears interest at prime rate and is repayable on 31 May 2023. The loan was fully impaired due to doubt over the recoverability of the loan as a result of the entity's poor performance. All the other loans receivables measured at amortised cost are considered to have low credit risk as the counter parties have not defaulted on any payments and have good financial performance, and the expected loss allowance is based on the 12 months expected credit loss. The loans receivables did not default of any payments, the entities financial performance is adequate which resulted in significantly low probability of default, no ECL was recognised.

Loans to related party companies:

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

Vunani Fintech Fund's trading performance and financial position improved in the current and as result the loss allowance of R1.6 million recognised in the prior period was reversed as impairment recovery in the current financial year.

On 14 April 2020, AYO subscribed for 150 cumulative, redeemable, non-participating convertible preference shares of no par value in Loot B2B Proprietary Limited (previously known as K2018010234 (South Africa) Proprietary Limited for a consideration of R15 million. The preference shares are redeemable on 14 April 2027. AYO has the right to convert the preference shares into ordinary shares equal to the redemption amount of redemption date. Interest is accrued at prime rate plus 2%.

The preference share loan was fully impaired due to doubt over recoverability of the loan as result of the entity's poor performance. The outstanding balance as at 31 August 2020 on this loan was R15.9 million.

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

9. OTHER LOANS RECEIVABLE (continued)

The loss allowance as at 31 August 2020 and 31 August 2019 was determined as follows:

		Stage 1		Stage 2		Stage 3			
		Performing		Under-performing		Non-performing		Total	
	Notes	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000
Gross amount		**404 521**	192 178	**54 954**	108 351	**3 716**	–	**463 191**	300 529
Other loans receivable	9	**205 081**	173 963	**54 786**	3 716	**3 716**	–	**263 583**	177 679
Loans to related party companies	8	**186 063**	5 535	**168**	104 635	**–**	–	**186 231**	110 170
Other financial assets	11	**13 377**	12 680	**–**	–	**–**	–	**13 377**	12 680
Expected credit loss rate		**0%**	0%	**100.%**	4.91%	**100.%**	0%		0%
Loss allowance		**–**	–	**(54 954)**	(5 324)	**(3 716)**	–	**(58 670)**	(5 324)
Carrying value of loans with expected credit losses		**404 521**	192 178	**–**	103 027	**–**	–	**404 521**	295 205

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

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

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

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

A loan to a related party company which was in stage 2 in the prior year was moved to stage 1 due to improvement in the financial performance and financial position of the debtor.

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

	2020 R'000	2019 R'000
Opening balance	**(5 324)**	–
Expected credit loss allowance on other loans receivable	**(54 786)**	(3 716)
Expected credit loss reversal on loans to related party companies	**1 608**	–
Expected credit loss allowance on loans to related party companies	**(168)**	(1 608)
Loss allowance as at 31 August	**(58 670)**	**(5 324)**

The loss allowance increased significantly in the current year due to new loans provided in the current year to Last Mile and Loot B2B.

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Name of company	**Ownership interest 2020 %**	Ownership interest 2019 %	**Carrying amount 2020 R'000**	Carrying amount 2019 R'000
Bambelela Capital Proprietary Limited ("Bambelela") On 28 September 2018, AYO concluded the acquisition of a 32% shareholding in Bambelela (previously Vunani Group Proprietary Limited). Bambelela holds a 49% shareholding in Vunani Limited a diversified financial services group.	**32**	32	**31 139**	16 182
Loot B2B Proprietary Limited ("Loot B2B") On 8 March 2019, AYO subscribed for 18.7% of the issued share capital in Loot B2B. Loot B2B specialises in e-commerce.	**18.7**	18.7	**–**	2 850
4Plus Technology Venture Fund Africa Proprietary Limited ("4Plus") On 2 April 2019, AYO subscribed for 9.3% of the issued share capital in 4Plus. 4Plus has interests in digital media, artificial intelligence, software development and telecommunications. On 5 October 2019 AYO subscribed for a further 5% of the issued share capital in 4Plus and on 16 December 2019 for a further 8% of the issued share capital in 4Plus. As at 31 August 2020, AYO has a total shareholding of 22% in 4Plus.	**22**	9.3	**31 782**	5 587
Closing balance	**–**	**–**	**62 921**	**24 619**

	2020 R'000	2019 R'000
Reconciliation of investments		
Opening balance	**24 619**	–
Additions	**107 985**	91 541
Changes in fair values	**(69 683)**	(66 922)
Closing balance	**62 921**	24 619

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

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

Investment in Loot B2B

In the broader group, there is a company, Loot Online which has a successful marketplace in the B2C environment. AYO made the investment in Loot B2B with the intention of developing a B2B marketplace leveraging off the experience and expertise of Loot Online. The B2B marketplace connects SMMEs and links the demands to the supplies. It eliminates the unnecessary steps businesses must take while finding suppliers and buyers thus increasing efficiency for the platform users. This provides other opportunities that technologies such as Blockchain, crypto currency amongst others which can be integrated into the whole system in the future, so the customer base will not be limited to doing business only in South Africa.

There was a fair value loss in the current year because of COVID-19 impacted the company's supplier chain as it imports most of its products and ultimately resulted in reduced forecasted cash flows as well as the delay in the launch of the marketplace.

Investment in 4Plus

4 Plus is an investment holding company that has an equity stake in: Volt Business Solutions (a company that is involved in software development particularly in advertising tech), Loot (an ecommerce platform), Independent Online ("IOL") (an online newspaper) and Africa Community Media ("ACM") (a company that publishes community) newspapers. AYO aims to create an eco-system through its investment in Loot B2B, 4 Plus and the Vunani Fintech Fund. AYO believes that there is a great opportunity for e-commerce businesses particularly those that will cater to the SMME market (in terms of B2B and B2C) and those that also would capture the township economy. The e-commerce platform available in 4 Plus through its equity stake in Loot will enable the creation of an e-commerce platform for a B2B market in LootB2B, the Group aims to utilise the payment systems that are available in the Vunani Fintech Fund on this platform. Volt will be utilised to drive internet traffic towards the e-commerce platform. IOL and ACM will provide the content and link advertisers to the e-commerce platform. Last Mile Logistics will be utilised to effect delivery of goods purchased on the platform.

There was a fair value loss in the current year because of COVID-19 disrupted the operations of the underlying businesses which resulted in lower forecasted cash flows.

Fair value information

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

11. OTHER FINANCIAL ASSETS

Other financial assets are comprised of:	2020 R'000	2019 R'000
At fair value through profit or loss		
Cadiz Life Investment Enterprise Development Fund	**9 702**	10 234
The fund is an innovative new investment whereby corporate clients can earn the required Enterprise development points in terms of the DTI scorecard for B-BBEE compliance and at the same time earn real returns from the once-off investment. AYO withdrew funds of R8.7 million from Cadiz on 6 September 2020.		
Nesa Capital Fund ("Nesa")	**-**	188
Funds held with Nesa Capital through its Enterprise Development Fund which provides growth and expansionary capital to SMMEs. The amount presented was at fair value. This amount was held by a subsidiary Mantella Trading 634 Proprietary Limited which was disposed in the current financial year.		
Foreign exchange contracts	**70**	1 495
Numus Capital Proprietary Limited ("Numus")	**1 080**	–
Numus is a boutique asset management company. AYO placed funds on R 1 050 000 with Numus in the current financial year. Which has been invested in the stock market.		
Total for fair value through profit or loss	**10 852**	**11 917**
Loans and receivables at amortised cost		
Supplier development loan	**1 159**	5 500
The loans were provided as part of the Group's enterprise supplier development process. The loans are interest free and receivable as follows: – R3 500 000 by no later than 30 November 2019 – R1 000 000 by no later than 31 August 2020 Repayment terms on the outstanding balance has been extended to no later than 31 August 2021		
Staff loans	**1 979**	1 534
The loans bear no interest, are dependent on service terms committed and are repayable on demand should the employee leave the employment of the company earlier than the committed service term.		
Breakage fee receivable	**1 500**	–
AYO paid a breakage fee of R1 250 000 and R250 000 respectively, in terms of the offer to purchase agreement with the shareholders of Kathea Communications and Kathea Energy. The breakage fee together with any interest accrued shall be deducted from the purchase consideration in the event that a definitive sale of shares agreement is entered into between AYO and the shareholders of Kathea Communications and Kathea Energy and becomes unconditional in all respects. If the definitive sale of shares agreement is not entered for any reason whatsoever except as a result of AYO not negotiating in good faith, the breakage fee together with any interest accrued is repayable to AYO. At 31 August 2020, the definitive sale of shares agreement was not concluded yet, therefore the breakage fee has been recognised as a receivable.		

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

11. OTHER FINANCIAL ASSETS (continued)

Other financial assets are comprised of:	2020 R'000	2019 R'000
Ikeganya Support Services Proprietary Limited ("Ikeganya")	**–**	1 983
The loan was unsecured, bore no interest and was repayable over two equal instalments of R991 556 commencing 30 June 2019.		
Thamani Technology and Solutions Proprietary Limited	**3 701**	–
The loan is unsecured, bears no interest and is repayable within the next 12 months.		
Mantella Trading 634 Proprietary Limited	**2 507**	–
The loan is unsecured, interest free and has no fixed repayment dates.		
Uhula ICT Proprietary Limited ("Uhula")	**1 700**	1 700
The loan is unsecured, bears no interest and is repayable within the next 12 months.		
Sizwe Connect Proprietary Limited ("Sizwe connect")	**–**	1 933
The loan was unsecured, bore no interest and was repayable in six equal instalments of R321 973 commencing 28 February 2021. This loan was settled in full in the current year.		
Intitium Venture Solution Proprietary Limited	**280**	–
The loan is unsecured, interest free and has no fixed repayment dates.		
The IT Alchemist Proprietary Limited	**520**	–
The loan is unsecured, interest free and has no fixed repayment dates.		
Ragna CC	**30**	30
The loan is unsecured, bears no interest and has no fixed repayment terms.		
	13 376	**12 680**
Total other financial assets	**24 228**	**24 597**
Split between non-current and current portions:		
Non-current assets	**1 000**	12 355
Current assets	**23 228**	12 242
Total	**24 228**	**24 597**

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

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

Fair values information

Financial assets at fair value through profit or loss are carried at fair value, which is therefore equal to their carrying amounts. The fair values of investments not listed or quoted are determined using the discounted cash flow analysis.

Fair values are determined annually at reporting date.

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

12. FINANCE LEASE RECEIVABLES

	2020 R'000	2019 R'000
Gross investment in the lease due	**52 321**	1 331
– within one year	**23 021**	892
– in second to fifth year inclusive	**29 300**	439
Less: Unearned finance income	**(9 080)**	(312)
	43 241	**1 019**
Present value of minimum lease payments due		
– within one year	**18 052**	669
– in second to fifth year inclusive	**25 189**	350
	43 241	**1 019**
Split between non-current and current portion		
Non-current assets	**25 189**	350
Current assets	**18 052**	669
	43 241	**1 019**

The average lease terms are three to five years and the average effective lending rate was 22% (2019: 22%). The finance lease arrangements relate to the Group's managed services segment. The finance lease arrangements are for equipment, which includes laptops, printers, tablets and CCTV equipment.

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

Notes to the consolidated annual financial statements (continued)

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13. DEFERRED TAX

	2020 R'000	2019 R'000
Deferred tax liability	(30 275)	(21 511)
Deferred tax asset	74 822	58 424
Total net deferred tax asset	44 547	36 913
Deferred tax liability		
Allowance for credit losses	–	–
Property, plant and equipment	(11 467)	(6 809)
Right of use assets	(6 102)	–
Intangible assets	(10 524)	(9 607)
Finance lease assets	–	(4 131)
Prepaid expenses	(2 182)	(964)
Income received in advance	–	–
Total	(30 275)	(21 511)
Deferred tax asset		
Provisions	23 813	16 463
Allowance for credit losses	2 038	1 905
Property, plant and equipment	–	–
Income received in advance	6 308	8 231
Fair value adjustments on investments	30 400	14 772
Operating lease assets	–	252
Lease liabilities	6 956	–
Finance lease liabilities	90	4 392
Deferred tax balances from temporary differences other than unused tax losses	69 605	46 015
Tax losses available for set-off against future taxable income	5 217	12 409
Total	74 822	58 424

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

13. DEFERRED TAX (continued)

	2020 R'000	2019 R'000
Reconciliation of deferred tax asset/(liability)		
Balance at the beginning of the year	**36 913**	3 710
Allowance for credit losses	**133**	477
Provisions	**7 350**	11 761
Tax losses available for set off against future taxable income	**(7 192)**	11 882
Accelerated capital allowances of property, plant and equipment	**(4 658)**	(6 719)
Taxable temporary differences movement on intangible assets	**(917)**	(6 850)
Prepaid expenses	**(1 218)**	(758)
Fair value adjustment on investments	**15 628**	14 782
Operating lease asset	**(252)**	252
Finance lease assets	**4 131**	(4 131)
Finance lease liabilities	**(4 302)**	4 392
Lease liabilities	**6 956**	–
Income received in advance	**(1 923)**	8 115
Right of use assets	**(6 102)**	–
Balance at the end of the year	**44 547**	36 913

14. INVENTORIES

	2020 R'000	2019 R'000
Finished goods	**51 374**	66 604
Consumables	**2 578**	–
Work in progress	**100 271**	116 669
Total	**154 223**	183 273
Inventory written down to net realisable value	**(11 859)**	(4 282)
Net carrying amount	**142 364**	**178 991**

2020: R12 million (2019: R4 million) of inventory was written off in the current year. The carrying value of inventory R142 364 (2019: R178 991) is carried at net realisable value. Consumables relates to Protective clothing purchased during the year that was not fully consumed.

