

INTEGRATED REPORT 2019

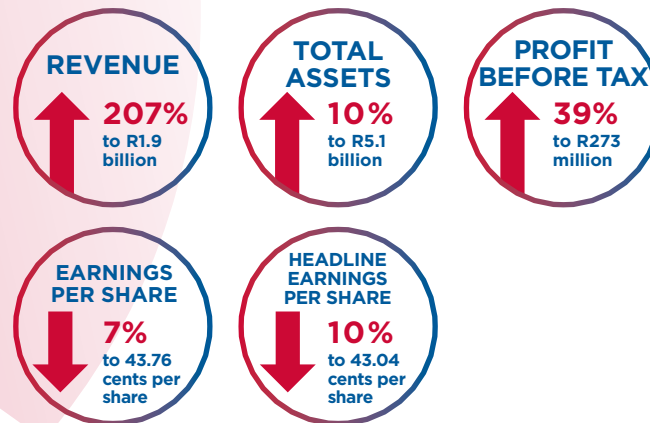


Building resilience. Gearing for growth.

About AYO

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

2019 Highlights



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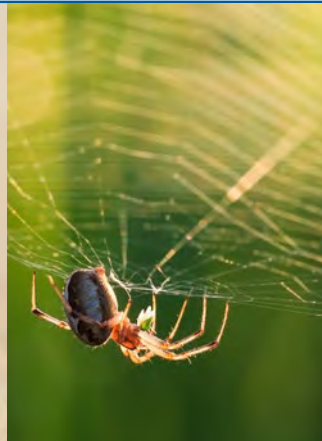
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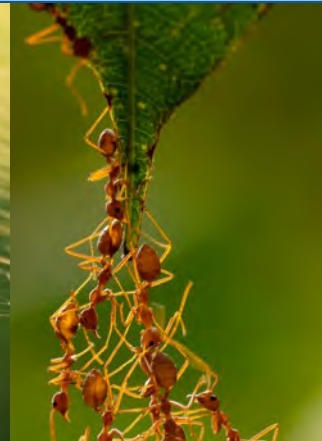
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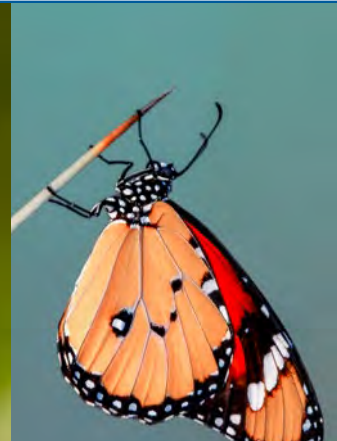
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INTRODUCTION

About our Integrated Report

THE INTEGRATED REPORT IS OUR PRIMARY REPORT TO ALL STAKEHOLDERS.

We are pleased to present our 2019 Integrated Annual Report for AYO Technology Solutions Limited (“AYO”, or “the Company” or “the Group”). The report provides a complete, accurate and balanced assessment of our strategy, performance and opportunities to utilise our expertise and capitals to create sustainable value for our stakeholders.

In preparing our Integrated Report, we were guided by the principles and requirements contained in:

- the International Integrated Reporting Council’s (IIRC) Integrated Reporting <IR> Framework
- the International Financial Reporting Standards (IFRS)
- the Companies Act No.71 of 2008, as amended (the Companies Act)
- the Johannesburg Stock Exchange (JSE) Listings Requirements
- the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™)
- the Global Reporting Initiative (GRI) G4 Guidelines and
- the Department of Trade and Industry’s B-BBEE Regulations

Boundary and scope

Operating businesses

The content of this report covers the activities of all divisions and subsidiaries of AYO, across all regions of operation in South Africa and outside of South Africa as relevant. The emphasis is on AYO’s South African operations, which contribute 99% of the Group’s revenue. All subsidiaries, joint ventures and associate companies recognised in the annual financial statements are included in this report.

Reporting period

This report provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance for the period 1 September 2018 to 31 August 2019.

Financial and non-financial reporting

The report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with our key stakeholders, which have a significant influence on our ability to create value.

Target readers

This report is primarily intended to address the information requirements of investors (our equity and preference shareholders and prospective investors). We also present information relevant to the way we create value for other key stakeholders, including our staff, clients, regulators and society.

Materiality

We apply the principle of materiality in assessing what information should be included in our Integrated Report. The report focuses particularly on those issues, opportunities and challenges that impact materially on AYO’s ability to be a sustainable business that consistently delivers value to shareholders and all stakeholders. Our material matters, as described on page 42, influence our long-term business strategy, targets and short to medium-term business plans and inform the content of this report. The material matters are assessed continually to ensure that our strategy remains relevant in the fast-changing operating environment. The process of identifying material matters involves the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Executive Management Committee (EXCO) members. The Board assumes responsibility for approval of the material matters.

Forward-looking statements

This report contains forward-looking statements on AYO’s future performance and prospects. Forward-looking statements are not statements of fact, but statements by the management of the AYO Group based on its current estimates, projections, expectations, beliefs and assumptions. While these statements represent our judgements and future expectations at the time of preparing this report, several emerging risks, uncertainties and other important factors could influence actual results to differ materially from our expectations. No assurance can be given that any forward-looking statements will materialise, and undue reliance should not be placed on such statements.

Key concepts

OUR VALUE CREATION PROCESS

We create value by developing technology products and services that empower our clients to innovate and optimise their operations – enabling them to grow as organisations. Our unique combination of assets, skills, solid practices and strong relationships places us in a sound position to deliver value-based growth.

Through excellent service delivery, we drive the digital transformation of our clients’ businesses – one partnership at a time. In so doing, we contribute towards advancing several of the UN Sustainable Development Goals (SDGs) in South Africa and on the African continent as a whole.

ALLOCATE OUR CAPITALS	APPLY BEST BUSINESS PRACTICES	CREATE TRANSFORMATION AND EMPOWERMENT	GROW SUSTAINABLY
INPUTS	PROCESSES	OUTPUTS	OUTCOMES
<ul style="list-style-type: none"> • Financial assets • Highly trained and diverse staff • Proprietary systems developed • Level 3 B-BBEE contributor rating • AYO Academy 	<ul style="list-style-type: none"> • Evaluate opportunities • Manage risks • Create and deliver empowering solutions 	<ul style="list-style-type: none"> • Products and services that empower our clients • Innovation that disrupts and transforms organisations and industries 	<ul style="list-style-type: none"> • Sustainable financial growth for AYO and our clients • Social transformation through digital empowerment • Advancing UN SDG’s in SA and Africa

OUR CAPITALS

By carefully monitoring, managing and allocating our capitals, we create value for all stakeholders.



FINANCIAL CAPITAL

- R5.1 billion in assets
- 207% increased revenue to R1.9 billion



HUMAN CAPITAL

- 1 244 employees
- 116 key technology-related skills
- Proven B-BBEE Credentials
- Client and people-centred culture
- Diverse and skilled Board



MANUFACTURED CAPITAL

- Custom-developed solutions that transform industries
- Exclusive data, cloud and digital security platforms
- Reputable brands
- AI, IoT, robotics and big data analytics capabilities and systems

INTELLECTUAL CAPITAL

- Innovative thinking and the ability to adapt to change
- Business processes to execute our strategy
- Solid governance practices
- Strategic partnerships with key stakeholders and clients

SOCIAL AND RELATIONSHIP CAPITAL

- Solid customer relationships across industry verticals
- Over 250 organisational clients
- Transformational community investment through AYO Academy

NATURAL CAPITAL

- Grid-tied solar car park
- Smart Small Data Centre reducing power consumption
- Responsible water and electricity usage
- Green star buildings rating
- Carbon-neutral operations



We are disciplined in the way in which we allocate our financial capital. We use the cash generated by our operations and investments, as well as equity financing, mergers & acquisitions and new business development, to run our business and fund growth.

To grow and steer our business, we have a high-performing, innovative and diverse team with the right expertise, skills and experience. We focus on becoming an employer of choice, attracting and retaining critical skills, fostering an inclusive culture and developing our leadership capabilities.

Propelled by a strong culture of innovation, we develop proprietary systems, solutions and processes that transform our customers' organisations and industries. We aim to lead the 4th Industrial Revolution in South Africa through our digital transformation technologies that enable health, banking, education, mining, oil and gas and public sectors.

Our proprietary technologies, software, licenses, procedures and protocols support our competitive advantage in the marketplace. Through various initiatives like operational excellence, continuous improvement and optimisation, we enhance our innovation capacity and lead the digital transformation in South Africa, one partnership at a time.

To create an enabling environment, we integrate the needs of our stakeholders into our business, and we deliver on our commitments. We value our stakeholder relationships and actively engage with them to develop and deliver value-based growth that benefits all, and contributes towards the advancement of UN SDGs in South Africa.

We respect and value our natural environment and consciously conserve natural resources, reduce waste and optimise our operations to achieve effective net-zero negative impact on the environment.













OUR TOP RISKS

Risk management is fundamental to AYO’s strategy and operations. We analyse our operating context, our dependence on particular resources and our key relationships with suppliers, subsidiaries, clients and other stakeholders to derive our highest priority risks and opportunities, which we update continuously. A detailed analysis of our risk management processes and a full assessment of our top strategic risks is available on page 30.

TOP RISK	HOW IT IMPACTS ON US	CAPITALS IMPACTED
<p>ECONOMIC UNCERTAINTY</p>	<p>With 99% of our revenue currently generated within the borders of South Africa, our ability to create value locally is dependent on key economic drivers, our response to them and their impact on our stakeholders and clients.</p>	
<p>REPUTATIONAL IMPAIRMENT</p>	<p>Honesty and transparency are paramount to AYO. However, the unwarranted negative media attention AYO has been subjected to during the PIC Commission of Inquiry affects our reputation, stakeholder relationships and ability to deliver value.</p>	
<p>TALENT</p>	<p>Our ability to innovate, develop disruptive technologies and lead the 4IR is directly affected by the attractiveness of our employee value proposition. Scarcity of skilled IT professionals impacts not only our Group but the country’s economic development.</p>	
<p>LEGAL AND COMPLIANCE RISK</p>	<p>AYO’s empowerment credentials gave us a head start and advantage against many competitors when the stringent B-BBEE ICT sector codes were introduced in 2016. Our ability to maintain and even further improve on this score, as well as compliance with the JSE listing rules and regulations will ultimately affect our ability to remain relevant in a transformed economy.</p>	
<p>MARKET CONSOLIDATION AND CHANGES IN THE COMPETITIVE ENVIRONMENT</p>	<p>The ICT sector is one of the most dynamic industry sectors in South Africa, with positive accelerated growth outlook and significant potential. Thus, it has attracted the attention of large international players whose aggressive local acquisitions can disrupt the growth of local ICT businesses and hinder local skills development.</p>	

MATERIAL MATTERS | STRATEGIC FOCUS AREAS

Material matters are issues that will impact on our ability to deliver sustainable value and growth. These are identified through a process of analysing the business environment, our operating context, the capitals we rely on, as well as feedback from our stakeholders. Additionally, we also look inward and consider feedback from our business units. We have identified five material matters that form the guiding principles of our strategy. We also use them to measure our success by tracking our performance against them.