The inventory write down to net realisable value relates primarily to the write down of work in progress stock held for an onerous contract. Refer to note 27 for more detail.

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

15. TRADE AND OTHER RECEIVABLES

	2020 R'000	2019 R'000
Financial Instruments:		
Trade receivables	**475 986**	376 366
Loss allowance	**(13 178)**	(9 107)
Trade receivables at amortised cost	**462 808**	**367 259**
Deposits	**14 108**	28 563
Accrued income	**6 150**	30 790
Funds held in Trust	**111 423**	110 336
Related party receivables	**12 058**	11 950
Provision for impairment of related party receivables	**(10 249)**	–
Sundry customers	**1 743**	4 070
Contract termination receivable	**68 903**	–
Non-financial instruments		
Value added taxation	**506**	11 560
Prepayments	**34 517**	28 970
Provision for impairment of prepayments	**(9 041)**	(9 041)
Operating lease receivables	**–**	34
Total	**692 926**	**584 491**

Accrued income and sundry customers

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

Contract termination receivable

The receivable relates to compensation for the cancellation of a contract with a major customer.

No expected credit loss been recognised for this receivable as the full compensation was received subsequent to year end.

Funds held in trust

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

Provisions for prepayment

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

Provisions for impairment of related party receivables

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

15. TRADE AND OTHER RECEIVABLES (continued)

Credit quality of trade and other receivables

78% (2019: 71%) of the Group's trade receivables stems from the managed services segment. The credit risk for this segment has been assessed as low by the divisional management as the majority of the receivables are classified as current based on their recent payment history of the debtors.

6% (2019: 9%) of the Group's trade receivables stem from the Group's Security solutions segment. The credit risk for this segment has been assessed as low by the divisional management based on the ageing of the receivables (majority of the receivables are classified as current) and the recent payment history.

4% (2019: 18%) of the Group's trade receivables stem from sales within the Unified communications segment. The credit risk for this segment has been assessed as low by the divisional management as the majority of the receivables are less than 60 days overdue and the segment currently has insurance on receivables. The insurance company responsible for the underwriting of the insurance receivables has a credit rating of AA+.

12% (2019: 5%) of the Group's trade receivables stem from sales within the Healthcare, Software and consulting and Tracking solutions segments. These sales are predominantly to state institutions, recoverability of these customers are extremely good. The credit risk has been assessed as low by the divisional management at year-end based on recent payment history. Credit concentration is high as sales are to few customers and there have been low defaults in the past.

Categorisation of trade and other receivables

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

	2020 R'000	2019 R'000
Financial instruments	**666 944**	552 968
Non-financial instruments	**25 982**	31 523
	692 926	584 491

Expected credit loss allowance

The carrying amount of trade receivables and other receivables approximates the fair value.

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

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

Notes to the consolidated annual financial statements (continued)

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15. TRADE AND OTHER RECEIVABLES (continued)

On the above basis the expected credit loss allowance for trade receivables as at 31 August 2020 was determined as follows:

	Gross amount R'000	Expected credit loss rate	Lifetime expected credit loss R'000	Carrying amount R'000
Current	**292 708**	**0.64%**	**(1 898)**	**290 810**
Past due 30 to 60 days	**72 221**	**1.68%**	**(1 215)**	**71 006**
Past due 60 to 90 days	**33 433**	**3.21%**	**(1 072)**	**32 361**
Past due 90 days and older	**77 624**	**11.59%**	**(8 993)**	**68 631**
	475 986	**–**	**(13 178)**	**462 808**

On the above basis the expected credit loss allowance for trade receivables as at 31 August 2019 was determined as follows:

	Gross amount R'000	Expected credit loss rate	Lifetime expected credit loss R'000	Carrying amount R'000
Current	222 107	2.34%	(5 261)	216 846
Past due 30 to 60 days	67 739	2.49%	(1 689)	66 050
Past due 60 to 90 days	32 173	2.49%	(802)	31 371
Past due 90 days and older	54 347	2.49%	(1 355)	52 992
	376 366	–	(9 107)	367 259

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

The loss rates for trade debtors in 60+ days increased in the current year as the economic uncertainty brought by the COVID-19 pandemic has resulted in expected poor trading performance of the debtors and may impact the debtors ability to settle the amounts owing.

	2020 R'000	2019 R'000
Reconciliation of expected credit loss		
Loss allowance opening balance	**9 107**	7 352
Additional allowances charged to profit or loss	**4 071**	1 755
Closing balance	**13 178**	9 107

The increase in expected credit loss is as a result of increases in trade debtors balances in the current year.

Fair value of trade and other receivables

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

For more information on credit risk refer to note 46.

16. CASH AND CASH EQUIVALENTS

	2020 R'000	2019 R'000
Cash and cash equivalents consists of:		
Cash on hand	**171**	154
Bank balances	**3 225 000**	3 680 062
Bank overdraft	**(3 424)**	(1 106)
Total	**3 221 747**	3 679 110

The Group has the following facilities in place:

Absa Bank Limited ("Absa")

AYO has a bank overdraft facility with Absa which is secured by unlimited cross suretyship between African Equity Empowerment Investments Limited, Health System Technologies Proprietary Limited and Premier Fishing SA Proprietary Limited supported by cession of loan accounts.

AYO has provided an unlimited guarantee for AEEI's overdraft facility of R10 million held with Absa.

The following facilities are held with Absa:

- Credit card to the value of R10 000
- Forward Exchange Contract (Nominal Value) of R200 000
- Foreign Exchange Settlement Limit to the value of R500 000

The following facilities are held with Absa by Health Systems Technology Proprietary Limited:

- Primary Lending to the value of R5 million
- Term Loan of R5.8 million
- Credit card to the value of R202 000
- Forward Exchange Contracts (Nominal Value) of R10 million
- Foreign Exchange Settlement Limit to the value of R5 million

First National Bank Limited ("FNB")

Puleng Technologies Proprietary Limited has the following facilities with FNB:

- Forward Exchange Contracts to the value of R5 million

The above facilities with FNB are secured by:

- Cession of debtors. The current year debtors balance is R29.9 million

Sizwe Africa IT Group Proprietary Limited ("Sizwe") has the following facilities with FNB:
Sizwe has provided the following securities to FNB:

- Debtors book of Sizwe. The current year debtors balance is R295 million
- Unrestricted cross surety provided by Sizwe
- AYO has provided a guarantee of R60 million to Sizwe

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

16. CASH AND CASH EQUIVALENTS (continued)

Nedbank Limited ("Nedbank")

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

- Overdraft facility to the value of R7 million
- Vehicle-and-asset finance facility to the value of R313 319
- A medium-term loan facility of R264 025

The above facilities with Nedbank are secured as follows:

- Limited surety signed by A. S. Brown to the value of R8 million
- Limited surety signed by Communications Products Proprietary Limited to the value of R5.3 million
- Limited surety signed by Biton Music Productions Proprietary Limited to the value of R7.5 million
- A first, second and third covering mortgage bonds over erf 14290 Somerset West by Biton Music Productions Proprietary Limited, reflected as a mortgagor, and Nedbank, reflected as mortgagee of R3 million, R4 million and R500 000 respectively.

Sasfin Limited ("Sasfin")

Vehicle-and asset facility of R35 581

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

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

	2020 R'000	2019 R'000
Bank balances are held with		
Absa Bank Limited – Baa3	**1 339 035**	2 735 145
Investec Bank Limited – Baa3	**219 174**	265 308
Bank of China Limited – A1	**1 355 382**	501 213
Nedbank Limited – Baa3	**78 415**	9 965
Standard Bank of South Africa Limited – Ba2	**98 023**	86 398
*First National Bank Limited – BB	**129 054**	51 098
HSBC Bank Limited	**–**	761
Albaraka Bank Limited	**2 383**	28 958
Cash on hand	**171**	154
AfrAsia Bank Limited	**110**	110
Total	**3 221 747**	3 679 110

**First National Bank Limited is not rated by Moody's. It has been rated using Fitch Ratings Inc.*

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

17. STATED CAPITAL

	2020 R'000	2019 R'000
Authorised		
2 000 000 000 Ordinary shares of no par value	**–**	–
Issued		
344 123 944 (2019: 344 123 944) Ordinary shares	**4 349 280**	4 349 280
Share premium	**173 444**	173 444
Share issue costs	**(78 314)**	(78 314)
Closing balance	**4 444 410**	4 444 410

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

18. RESERVES

Share-based payment reserve

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

Translation of foreign operations

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

NCI put option reserve

The Non-controlling interest ("NCI") put option reserve arose in respect of the accounting for the written put options entered into by the Company over the non-controlling interest shares of Main Street and GCCT respectively. At a Group level these written put options are considered to be options over own equity.

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

	2020 R'000	2019 R'000
Share-based payment reserve	**11 809**	11 809
Foreign currency translation reserve	**(913)**	(250)
Revaluation reserve	**221**	221
Changes in ownership reserve	**(36 169)**	(27 455)
Written NCI put option reserve	**(14 795)**	(14 795)
	(39 847)	(30 470)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

19. OTHER FINANCIAL LIABILITIES

	2020 R'000	2019 R'000
Opening balance	38 500	–
Loan – Computer Aided Telephony System	887	–
NCI shareholders – Puleng	–	38 500
Payment to NCI shareholders – Puleng	(38 500)	–
Closing balance	**887**	38 500

NCI shareholders – Puleng

AYO entered into an agreement to purchase the remaining 43% of Puleng from minority NCI shareholders for a consideration of R38.5 million. The amount owed was settled in the current financial year.

Computer Aided Telephony System loan

The loan is interest free with no fixed repayment date.

20. DERIVATIVES FINANCIAL LIABILITY

	2020 R'000	2019 R'000
Opening balance	3 934	–
Additions	–	14 795
Fair value adjustments	3 653	(10 861)
Closing balance	**7 587**	3 934

Written put-options over non-controlling interests:

As per the share sale agreements, AYO has a written option which gives AEEI the right to sell to AYO its 60% shareholding in Main Street and its 31% shareholding in GCCT. The options are exercisable between three to four years from the date of purchase of Main Street and GCCT. Mainstreet was acquired on 9 February 2019 and GCCT was acquired on 1 March 2019. These options have been fairly valued at year-end and the loss of R3.7 million has been disclosed in other operating gains.

Refer to note 43 for additional information.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

21. LEASE LIABILITY

	2020 R'000	2019 R'000
Maturity analysis		
Less than one year	**24 395**	12 683
One to five years	**16 190**	2 853
More than five years	**–**	–
Total lease liability	**40 585**	15 536
Non-current liabilities	**16 190**	2 853
Current liabilities	**24 395**	12 683
	40 585	15 536
Amounts recognised in profit or loss		
Interest on lease liability	**6 122**	–
Depreciation on the right of use assets	**42 310**	–
Expenses relating to short-term leases	**3 285**	–
Total	**51 717**	–

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

The average lease term was 3 – 5 years and the average effective borrowing rate was 10% (2019: 10%).