MATERIAL MATTERS WHICH IMPACT ON OUR ABILITY TO CREATE VALUE				
				
<p>COMPETITIVE CONTEXT: The South African ICT sector is experiencing significant market consolidation as telecommunications operators look to build capabilities to position themselves as turnkey service providers. Our ability to identify and attract key partners and subsidiaries will be instrumental to remaining relevant and growing in this fast-changing competitive landscape.</p>	<p>MEDIA SENTIMENT: The integrity of our business has been excessively scrutinised in the public domain since listing on the JSE. This has impacted on our brand value, share price and discussions with targeted acquisition companies and potential business partners.</p>	<p>COLLABORATIVE RELATIONSHIPS: Our strong relationships with our subsidiaries, clients and partners enable us to implement a collaborative business strategy where we draw on insights from various industries to develop disruptive and transformative solutions and services.</p>	<p>TECHNOLOGICAL INNOVATION: An increasingly important contributor to South Africa's GDP, the country's ICT sector is both sophisticated and developing. Several international corporates operate subsidiaries from South Africa, including IBM, Microsoft Corporation, System Application Protocol (SAP) and others. Through such partnerships and operations, the local market is exposed to the latest international technology and trends from around the world.</p>	<p>HUMAN CAPITAL MANAGEMENT: Effective human capital management is critical to the execution and delivery of our strategy. By promoting diversity and cultural integration, attracting, developing and retaining high-performing people, we can create innovative products, services and solutions to deliver on our growth objectives.</p>
OUR TOP PRIORITIES FOR 2020				
				
<p>INVEST STRATEGICALLY: Responsible acquisitions will strengthen our position in the top five growing ICT sub-sectors. It will also enable us to build a flexible strategy with high-quality portfolio so that we can quickly adapt to the rapidly changing environment.</p>	<p>GROW REPUTATION: We will actively manage our brand and reputation, driving accountability through best-in-class governance principles, values-driven culture, and honest regular communication with all stakeholders.</p>	<p>MAINTAIN KEY RELATIONSHIPS: The success of our business depends on our ability to maintain key relationships with a diverse network of stakeholders. This includes our suppliers, clients, employees, society and our shareholders. Our key value-added and supplier agreements with principals such as Dell, Plantronics, InterSystems Corporation, Cisco Systems, Microsoft Corporation and Riverbed Technology provide continuous access to innovative and up-to-date technology.</p>	<p>DELIVER VALUE-BASED ORGANIC GROWTH: Developing innovative solutions and products in response to new opportunities created by changes in the regulatory environment will deliver value to AYO and all our stakeholders, including the community. Through our key supplier relationships and our highly skilled development teams, AYO is in a strong position to leverage and maximise these opportunities.</p>	<p>ENGAGE TALENT: Our disruptive technology solutions have multiple areas of integration and require many different skill sets. A commitment to attract, develop and retain the necessary scarce talent resources will, therefore, remain a strategic focus area for us in 2020 and beyond.</p>



Integrated risk management and combined assurance

The Board, with the support of the Audit and Risk Committee, is ultimately responsible for AYO's system of internal control, designed to identify, evaluate, manage and provide reasonable assurance against material misstatement and loss. We adopt a combined assurance model, which seeks to optimise the assurance obtained from management and internal and external assurance providers while fostering a strong ethical culture and mechanisms to ensure compliance. Through our enterprise risk management approach, approved by the Board, management identifies key risks facing AYO and implements the necessary internal controls. The process is monitored and evaluated under the direction of internal audit, while external audit covers key controls and accounting matters in the course of their audit. Other levels of external assurance are obtained as and when required.

The Board and the Audit and Risk Committee assessed the effectiveness of controls for the year ending 31 August 2019 as satisfactory, principally through a process of management self-assessment, including formal confirmation from executive management and also considered reports from internal audit, external audit and other assurance providers. Refer to page 52 for the report of the Audit and Risk Committee.

An independent audit of the consolidated annual financial statements was performed by BDO South Africa Inc. for the year ended 31 August 2019. Refer to our website for the consolidated Annual Financial Statements and the Independent Auditor's Report.

External verification has been provided for the Broad-Based Black Economic Empowerment (B-BBEE) accreditation level. The verification has been performed by an organisation accredited by the South African National Accreditation System (SANAS).

The remainder of the Integrated Report has not been subjected to an independent audit or review. The information reported on, other than that mentioned above, is derived from the Group's own internal records and information available in the public domain.

Management, the Board and the Audit and Risk Committee have reviewed this report.



BOARD RESPONSIBILITY STATEMENT

AYO's Board of directors acknowledges its responsibility to ensure the integrity of the Integrated Report. The Board has accordingly applied its collective mind and, in its opinion, this Integrated Report addresses all material matters and fairly represents the Group's integrated performance.

This report was approved by the Board of directors of AYO Group on 31 January 2020.

Signed on behalf of the Board.

Dr W Mgoqi

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AYO AT A GLANCE

The essence of who we are



OUR VISION

We aim to be the leading empowered digital and technology solutions partner for organisations across the African continent.

OUR MISSION

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

OUR BRAND PROMISE

We are committed to providing innovative solutions to our clients, adding value and efficiencies to their organisations.

THE VALUES THAT DRIVE US

Curious: While we are experts in our fields, we know there is always more to learn. We have a desire to constantly discover and expand our knowledge, insights and awareness of the world, keep up to date with the latest global innovations and understand the needs of our customers and stakeholders.

Innovative: We are a force for change that matters – for our company, our country and continent. We are energised by opportunities to create, facilitate, participate in and stimulate the digital transformation of our world.

Collaborative: Led by the age-old African proverb “If you want to go fast, go alone. If you want to go far, go together”, we recognise the value, for ourselves, our clients, partners and suppliers, of prizing collaboration over competition and partnerships over profit.

Determined: We have a single-minded purpose and are steadfast in our commitment to foster empowering change for our clients, ourselves and the community around us.

Trustworthy: We are driven by professionalism and integrity. You can count on us to “mean what we say and say what we mean”. Honesty and sincerity guide all our interactions.

WHAT SETS US APART

Collaborative Business Model: Through our collaborative working relationships with all of our subsidiaries and associated businesses, we unlock shared value for our clients that is far greater than the sum of our organisational parts.

Empowerment Credentials: Our ownership structure and level 3 B-BBEE status enable us to offer potential and existing clients’ maximum points for preferential procurement while minimising compliance risk.

Solid Base: We have established a strong foundation over the past 23 years, though we have only been listed for just under 24 months. This includes a specialised skills base, critical capabilities and complementary strengths to drive sustained levels of organic growth year on year.

Open Innovation Funnel: The diversity of the industry verticals we operate in enables us to share key insights and learnings amongst them to develop truly innovative solutions that transform not just the organisations we work with but the sectors as a whole.

Real Impact CSI: Through the AYO Academy, a division of our corporate social investment arm, we nurture talented young ICT professionals from historically disadvantaged ethnic and gender groups. AYO Academy will equip them with the skills to successfully contribute to Africa’s 4th Industrial Revolution.

Our compelling investment case

Our commitment to transparent and ethical business, coupled with our solid foundation of operational excellence (in our existing businesses), disciplined investment choices (for our new acquisitions) and renewed leadership rigour (through changes made in our Board) sets us on a clear path for sustainable growth by forcing us to refine our strategy, sharpens our focus to leverage our core strengths and embeds our new learnings and increased discipline in everything we do.

We are confident that we have a compelling investment case which is rooted in our identity as the leading empowered IT solutions partner servicing clients in diverse sectors, industries and geographies. Our competitive positioning, leverages the diverse strengths of our various subsidiaries, and enables us to deliver sustainable and secure growth, and accelerated returns that benefit shareholders and stakeholders.

We deliver sustainable growth and value for our shareholders through our strategic focus on:

Focused acquisitions for accelerated growth

Robust Business Foundation:

- 23 years in operations
- Over 500 organisational clients
- Assets of R5.2 billion

Diversified Group of Companies:

- 8 subsidiaries offering 6 clusters of services across 7 industry verticals
- Focused targeted acquisition pipeline

Empowerment Credentials:

- Level 3 B-BBEE contributor
- Maximum preferential procurement points for our customers
- Minimising compliance risk



Operational excellence for organic growth

Disciplined capital management and governance

Key Partnerships and Relationships:

- Key value-added reseller and supplier agreements with leading global principals
- Synergistic partnerships amongst companies within the Group
- Solid client relationships with large organisational clients

Strong Leadership with Diverse Skills and High Business Ethics:

- Executive team with over 80 years of combined experience across industries and company life stages
- Over 1 200 highly skilled employees

Creating Real Social Value:

- Developing skills and creating opportunities through AYO Academy
- Accelerating human capital development
- Making a meaningful socio-economic impact

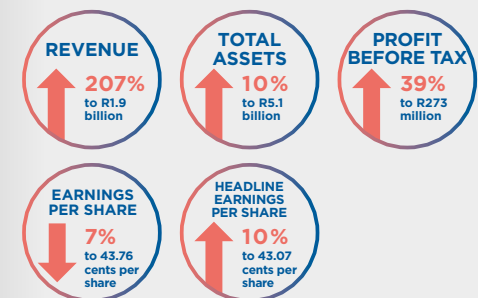
INVESTMENT RETURNS

Fair dividend payout and safety of investment

Realistic growth outlook through organic growth from within the Group and focused target acquisitions

Open, honest and transparent engagement and communication with our shareholders

Strong delivery of social value



Chairman's reflections

BUILDING RESILIENCE

Dear Stakeholder,

In keeping with our principles of openness, transparency and accountability, I am pleased to report on the events and the climate of the past period, ranging from September 2018 until August 2019. The period coincides with me completing a year as Chairman of AYO Technology Solutions Limited.

The past year has been a challenging one for the AYO Group, and South Africa as a whole. This was a period characterised by murmurings of a hurricane on approach, gathering momentum as it was advancing, landing, as it were, at the beginning of the year. Globally, the economic climate was already showing signs of slowing down in the developed economies, more so in developing countries. The economic climate has worsened since then. AYO, as the largest black and most transformed IT company, standing tall, was sure to catch the wind that was blowing with ever-increasing speed and strength.

Just before the storm, the Group reported positive results, with expectations of even greater heights to be attained, had things remained the same. However, this was not to be, as the Public Investment Corporation (PIC) Inquiry started like a whirlwind, with a media-hype, targeting AYO for an investment of R4.3 billion made by the PIC, in the previous period. There is no need, at this stage to go into the merits and de-merits of this saga, as at the time of this report, the jury is not yet out on this matter. All that can be stated is that it had a major negative impact on the Company, much as it was not itself the subject-matter of investigation, but the investor.

1. The increased scrutiny on the affairs of the Public Investment Corporation (PIC), and the significant media attention that accompanied this, saw AYO in an unprecedented position. By some unusual web of thinking the investee (AYO) ended up in the dock, having to answer for the conduct of its investor's internal matters. Nevertheless, we saw this as an opportunity to clarify several misconceptions that are writ large in much of the public reporting of AYO and its business strategy.

Had it not been for the solid foundations that were laid by the management team and staff, and key pillars of the business, we would have floundered, even more to the point of falling by the wayside.

During this period, AYO put several pillars in place to build the resilience of the business:

- A go-to-market strategy;
- Engagement protocols and delegation of authority;
- Gap analysis for business development;
- Understanding resource capabilities within the Group, including skills development and training plans;
- Certifications and partnerships;
- Consolidated products and services matrix.

All these gave the AYO Board levers to exercise its governance responsibilities, during the eye of the storm.



Credit is due to the Executive Management which itself was largely new, as some critical role-players at this level had exited, adding to the woes the Company was facing. The Board was swiftly taken through a process of understanding the various components of the business, such as AYO Digital, AYO Infrastructure, AYO Software, AYO Consulting Services, AYO Security Services, and AYO Managed Services.

2. The new CEO of AYO, Howard Plaatjes, quickly learned the ropes and stabilised the organisation internally. A significant amount of his time and effort was taken up in fending off the unwarranted and vitriolic attacks that were aimed at the Group. Howard has a strong personality, a great mind, and a stable temperament. Rudyard Kipling must have had his kind in mind, when he said: “If you can keep your head when all about you are losing theirs and blaming it on you ...”