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

Lease payments not recognised as liability

The Group has elected not to recognise a lease liability for short-term leases and for leases with low value assets

Payments for those leases are expensed on a straight-line basis in statement of profit or loss.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

22. EMPLOYEE BENEFIT OBLIGATION

	2020 R'000	2019 R'000
Long-term employee benefit obligation		
SGT Solutions Proprietary Limited and Global Command & Control Technologies Proprietary Limited reward employees with long service by remunerating them with a lump sum after a specific number of service years. Employees in both companies receive a bonus of 50% of their monthly pensionable salary after 10 years service, 75% after 15 years service, 100% after 20 years service, 125% plus R5 000 after 25 years of service, 150% after 30 years of service, 175% after 35 years of service and 200% after 40 years of service. Simeka Consultants and Actuaries calculated the value of the employer's liability towards qualifying employees as at 31 August 2020.		
The movement in the long-term employee benefit obligation is as follows:		
Balance at the beginning of the year	**6 665**	–
Additions arising from business combination	**–**	5 770
Benefits paid	**(277)**	(35)
Net expenses recognised in the profit or loss	**(13)**	930
	6 375	6 665
The principle actuarial assumptions applied in valuing the liability of SGT were as follows:		
Assumptions used on last valuation on 31 August 2020.		
Discount rate	**8.77%**	9.26%
Inflation rate	**4.66%**	6.08%
Salary escalation rate*	**5.66%**	7.08%
Real rate (approximate)#	**3.11%**	2.18%
The principle actuarial assumptions applied in valuing the liability of GCCT were as follows:		
Assumptions used on last valuation on 31 August 2020.		
Discount rate	**8.85%**	9.02%
Inflation rate	**5.14%**	5.34%
Salary escalation rate*	**6.14%**	7.08%
Real rate (approximate)#	**2.71%**	2.18%

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

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

Retirement

A normal retirement age of 63 was assumed for employees.

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

23. DEFERRED INCOME

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

	2020 R'000	2019 R'000
Reconciliation		
Opening balance	**29 833**	–
Additions through business combination	**–**	31 120
Additions	**86 939**	6 715
Reversals through the statement of profit or loss	**(68 132)**	(8 002)
Closing balance	**48 640**	29 833
Split between non-current and current portions:		
Non-current liabilities	**751**	11 244
Current liabilities	**47 889**	18 589
Total	**48 640**	29 833

The deferred income balance are from subsidiary companies, Zaloserve, Software Tech and SGT Solutions. Zaloserve and SGT Solutions were acquired in prior year and only eight and half months of financial results for Zaloserve were included in the prior year and six months for SGT Solutions. In the current year the full year's results have been included resulting in an increase in the balance for the current year.

Refer to note 28 for IFRS 15 disclosures.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

24. CONTINGENT CONSIDERATION LIABILITIES

	2020 R'000	2019 R'000
Opening balance	**42 344**	4 256
Contingent consideration arrangements entered into	**-**	43 226
Zaloserve Proprietary Limited	**-**	13 343
SGT Solutions Proprietary Limited	**-**	29 883
Amount due for payment	**-**	(5 500)
Settlements	**(38 625)**	(4 460)
Fair value adjustments	**1 378**	4 822
Closing balance	**5 097**	42 344

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 required Main Street 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. On 28 February 2020, Main Street concluded an agreement with the previous shareholder of SGT Solutions to settle the contingent considerations agreement for an amount of R33,5 million.

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 information at acquisition date and were discounted at the weighted average cost of capital of the relevant subsidiary.

	2020 R'000	2019 R'000
Split between non-current and current portions:		
Non-current liabilities	**-**	37 549
Current liabilities	**5 097**	4 795
Total	**5 097**	**42 344**

For fair value information refer to note 47.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

25. TRADE AND OTHER PAYABLES

	2020 R'000	2019 R'000
Financial instruments:		
Trade payables	**221 026**	324 342
Contract termination payable*	**42 989**	–
Non-financial instruments:		
Leave pay and other accruals	**233 262**	99 645
SARS – PAYE, UIF and SDL	**–**	13 310
Amounts received in advance	**1 909**	1 979
Value added taxation	**24 479**	4 560
Total	**523 665**	443 836

*The contract termination payable relates to compensation payable for the cancellation of a contract with a major customer.

Fair value of trade and other payables

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

26. LOANS FROM RELATED PARTY COMPANIES

	2020 R'000	2019 R'000
Holding company		
African Equity Empowerment Investments Limited	**–**	20 863
This loan was provided to GCCT by AEEI. The loan bore interest at prime plus 2% and was repayable within 12 months from signature date. This loan was settled in the current financial year.		
Fellow subsidiaries		
Sekunjalo Technology Solutions Group Proprietary Limited	**–**	797
The loan is unsecured and interest is charged at the prime overdraft rate		
There are no fixed terms of repayment, however, the company has been granted an unconditional right to defer payment for 12 months from the statement of financial position date. The loan was settled in the current financial year.		
Split between non-current and current portions:		
Non-current liabilities	**–**	797
Current liabilities	**–**	20 863
Total	**–**	21 660

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

27. PROVISIONS

Reconciliation of provisions

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Reconciliation of provisions – 2020					
Commission	**533**	**682**	**(533)**	**–**	**682**
Bonuses	**15 643**	**26 487**	**(28 350)**	**–**	**13 780**
Onerous contract	**5 680**	**9 595**	**–**	**(1 049)**	**14 226**
Project and product warranties and product risk	**3 742**	**3 829**	**(222)**	**(711)**	**6 638**
Provisions for marketing and promotions	**496**	**97**	**(378)**	**–**	**215**
Total	**26 094**	**40 690**	**(29 483)**	**(1 760)**	**35 541**

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
Reconciliation of provisions – 2019					
Commission	303	533	(303)	–	533
Partner reward incentive programme	204	–	(204)	–	–
Leave pay	4 710	–	–	(4 710)	–
Bonuses	5 917	39 949	(29 960)	(263)	15 643
Onerous contract	–	5 680	–	–	5 680
Project and product warranties and product risk	–	4 058	(96)	(220)	3 742
Provisions for marketing and promotions	–	526	(30)	–	496
Provision for warranty costs	4 256	–	–	(4 256)	–
Total	15 390	50 746	(30 593)	(9 449)	26 094

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

27. PROVISIONS (continued)

Commission

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

Partner reward program

The provision for partner reward program is recognised for Kalula's partner reward programme which is granted to debtors when they reach certain revenue targets. This program was discontinued in the current financial year.

Bonuses

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

Provision for onerous contracts

A provision has been recognised by SGT Solutions for estimated costs to complete the remaining work on SAPs Eastern Cape Cetra project.

Provision for project, product warranties and risk

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

28. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers	**2020 R'000**	2019 R'000
Sale of goods	**1 434 156**	679 139
Rendering of services	**1 451 058**	1 280 153
	2 885 214	1 959 292
Disaggregation of revenue from contracts with customers		
The Group disaggregates revenue from customers as follows:		
Sale of goods	**1 434 156**	679 139
Fees earned	**1 167 238**	259 159
Service revenue	**283 820**	1 020 994
Total revenue from rendering of services	**1 451 058**	1 280 153
Total revenue recognition contracts with customers	**2 885 214**	1 959 292
Timing of revenue recognition by revenue pattern		
At a point in time		
Software- and consulting-related	**170 424**	87 630
Security services solutions-related	**155 965**	133 413
Communication Products and hardware-related	**104 173**	133 726
Project-related services	**1 176 012**	552 496
	1 606 574	907 265
Over-time		
Software- and consulting-related	**148 611**	180 567
Security services solutions-related	**84 714**	73 041
Communication Products- and hardware-related	**359 440**	2 014
Project-related services	**685 875**	796 405
	1 278 640	1 052 027
	2 885 214	1 959 292

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

28. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Revenue disaggregated by primary geographical markets is as follows: 2020	**South Africa R'000**	**Rest of Africa R'000**	**Europe R'000**	**USA R'000**	**Total R'000**
Software and consulting	**53 411**	**–**	**3 543**	**–**	**56 954**
Security solutions	**310 678**	**7 747**	**25 653**	**803**	**344 881**
Unified communications	**82 544**	**8 250**	**–**	**–**	**90 794**
Health care	**119 903**	**348**	**–**	**–**	**120 251**
Tracking solutions	**61 116**	**28 018**	**231**	**–**	**89 365**
Managed services	**2 173 029**	**9 937**	**3**	**–**	**2 182 969**
Total	**2 800 681**	**54 300**	**29 430**	**803**	**2 885 214**

Revenue disaggregated by primary geographical markets is as follows: 2019	South Africa R'000	Rest of Africa R'000	Europe R'000	Total R'000
Software and consulting	58 427	–	1 461	59 888
Security solutions	261 913	2 599	14 085	278 597
Unified communications	65 993	7 247	–	73 240
Health care	111 372	–	–	111 372
Tracking solutions	25 090	265	–	25 355
Managed services	1 406 434	4 388	18	1 410 840
Total	**1 929 229**	**14 499**	**15 564**	**1 959 292**

Unsatisfied long-term warranties and maintenance contracts		
Transaction price allocated to long-term contracts	38 189	28 531

Management expects that 79% of transaction price allocated to the unsatisfied contracts as at period ended 31 August 2020 will be recognised as revenue in the next year-end, 31 August 2021. The remaining 21% will be recognised in the period ended 31 August 2022.

29. COST OF SALES

Comprised of:	**2020 R'000**	2019 R'000
Sale of goods	**1 302 864**	677 969
Rendering of services	**827 997**	627 240
Employee costs	**124 442**	90 666
Depreciation and amortisation	**4 555**	4 145
	2 259 858	1 400 019

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

30. OTHER OPERATING INCOME

	2020 R'000	2019 R'000
Corporate services fees income	**3 785**	4 407
Recovery of credit losses	**1 900**	949
Other income	**1 982**	110
Commission received	**–**	290
Administration and management fees	**525**	88
Rental income	**171**	238
Profit on sale of investment in associate	**–**	62
Fees earned	**166**	3 902
Income received from SETA	**125**	–
Compensation on cancellation of contract*	**59 915**	–
	68 569	10 046

*The income relates to compensation received from the cancellation of a contract with a major customer.

31. OTHER OPERATING GAINS/(LOSSES)

	2020 R'000	2019 R'000
Loss/(gain) on sale of business	**(6 627)**	1 345
Gain on bargain purchase	**–**	418
Fair value (loss)/gains on NCI written put option	**(3 653)**	10 860
Net foreign exchange (losses)/gains	**(1 801)**	853
Fair value losses on contingent considerations	**(1 378)**	(4 822)
Fair value losses on financial assets designated as at fair value through profit or loss	**(70 228)**	(53 544)
Profit on sale of property, plant and equipment	**1 326**	456
Fair value losses on investments in joint venture	**(201)**	–
	(82 562)	(44 434)

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

32. OTHER OPERATING EXPENSES

Major items included in other operating expenses:	2020 R'000	2019 R'000
Employee costs	**445 338**	288 336
Depreciation and amortisation	**73 767**	25 155
Impairment expenses	**28 789**	19 485
Fines and penalties	**6 554**	211
Management fees	**7 560**	7 560
Contract termination costs	**37 382**	–
Retrenchment costs	**10 515**	–
Advertising	**10 561**	17 057
Audit fees	**14 582**	13 780
Commission	**13 115**	11 664
Insurance	**10 456**	6 222
Subscriptions	**15 610**	7 571
Telephone	**11 319**	8 038
Other operating expenses	**7 299**	144 329
	692 846	549 407

33. FINANCE INCOME

	2020 R'000	2019 R'000
Bank and cash	**203 079**	280 464
Interest – Group companies	**1 732**	518
Loans receivable	**13 555**	7 055
Cumulative preference shares – Bambelela	**9 936**	10 996
Cumulative preference shares – 4Plus interest	**1 478**	–
Cumulative preference shares – K2018 interest	**886**	–
Funds in Trust	**6 404**	2 152
Other financial assets	**4 724**	21 671
	241 794	322 856

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

34. FINANCE COSTS

	2020 R'000	2019 R'000
Bank	**1 338**	465
South African Revenue Service	**2 920**	4 157
Finance leases	**–**	349
Lease liabilities	**6 122**	–
Vendor financing programme	**5 388**	2 869
Long service awards	**272**	–
Group loans	**1 389**	3 078
	17 429	10 918

35. INCOME TAX EXPENSE

	2020 R'000	2019 R'000
Major components of the tax expense		
South African normal taxation	**78 516**	97 534
Under provision – prior periods	**–**	769
Foreign normal taxation	**371**	15
Total current tax expense	**78 887**	98 318
Deferred tax expense		
Deferred tax arising on originating and reversing temporary differences	**(8 041)**	(8 486)
Benefit of unrecognised tax loss or tax credit or temporary difference used to reduce deferred tax expense	**–**	180
Arising from prior period adjustments	**–**	1 174
Total deferred tax expense	**(8 041)**	(7 132)
Total tax expense	**70 846**	91 186

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

35. INCOME TAX EXPENSE (continued)

	2020 R'000	2019 R'000
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	**103 626**	272 985
Tax at the applicable tax rate of 28% (2019: 28%)	**29 015**	76 436
Tax effect of adjustments on taxable income		
Impairment loss	**23 982**	1 040
Donations	**292**	554
Legal fees	**1 530**	2 307
Fines and penalties	**2 058**	3
Prior period under provision of current tax	**(243)**	399
Loss from associate	**–**	(450)
Tax losses utilised	**240**	(16)
Foreign income tax	**–**	10
Capital gains	**–**	2 954
Learnerships	**(2 728)**	–
Prior period over provision of deferred tax	**–**	(317)
Expected credit losses	**(121)**	244
Consulting fees	**2 171**	2 115
Dividend income exempt from tax	**(1 764)**	(1 342)
Interest on late payment of tax	**914**	5
Expenses in respect of exempt income	**–**	(2 053)
Fair value and accounting adjustments	**20 622**	8 707
Advertising costs – Capital in nature	**–**	560
Depreciation – right of use assets	**–**	–
Profit from equity accounted joint venture	**(5 310)**	–
Foreign exchange gains	**(133)**	–
Interest income exempt from tax	**(2 782)**	–
Interest expense on lease liabilities	**278**	–
Lease payments – lease liabilities	**–**	–
Non-deductible expenditure	**2 825**	30
	70 846	91 186