AYO has solid foundations and deep roots that enabled us to resist the headwinds and tailwinds.

“*We have the flexibility and resilience of a palm tree, or the reed, which bends when strong winds blow and rises again after the storm.*”

Such is the resilience of AYO Technology Solutions Limited.

As Non-Executive Chairman, I have put in more time to attend to the issues that the Company had to deal with and continue to do so presently. I want to thank our staff for their loyalty and commitment. Commitment and loyalty are fundamental values, which are often tested during tough times. Those who possess these values will keep standing and will not be blown away.

3. Picking up the debris.

Every storm leaves debris in its wake. This is exactly what AYO had to face after the storm: picking up the debris and clearing the decks for the work that lies ahead. It became challenging to conclude deals during this period, with many potential partners turning their backs, intimidated by the fury of the moment.

Going forward – Now is the time.

Precisely because AYO has a compelling strategy to take it to higher and higher levels. During the period that lies ahead, now is the time for all-hands-on-deck. The worst is indeed behind us.

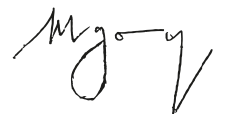
From the first person you see at AYO’s reception desk to the executives and the Board, there is such a sense of purpose and determination to take the Company to the highest levels. We have come to realise that greatness and genius require us to take a stand, to say this what we believe, succeed or fail, we will see this through. Genius demands unswerving commitment and a knowledge of who we are. We can’t stand for something – honestly and effectively – without who we are: we are victors. If we could hold on until now, it may not be all over, and maybe with more work to come, but we believe the worst is behind us. Nothing is going to hold us back from the glory of success, service to our people, and giving a human face to the 4th Industrial Revolution (4IR) and Artificial Intelligence (AI).

The time is now!

4. It remains for me to thank members of our Board of Directors, the men and women, who in their diversity, bring a wealth of experiences and expertise to the AYO Group. Their dedication and commitment to good governance has challenged me in no small way. There is no doubt in all our minds that if AYO were left alone to do what its mandated to do in its founding documents, given its more than twenty years now, providing jobs to more than a thousand two hundred employees, it has the capacity to double these numbers, in a country that desperately needs jobs, even as some are shed others will come into being.

This Board is more than capable of steering this ship, not only to calmer waters but to great seas too.

With you in the lead and our dedicated and talented staff, partners and subsidiaries, we can only take our ambition of serving our stakeholders to higher levels of success, higher levels of profitability and excellence in what we have set out to do.



Dr Wallace Amos Mgoqi

Chairman, AYO Technology Solutions Ltd

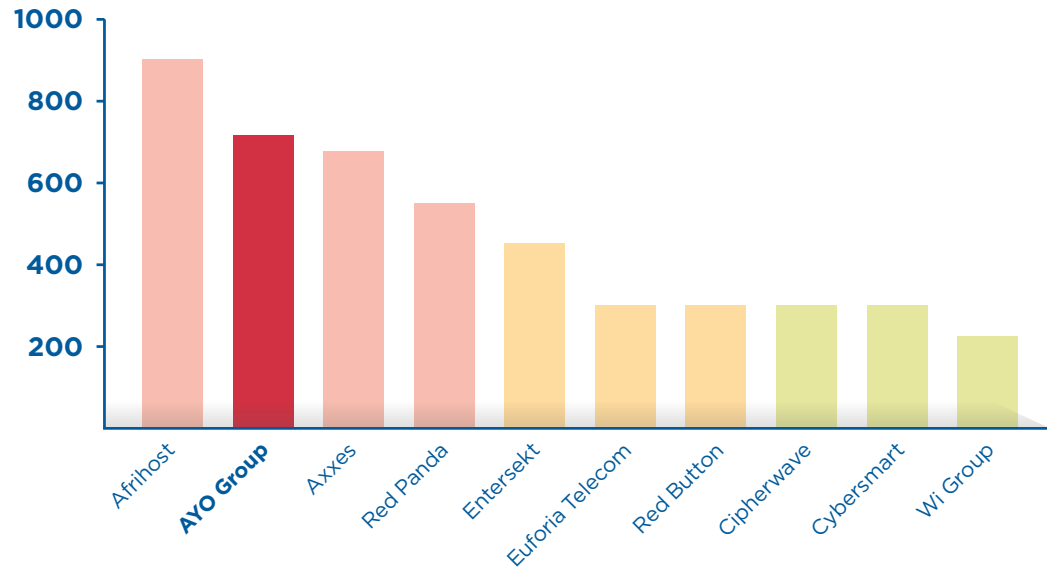
AYO Group in context

ICT INDUSTRY CONTEXT

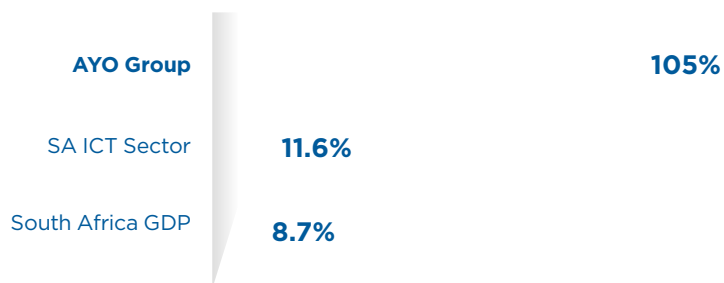
Rooted and founded in South Africa, AYO Group is one of the largest locally based ICT companies. During the reporting period the Group has significantly outperformed both the industry indicators and its large multinational rivals.

Strategic acquisitions and organic growth have firmly positioned the AYO Group as a key player in all ICT industry subsectors to create an even more positive outlook for 2020 and beyond.

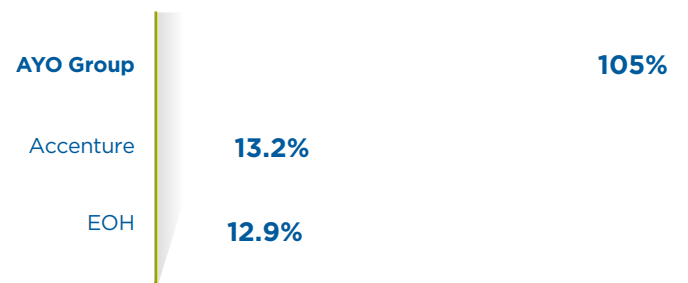
South African ICT companies compared by revenue (R Million – 2018)



AYO Group’s performance (revenue growth) in the SA economic context



AYO Group’s performance (revenue growth) versus international competitors



Source: MarketLine IT Services in South Africa Report – February 2019

Our businesses

The businesses within the AYO Group provide compelling capabilities and complementary strengths. With our collaborative approach to value creation, synergistic working relationships amongst our subsidiaries allow us to share knowledge across industry verticals and operating units, thus spearheading disruptive innovation and delivering exceptional service levels to clients and stakeholders.

Puleng Technologies - With 15 years of operations under its belt, Puleng is a firmly established user and data management practice, servicing large blue-chip multinationals, SOEs and public sector clients. The business' core offerings include the development of efficient Governance, Risk and Compliance (GRC) programmes and providing data centre infrastructure, thus effectively protecting sensitive client data and mitigating IT risks.

Health System Technologies (Pty) Ltd (HST) - HST is a specialist ICT solutions provider to the healthcare industry, and has been developing, optimising and integrating systems and ICT infrastructure since 1980. Key achievements include an enterprise healthcare information system in the Western Cape - spanning 290 clinics, 72 community health centres and 105 pharmacies. Nationally, HST has implemented a centralised laboratory information system that connects a network of 293 public sector laboratories.

Sizwe Africa IT Group - Founded in 2001, Sizwe is a well-established level 1 B-BBEE contributor and major South African ICT services provider. Sizwe's offerings include the entire spectrum from physical infrastructure, metro and long-distance optic fibre, networking and security to hosting, storage server processing, mobility, data centres and more.

Kalula Communications (Headset Solutions) - Headset Solutions was established in 1993 and is currently one of the largest importers and distributors of notable brands within the telecommunications and consumer electronics markets. The company's portfolio of headsets and audio-conferencing equipment includes brands like Poly, Jabra, Konftel and Plantronics. Headset Solution's client base spans across 10 African countries.

SGT Solutions (Pty) Ltd - SGT Solutions has been operating in South Africa for the past 14 years. A turnkey solutions integrator, the company provides multi-technology communications systems for mobile broadband, networking and microwave transmission. SGT Solutions' impressive client list includes mobile network operators, large public and private organisations and SOEs.

Afrozaar - One of the early pioneers of mobile app development, Afrozaar started in 2010. Offering a specialised digital media product set that assists media and brand groups with the commercialisation of digital content, Afrozaar services clients such as retailers, media groups and brand agencies in Africa, the United States and Europe. The platform, known as Publisher's Toolbox, is complemented by Acacia Cloud Solutions - an Amazon partner and cloud infrastructure business.

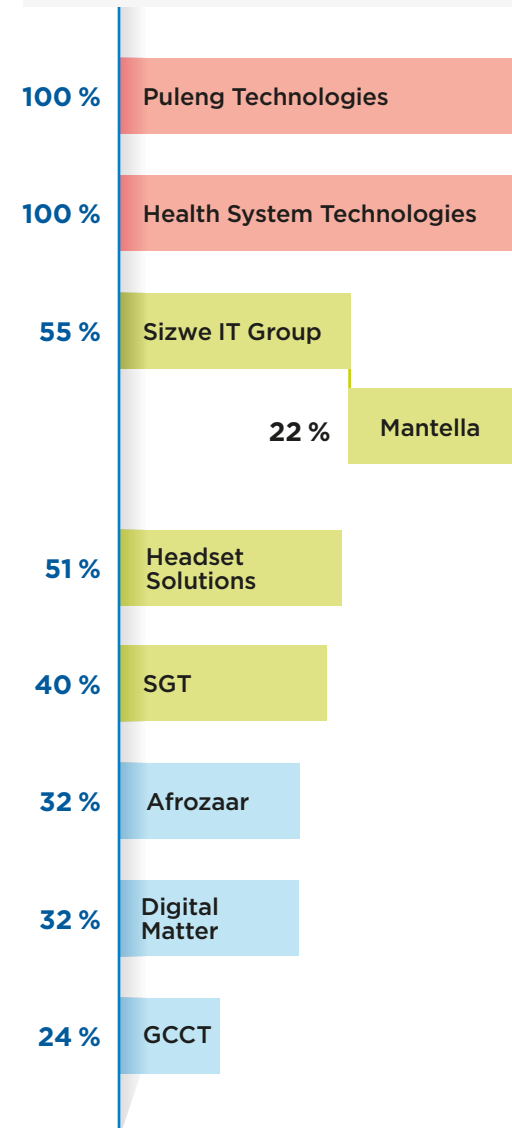
Global Command and Control Technologies (GCCT) - For the last 20 years, GCCT has been the leading technology provider for enabled awareness solutions across the commercial, security and military domains. Solutions include asset and force tracking across the globe (land, air or maritime), integrated situational awareness pictures to support managers, leaders and commanders to make informed and timeous decisions and constructive simulation technology.

Digital Matter - Formed in 2000, Digital Matter is a specialist company with global presence, focusing on mobile tracking software and devices. Suitable for all industry sectors, the company's offerings include intuitive fleet tracking platform, remote device management system, battery-powered tracking and Internet of Things (IoT) sensor devices. Digital Matter is a certified Microsoft Corporation development partner.