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

36. EARNINGS PER SHARE

		2020 R'000		2019 R'000
Earnings per share ("EPS") is derived by dividing the earnings attributable to equity holders of AYO by the weighted average number of ordinary shares.				
Basic and diluted earnings per share (cents)		**6.20**		43.76
There are no dilute options and other dilute potential ordinary shares, therefore, basic and diluted earnings are the same.				
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:				
Earnings attributable to shareholders of AYO		**21 343**		150 599
Weighted average number of shares (000)		**344 124**		344 124
Net asset value per share				
Net asset value per share (cents)		**1 248**		1 299
	Gross of tax	**Net of tax**	Gross of tax	Net of tax
Headline earnings per share				
Headline earnings is determined as follows:				
Earnings attributable to shareholders of AYO		**21 343**		150 599
Adjusted for:				
Profit on sale of property, plant and equipment	**(1 326)**	**(955)**	(489)	(352)
Loss/(profit) on disposal of subsidiary	**6 627**	**4 771**	(1 061)	(764)
Impairment of property, plant and equipment	**69**	**50**	244	176
Impairment of Intangibles	**2 666**	**1 919**	–	–
Goodwill impairment	**644**	**464**	–	–
Gain on bargain of purchase	**-**	**-**	(418)	(301)
Headline earnings		**27 592**		**149 358**
Weighted average number of shares (000)		**344 124**		344 124
Headline earnings per share (cents)		**8.02**		43.40

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

37. CASH GENERATED BY OPERATIONS

	2020 R'000	2019 R'000
Profit before tax	**103 626**	272 565
Adjustments for:		
Depreciation and amortisation	**69 276**	25 125
Profit on sale of property, plant and equipment	**(1 336)**	–
Share of (profit)/loss from equity – accounted joint venture	**(18 963)**	1 608
Finance income	**(241 794)**	(322 856)
Finance costs	**17 429**	10 918
Fair value losses	**75 269**	47 531
Inventory write down to net realisable value	**11 858**	–
Foreign exchange gains	**(1 114)**	–
Impairment losses	**74 904**	6 987
Loss on sale of subsidiary	**6 627**	(455)
Funds in Trust legal expenses	**5 316**	–
Movements in operating lease assets and accruals	**–**	(34)
Movements in provisions	**9 447**	(6 834)
Changes in working capital		
Inventories	**43 431**	(7 424)
Trade and other receivables	**(218 258)**	(60 350)
Trade and other payables	**73 433**	(19 194)
Deferred income	**18 778**	2 091
Cash utilised in operations	**27 931**	50 320

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

38. TAX PAID

	2020 R'000	2019 R'000
Tax payable balance at the beginning of the year	**(21 498)**	(40 974)
Business combinations	**3**	–
Current tax for the year recognised in profit or loss	**(79 058)**	(98 318)
Balance at the end of the year	**8 566**	21 498
Tax paid	**(91 987)**	(117 794)

39. DIVIDENDS PAID

	2020 R'000	2019 R'000
Dividends declared	**175 503**	–
Dividends paid	**(168 694)**	(221 108)

An interim dividend of 35 cents per share amounting to R120 million was paid to shareholders during the year under review.

A final dividend of 65 cents per share was approved by the board of directors on 19 November 2020 in respect of the year ended 31 August 2020. The dividend is payable on 14 December 2020 to shareholders recorded in the share register of the company of the business on 11 December 2020.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

40. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities – 2020

	Opening balance R'000	Initially recognised (IFRS 16) R'000	Business combinations/ (Loss in control of subsidiary) R'000	Other non-cash movements R'000	Total non-cash movements R'000	cashflows R'000	Closing balance R'000
Other financial liabilities	39 297	–	347	68	415	(38 825)	887
Other payables	13 310	–	–	–	–	(13 310)	–
Finance lease liabilities	15 536	(15 536)	–	–	(15 536)	–	–
Lease liabilities	–	76 652	–	(637)	76 015	(35 430)	40 585
Loans from related party companies	20 863	–	–	389	389	(21 252)	–
Contingent liabilities	42 344	–	–	1 378	1 378	(38 625)	5 097
Derivative financial liabilities	3 934	–	–	3 653	3 653	–	7 587
Total	**135 284**	**61 116**	**347**	**4 851**	**66 314**	**(147 442)**	**54 156**

Reconciliation of liabilities arising from financing activities – 2019

	Opening balance R'000	Business combinations/ (Loss in control of subsidiary) R'000	Other non-cash movements R'000	Total non-cash movements R'000	cashflows R'000	Closing balance R'000
Other financial liabilities	1 133	6 826	32 471	39 297	(1 133)	39 297
Other payables	1 842	–	235 095	235 095	(223 627)	13 310
Finance lease liabilities	964	24 826	–	24 826	(10 254)	15 536
Loans from related party companies	–	–	533	533	20 330	20 863
Loans from shareholders	4 993	–	8	8	(5 001)	–
Contingent liabilities	–	43 227	3 577	46 804	(4 460)	42 344
Derivative financial liabilities	–	–	3 934	3 934	–	3 934
Total	**8 932**	**74 879**	**275 618**	**350 497**	**(224 145)**	**135 284**

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

41. BUSINESS COMBINATIONS

Acquisition of NSX Solutions Consulting Proprietary Limited ("NSX")

AYO completed the acquisition of a 100% shareholding in NSX Solutions Consulting Proprietary Limited ("NSX") on 17 October 2019 for a consideration of R500 000. A loan of R850 000 was extended to NSX subsequent to acquisition. NSX is a company which provides cloud computing solutions and was acquired in order to enhance the Group's product offerings.

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

Assets acquired and liabilities assumed	R'000
Property, plant and equipment	35
Intangible assets	48
Loans receivable	119
Trade and other receivables	30
Current tax receivable	3
Value added tax receivable	2
Cash and cash equivalents	313
Deferred income	(29)
Loans payable	(347)
Trade and other payables	(319)
Total identifiable assets and liabilities	(145)
Goodwill	645
Total purchase consideration	500
Consideration paid	
Cash	500
Total purchase consideration	500
Net cash outflow on acquisition date	
Cash consideration paid	(500)
Cash acquired	313
Net cash outflow	(187)

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. The Goodwill acquired is not considered to be tax deductible.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

41. BUSINESS COMBINATIONS (continued)

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:

	R'000
Revenue	626
Loss after tax	(197)

Revenue and profits of the acquirees which would have been included in the AYO Group results had the business combinations taken place at the beginning of the 2020 financial year:

	R'000
Revenue	692
Loss after tax	(268)

42. DISPOSAL OF SUBSIDIARY

On 31 August 2020 Zaloserve Proprietary Limited Group disposed 40% of its interest in Mantella Trading 634 Proprietary Limited ("Mantella") for a consideration of R6 million. The Company was sold as it no longer fits the Group's long-term strategy. The net assets of Mantella were as stated below on the date of disposal:

Mantella Trading 634 Proprietary Limited	
Property, plant and equipment	5 288
Right of use of assets	845
Other financial assets	188
Deferred tax assets	851
Inventories	18 663
Trade and other receivables	14 116
Cash and cash equivalents	512
Other financial liabilities	(1 128)
Trade and other payables	(6 076)
Loans from related party companies	(2 507)
Current tax payable	(1 293)
Non-controlling interest	(17 676)
Total net assets sold	11 784
Consideration received	(6 000)
loss on sale of subsidiaries	5 784
Net cash outflow on disposal	
Cash sold	512

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

43. COMMITMENTS AND CONTINGENCIES

	2020 R'000	2019 R'000
Operating lease commitments		
Minimum lease payments due		
– within one year	**2 969**	10 087
– in second to fifth year inclusive	**-**	9 005
– later than five years	**-**	538
	2 969	19 630

Operating lease payments shown relate to short-term and low value assets. Such leases are for rental of premises and office equipment. No contingent rent is payable.

Litigation

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.

The State Information Technology Agency ("SITA") brought an application in the Eastern Cape high court for an order to interdict the Eastern Cape Department of Education ("ECDOE") from continuing with a contract that the ECDOE has with the Sizwe for the supply and lease of tablets to matric learners in the Eastern Cape. The Eastern Cape high court granted the order for the interdict. The ECDOE, supported by Sizwe are appealing the ruling.

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.

Options

The share sale agreements for Mainstreet and GCCT give AYO the option to sell its 40% shareholding in Main Street and its 24% shareholding in GCCT to AEEI at a price defined by a formula in the share sale agreements ("AYO put options"). The AYO put option for Main Street has been valued at Rnil as at 31 August 2020, (2019: R27 million) and the AYO put option for GCCT has been valued at nil as at 31 August 2020(2019: nil) . The options are exercisable between two to four years from the date of purchase of Main Street and GCCT. As at 31 August 2020, the minimum period of two years from date of purchase had not elapsed. The asset is not recognised as the recognition criteria of an asset is not met, due to the inflow of economic benefits not being probable.

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

44. RELATED PARTIES

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

Significant related party transactions entered into include:

Entity name	Relationship
African Equity Empowerment Investments Limited	Holding company
Digital Health Africa Proprietary Limited	Joint venture company of a subsidiary
Vunani Fintech Fund Proprietary Limited	Joint venture company
Afrinat Proprietary Limited	Fellow subsidiary
Bowwood and Main No.180 Proprietary Limited	Fellow subsidiary
espAfrika Proprietary Limited	Fellow subsidiary
Orleans Cosmetics Proprietary Limited	Fellow subsidiary
Premfresh Seafoods Proprietary Limited	Fellow subsidiary
Premier Fishing SA Proprietary Limited	Fellow subsidiary
Tripos Tourism Investments Proprietary Limited	Fellow subsidiary
Tripos Travel Proprietary Limited	Fellow subsidiary
Mustek Limited	Company with similar directors to Sizwe
Sizwe Asset Finance Proprietary Limited	Company with similar directors to Sizwe
Titantrade 306 Proprietary Limited	Company with similar directors to Sizwe
Win-A-Way Investments 15 Proprietary Limited	Company with similar directors to Sizwe
BT Communications Services South Africa Proprietary Limited	Associate of holding company
3 Laws Capital Proprietary Limited	Common shareholding
African News Agency Proprietary Limited	Common shareholding
Imagine Awards	Common shareholding
Independent News and Media Proprietary Limited	Common shareholding
Loot Online Proprietary Limited	Common shareholding
Prodirect Investments 112 Proprietary Limited	Common shareholding
Sekunjalo Investments Holdings Proprietary Limited	Common shareholding
Sekunjalo Properties Proprietary Limited	Common shareholding
Vunani Corporate Finance Proprietary Limited	Common shareholding
4Plus Technology Venture Fund Africa Proprietary Limited	Investment
Bambelela Capital Proprietary Limited	Investment
Loot B2B Proprietary Limited (previously known as K2018010234 (South Africa) Proprietary Limited	Investment
Volt Business Solutions Proprietary Limited	Investment
Clifford van der Venter	Director of a fellow subsidiary
Directors	Refer to director's report
Dr Wallace Mgoqi	Director
Sello Rasethaba	Director
Vanessa Govender	Director

Notes to the consolidated annual financial statements (continued)

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44. RELATED PARTIES (continued)

Related party transactions include the following:	2020 R'000	2019 R'000
Sales to related parties		
BT Communications Services South Africa Proprietary Limited	15	1 633
Mustek Limited	338	13
Sizwe Asset Finance Proprietary Limited	526 078	389 404
Titantrade 306 Proprietary Limited	974	106
Win-A-Way Investments 15 Proprietary Limited	668	28
African Equity Empowerment Investments Limited	55	824
Sagarmatha Technologies Limited	-	1 099
Loot B2B Proprietary Limited	-	532
Blank page Publishing Proprietary Limited	-	325
Premier Fishing SA Proprietary Limited	32	380
AS Brown	41	-
Purchases of hardware and managed services from related parties		
BT Communications Services South Africa Proprietary Limited	275 882	302 358
Tripos Tourism Investments Proprietary Limited	6	29
Mustek Limited	32 236	22 718
Sizwe Asset Finance Proprietary Limited	90 581	98 856
African News Agency Proprietary Limited	-	9 307
Independent News and Media Proprietary Limited	-	13 955
Premier Fishing SA Proprietary Limited	275	208
African Equity Empowerment Investments Limited	3	-
Corporate service income from related parties		
African Equity Empowerment Investments Limited	680	-
Independent News and Media Proprietary Limited	3 105	3 175
Fair value gains (losses) on investments in related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	(81 790)	(70 073)
Bambelela Capital Proprietary Limited	14 957	16 182
Loot B2B Proprietary Limited	(2 850)	(12 150)
Fair value gains (losses) on derivate financial assets with related parties		
African Equity Empowerment Investments Limited (Main Street and GCCT Call option)	15 368	67 350
Administration and management fees received from related parties		
3 Laws Capital Proprietary Limited	-	6 243
Administration and management fees expense to related parties		
African Equity Empowerment Investments Limited	7 560	7 560
Communication Product Proprietary Limited	45	-