AYO GROUP







AYO TECHNOLOGY SOLUTIONS LIMITED

AEEI - 49.36 %, PIC - 29 %, Minorities - 21.64 %



Our products and services



<p>AYO MANAGED SERVICES</p> 	<p>AYO Managed Services provides services and solutions across the ICT spectrum. These include connectivity, communications, data and security. Our managed services business offers clients technical expertise, service consistency and flexibility while helping to reduce overheads and improve efficiency. The services are delivered through various commercial models, including on-demand cloud services, on-premise offerings and hybrid.</p>
<p>AYO SECURITY SERVICES</p> 	<p>AYO Security offerings deploy customised security systems within South Africa's banking, e-commerce and telecommunications sectors. Services include identity and access management and governance, data auditing and protection, as well as security management for networks, servers and devices. Our security services are component-based structured, allowing clients to build an efficient Governance, Risk and Compliance (GRC) program around their unique environment and data privacy needs.</p>
<p>AYO CONSULTING SERVICES</p> 	<p>AYO Consulting Services leverages our technology expertise to help clients implement innovative tools and processes that control costs, mitigate business risks and keep pace with technological innovation. These services enable organisations to digitally enhance their business models, to better take advantage of opportunities brought about by new technologies, accelerate business transformation, optimise processes and achieve cost savings.</p>
<p>AYO INFRASTRUCTURE</p> 	<p>AYO Infrastructure offers market-leading infrastructure capabilities ranging from fibre optic cabling, broadband, storage area networks, network and communications equipment. AYO Infrastructure is positioned to become a direct player in delivering 5G spectrum services in South Africa and beyond, once the service becomes available.</p>
<p>AYO SOFTWARE</p> 	<p>One of the business' core strengths, we utilise our deep understanding of the industry verticals we operate in (including health, mining, oil and gas, financial services, media and public sectors) to develop and deploy bespoke feature-rich digital software products and localise international products for the African market. Our solutions vary in scale and complexity in line with the needs of the industry verticals where they are implemented.</p>
<p>AYO DIGITAL</p> 	<p>AYO Digital is building distinct expertise, including Internet of Things (IoT), artificial intelligence, telematics, robotics, machine learning, big data, voice and video analytics. This is done through targeted acquisitions and organic growth initiatives, as well as aligning the AYO Academy to building digital skills for the 4th Industrial Revolution (4IR).</p>

Our business excellence model



At AYO, we aim for continued growth by delivering sustainable value for all our stakeholders. We do that by building innovative and high-quality brands and trusted relationships with key clients and stakeholders.

We are well aware of the critical role business has to play in the upliftment and development of all groups of our society. Our leadership structure, talent attraction and retention strategies and concentrated customer focus enable us to create value well beyond positive financial performance.

BUSINESS RESULTS

The pioneering companies and brands that make up AYO bring positive financial results and organic growth for our Group and value for our shareholders. Through our services and implementations, we also enable our clients' businesses to grow faster, operate more efficiently and themselves deliver value, ultimately leading to stable growth for not just our Group and our clients, but the South African economy as a whole.

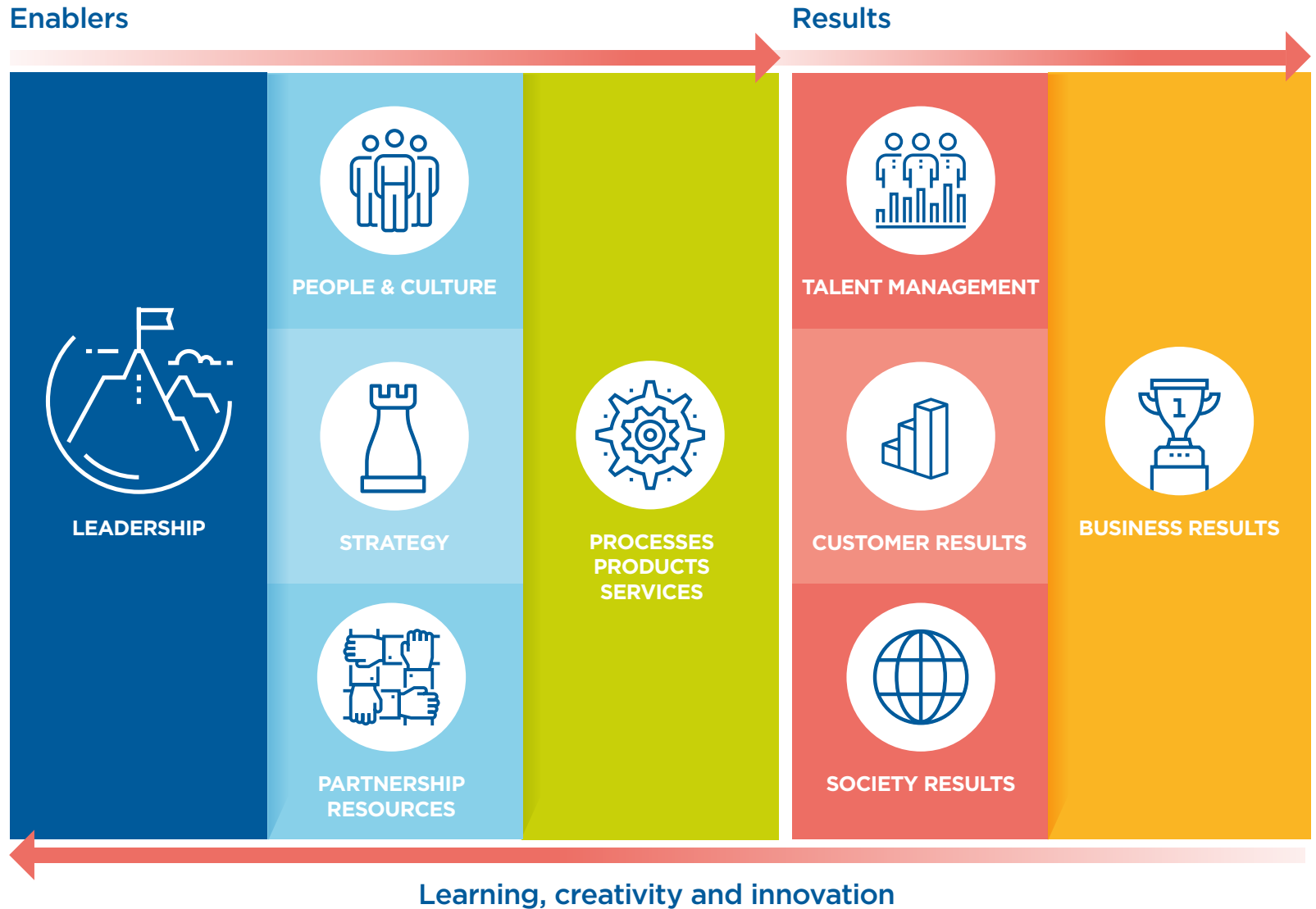
TALENT DEVELOPMENT

Competent technical skill is the single most significant contributing factor to success in any industry. Our operations are underpinned by the commitment to train and develop talent both internally and within the broader community. Through AYO Academy we integrate ICT education and critical skills development in our everyday processes to meaningfully contribute towards social upliftment and sustainability.

ECONOMIC GROWTH

SOCIAL SUSTAINABILITY

BUSINESS EXCELLENCE MODEL



Our industry verticals

At AYO, our processes and operations are embedded with innovation and entrepreneurial culture. Symbiotic collaboration among the businesses within the Group allows us to effectively translate learnings and successes from one client industry to another and thus develop technologies that positively disrupt multiple business segments. Through this cross-sectional sharing of ground-breaking solutions, we are poised to be the leader in driving 4IR on the African continent for decades to come.



Our reach

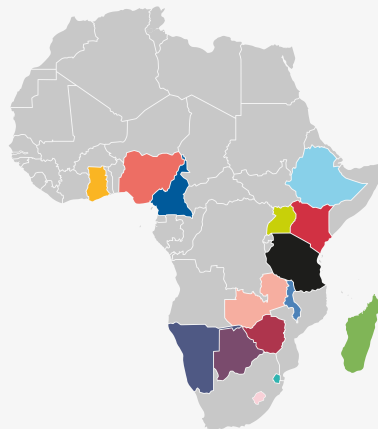
Our Company and subsidiary businesses are in all major South African cities.



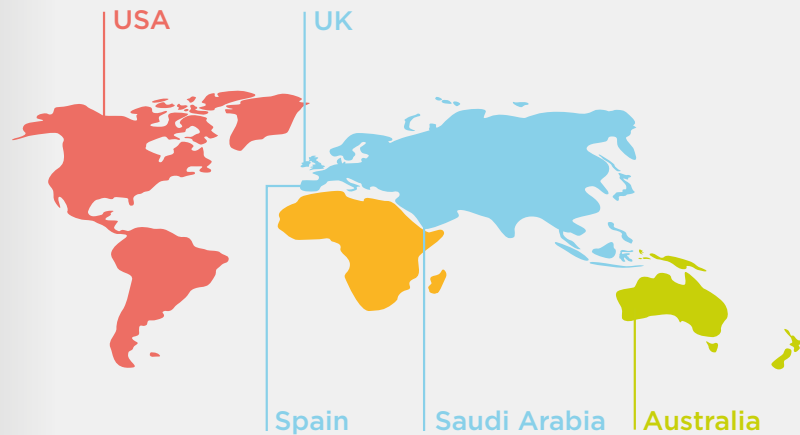
Collectively we service customers across the African continent. North America, Europe and Asia.

AFRICAN COUNTRIES:

- Ghana
- Nigeria
- Cameroon
- Uganda
- Ethiopia
- Kenya
- Tanzania
- Malawi
- Zambia
- Zimbabwe
- Botswana
- Namibia
- Swaziland
- Lesotho
- Madagascar
- Mauritius



WORLD COUNTRIES:



SECTION III: LEADERSHIP AND GOVERNANCE

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LEADERSHIP AND GOVERNANCE

Our Board

The Board of Directors provides leadership and strategic steer to safeguard stakeholder value creation within a framework of prudent and effective controls. Through oversight, it ensures that AYO capitalises on opportunities and manages risks and challenges as an ethical, responsible corporate citizen.

The Board's duties and responsibilities are discharged with the assistance of the five Board committees, each with its formally mandated terms of reference. Detailed reports from the chairs of the various committees are presented from page 30.

The careful selection of individual directors underpins the effectiveness of the Board in fulfilling its role and ensures the optimal combination of expertise and experience to drive AYO's accelerated growth.

The Board is also responsible for the selection and hire of the company secretary. Mr Wazeer Moosa, was appointed to the role during the reporting period. The Board is satisfied that Mr Moosa has the necessary competence, qualifications and experience for the position. We appreciate his valuable contributions in terms of the statutory compliance and King's Code principles' application and disclosure.

Board of Directors

Dr Wallace Mgoqi	Chairman
Howard Platjies	Chief Executive Officer
Tatenda Bundo	Chief Financial Officer
Vanessa Govender	Executive Director - Corporate Affairs
Rosemary Mosia	Non-Executive Director
Sello Rasethaba	Non-Executive Director
Dr Dennis George	Non-Executive Director
Aziza Amod	Non-Executive Director
Adv. Ngoako Ramatlhodi	Non-Executive Director
Ismet Amod	Non-Executive Director

Appointments

Effective:

Howard Platjies	21 December 2018
Vanessa Govender	21 December 2018
Malick Salie	22 January 2019
Tatenda Bundo	22 January 2019
Ismet Amod	22 January 2019

Resignations

Effective:

Naahied Gamielien	22 January 2019
Cherie Hendricks	22 January 2019
Salim Young	22 January 2019
Malick Salie	06 May 2019
Takudzwa Hove	19 August 2019

Meet our Board



From left to right:

Dr Wallace Mgoqi
Howard Platjies
Vanessa Govender
Tatenda Bundo
Dr Dennis George



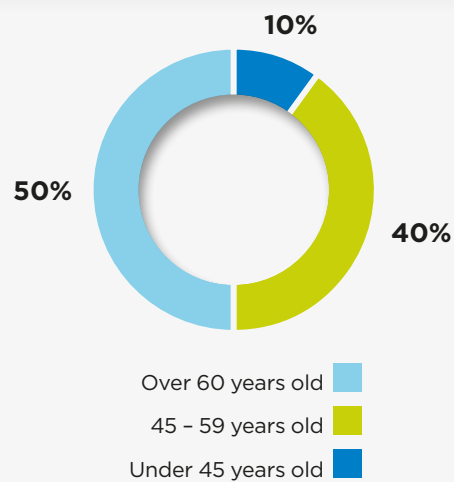
Sello Rasethaba
Aziza Amod
Adv. Ngoako Ramatlhodi
Rosemary Mosia
Ismet Amod



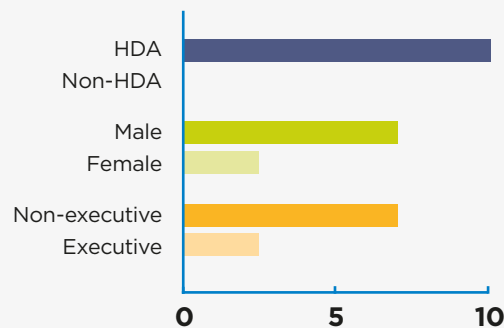
Governance structure



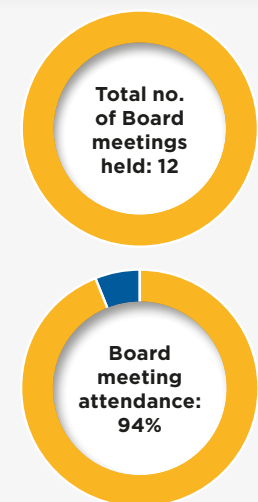
Board age distribution



Board diversity statistics



Board meetings



Reflections from our Chief Executive Officer



Dear Stakeholder,

2019 was a year we won't hastily forget at AYO – while certainly marred with its fair share of challenges and adversities, there have also been some important milestones and successes that deserve celebrating.

Key aspects that deserve mention include our outstanding financial results and the complete overhaul of our Board and management. This overhaul has led to improved corporate governance, above and beyond what is required as standard by South Africa's corporate regulators. We have done this, not because it is our duty, but because we believe that transparency and accountability are the minimum fundamentals for future success in a world that is becoming increasingly disillusioned with "business as usual".

South Africa is to all intents and purposes, still an emerging economy. With that comes a series of rapid ups and downs, fuelled as much by emotion as it is by fact. In the grander scheme of things, we are still a young democracy, and we are still learning the ropes. However, given the exponential speed at which technology is influencing local and global businesses and everyday living, we need to grow up... and quickly. This agility is where AYO holds the trump cards.

The AYO Group, despite its size, is diverse and dynamic. It's agility to go beyond adaptation to market conditions to driving them, is what will set it apart from the ordinary and help it champion the ICT industry across Africa... and beyond, in the years to come.

Inculcating and embracing diversity in all aspects of operations to enable our future growth, has been the underlying objective for our Group over the past 12 months. This has included:

- Assessing and analysing business gaps and prospects;
- Refining and solidifying AYO's go-to-market strategy;
- Developing the processes that will enable the team to deliver on the strategy; and
- Attaining the milestones set for the Group in the pre-listing statement.

While building capacity and delivering on growth commitments simultaneously are mammoth tasks under ordinary circumstances, the relentless scrutiny AYO

was subjected to by regulators, media and competitors added additional complexity.

It would be remiss of us not to record the fact that AYO was the central theme in the recent Public Investment Corporation's Commission of Inquiry into alleged wrongdoing at the state asset manager, which is an investor in AYO. Findings have determined that AYO has not erred in any way.

That said, an inordinate amount of attention was focused on the Group – not all of it positive. Yet, despite this, our incredible team of professionals focused on delivering our products and services and our clients continued to believe in our capabilities. The results show that we have what it takes to succeed in a tough climate.

The Results – acquisitions

Beyond tenacity though, another key to our success this year has been our acquisition strategy. AYO began 2019 by acquiring 32% shareholding in Bamblela Capital (previously Vunani Capital). Bamblela holds a 50% shareholding in Vunani Limited – a diversified financial services company.

In December 2018, AYO concluded the acquisition of a 55% shareholding in Sizwe Africa IT Group. Sizwe is a major South African ICT service provider with annual revenues over R1 billion and is a certified level 1 B-BBEE contributor. The company offers a broad spectrum of services ranging from physical infrastructure, metro and long-distance optic fibre, networking and security to hosting, storage server processing, data centres and more. Their impressive client list includes major telecommunications networks, public sector agencies, SOEs and large private organisational clients.



Two other acquisitions involve a 40% equity interest in SGT Solutions and a 24% equity interest in Global Command and Control Technologies (“GCCT”). SGT earned annual revenues of over R400 million in the past year, while GCCT, a company specialising in the niche field of security, defence and maritime technology, has helped us diversify our portfolio into a new industry vertical.

Lastly, AYO acquired a further 43% shareholding in Puleng Technologies, thus increasing our shareholding in Puleng to 100%.

Organic growth

A key contract with a large multi-national oil and gas corporation has contributed to a 207% increase in revenues, from R639 million to R1.9 billion for the Group. Not only this, but it has also successfully tested our capabilities to service large organisational clients. The steady progress on the contract during the reporting period and the positive feedback, has inspired our confidence to expand our client base of large organisations in 2020 and beyond.

Overall, the Group delivered remarkable results. Gross profit growth of 182% to R559 million, our earnings per share increased by 16% to 54.54 cents per share.

“ Beyond that, the past 12-months have shown us just how strong and resilient we are.

There is an adage that says that, which doesn’t kill, makes one stronger. AYO is definitely stronger. It is certainly resilient, and it is, without doubt, well-positioned to lead in the years to come.

The road ahead

A rigorous gap analysis conducted over these past few months has led to the development of strategies that will unlock the capabilities we house within the Group. While many of our Group companies are the leading contenders within their respective niches, our strength lies in our combined forces.

The depth and breadth of our acquisition pipeline is the other spotlight in AYO’s 2020 focus. Our growth targets are based on diversifying our portfolio through acquisitions in emerging ICT sectors, such as cloud computing, the Internet of Things (IoT) and big data analytics. Such niche, but budding market segments present extensive opportunities for AYO, as market penetration of the associated technologies is relatively low in South Africa.

Developing a robust future is also enshrined in our Group commitment to developing the next generation of skilled professionals. AYO has an integrated approach to addressing social value creation by simultaneously focusing on skills development and entrepreneurial support. The ICT industry requires complex and constantly evolving skills and expertise, much of which is in limited supply, or has yet to be invented. Continuous investment in education is thus an important basis in our social development and transformation strategy.

However, education alone is not enough. Innovation is fuelled by opportunities. Creating opportunities for young entrepreneurs is a cornerstone in AYO’s integrated approach to delivering social value, and we look forward to reporting on some inspiring stories from such initiatives in 2020.

None of our achievements or future dreams would be possible without the guidance of our insightful Board, solid governance from our management team and, of course, the continuous commitment of our staff, who are the backbone of the AYO Group. Through the tireless efforts and loyalty to our shared vision of a fully transformed and inclusive ICT sector, we have together, built a resilient organisation that is ready to face the future.

I sincerely thank every one of you.

I also wish to acknowledge and thank our business partners, subsidiaries and clients who have provided support and integrity in the face of substantial adversity, but who have ultimately, been the champions of the impressive results achieved in 2019.

To you, our stakeholder, I thank you for your continued support and confidence in AYO to date, and for your shared vision for AYO to be acknowledged as a respected contributor to South Africa’s economic turnaround.

Howard Platjies

Chief Executive Officer

Audit and risk committee report



Dear Stakeholder,

On behalf of the audit and risk committee, I am pleased to present this report for the financial year ended 31 August 2019, as recommended by the King Code, the JSE Listing Requirements and the Companies Act.

The audit and risk committee consists of four non-executive directors, all of whom have the requisite business acumen and experience as well as financial skills to fulfil the committee's duties. Executive directors, internal auditor and representatives of the appointed external auditor also attend the committee's meetings by invitation.

The committee's primary purpose is to ensure the integrity of the financial statements and to oversee the effectiveness of the internal financial controls and the internal and external audit functions. Additionally, we assist the Board in carrying out its duties relating to accounting policies, internal controls, financial reporting practices and identification of significant risk exposure. We feel strongly that effective risk management is dependent on timeous and honest communication and have unrestricted, continuous interaction with the executive management team. We maintain open contact with the external auditors who may communicate directly with myself and all other committee members throughout the year. I am also available at the Annual General Meeting to answer any questions about the committee's activities.

We met five times during the reporting period and reviewed all significant risks and challenges and assessed the adequacy of internal controls and the combined assurance delivered over the identified risks. We monitored the effectiveness of

the controls put in place through reviewing reports from management, internal audit and the external auditors and ensure the quality of financial reporting by reviewing the 2019 interim financial results and the 2019 annual financial statements. We also reviewed the impact of the Company's long-term strategy against pertinent factors in technology and communication, including cyber security and governance compliance to ensure that risk management was applied appropriately.

Constitution and Risk Management Charter

A formal audit and risk constitution and risk management charter was approved by the Board and adopted during 2019. The documents set out the duties and responsibilities of the committee itself, as delegated to it by the Board, namely:

- Provide oversight of the effectiveness of the internal and external audit function;
- Assist the Board in overseeing the quality and integrity of the Group's annual financial statements, the integrated reporting process and any other announcements in respect of financial results;
- Review the effectiveness of the Chief Financial Officer and the finance department;
- Provide oversight on the effectiveness of the design and implementation of internal financial controls;
- Review the effectiveness of the internal audit department;
- Review the quality of the external audit; and
- Review and recommend to the Board for approval the interim results, preliminary results, the annual financial statements and the Integrated Report.

The committee executed its responsibility pursuant to paragraph 22.15(h) of the JSE Listing Requirements.



External Audit

The audit and risk committee has a formal audit and risk charter with formal rules governing the services provided by the external auditors in terms of systems and processes. During the year, we again reviewed this charter to ensure regulatory compliance and implemented it accordingly.

We looked at the cost and scope of the audit function as well as the non-audit services performed by BDO South Africa Incorporated (“BDO”) – the appointed auditors of the Group. Their team, led by Mr Stephan Cillié as the designated auditor for the 2019 reporting period, performed reasonably and professionally. After 21 years of being AYO’s auditors, BDO informed the Group that it will not be seeking re-appointment for the next financial year. The committee has commenced with a tender process for the appointment of auditors at the next Annual General Meeting.

In addition to the financial results for 2019, BDO is also auditing the interim results of the Group for the six months ended 28 February 2019 and 28 February 2018 as requested by the JSE. These audited interim results will be published as soon as they become available.

Key Audit Matters Relating to the 2019 Audit

The committee considered the key audit matters for the reporting period as outlined in the independent auditor’s report for the Group. These key matters were:

- Business combinations;
- Valuation of goodwill and intangible assets;
- Completeness of related party transactions;
- The occurrence of related party transactions.

The committee was satisfied that these key audit matters were adequately addressed in the context of the audit.

Internal Audit

AYO Group has internal controls and systems designed to provide assurance as to the reliability and integrity of the financial statements. These systems are designed to manage, rather than eliminate, the risk of failure to achieve the Group’s business objectives. They can only provide reasonable and not absolute assurance against material misstatements or loss and to safeguard, verify and maintain accountability adequately for its assets.