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

44. RELATED PARTIES (continued)

Related party transactions include the following:	2020 R'000	2019 R'000
Advertising and marketing expenses to related parties		
African News Agency Proprietary Limited	**1 334**	5 376
espAfrika Proprietary Limited	**-**	10 249
Independent News and Media Proprietary Limited	**493**	15 134
Orleans Cosmetics Proprietary Limited	**-**	207
Cleaning expenses to related parties		
Prodirect Investments 112 Proprietary Limited	**28**	14
Conferences and seminars expenses to related parties		
Independent News and Media Proprietary Limited	**-**	904
Consulting fees to related parties		
Clifford van der Venter	**-**	74
Vunani Corporate Finance Proprietary Limited	**-**	9 888
African News Agency Proprietary Limited	**-**	6
Corporate finance charges from related parties		
African Equity Empowerment Investments Limited	**219**	-
Contract termination costs to related parties		
BT Communications Services South Africa Proprietary Limited	**37 382**	-
Donations to related parties		
Independent News and Media Proprietary Limited	**-**	255
Dr Wallace Mgoqi	**-**	20
Sello Rasethaba	**-**	30
Entertainment expenses to related parties		
Imagine Awards	**-**	413
Sekunjalo Edu Jazz Awards	**-**	3
Impairment expenses in respect of related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	**529**	-
espAfrika Proprietary Limited	**7 000**	-
Independent News and Media Proprietary Limited	**7 583**	-
Orleans Cosmetics Proprietary Limited	**207**	-
Sekunjalo Investments Holdings Proprietary Limited	**1 930**	-
Loot B2B Proprietary Limited	**15 886**	-
Payroll processing fees to related parties		
Premier Fishing SA Proprietary Limited	**405**	103
Protective equipment purchased from related parties		
Afrinat Proprietary Limited	**2 800**	-
Printing and stationary expenses to related parties		
Loot Online Proprietary Limited	**10**	-
Rental expenses to related parties		
Prodirect Investments 112 Proprietary Limited	**3 377**	1 705
Sekunjalo Properties Proprietary Limited	**2 088**	1 369
Win-A-Way Investments 15 Proprietary Limited	**3 825**	3 833
Biton Music Productions Proprietary Limited	**925**	-

Notes to the consolidated annual financial statements (continued)

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44. RELATED PARTIES (continued)

Related party transactions include the following:	2020 R'000	2019 R'000
Subscriptions expenses to related parties		
Sekunjalo Investments Holdings Proprietary Limited	2 671	1 538
Sello Rasethaba	-	3
Levies paid to related parties		
Independent News and Media Proprietary Limited	-	72
Legal fees paid to related parties		
African Equity Empowerment Investments Limited	-	11
Other expenses paid to related parties		
Premier Fishing SA Proprietary Limited	-	35
Prodirect Investments 112 Proprietary Limited	-	14
Sundry income from related parties		
Win-A-Way Investments 15 Proprietary Limited	-	620
Sundry expenses to related parties		
Win-A-Way Investments 15 Proprietary Limited	704	-
Staff welfare paid to related parties		
Dr Wallace Mgoqi	-	1
Vanessa Govender	-	32
Travel expenses paid to related parties		
Tripos Travel Proprietary Limited	3 150	5 939
Interest received from related parties		
3 Laws Capital Proprietary Limited	-	7 977
4Plus Technology Venture Fund Africa Proprietary Limited	1 478	-
African Equity Empowerment Investments Limited	1 146	-
Bambelela Capital Proprietary Limited – cumulative redeemable preference shares	9 936	10 996
Loot B2B Proprietary Limited	886	-
Vunani Fintech Fund Proprietary Limited	9 659	4 605
Bowwood and Mains No.180 Proprietary Limited	1 040	-
Volt Business Solutions Proprietary Limited	1 384	935
Interest paid to related parties		
African Equity Empowerment Investments Limited	604	2 045
Compensation to Directors and other key management		
Short term employee benefits	4 341	-
Paul Edmond Thompson	259	-
Steve James	259	-
Muhammed Mayet	2 438	-
Henk Von Zeuner	1 318	-

Notes to the consolidated annual financial statements (continued)

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44. RELATED PARTIES (continued)

Related party balances include the following:	2020 R'000	2019 R'000
Loans receivables from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited – cumulative redeemable preference shares	**31 478**	–
African Equity Empowerment Investments Limited	**22 729**	5 367
Bambelela Capital Proprietary Limited – cumulative redeemable preference shares	**160 933**	–
Loot B2B Proprietary Limited – cumulative redeemable preference shares	**15 886**	–
Vunani Fintech Fund Proprietary Limited	**114 294**	104 605
Volt Business Solutions Proprietary Limited	**13 524**	11 535
Digital Health Africa Proprietary Limited	**168**	168
Bowwood and Main No.180 Proprietary Limited	**49 040**	–
Accumulated impairment on loans receivable from related parties		
Vunani Fintech Fund Proprietary Limited	**–**	(1 608)
Loot B2B Proprietary Limited	**(15 886)**	–
Volt Business Solutions Proprietary Limited	**(13 524)**	–
Digital Health Africa Proprietary Limited	**(168)**	–
Loans payable to related parties		
African Equity Empowerment Investments Limited	**–**	20 863
Investments in related parties at cost		
4Plus Technology Venture Fund Africa Proprietary Limited	**183 230**	75 660
Bambelela Capital Proprietary Limited	**16 182**	16 182
Loot B2B Proprietary Limited	**15 000**	15 881
Accumulated fair value gains (losses) on investments in related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	**(151 448)**	(70 073)
Bambelela Capital Proprietary Limited	**31 139**	16 182
Loot B2B Proprietary Limited	**(15 000)**	(12 150)
Carrying amounts of investments in related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	**31 782**	5 587
Bambelela Capital Proprietary Limited	**31 139**	16 182
Loot B2B Proprietary Limited	**–**	2 850
Options		
African Equity Empowerment Investments Limited	**3 934**	14 795
Fair Value adjustment	**3 653**	(10 861)

Notes to the consolidated annual financial statements (continued)
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44. RELATED PARTIES (continued)

Related party balances include the following:	2020 R'000	2019 R'000
Trade receivables from related parties		
Independent News and Media Proprietary Limited	**3 570**	–
Premier Fishing SA Proprietary Limited	**1**	399
Mustek Limited	**63**	–
Sizwe Asset Finance Proprietary Limited	**30**	5 006
Titantrade 306 Proprietary Limited	**3**	–
Win-A-Way Investments 15 Proprietary Limited	**4**	–
African Equity Empowerment Investments Limited	**81**	–
BT Communications Services South Africa Proprietary Limited	**–**	30
Sargamatha Technologies Proprietary Limited	**430**	1 346
AS Brown	**48**	–
Other receivables from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	**529**	529
African Equity Empowerment Investments Limited	**782**	723
Orleans Cosmetics Proprietary Limited	**207**	207
Independent News and Media Proprietary Limited	**5 571**	3 651
Sekunjalo Investments Holdings Proprietary Limited	**1 930**	1 281
Puleng Technologies Proprietary Limited	**–**	4 176
Prodirect Investments 112 Proprietary Limited	**470**	–
Accumulated impairment on other receivables from related parties		
4Plus Technology Venture Fund Africa Proprietary Limited	**(529)**	–
Orleans Cosmetics Proprietary Limited	**(207)**	–
Independent News and Media Proprietary Limited	**(7 583)**	–
Sekunjalo Investments Holdings Proprietary Limited	**(1 930)**	–
Prepayments to related parties		
African News Agency Proprietary Limited	**10 700**	10 450
Independent News and Media Proprietary Limited	**9 041**	9 041
Sekunjalo Investments Holdings Proprietary Limited	**890**	–
espAfrika Proprietary Limited	**7 000**	–
Accumulated impairment on prepayments to related parties		
Independent News and Media Proprietary Limited	**(9 041)**	(9 041)
Rental deposit to related party		
Prodirect Investments 112 Proprietary Limited	**470**	470

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

44. RELATED PARTIES (continued)

Related party balances include the following:	2020 R'000	2019 R'000
Lease liability payable to related parties		
Sekunjalo Properties Proprietary Limited	**2 585**	–
Trade payables to related parties		
African Equity Empowerment Investments Limited	**1 702**	–
African News Agency Proprietary Limited	**–**	175
BT Communications Services South Africa Proprietary Limited	**3 664**	27 360
Premfresh Seafoods Proprietary Limited	**–**	121
Tripos Travel Proprietary Limited	**43**	25
Premier Fishing SA Proprietary Limited	**830**	11
Mustek Limited	**15 143**	1 015
Sizwe Asset Finance Proprietary Limited	**17**	14 223
Independent News and Media Proprietary Limited	**–**	6 931
Contract termination costs payable to related parties		
BT Communications Services South Africa Proprietary Limited	**42 989**	–
Other payables to related parties		
Vunani Corporate Finance Proprietary Limited	**1 000**	–

Bank guarantee

Unrestricted cross surety and cession of the Zaloserve's trade receivable was provided as surety for the FNB overdraft facility by Sizwe. The value of the trade receivables is R289 million.

AYO has provided a bank guarantee of R60 million to Sizwe Africa IT Group Proprietary Limited.

AYO has provided an unlimited guarantee for AEEI's overdraft facility of R10 million held with Absa.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

45. DIRECTORS' EMOLUMENTS

	AYO Group											
	Basic salary R'000	Other benefits* R'000	Pension or provident fund contribution or receivable R'000	Bonus R'000	Sign on Bonus R'000	Short-term incentive R'000	Long-term incentive R'000	Directors' fees R'000	Consulting fees R'000	Total R'000	Other Group Company remuneration R'000	Total R'000
2020												
H Plaatjes*	3 486	–	318	321	–	3 000	1 100	–	–	8 225	–	8 225
IT Bundo*	2 857	43	262	268	–	2 500	1 000	–	–	6 930	–	6 930
V Govender*	2 579	–	197	235	–	1 800	600	–	–	5 411	–	5 411
Khalid Abdulla	1 935	33	93		4 000	–	–	–	–	6 061	2 358	8 419
AB Amod^	–	–	–	–	–	–	–	750	100	850	794	1 644
Dr W Mgoqi#	–	–	–	–	–	–	–	1 125	100	1 225	–	1 225
Dr D George#	–	–	–	–	–	–	–	825	100	925	–	925
R Mosia#	–	–	–	–	–	–	–	600	100	700	207	907
S Rasethaba#	–	–	–	–	–	–	–	450	100	550	–	550
N Ramathlodi#	–	–	–	–	–	–	–	300	100	400	458	858
Prof Dr LCH Fourie#	–	–	–	–	–	–	–	50	–	50	–	50
I Amod^	–	–	–	–	–	–	–	525	100	625	413	1 038
	10 857	76	870	824	4 000	7 300	2 700	4 625	700	31 952	4 230	36 182

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

45. DIRECTORS' EMOLUMENTS (continued)

	AYO Group							
Figures in Rand	Basic salary R'000	Other benefits* R'000	Pension or provident fund contribution or receivable R'000	Bonus R'000	Directors' fees R'000	Total R'000	Other Group Company remuneration R'000	Total R'000
2019								
H Plaatjes*	2 292	306	78	–	–	2 676	–	2 676
IT Bundo*	1 643	105	–	–	–	1 748	1 125	2 873
V Govender*	1 693	276	–	–	–	1 969	–	1 969
AM Salie*	836	54	–	–	–	890	1 414	2 304
A B Amod^	–	–	–	–	842	842	832	1 674
N Gamieldien*	1 378	163	–	960	–	2 501	–	2 501
S Young#	–	–	–	–	217	217	–	217
Dr W Mgoqi#	–	–	–	–	675	675	–	675
Dr D George#	–	–	–	–	371	371	–	371
R Mosia#	–	–	–	–	315	315	–	315
S Rasethaba#	–	–	–	–	277	277	–	277
N Ramathlodi#	–	–	–	–	239	239	227	466
I Amod^	–	–	–	–	89	89	–	89
CF Hendricks#	–	–	–	–	–	–	1 557	1 557
TT Hove#	–	–	–	–	50	50	–	50
	7 842	904	78	960	3 075	12 860	5 155	18 015

* *Executive Directors*
^ *Non-Executive Directors*
# *Independent Non-Executive Directors*
* *Other benefits comprise travel allowance and medical benefits*

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

In the prior year IT Bundo was remunerated by Premier Fishing SA Proprietary Limited ("Premier") an amount of R1 125 000. Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

AB Amod was remunerated by AEEI an amount of R206 510 (2019: R212 379) and by Premier an amount of R587 169 (2019: R193 000). AEEI and Premier remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

K Abdulla was remunerated by AEEI an amount of R2 358 000. Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

R Mosia was remunerated by Premier an amount of R206 510 (2019: R314 000). Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

45. DIRECTORS' EMOLUMENTS (continued)

N Ramathlodi was remunerated by AEEI an amount of R251 093 (2019: Rnil) and by Premier an amount of R206 510 (2019: R473 000). Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

I Amod was remunerated an amount of R206 510 (2019: Rnil) by AEEI and an amount of R206 510 (2019: Rnil) by Premier. Such remuneration was not payable by AYO nor was it for services rendered as a director of the Company.