Up until 30 April 2019, this function was fulfilled by the head of internal audit of our parent company – AEEI. Our rapid growth since listing, however, has resulted in increased scope for the internal audit function and the associated requirements for our internal audit entity. The committee resolved to appoint an internal candidate to conduct the internal audit function commencing in the 2020 financial year. The recruitment process was recommended to the Board on 15 November 2019.

Risk Management

A key outcome of the committee’s activities during the year was the approval of the risk charter, which forms the terms of reference for the integrated risk management process adopted by the Group. We evaluated:

- The effectiveness of the risk management process in place;
- Management’s reports pertaining to the effectiveness of the Group’s risk management, compliance processes and controls;
- The top risks (refer to pages 47 – 49) that the Group is exposed to;
- Our responses to the top risks;
- Any new and/or emerging risks; and
- The alignment of the risk management process to respond and address these risks.

As detailed in the earlier pages of this report, we are confident that the processes and structures the Group has in place relating to risk identification and management are adequate and that the Group’s performance itself stands witness to the efficacy of these measures.

Technology and information governance

Information technology risk is of paramount importance to any modern organisation. The committee acknowledges the severity of implications posed by information technology threats and performs an oversight function over it. This includes identifying any breaches in the Group’s information systems in collaboration with management and the head of internal audit; effectiveness of general information technology controls and review of emerging risks that may affect the information technology environment of the Group.

Financial Reporting

One of the key responsibilities of the audit and risk committee is to review the Group’s accounting policies and annual financial statements and ensure that they are in compliance with IRFS, JSE Listing Requirements and the Companies Act.

On 1 January 2018 IFRS 9 introduced new requirements for classifying and measuring financial assets and liabilities, including a new impairment model, which will result in earlier recognition of losses. These new standards are expected to be implemented in the Group’s 2019 financial statements. Our detailed assessment of the impact of the application of IFRS 9 indicates that apart from the application of the credit loss impairment model, there are no major deviations from the current classification of financial assets as they are largely in line



with IFRS 9 and other loan receivables are not considered material. There will also be no major impact on the Group's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit and loss and the Group does not have any such liabilities. Our financial liabilities are accounted for at amortised cost.

Another set of standard changes arises from IFRS 15, which again was introduced on 1 January 2018 and will be adopted by the Group in the 2019 financial results. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The Group generates revenues from various sources, including dividend income and interest income from loans advanced, of which detailed assessment has been done during the year whereby contracts were analysed within each division and the impact would result in additional disclosures subsequent to performance obligations. AYO is in the process of finalising its assessment and is documenting the impact thereof.

The new standard does not include guidance on the accounting for dividend income. Instead, guidance that is consistent with the existing requirements of IAS 18 has been incorporated into the financial instruments. Although dividend income arises in the ordinary course of the Group's activities, it does not arise from contracts with customers and therefore may not be presented as revenue.

The committee reviewed the Group's accounting policies and annual financial

statements to ensure that they are in compliance with all currently effective regulations, including IFRS, the JSE Listing Requirements and the Companies Act. We acknowledged the findings contained in JSE queries and ensured that they were taken into account when the 2019 annual financial statements were prepared. We considered the appropriateness of the accounting policies adopted, the treatment of significant transactions and the process implemented by management for the preparation of these statements. The appropriateness of the existing financial reporting procedures and their effectiveness was also considered. We are satisfied that the statements fairly present AYO's financial position for the year and that the Integrated Report is of the required quality and integrity.

Finally, the committee is tasked with ensuring the Chief Financial Officer has the appropriate experience and expertise to meet the responsibilities of the position and that the financial department is adequately resourced as per paragraph 3.84(g)(i) of the JSE Listing Requirements. Mr Tatenda Bundo was appointed to the position during the reporting period and we are pleased to have someone with his credentials in this responsible spot. He is a professional of the highest standard, has contributed significantly to the efficiency and accuracy of financial reporting and we are confident in his ability to lead AYO's financial department.

Rosemary Mosia
Chair of Audit and Risk Committee

31 January 2020



Nominations committee report



Dear Stakeholder,

As the Chairman of the nominations committee, I have the pleasure to report on the activities of the committee during 2019.

The nominations committee assists with identifying suitable candidates for appointment to the Board and for election by shareholders. Selection of Board members is made on merit and in the context of their skills, experience, independence and knowledge. The process takes into consideration all facets of race, gender and expertise diversity, to create an experienced Board with the appropriate balance of knowledge and skills in areas relevant to the Group. We target a Board size that promotes accountability and encourages healthy, constructive debate and decision-making, while meeting regulatory and MOI requirements. The structure, size and independence of the Board is assessed to ensure its ability to execute its duties effectively. The committee is also the custodian of the appointment process, which is formal and transparent.

Some significant changes were made to the AYO Board during the reporting period with the most notable being the appointments of four new members, three of whom are executive. Mr Howard Platjes and Ms Vanessa Govender were appointed to the Board with effect 21 December 2018, and Mr Tatenda Bundo's appointment was effective 22 January 2019. With these changes, the AYO Board now comprises of 10 members, seven of whom are non-executives and five of whom are independent in line with our policy.

In terms of gender and race diversity, the composition of the AYO Board is more than satisfactory, comprising of 100% black people and 30% female representation. Further, we are satisfied that the new appointments have adequately addressed the diversity of expertise needs of the Board with all areas of expertise relevant to the Group's leadership now encompassed, including:

- Leadership;
- Industry/operations;
- Technology and information governance;
- Compliance and governance;
- Finance;
- Risk and opportunity management;
- Tax;
- Human resources;
- Legal counsel on mergers and acquisitions;
- Sales and marketing.

The nominations committee will continue to assess the composition of the Board against its evolving skills, expertise and demographic diversity needs and recommend appointments of directors with due regard to the potential contribution such new appointments can make at Board level. We will continue to monitor, discuss and annually agree to all measurable targets in terms of gender and race diversity of the Board and report our findings at Board meetings. Our policy of promotion of gender and race diversity at Board level will continue to guide us in 2020.

Dr Wallace Mgoqi

Chairman of Nominations Committee

31 January 2020

Social, ethics and transformation committee report



Dear Stakeholder,

The enactment of s72(4) and s(5) of the Companies Act, No 71 of 2008 (Act), read with Regulation 43, marks the most significant shift in the history of corporate accountability and reporting in South Africa. The Act requires AYO as a listed company to appoint a social and ethics committee (committee) to report on company performance in respect of non-financial aspects involving social, economic and environmental governance. Furthermore, the incorporation of the United Nations Global Compact and OECD requirements, which are voluntary standards in other jurisdictions, into local corporate law.

The ambit of the areas over which the committee is to exercise oversight covers legislated matters with which the Company must comply, for example, employment equity, BEE and health and safety. Companies are not only required to comply but report to shareholders on their performance in these areas. Other aspects covered by the committee entail non-regulated matters. These matters may go to the heart of a company's reputation which, if there are breaches, may result in erosion of the value of the company.

The transformation path in the ICT sector has been in sharp focus over the past three years. As a company, AYO has a broad view of its role in society and is strongly committed to supporting social and economic transformation. We take our responsibility in this regard seriously and aim not simply to be compliant, but to create value within our communities and society and to pursue initiatives with real tangible and measurable impact in the lives of its intended beneficiaries.

Our committee assists the Board to lead transformation within the Group and to ensure that there are appropriate policies and procedures in place to address transformation by levelling the playing fields both socially and economically for broader participation by all South Africans. We view the development of SMME businesses as the foundation for economic growth and job creation. With this, our Transformation Charter has a deliberate focus on black, youth, disabled and women-owned businesses within the sector, our supply chain and beyond. We recognise B-BBEE as a moral and commercial necessity, important to secure a more sustainable growth path for our society in general.

One of the key competitive advantages of the AYO Group has always been its strong B-BBEE credentials. Our 100% black ownership and 100% black management have served us well in 2019 yet again and we maintained our level 3 B-BBEE contributor certification. However, we recognise that as a listed company now, we no longer have full control over our ownership and thus, focus our efforts on improving our scores on all other qualifying criteria to ensure we maintain this advantage.

The committee views maximising AYO's socio-economic spend as a logical step in this direction and has been actively engaging with the Board to achieve that. Our aim has been to identify and recommend opportunities to the Board to fully allocate the CSI budget amounts as prescribed by the B-BBEE Code in a way that supports our score card credentials while delivering the best possible value to recipients and their communities. During the reporting period, the Group has invested more than R6.2 million in Enterprise Development (ED) initiatives, primarily via the Inyosi Fund, which provides ED loan funding to black-owned businesses.

We have also pioneered a supplier development programme that aims to improve the economic participation of black-owned SMEs into our supply chain by providing them with business development support services together with tailored financial solutions. The support available to participants ranges from coaching and mentoring to technical training.

The South African banking ecosystem is traditionally conservative in their approach to lending. While this is wonderful news for the country's economic stability, as a whole, it does create challenges for entrepreneurs and launching businesses who struggle



to access finance to get off the ground. Recognising our role in the broader South African economic context, the AYO Group invested R100 million in the establishment of a FinTech Fund to support start-up and emerging tech companies. With our integrated commitment to enterprise development and societal value creation, the committee will play an active role in the operations of the fund going forward.

In addition to our investment in ED initiatives, further R3.6 million was spent on transformation programmes that foster technology learning culture within black communities and provide the necessary tools and resources to prepare learners for the work environment. Our goal was to approach skills development holistically, and our methodology was to address all aspects of technology skills education by investing in a variety of projects:

- **Infrastructure:**

Sponsorship of **School Computer Labs** for primary and secondary schools across the country, through several separate non-profit organisations. Overall more than 10 such state-of-the-art technology labs were created benefiting thousands of learners from various vulnerable societal groups (including people with disabilities);

- **Economic support:**

In collaboration with the Masinyusane Development Organisation **special grants** were allocated to high-achieving disadvantaged young learners in Port Elizabeth to ensure their readiness to enter, succeed and excel in university.

- **Job shadowing opportunities:**

Work-integrated learning programmes were rolled out during the school holidays of learners in their final years of secondary education through our Techno-Girl Campaign.

Internally, we work to identify opportunities for development and empowerment of our staff to enhance performance by “growing our employees”. By encouraging our staff to be their best and grow, we aim to establish a culture of inclusivity, respect and operational excellence and thus become “an employer of choice” in the marketplace. But as Frances Hessbein said: “Culture does not change because we desire to change it. Culture changes when the organisation is transformed; the culture reflects the realities of people working together every day.”

The core values integrated in our culture are those of authenticity, accountability, innovation, caring and empowerment. We acknowledge that by fostering entrepreneurial spirit, creativity, experimentation and collaboration, we will be better able to create sustainable value for the employees themselves, our organisation and all our stakeholders. Thus, we actively seek out and encourage these qualities in people through all our processes from hiring to training and development programmes to performance assessment and appraisals.

Our organisation is rapidly growing and that begets a need to identify and develop potential leaders from within who will ensure stellar performance against targeted milestones and steer AYO’s further expansion plans. Executive development programmes were put in place for that during the reporting period, paying specific attention to high potential and high performing black and women employees. Deliberate creation of learnerships, internships and apprenticeships opportunities has been the second leg of our staff development strategy with 27 such positions implemented in 2019, advancing rare yet sought-after technical skills.