Direct and indirect interest of the directors

As at 31 August 2020, the directors of the Company held in aggregate a direct beneficial interest of 3 750 (2019: 5 000) and an indirect non-beneficial interest of 3 000 000 (2019: 11 063 304) in the Company's shares, equivalent to 0.8729% (2019: 3.2164%) of the issued share capital.

	Direct beneficial	Direct non-beneficial	Indirect beneficial	Indirect non-beneficial	Total percentage
2020					
I Amod	**1 250**	**–**	**–**	**–**	**0.0004%**
AB Amod	**1 250**	**–**	**–**	**–**	**0.0004%**
S Young	**1 250**	**–**	**–**	**–**	**0.0004%**
D George	**–**	**–**	**–**	**3 000 000**	**0.8718%**
	3 750	**–**	**–**	**3 000 000**	**0.8729%**
2019					
I Amod	1 250	–	–	–	0.0004%
AB Amod	1 250	–	–	–	0.0004%
S Young	2 500	–	–	–	0.0007%
D George	–	–	–	11 063 304	3.2149%
	5 000	–	–	11 063 304	3.2164%

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

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

46. FINANCIAL RISK MANAGEMENT

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

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

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

Liquidity risk

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

Risk management

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

46. FINANCIAL RISK MANAGEMENT (continued)

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

Facility	Bank	2020 R'000	2019 R'000
Overdrafts (expiring within one year)	Absa	5 000	5 000
Overdrafts (expiring within one year)	Nedbank	7 000	7 000

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

Maturity profiles of financial liabilities

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

	Within one year R'000	Between one to two years R'000	Between two to three years R'000	Total R'000	Carrying amount R'000
As at 31 August 2020					
Other financial liabilities	887	–	–	887	887
Derivative financial liability	–	–	7 587	7 587	7 587
Lease liabilities	24 984	17 743	2 328	45 055	40 585
Trade payables	264 015	–	–	264 015	264 015
Contingent consideration liabilities	–	5 097	–	5 097	5 097
Bank overdraft	3 424	–	–	3 424	3 424
Total	293 310	22 840	9 915	326 065	321 595

	Within one year R'000	Between one to two years R'000	Between two to three years R'000	Over three years R'000	Total R'000	Carrying amount R'000
As at 31 August 2019						
Other financial liabilities	38 500	797	–	–	39 297	39 297
Finance lease liabilities	12 683	2 853	–	–	15 536	15 536
Trade payables	439 511	–	–	–	439 511	439 511
Contingent consideration liabilities	10 295	37 549	–	–	47 844	47 844
Loans from related party companies	20 863	–	–	–	20 863	20 863
Derivative financial liability	–	–	–	3 934	3 934	3 934
Total	521 852	41 199	–	3 934	566 985	566 985

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

46. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

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

Risk management

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

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

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

Trade receivables are comprised of a widespread customer base.

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

Security

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

Impairment of financial assets

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

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

46. FINANCIAL RISK MANAGEMENT (continued)

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

	2020 R'000	2019 R'000
Financial asset		
Other loans receivable	**205 081**	173 963
Other financial assets	**24 228**	24 597
Trade and other receivables	**666 944**	552 968
Cash and cash equivalents	**3 221 747**	3 679 110
Loans to related party companies	**186 063**	108 562
Total	**4 304 063**	4 540 219

The exposure to credit risk for trade receivables by geographic region as at 31 August 2020 was as follows:

	2020 R'000	2019 R'000
Geographic region		
South Africa	**465 079**	580 883
Rest of Africa	**7 246**	3 437
Europe	**3 661**	171
Total	**475 986**	584 320

The exposure to credit risk for trade receivables by sector as at 31 August 2020 was as follows:

	2020 R'000	2019 R'000
Sector		
Private	**192 521**	452 941
Government institutions	**283 465**	131 550
Total	**475 986**	584 491

Cash flow interest rate risk

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

Risk management

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

46. FINANCIAL RISK MANAGEMENT (continued)

Interest risk sensitivity analysis

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents and loans receivable because of changes in interest rates. The following table shows the impact on the Group's profit before tax if interest rates were 3% (2019: 1%) higher or lower as at the reporting date. The sensitivity analysis includes the financial assets and financial liabilities balances with variable interest rates at financial year-end, with all other variables held constant.

Impact on profit before tax	2020 R'000	2019 R'000
Interest rate – increase by 3% (2019: 1%)	(7 254)	3 163
Interest rate – decrease by 3% (2019: 1%)	7 254	(3 163)

Cash flow foreign currency risk

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

Risk management

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

Foreign currency balances

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

	2020 USD'000	2019 USD'000
Cash and cash equivalents	1 987	–
Trade debtors	1 440	–
Trade payables	1 952	18

	2020 EURO'000	2019 EURO'000
Cash and cash equivalents	1	–
Trade payables	151	–

	2020 POUND'000	2019 POUND'000
Cash and cash equivalents	131	–
Trade debtors	64	–

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

46. FINANCIAL RISK MANAGEMENT (continued)

	2020	2019
United States Dollar	**16.95**	15.32
EURO	**19.74**	–
British Pound	**22.44**	–

Foreign currency sensitivity analysis

Profit or loss is sensitive to higher/lower foreign exchange gains because of changes in conversation rates. The following table shows the impact on the Group's profit before tax if the Rand weakened against the US dollar by 6% (2019: 10%), Euro by 10% and British Pound by 13% as at the reporting date. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at financial year-end for a weaker rand, with all other variables held constant.

	2020 R'000	2019 R'000
Increase in profit after tax		
USD exchange rate – increase by 6% (2019: 10%)	**5 045**	1 223
USD exchange rate – strengthens by 6% (2019: 10%)	**(5 045)**	(1 223)

	2020 R'000	2019 R'000
Increase in profit after tax		
EURO exchange rate – increase by 10%	**(296)**	–
EURO exchange rate – strengthens by 10%	**296**	–

	2020 R'000	2019 R'000
Increase in profit after tax		
POUND exchange rate – increase by 13%	**576**	–
POUND exchange rate – strengthens by 13%	**(576)**	–

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

47. FAIR VALUE INFORMATION

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

Fair value hierarchy

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

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

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

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

	Notes	Fair value hierarchy
Financial assets		
Other financial assets – not designated at fair value through profit/(loss)	11	Level 2
Other financial assets – designated at fair value through profit/(loss)	11	Level 2
Trade receivables	15	Level 3[1]
Cash and cash equivalents	16	Level 1[2]
Foreign exchange contract	11	Level 1[1]
Investments at fair value through profit/(loss)	10	Level 3
Financial liabilities		
Other financial liabilities	19	Level 3[1]
Trade payables	25	Level 3[1]
Bank overdraft	16	Level 1
Contingent consideration liability	24	Level 3
Derivatives – Put options over non-controlling interests	20	Level 3

[1] *The fair value of these instruments approximates their carrying value, due to their short-term nature.*
[2] *The carrying value of cash is considered to reflect its fair value.*

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

47. FAIR VALUE INFORMATION (continued)

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

	Fair value at 31 August 2020 R'000	Fair value at 31 August 2019 R'000	Valuation method	Fair value hierarchy
Financial assets				
Investments at fair value through profit/(loss)				
Bambelela Capital Proprietary Limited	**31 139**	16 182	*Percentage of net assets value	Level 3
Loot B2B Proprietary Limited	**–**	2 850	*Percentage of net assets value	Level 3
4Plus Technology Venture Fund Africa Proprietary Limited	**31 782**	5 587	Discounted cash flow	Level 3
Total investments at fair value through profit/(loss)	**62 921**	**24 619**		
Other financial assets – designated at fair value through profit/(loss)				
Cadiz Investment Enterprise Development Fund	**9 702**	10 234	^Investor statement	Level 2
Nesa Capital Fund	**–**	188	^Investor statement	Level 2
Total other financial assets – designated at fair value through profit/(loss)	**9 702**	**10 422**		
Financial liabilities				
Written put options over non-controlling interests	**7 587**	3 934	Binominal option pricing model	Level 3
Contingent consideration liabilities	**5 097**	42 344	Discounted cash flow	Level 3
Total financial liabilities	**12 684**	46 278		

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

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

47. FAIR VALUE INFORMATION (continued)

Reconciliation of assets and liabilities measured at level 2 and 3

31 August 2020	Opening balance R'000	Additions R'000	Disposals/ Settlements R'000	Unrealised gains/ (losses) in profit or loss R'000	Closing balance R'000
Financial assets					
Investments at fair value through profit/(loss)					
Bambelela Capital Proprietary Limited	16 182	–	–	14 957	31 139
Loot B2B Proprietary Limited	2 850	–	–	(2 850)	–
4Plus Technology Venture Fund Africa Proprietary Limited	5 587	107 985	–	(81 790)	31 782
Total investments at fair value through profit/(loss)	24 619	107 985	–	(69 683)	62 921
Other financial assets – designated at fair value through profit/(loss)					
Cadiz Investment Enterprise Development Fund	10 234	–	–	(532)	9 702
Nesa Capital Fund	188	–	(188)	–	–
Total other financial assets – designated at fair value through profit/(loss)	10 422	–	(188)	(532)	9 702
Financial liabilities					
Written put options over non-controlling interests	3 934	–	–	3 653	7 587
Contingent consideration liabilities	42 344	–	(38 625)	1 378	5 097
Total financial liabilities	46 278	–	(38 625)	5 031	12 684

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

47. FAIR VALUE INFORMATION (continued)

31 August 2019	Opening balance R'000	Additions R'000	Disposals/ Settlements R'000	Unrealised gains/ (losses) in profit or loss R'000	Closing balance R'000
Non-financial assets					
Intangible assets acquired through business combinations					
Brands	–	14 573	–	–	14 573
Customers lists	–	26 097	–	(1 405)	24 692
Total intangible assets acquired through business combinations	**–**	**40 670**	**–**	**(1 405)**	**39 265**
Financial assets					
Investments at fair value through profit/(loss)					
Bambelela Capital Proprietary Limited	–	–	–	16 182	16 182
Loot B2B Proprietary Limited	–	15 000	–	(12 150)	2 850
4Plus Technology Venture Fund Africa Proprietary Limited	–	75 660	–	(70 073)	5 587
Total investments at fair value through profit/(loss)	**–**	**90 660**	**–**	**(66 041)**	**24 619**
Other financial assets – designated at fair value through profit/(loss)					
Cadiz Investment Enterprise Development Fund	6 890	3 216	–	84	10 190
3 Laws Capital Proprietary Limited	88 827	401 734	(490 562)	–	–
Oasis Proprietary Limited	–	409 801	(422 201)	12 400	–
Nesa Capital Fund	–	188	–	–	188
Total other financial assets – designated at fair value through profit/(loss)	**95 717**	**814 939**	**(912 763)**	**12 484**	**10 378**
Financial liabilities					
Written put options over non-controlling interests	–	(14 795)	–	10 861	(3 934)
Contingent consideration liabilities	–	(47 782)	9 960	(4 822)	(42 344)
Total financial liabilities	–	(62 577)	9 960	6 039	(46 278)

	2020	2019
Cost of debt	**7% – 7.8%**	10%
Beta	**0.44 – 1.4**	0.32 – 1.4
Weighted average cost of capital	**15.45% – 22.85%**	14.2% – 24.4%
Specific risk premium	**1% – 6%**	1% – 4%
Debt-equity ratio	**0% – 50%**	0% – 30%
Terminal growth rate	**3.2% – 4.5%**	4.50%
Risk free rate	**7.35% – 7.38%**	7.26% – 8.6%

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

47. FAIR VALUE INFORMATION (continued)

	Weighted average cost of capital	
	Increase	Decrease
Contingent consideration liability	**1%**	**1%**
Zaloserve Proprietary Limited ('000)	(115)	118

	Risk free rate	
	Increase	Decrease
Written NCI put options	**1%**	**1%**
Mainstreet Group ('000)	10 418	(10 418)
Global Command and Control Technologies Proprietary Limited ('000)	–	–
	10 418	(10 418)

	Share price	
	Increase	Decrease
Investments	**10%**	**10%**
Bambelela Capital Proprietary Limited ('000)	8 107	(8 107)

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

	Weighted average cost of capital	
	Increase	Decrease
Investments	**1%**	**1%**
4 Plus Technology Venture Fund Africa Proprietary Limited ('000)	(2 667)	3 023

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

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

48. SEGMENTAL ANALYSIS

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

Geographical information

The operations of the Group are mainly domiciled in South Africa. A total of 3% (2019: 1%) of external revenue is attributable to foreign sales mainly to African Counties, India and Europe.