With the number of development initiatives on the go, both internally and externally, we

are looking forward to an even busier 2020 for the social, ethics and transformation committee. Our key priorities for the coming year are to:

- Streamline and formalise our qualifying criteria and application process for ED and CSI funding;
- Develop and implement a monitoring and evaluation process to measure the impact and success rate of CSI initiatives supported by the Group;
- Further focus on staff development opportunities both in terms of executive development programmes and learnerships/internships;
- Additional staff training initiatives, particularly in the area of compliance training and skills aligned with the business’ strategic goals.

I would like to extend my gratitude and appreciation to the committee members for the dedication and hard work during the year. They have proven to be a highly committed team, achieving 100% attendance of all committee meetings and actively participating in identifying opportunities, supporting the management team and staff in developing processes and assisting in all possible ways to promote good corporate citizenship throughout the organisation. I thank Sello Rasethaba, who resigned from the committee in June 2019 for his contribution and officially welcome Rosemary Mosia, joining us in his place. Much work still lies ahead for us and I look forward to reporting on many successful implementations in 2020.

Dr Dennis George

Chairman of Social, Ethics and Transformation Committee

31 January 2020

Investment committee report

Dear Stakeholder,

I am pleased to address you once again, this time in my role as the chair of the investment committee and share with you the committee's activities for the 2019 reporting period. During the year, we met twice with each meeting enjoying full attendance of committee members as well as hosting the executive team by invitation. In terms of membership, we saw one resignation – that of Mr Malick Salie, who was replaced by Tatenda Bundo. We welcome Mr Bundo to the panel and are grateful for his valuable contributions already.

The main purpose of the investment committee is to consider acquisitions and disposal of assets in line with the Group's strategy to ensure growth and development of the organisation. We review the investment strategy of the Group, set criteria and targets for investments, approve proposals for acquisitions and sales of companies, review due diligence processes for acquisitions and approve equity and other strategic investments.

2019 was a busy year for AYO in terms of acquisitions with the following agreements finalised during the period:

- Acquisition of 55% shareholding in Sizwe Africa IT – a company specialising primarily in the infrastructure segment, including fibre optic cabling, continuous energy supply and data centres;
- Acquisition of 40% stake in SGT Solutions – a turnkey solutions integrator servicing mobile network operators, large public and private organisational clients and SOEs;
- Acquisition of 24% ownership in Global Command and Control Technologies – a niche technology provider to the military, defence and security sector; and
- Acquisition of 43% equity interest in Puleng Technologies, thus increasing AYO's total shareholding in Puleng to 100%.

We have also considered and approved the acquisition of a stake in Cortex Logic, an African Artificial Intelligence software company – a transaction which will come into effect in the 2020 financial year. Cortex Logic services clients in a range of industries from agriculture and mining to tourism and construction and is a stellar example of AYO's delivery on strategic goals, namely expansion into new ICT segments where we didn't have presence previously.

Another massive step towards the realisation of our strategic objectives and overall value creation was the formation of a FinTech Fund, in which AYO invested R100 million. The fund is designed to support startups and emerging South African ICT businesses. Through this fund we anticipate accelerating growth opportunities for innovative young companies, thus driving overall economic growth and development, while simultaneously realising robust returns for our shareholders and advancement towards our socio-economic development goals. With acquisition growth forming a major part of AYO's growth strategy for 2020 and beyond, the committee will continue to identify investment opportunities in both established and emerging ICT businesses that will enable the Group to achieve significant market penetration and product portfolio diversification. We will look at opportunities for expansion in the SADC region to enhance the geographical footprint of our business.



Dr Wallace Mgoqi

Chairman of Investment Committee

31 January 2020

Remunerations committee report



Dear Stakeholder,

It is my pleasure to present to you the remuneration committee report for the 2019 financial year. This report highlights the key components of AYO's remuneration policy and also illustrates how the policy was implemented during the reporting period so as to promote the achievement of the Group's strategic objectives and positive outcomes in the short, medium and long-term.



The remuneration committee is primarily responsible for overseeing the remuneration and incentives of the Group's executive directors and key management staff as well as for establishing transparent policies and guiding principles of a standardised approach in the application of remuneration practices within the Group. We strive to ensure that total remuneration is aligned with sustainable value-creation strategic objectives, the legitimate expectations of stakeholders and market relativity. Our remuneration policy is reviewed annually to determine how we attract, motivate and retain skilled resources while maintaining a strong balance with shareholder interests.

AYO's remuneration philosophy is anchored around the governance principles of the King Report. The Total Reward principles form the cornerstone of our employee value proposition, designed to attract, develop, engage, motivate and retain rare critical skills as well as underpin our human capital philosophy of "growing own timber". We look at remuneration holistically to create a unique combination of career and growth opportunities, recognition, culture and values, compensation and benefits and work environment. This allows us to leverage the proper mix of rewards to satisfy personal and financial needs of current and potential workforce given our business conditions, operating context and cost constraints. Our main aim is to ensure that the company is able to develop, motivate and maintain an internal human capital pipeline and as necessary attract the requisite skills from the labour market to enable our business growth strategy.

Amendments to the Remuneration Policy

The company's remuneration policy was reviewed during the 2019 financial year and is aligned with the relevant principles in King IV™ Code and that it promotes good governance, our shared values and ethics. Reporting and disclosures continue to evolve to ensure that the policy is transparent to all stakeholders.

AYO's remuneration policy, adopted in June 2019, includes performance targets and key measures to ensure alignment with the Group's strategic objectives as well as fairness, transparency, internal equity and external competitiveness. Introduction of short-term and long-term incentives were also proposed.

The policy is a continuous work in progress document. This and the committee's implementation report will be presented to shareholders for separate non-binding advisory votes at the Company's AGM. In the event that less than 75% support for these reports is achieved at the AGM, AYO will invite dissenting shareholders to submit reasons for such votes in writing, where after further engagement may be scheduled.

Remuneration comprises of a total guaranteed package, bonus payments, short-term incentives and long-term incentives.

Total Guaranteed Package

AYO's guaranteed pay, referred to as the Total Guaranteed Package (TGP), is calculated on the total cost to company method and is inclusive of company contribution for selected benefits.

In August 2019 the TGP of all permanent employees and executives was increased by 7% in accordance with market movement, forecast inflation and affordability. One of the committee's key tasks is to ensure the relevance, integrity and consistency of AYO's remuneration offering as it is seen as an essential pillar of our total employee value proposition.

Benefits and Allowances

A review was done on the benefits included in the TGP and recommendations have been formulated particularly with regards to medical aid contributions and maternity benefits. Currently medical aid membership is compulsory for full-time employees with contribution payable towards it by the Company. It is recommended that the policy is amended to make medical aid membership voluntary, which will have no financial impact on the Company but will allow staff the choice to join or not based on their circumstances. Maternity leave policy updates refer to increase of the benefits paid to mothers from the current third of her salary for the first three months to full salary being paid for two months for mothers who have been with the Company for less than two years and full salary for three months for mothers employed by AYO for two years or more.

Bonus Payments

A bonus payment equivalent to one month's TGP is paid to all staff in the employ of the Company in December.



Short-Term Incentives

A formal short-term incentive (STI) scheme was adopted in 2019 designed to support and reinforce desired behaviour and delivery throughout the organisation. The STI performance scheme incorporates the following key pillars to adequately address various aspects of the strategy execution:

- Financial performance metrics;
- Operational efficiency metrics;
- Sustainability metrics;
- Delivery of strategic initiatives.

The STI rates are determined relative to the annual TGP package at the end of August each year. The amount is then paid in cash in December of the same year. The cycle leading up to the payment of the incentives starts in March with forecast of the results at year-end, determination and approval of bonus tiers payable, estimation of the provision to be raised at the end of the financial year and refinement of the target metrics numbers once the external auditors have finalised the audited financial results.

The Group's STI targets are determined by the committee, agreed with EXCO and senior management and thereafter approved by the Board. The target weightings have been set reasonably high at executive level to drive problem-solving through collaboration and teamwork across the Group while ensuring alignment of objectives across the Group, thereby realising the benefits of the operating model and tangible value creation for stakeholders.





Long-Term Incentives

For the 2018 and 2019 financial years no long-term incentives (LTI) were paid to executive directors.

A new LTI compensation scheme has been drafted during the reporting period, designed to reward performance based on the achievement of the Group's long-term financial goals and aligning the interest of management with that of shareholders. The new scheme is aimed at eligible employees in management and core critical specialist level and is proposed to the Board for review.

Executive directors' remuneration

Executive directors at AYO are employees and have standard employment contracts with the Company. Their basic remuneration package is decided by the nominations committee when appointing the executive. All incentives and bonuses are decided by the remuneration committee within the guidelines of the remuneration policy.

For the 2019 financial year remuneration received by executive directors was as follows:

Director	Base Pay R'000	Bonus R'000	Allowances R'000	Medical Aid R'000	Retirement Fund R'000	Total Cost R'000
H Plaatjes	2 292	-	157	-	202	2 676
T Bundo	1 643	-	-	-	88	1 748
V Govender	1 693	-	124	-	134	1 969
A Salie	836	-	-	-	44	890
N Gamielien	1 378	960	16	46	74	2 502

Payments made by the Company on termination of office during the financial year amounted to R880 000.

Non-executive directors' fees

Non-executive directors do not have employment contracts with the Company, nor do they benefit from the Company's performance schemes. They have Board appointment letters and are paid a fee for participating in and attending Board meetings. Non-executive directors who perform services through Board Committees are paid additional basic and attendance fees for such services. No arrangement exists for compensation in respect of loss of office. Board fees and fee structures are also reviewed annually.

The committee has received a recommendation to adjust the fees payable to non-executive directors' proposal to reflect the number of ad hoc meetings that have required their attendance and thought.

Such ad hoc meetings are not currently accounted for in their fee structure. The committee will table this aspect to the Board for further discussion.

Non-executive directors' fees for the 2019 financial year:

Director	Director Fees R'000
Dr Wallace Mgoqi	666
Aziza Amod	338
Cherie Hendricks*	-
Salim Young	214
Dr Dennis George	367
Sello Rasethaba	273
Rosemary Mosia	311
Adv Ngoako Ramatlhodi	236
Takudzwa Hove	50
Ismet Amod	88

*Cherie Hendricks waived her director fees.

Full remuneration report is available on our Group website at www.ayotsl.com.

Focus for 2020

In line with the committee's mandate, our key deliverables for 2020 are:

- Facilitating the approval and implementation of the amendments to the remuneration policy;
- Ensuring the continued relevance and competitiveness of the policy and the designed incentive schemes;
- Reviewing the employee value proposition offered to all our staff members;
- Overseeing the implementation of the remuneration policy;
- Contributing to fulfil the requirements of the remuneration committee's charter;
- Engaging with shareholders and other relevant stakeholders in reviewing the Group's performance targets, LTIs and their respective weightings.