Major customers

29% (2019: 29%) of the Group's revenue is derived from the public sector, mainly in the Western Cape, and is derived from the health care segment and managed services segment. The balance relates to sales to the private sector.

	Segmental revenue		**Segmental gross profit**	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Software and consulting	**56 954**	61 348	**20 840**	22 962
Security solutions	**344 881**	276 304	**111 729**	105 957
Unified communications	**90 793**	73 239	**27 423**	24 473
Health care	**120 251**	111 373	**39 190**	38 739
Tracking solutions	**89 365**	25 355	**29 541**	6 915
Managed services	**2 182 970**	1 411 673	**396 633**	360 227
Total	**2 885 214**	**1 959 292**	**625 356**	559 273
Administration and support services			**(692 846)**	(549 407)
Other operating income			**68 569**	10 046
Other operating gains/(losses)			**(82 562)**	(44 434)
Movement in credit loss allowances			**(59 827)**	(12 823)
Finance income			**241 794**	322 856
Finance costs			**(17 429)**	(10 918)
Profit/(loss) on equity accounted investment			**20 571**	(1 608)
Total revenue and profit before taxation	**2 885 214**	**1 959 292**	**103 626**	272 985

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

48. SEGMENTAL ANALYSIS (continued)

	Segmental finance income		Segmental finance costs		Segmental taxation	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000
Software and consulting	**248**	350	**(103)**	(112)	**(1 870)**	(1 642)
Security solutions	**412**	648	**(37)**	–	**(6 225)**	(5 695)
Unified communications	**1 728**	1 303	**(1 720)**	(508)	**(2 413)**	(608)
Health care	**2 081**	1 847	**(158)**	(179)	**(5 303)**	(4 870)
Tracking solutions	**2 022**	1 204	**(1 497)**	(1 551)	**1 064**	(2 653)
Managed services	**235 303**	317 504	**(13 915)**	(8 568)	**(56 099)**	(75 718)
Total	**241 794**	322 856	**(17 430)**	(10 918)	**(70 846)**	(91 186)

Segmental assets	**2020 R'000**	2019 R'000
Software and consulting	**28 611**	22 017
Security solutions	**68 760**	83 099
Unified communications	**97 166**	48 022
Health care	**92 229**	350 355
Tracking solutions	**90 905**	85 343
Managed services	**4 566 686**	5 709 245
Total segmental assets	**4 944 357**	6 298 081
Unallocated*	**44 546**	36 913
Eliminations	**–**	(1 205 395)
Total consolidated assets	**4 988 903**	5 129 599

Segmental liabilities	**2020 R'000**	2019 R'000
Software and consulting	**12 937**	8 592
Security solutions	**34 540**	65 965
Unified communications	**31 227**	56 909
Health care	**24 358**	29 973
Tracking solutions	**13 826**	96 801
Managed services	**575 924**	581 847
Total segmental liabilities	**692 812**	**840 087**
Eliminations	**–**	(181 362)
Total consolidated liabilities	**692 812**	**658 725**

* *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.*

^ *Segmental assets and liabilities for 2020 before eliminations are shown below:*

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

48. SEGMENTAL ANALYSIS (continued)

Segment assets	**2020 R'000**
Software and consulting	**28 611**
Security Solutions	**68 760**
Unified communications	**97 166**
Health care	**92 229**
Tracking solutions	**90 905**
Managed services	**5 316 460**
Total segmental assets	**5 694 132**
Unallocated*	**44 546**
Eliminations^	**(749 775)**
Total consolidated assets	**4 988 903**

Segment liabilities	**2020 R'000**
Software and consulting	**12 937**
Security Solutions	**34 650**
Unified communications	**110 402**
Health care	**29 465**
Tracking solutions	**111 979**
Managed services	**760 231**
Total segmental liabilities	**1 059 664**
Eliminations^	**(366 852)**
Total consolidated assets	**692 812**

	Depreciation and amortisation		**Additions to property, plant, equipment and intangible assets**	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Software and consulting	**865**	983	**1 999**	437
Security solutions	**518**	444	**–**	332
Unified communications	**1 222**	409	**1 177**	58
Health care	**2 115**	742	**7 953**	7 953
Tracking solutions	**6 284**	943	**1 705**	9 015
Managed services	**62 763**	21 604	**22 015**	163 900
Total	**73 767**	**25 125**	**34 849**	**181 695**

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

49. EVENTS AFTER THE REPORTING PERIOD

On 6 September 2020, AYO withdrew its funds from the Cadiz Life Investment Enterprise Development Fund ("Cardiz"). The funds will be utilised by AYO as part of its entrepreneurship development expenditure into small to medium-sized information, communication, and technology for BBBEE compliance.

AYO withdrew R540 million from the Bank of China on 10 September 2020 and invested the funds with Numus Capital Proprietary Limited ("Numus Capital"). Numus Capital is a niche stock broking and asset management firm. The funds with Numus Capital will be utilised to invest in the money market and on listed shares on the Johannesburg Stock Exchange. At the time of issue of the financial results, AYO had invested funds of R595 million with Numus Capital.

AYO withdrew R200 million from the Bank of China on 8 October 2020, and R100 million on 28 October 2020. The withdrawn funds were invested with Ninety One Fund Managers SA (RF) Proprietary Limited ("Ninety One"). The funds with Ninety One will be utilised to invest in the money market. At the time of issue of the financial results, AYO had invested funds of R520 million with Ninety One.

On 17 August 2020, AYO concluded a binding offer to acquire 100% of the issued share capital and outstanding shareholder claims in Kathea Communication Solutions Proprietary Limited ("Kathea Communication") for an upfront consideration of R59.8 million and an earn-out of R30 million. Kathea Communication is a value-added distributor of voice, audio visual, video conferencing and workspace management products solutions and services and represents some of the top brands in the communication, collaboration, audio visual and workspace technology arenas.

The earn-out amount is to be paid in one instalment provided that Kathea Communications achieves minimum warranted earnings before interest, tax, depreciation and amortisation ("Warranted EBITDA") of R22 million in the 2021 financial year. If Kathea Communications does not achieve the Warranted EBITDA, AYO will be entitled to claw back some or all the short fall in the earn-out amount. As at reporting date it is estimated that AYO will pay a maximum of R30 million for the earn-out.

The binding offer is subject to certain conditions precedent, the main ones being the successful completion of due diligence to the satisfaction of AYO, competition commission approval and the conclusion of a definitive sale of share agreement. At the time of issue of the financial results, AYO was still performing a due diligence process on Kathea Communication and the transaction had not yet been approved by the competition commission.

On 17 August 2020, AYO concluded a binding offer to acquire 60% of the issued share capital and outstanding shareholder claims in Disruptive Vision Proprietary Limited (trading as Kathea Energy) ("Kathea Energy") for an upfront consideration of R25.2 million and an earn-out of R10.8 million. Kathea Energy is a value-added distributor of alternative energy solutions and represents some of the top brands in the alternative energy sector. The earn-out amount is to be paid equally over a three-year period provided that Kathea Energy achieves a minimum warranted earnings before interest, tax, depreciation and amortisation ("Warranted EBITDA") of R13.5 million in the 2021 financial year, R14.8 million in the 2022 financial year and R16.3 million in the 2023 financial year. If Kathea Energy does not achieve the Warranted EBITDA, AYO will be entitled to claw back some or all the short fall in the earn-out amount in each respective financial year. As at reporting date it is estimated that AYO will pay a maximum of R10.8 million for the earn-out.

The binding offer is subject to certain conditions precedent, the main ones being the successful completion of due diligence to the satisfaction of AYO, competition commission approval and the conclusion of a definitive sale of share agreement. At the time of issue of the financial results, AYO was still performing a due diligence process on Kathea Energy and the transaction had not yet been approved by the competition commission.

A gross final dividend of 65 cents per share in South African rand has been declared by the board of directors in respect of the year ended 31 August 2020.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

49. EVENT AFTER THE REPORTING PERIOD (continued)

On 16 September 2020, The South African President announced that a number of South Africa's lockdown regulations which came about as a result of the global Covid-19 pandemic will be relaxed as the country moves to a level 1 lockdown from 20 September 2020. Management has assessed this as a non-adjusting event after reporting period. AYO is an essential service provider and has been able to operate during the lockdown period when stricter restrictions were imposed. As at the date of issue of the financial results, management has assessed that this event currently has a negligible anticipated impact on the operations and financial position of the Group for the foreseeable future.

Management has assessed the current economic conditions as well as the projected inflation and gross domestic product on the expected credit loss allowances ("ECL") for loans receivables and trade receivables as a result of the corona virus. As at the date of publication of the financial results, management consider the ECL to be appropriate and no further adjustment is required to the annual financial results.

50. INVESTMENTS IN SUBSIDIARIES

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

Name of company	**Share holding 2020 %**	Share holding 2019 %	**Carrying amount 2020 R'000**	Carrying amount 2019 R'000
AYO International Holdings Proprietary Limited	**100**	100	**–**	1
Global Command and Control Technologies Proprietary Limited	**24**	24	**–**	1 919
Kalula Communications Proprietary Limited	**76**	51	**4 062**	37 934
Main Street 1653 Proprietary Limited	**40**	40	**29 691**	35 003
Puleng Technologies Proprietary Limited	**100**	100	**170 289**	187 100
Sekunjalo Medical Services Proprietary Limited	**100**	100	**76 576**	258 980
Software Tech Holdings Proprietary Limited	**42.59**	42.59	**3 202**	4 849
Zaloserve Proprietary Limited	**55**	55	**176 232**	163 902
NSX Solutions Consulting Proprietary Limited	**100**	–	**–**	–
			460 052	689 688

Subsidiaries for which control was lost during the year

The Group lost control of Acacia Cloud Solutions Proprietary Limited on 30 June 2019.

The Group lost control of Mantella 634 Trading Proprietary Limited on 31 August 2020.

Gains/(loss) on disposal of subsidiary

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

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

50. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries in which AYO holds less than 50% share holding

The Group holds less than 50% of the share capital of Software Tech Holdings Proprietary Limited, Main Street, and GCCT.

Management have concluded that the Company has control of Main Street 1653 Proprietary limited (40% shareholding) Software Tech Holdings Proprietary Limited (43% shareholding) and Global Command and Control Technologies Proprietary Limited (24% shareholding) even though the Company holds less than half of the voting rights. The entities are recognised as subsidiaries, as the Company has control and power over the investee; it is exposed to or has rights to variable return 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 return. Management applied judgement in assessing the impact of additional rights granted to the parent company in the shareholder's agreement in respect of its investment in Main Street and GCCT. Refer to significant judgements and estimates in the accounting policies for judgements made by management.

	2020 R'000	2019 R'000
Reconciliation of investments in subsidiaries		
Opening balance	**689 688**	414 974
Acquisitions	**12 500**	200 346
Changes in fair values	**(242 136)**	74 368
Closing balance	**460 052**	689 688

Subsidiaries with material non-controlling interest

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

Subsidiary	**Country of incorporation**	**Ownership held by non-controlling interest 2020**	2019
Software Tech Holdings Proprietary Limited	RSA	**57%**	57%
Kalula Communications Proprietary Limited	RSA	**24%**	49%
Zaloserve Proprietary Limited	RSA	**45%**	45%
Global Command and Control Technologies Proprietary Limited	RSA	**76%**	76%
Main Street 1653 Proprietary Limited	RSA	**60%**	60%
Headsetsolutions Africa Proprietary Limited	Mauritius	**49%**	49%

The country of incorporation and the principal place of business for all subsidiaries are the same in all cases, except for AYO International Holdings Proprietary Limited, which operates primarily in Mauritius.

Refer note 41 for details on acquisitions.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

50. INVESTMENTS IN SUBSIDIARIES (continued)

	Non-current assets R'000	Current assets R'000	Total assets R'000	Non-current liabilities R'000	Current liabilities R'000	Total liabilities R'000	Carrying amount of non-controlling interest R'000
Summarised statement of financial position for entities with non-controlling interest							
2020							
Software Tech Holdings Proprietary Limited	5 239	23 372	28 611	688	12 249	12 937	10 321
Kalula Communications Proprietary Limited	6 550	71 472	78 022	41 513	41 017	82 529	(522)
Zaloserve Proprietary Limited	110 423	462 858	573 282	27 716	334 964	362 680	109 237
Main Street 1653 Proprietary Limited	64 335	220 047	284 381	133 712	125 703	259 415	17 161
Global Command and Control Technologies Proprietary Limited	22 347	68 558	90 905	58 759	53 220	111 979	(13 665)
Headsetsolutions Africa Proprietary Limited	395	1 238	1 633	-	13 329	13 329	(3 892)
	209 290	847 546	1 056 835	262 387	580 482	842 869	118 640

	Revenue R'000	Profit/(loss) before tax R'000	Tax expense R'000	Profit/loss after tax R'000	Other comprehensive income R'000	Total comprehensive income R'000	Profit/(loss) allocated to non-controlling interest R'000
Summarised statement of profit or loss and other comprehensive income for entities with non-controlling interest							
2020							
Software Tech Holdings Proprietary Limited	56 954	6 677	(1 870)	4 807	66	4 872	3 318
Kalula Communications Proprietary Limited	95 296	(4 001)	(2 042)	(6 043)	-	(6 043)	(1 450)
Zaloserve Proprietary Limited	1 441 354	61 565	(15 275)	46 290	-	46 290	16 895
Main Street 1653 Proprietary Limited	334 019	5 141	(2 875)	2 267	-	2 267	1 360
Global Command and Control Technologies Proprietary Limited	89 365	(11 983)	1 064	(10 919)	-	(10 919)	(8 298)
Headsetsolutions Africa Proprietary Limited	-	(4 491)	-	(4 491)	(1 202)	(5 694)	(388)
	2 016 988	52 908	(20 998)	31 909	(1 136)	30 773	11 437

Notes to the consolidated annual financial statements (continued)
for the year ended 31 August 2020

50. INVESTMENTS IN SUBSIDIARIES (continued)

	Cash flow from operating activities R'000	Cash flow from investing activities R'000	Cash flow from financing activities R'000	Net increase/ (decrease) R'000	Dividends paid to non-controlling interest R'000
Summarised statement of cash flow for entities with non-controlling interest					
2020					
Software Tech Holdings Proprietary Limited	**3 546**	**(699)**	**(4 645)**	**(1 798)**	**(2 722)**
Kalula Communications Proprietary Limited	**(2 642)**	**(4 155)**	**31 491**	**24 694**	**–**
Zaloserve Proprietary Limited	**130 608**	**(17 721)**	**(31 247)**	**81 640**	**–**
Main Street 1653 Proprietary Limited	**(20 301)**	**(83 827)**	**72 153**	**(31 975)**	**–**
Global Command and Control Technologies Proprietary Limited	**2 863**	**(12 153)**	**16 734**	**7 445**	**–**
Headsetsolutions Africa Proprietary Limited	**–**	**–**	**–**	**–**	**–**
	114 074	**(118 555)**	**84 486**	**80 005**	**(2 722)**

	Non-current assets R'000	Current assets R'000	Total assets R'000	Non-current liabilities R'000	Current liabilities R'000	Total liabilities R'000	Carrying amount of non-controlling interest R'000
Summarised statement of financial position for entities with non-controlling interest							
2019							
Software Tech Holdings Proprietary Limited	4 183	19 132	23 315	–	8 592	8 592	(3 171)
Kalula Communications Proprietary Limited	4 239	31 463	35 702	11 587	23 501	35 088	–
Zaloserve Proprietary Limited	97 944	319 973	417 917	13 771	210 821	224 592	(102 800)
Main Street 1653 Proprietary Limited	82 221	184 586	266 807	96 320	111 274	207 594	(51 801)
Global Command and Control Technologies Proprietary Limited	11 402	76 594	87 996	20 464	76 338	96 802	(12 166)
	199 989	631 748	831 737	142 142	430 526	572 668	169 938

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

50. INVESTMENTS IN SUBSIDIARIES (continued)

	Revenue R'000	Profit/(loss) before tax R'000	Tax expense R'000	Profit/loss after tax R'000	Other comprehensive income R'000	Total comprehensive income R'000	Profit/(loss) allocated to to non-controlling interest R'000
Summarised statement of profit or loss and other comprehensive income for entities with non-controlling interest							
2019							
Software Tech Holdings Proprietary Limited	61 348	4 876	(1 642)	3 234	(24)	3 210	1 039
Kalula Communications Proprietary Limited	71 830	(4 434)	1 287	(3 147)	–	(3 147)	(1 650)
Zaloserve Proprietary Limited	748 951	49 357	(9 680)	39 677	221	39 898	12 703
Main Street 1653 Proprietary Limited	219 517	27 188	(8 638)	18 549	–	18 549	11 129
Global Command and Control Technologies Proprietary Limited	25 355	(11 459)	2 653	(8 807)	–	(8 807)	(6 692)
	1 127 001	65 528	(16 020)	49 506	197	49 703	16 529

	Cash flow from operating activities R'000	Cash flow from investing activities R'000	Cash flow from financing activities R'000	Net increase/ (decrease) R'000	Dividends paid to non-controlling interest R'000
Summarised statement of cash flow for entities with non-controlling interest					
2019					
Software Tech Holdings Proprietary Limited	4 034	(451)	(556)	3 028	(266)
Kalula Communications Proprietary Limited	(3 173)	(6 112)	13 882	4 597	–
Zaloserve Proprietary Limited	(35 469)	(17 696)	(11 209)	(64 374)	(1 200)
Main Street 1653 Proprietary Limited	4 142	(22 651)	57 769	39 260	–
Global Command and Control Technologies Proprietary Limited	(40 107)	(12 114)	82 504	30 283	–
	(70 573)	(59 024)	142 390	12 794	(1 466)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

51. FINANCIAL INSTRUMENTS

An analysis of the Group's assets and liabilities, classified by financial instrument, is set out below.

	Notes	Amortised cost R'000	Fair value through profit or loss R'000	Non-financial instruments R'000	Total R'000
2020					
Assets					
Non-current assets		**313 360**	**63 137**	**429 036**	**805 533**
Property, plant and equipment	3	**–**	**–**	**91 110**	**91 110**
Right-of-use of assets	4	**–**	**–**	**35 292**	**35 292**
Goodwill	5	**–**	**–**	**131 152**	**131 152**
Intangible assets	6	**–**	**–**	**82 783**	**82 783**
Investments in equity – accounted joint ventures	7	**–**	**–**	**18 963**	**18 963**
Loans to related party companies	8	**120 165**	**–**	**–**	**120 165**
Other loans receivable	9	**192 411**	**–**	**–**	**192 411**
Investments at fair value through profit or loss	10	**–**	**62 921**	**–**	**62 921**
Other financial assets	11	**784**	**216**	**–**	**1 000**
Finance lease receivables	12	**–**	**–**	**25 189**	**25 189**
Deferred tax assets	13	**–**	**–**	**44 547**	**44 547**
Current assets		**3 983 274**	**10 637**	**189 459**	**4 183 370**
Inventories	14	**–**	**–**	**142 364**	**142 364**
Loans to related party companies	8	**65 898**	**–**	**–**	**65 898**
Other loans receivable	9	**12 670**	**–**	**–**	**12 670**
Trade and other receivables	15	**666 944**	**–**	**25 982**	**692 926**
Other financial assets	11	**12 591**	**10 637**	**–**	**23 228**
Finance lease receivables	12	**–**	**–**	**18 052**	**18 052**
Current tax receivable		**–**	**–**	**3 061**	**3 061**
Cash and cash equivalents	16	**3 225 171**	**–**	**–**	**3 225 171**
Total assets		**4 296 634**	**73 774**	**618 495**	**4 988 903**

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

51. FINANCIAL INSTRUMENTS (continued)

	Notes	Amortised cost R'000	Fair value through profit or loss R'000	Non-financial instruments R'000	Total R'000
Equity and liabilities					
Equity					
Stated capital	17	–	–	4 444 410	4 444 410
Reserves	18	–	–	(39 847)	(39 847)
Retained income		–	–	(227 111)	(227 111)
Equity attributable to shareholders of AYO		–	–	4 177 452	4 177 452
Non-controlling interests		–	–	118 640	118 640
Total equity		–	–	4 296 092	4 296 092
Liabilities					
Non-current liabilities		6 375	7 587	16 941	30 903
Derivative financial liability	20	–	7 587	–	7 587
Lease liabilities	21	–	–	16 190	16 190
Employee benefit obligation	22	6 375	–	–	6 375
Deferred income	23	–	–	751	751
Current liabilities		268 326	5 097	388 485	661 908
Trade and other payables	25	264 015	–	259 650	523 665
Other financial liabilities	19	887	–	–	887
Lease liabilities	21	–	–	24 395	24 395
Deferred income	23	–	–	47 889	47 889
Current tax payable		–	–	11 628	11 628
Provisions	27	–	–	35 541	35 541
Dividend payable		–	–	9 382	9 382
Contingent considerations liabilities	24	–	5 097	–	5 097
Bank overdraft	16	3 424	–	–	3 424
Total liabilities		274 701	12 684	405 426	692 811
Total equity and liabilities		274 701	12 684	4 701 518	4 988 903

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

51. FINANCIAL INSTRUMENTS (continued)

	Notes	Amortised cost R'000	Fair value through profit or loss R'000	Non-financial instruments R'000	Total R'000
2019					
Assets					
Non-current assets		**267 259**	35 041	**351 162**	653 462
Property, plant and equipment	3	–	–	102 776	102 776
Goodwill	5	–	–	131 152	131 152
Intangible assets	6	–	–	79 828	79 828
Investments in equity - accounted joint ventures	7	–	–	33	33
Loans to related party companies	8	108 562	–	–	108 562
Other loans receivable	9	156 764	–	–	156 764
Investments at fair value through profit or loss	10	–	24 619	–	24 619
Other financial assets	11	1 933	10 422	–	12 355
Finance lease receivables	12	–	–	350	350
Operating lease asset		–	–	110	110
Deferred tax assets	13	–	–	36 913	36 913
Current assets		**4 261 130**	**-**	**215 007**	**4 476 137**
Inventories	14	–	–	178 991	178 991
Other loans receivable	9	17 199	–	–	17 199
Trade and other receivables	15	552 968	–	31 523	584 491
Other financial assets	11	10 747	–	1 495	12 242
Finance lease receivables	12	–	–	669	669
Current tax receivable		–	–	2 329	2 329
Cash and cash equivalents	16	3 680 216	–	–	3 680 216
Total assets		**4 528 389**	35 041	**566 169**	5 129 599

Notes to the consolidated annual financial statements (continued)

for the year ended 31 August 2020

51. FINANCIAL INSTRUMENTS (continued)

	Notes	Amortised cost R'000	Fair value through profit or loss R'000	Non-financial instruments R'000	Total R'000
Equity and liabilities					
Equity					
Stated capital	17	–	–	4 444 410	4 444 410
Reserves	18	–	–	(30 470)	(30 470)
Retained income		–	–	(77 458)	(77 458)
Equity attributable to shareholders of AYO		**–**	**–**	**4 336 482**	**4 336 482**
Non-controlling interests		–	–	134 392	134 392
Total equity		**–**	**–**	**4 470 874**	**4 470 874**
Liabilities					
Non-current liabilities		**7 462**	**41 483**	**14 097**	**63 042**
Other financial liabilities	19	797	–	–	797
Derivative financial liability	20	–	3 934	–	3 934
Finance lease liabilities	21	–	–	2 853	2 853
Employee benefit obligation	22	6 665	–	–	6 665
Deferred income	23	–	–	11 244	11 244
Contingent considerations liabilities	24	–	37 549	–	37 549
Current liabilities		**384 811**	**4 795**	**206 077**	**595 683**
Trade and other payables	25	324 342	–	119 494	443 836
Loans from related party companies	26	20 863	–	–	20 863
Other financial liabilities	19	38 500	–	–	38 500
Finance lease liabilities	21	–	–	12 683	12 683
Deferred income	23	–	–	18 589	18 589
Current tax payable		–	–	24 124	24 124
Provisions	27	–	–	26 094	26 094
Dividend payable		–	–	5 093	5 093
Contingent considerations liabilities	24	–	4 795	–	4 795
Bank overdraft	16	1 106	–	–	1 106
Total liabilities		**392 273**	**46 278**	**220 174**	**658 725**
Total equity and liabilities		**392 273**	**46 278**	**4 691 048**	**5 129 599**

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