Aziza Amod

Chair of Remuneration Committee

31 January 2020

SECTION IV: CREATING VALUE THROUGH STRATEGY

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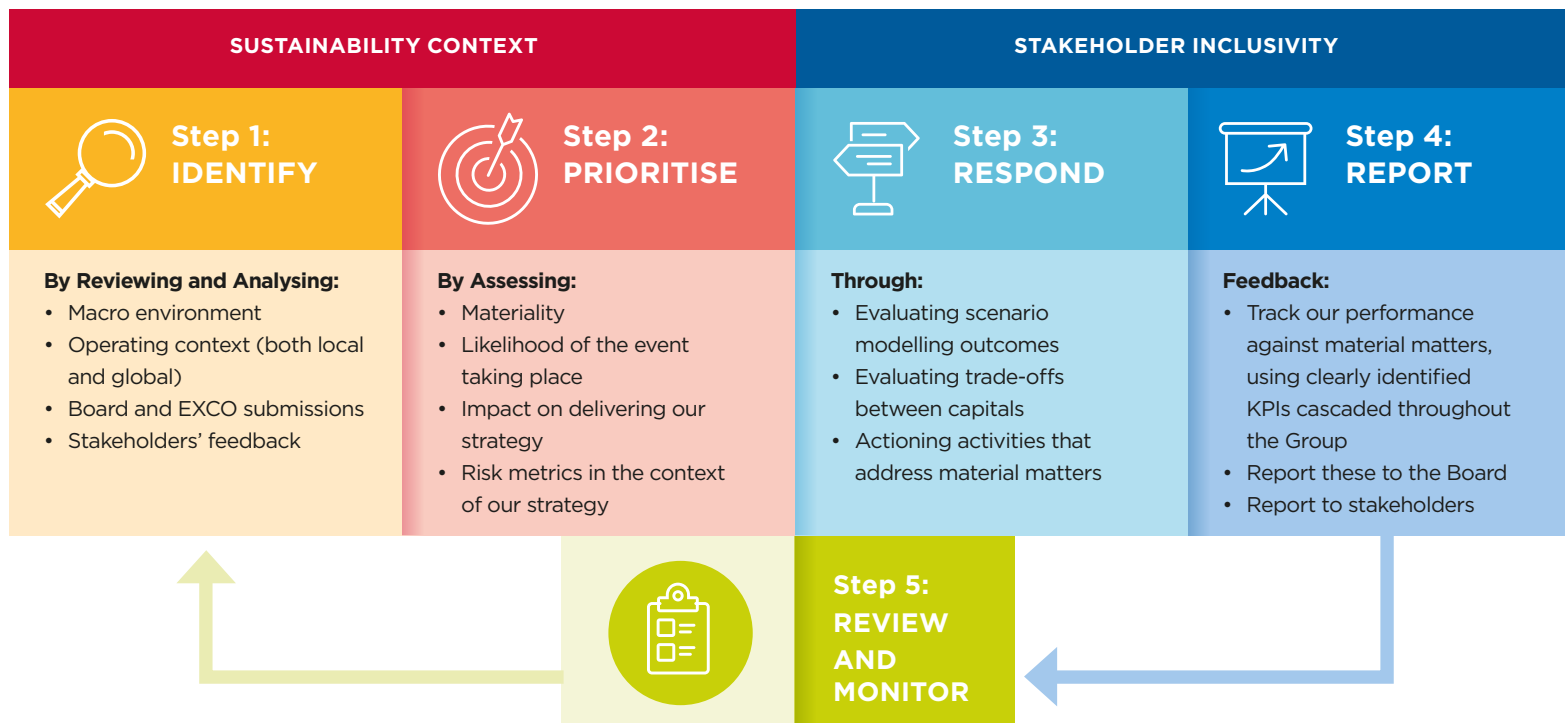


CREATING VALUE THROUGH STRATEGY

Material matters

Our material matters are those key threats and opportunities that have the most substantial potential impact on our capacity to create sustainable value in the short, medium and long term or could significantly influence our ability to execute our strategy and remain competitive. While these issues change over time as new trends and technologies shape our environment and our stakeholders' needs evolve, the broad themes remain consistent. Defining material matters forms an integral part of our strategic planning process as they inform and sometimes determine our approach in managing risks and maximising the opportunities that present themselves.

We use the following process to manage our material matters:





INVESTING STRATEGICALLY	Diversifying our portfolio into new ICT segments and industry verticals is key to sustaining the Group's business agility in the rapidly changing business environment.
GROWING OUR REPUTATION	Our brands' and corporate reputation is crucial to our ability to grow market share and profitability. Transparency, integrity and open communication underpin all our decisions and actions.
MAINTAINING KEY RELATIONSHIPS	Relationships are the paramount critical success factor for any business. Our strong client relationships allow us to grow organically. Solid supplier partnerships enable us to bring new technologies to South Africa.
OPERATING EFFICIENTLY	Operational efficiency is about delivering value-based organic growth. It is about finding the best possible way to manage the resources under our control.
ENGAGING TALENT	Inspiring our people to go above and beyond ensures that we harness their full potential to achieve our vision to drive the digital transformation of our economy.



We have identified the following top five material matters which impact on our ability to create value:

MATERIAL MATTERS WITH IMPACT ON OUR ABILITY TO CREATE VALUE

 <p>COMPETITIVE CONTEXT:</p>	 <p>MEDIA SENTIMENT:</p>	 <p>COLLABORATIVE RELATIONSHIPS:</p>	 <p>TECHNOLOGICAL INNOVATION:</p>	 <p>HUMAN CAPITAL MANAGEMENT:</p>
<p>The South African ICT sector is experiencing significant market consolidation as telecommunications operators look to build capabilities to position themselves as turnkey service providers. Our ability to identify and attract key partners and subsidiaries will be instrumental to remaining relevant and growing in this fast-changing competitive landscape.</p>	<p>The integrity of our business has been excessively scrutinised in the public domain since listing on the JSE. This has impacted on our brand value, share price and discussions with targeted acquisition companies and potential business partners.</p>	<p>Our strong relationships with our subsidiaries, clients and partners enable us to implement a collaborative business strategy where we draw on insights from various industries to develop disruptive and transformative solutions and services.</p>	<p>An increasingly important contributor to South Africa's GDP, the country's ICT sector is both sophisticated and developing. Several international corporates operate subsidiaries from South Africa, including IBM, Microsoft Corporation, System Application Protocol (SAP) and others. Through such partnerships and operations, the local market is exposed to the latest international technology and trends from around the world.</p>	<p>Effective human capital management is critical to the execution and delivery of our strategy. By promoting diversity and cultural integration, attracting, developing and retaining high-performing people, we can create innovative products, services and solutions to deliver on our growth objectives.</p>

COMPETITIVE CONTEXT

The ICT industry in South Africa is fragmented, with small players competing alongside large multinationals. It is also fast evolving from offering services such as outsourcing, which improve productivity and efficiency, to providing value-added services, such as analytics consulting and cloud-based computing. These new high margin sectors attract the attention of large international players and increase rivalry. With their strong buying power, global companies like Accenture, EOH and Amazon Web Services are driving the market consolidation locally. While this trend establishes economies of scale and drives down cost for client organisations, it can also disrupt the growth of South African ICT businesses and hinder local skills development.

The opportunity, given AYO's differentiation:

Growth in the cloud computing industry is expected to reach a compound annual growth rate of 35.8% between 2020 and 2023, thus fuelling overall growth in the ICT sector. As a holding business for dynamic ICT subsidiaries with substantial cash reserves, AYO is in a strong position to acquire equity in upcoming cloud-based computing local businesses giving them the resources to scale their operations and access to the 500+ organisational clients the Group services. Growth through acquisition will remain an important pillar in our strategy for 2020 - enabling us to further diversify our portfolio into this lucrative value-added services segment.

Key risks and mitigating actions:

The disproportionate buying power on behalf of international tech titans vying for the same market access poses a risk of contested bidding and ultimately over-paying for investment-worthy subsidiaries. This is exacerbated by the fact that valuation of ICT companies is largely subjective and based on future prospects rather than tangible assets. To successfully compete in this arena, it is imperative that we engage in strict due diligence processes.

Our ability to offer added value beyond cash investment to targeted acquisitions, including access to new markets and speed of scalability, will enable us to present compelling offers to attract such auspicious subsidiaries.



MEDIA SENTIMENT

Our business strategy and the integrity of the business and its leaders have been intensely scrutinised in the public domain since listing. While the excessive media attention can be seen as a positive sign, indicating that we are significant enough of a player in the South African economy to warrant high-volumes of coverage, it has had a resultant impact on our share price and discussions with targeted acquisition companies, and potential business partners. The reality is that many of the widely circulated media reports have been unconstructive and often based on unfounded allegations against our business. This matter is of material importance, as brand recognition and trust are deciding factors in the selection of service providers.

The opportunity, given AYO's differentiation:

During 2019 AYO refrained from countering the blows we received in the media and chose to focus, instead, on strengthening our business and establishing a solid base from which to execute our strategy and deliver on the goals we communicated to the market at our listing on the Johannesburg Stock Exchange. We have made massive strides in the right direction during the reporting period and plan to assertively communicate these successes in 2020 to restore trust in our brand. We plan to use our communication channels effectively to deliver timeous and objective updates to our stakeholders.

Key risks and mitigating actions:

Brand reputation is an essential non-tangible measure for any business, particularly so in the services segment. The negative media exposure of the AYO brand, which is baseless and unwarranted, can have detrimental consequences on our ability to deliver value to our stakeholders.

AYO has developed a strong communication strategy to mitigate the negative publicity we have been subjected to in 2019, and convey the successes along the journey.



COLLABORATIVE RELATIONSHIPS

We recognise that collaboration amongst the subsidiaries companies that make up the AYO Group, as well as within the ICT sector as a whole, is a key enabler for business and overall economic growth. Transfer of knowledge and technological innovation across the businesses within the Group allows us to modernise and optimise our clients' industries. Collaboration with large international players, on the other hand, enables us to introduce the latest global developments locally, grow our market share and revenues and exponentially increases the value to our clients. Furthermore, partnerships with respected global brands such as Microsoft and Amazon Web Services could actively enhance AYO's business reputation and market positioning.

The opportunity, given AYO's differentiation:

The dynamic nature of the ICT industry makes collaboration in the market a prerequisite, rather than a "nice-to-have" for local technology firms. This creates opportunities for new partnerships with global sector leaders. AYO has recognised that currently there is no official platform to foster such symbiotic collaborations and enable leaders of the industry to share learnings, technologies and practices. We envision creating a programme in 2020 to facilitate cooperation and shared learning amongst progressive local and international ICT companies, which will additionally enhance our business' positioning as a leading innovator within the sector.

Key risks and mitigating actions:

Collaborative business relationships invariably involve a number of companies, which may be in different lifecycle stages, governed by diverse leadership styles and utilising distinct business processes. Thus, identifying a concerted partnership model poses a unique set of challenges. It is important to address such collaborations in a flexible manner and experimentation may be required, in some instances, to discover an optimal mutually beneficial model.

Further, proprietary IP is of paramount importance to the value of ICT businesses in general and collaboration would not be possible if such IP is not suitably protected. Through AYO's experience in creating sharing platforms amongst our subsidiaries, we have developed solid practical models to foster joint developments and resource pooling while protecting and compensating for individual proprietary knowledge.



TECHNOLOGICAL INNOVATION

The ICT industry globally is influenced by rapid and continual technological advances, developing industry standards and changing customers' needs and preferences. The success of a company in this environment is dependent on its ability to anticipate and adapt to changes. Effectively identifying global trends and innovations and translating these developments into locally applicable products and services will allow AYO to create new niche offerings as well as enhance the value proposition of our clients and reshape their industry verticals.

The opportunity, given AYO's differentiation:

AYO's key value-added reseller and supplier agreements with principals such as Dell, Plantronics, InterSystem Corporation, Cisco Systems, Microsoft Corporation, IBM and Riverbed Technology provide us with continuous access to the latest innovative global technologies. This enhances our business performance and enables us to deliver high-quality service to our clients. The incorporation of such cutting-edge products and services into our existing portfolio has the potential to unlock significant revenue growth for our business, while firmly entrenching our brand as the frontrunner of technological advancement in South Africa and driving economic and social development growth for the country as a whole.

Key risks and mitigating actions:

While being first-to-market with fresh technological solutions gives a company a competitive edge initially, the speed at which technological innovation is replicated in the 21st century globally renders any such advantage short-lived. Only through applying proprietary IP to enhance global innovations and customise them for the local market, we fortify the value of the lead.

AYO and its subsidiary businesses have established strong supplier partnerships with key international innovative technology firms to ensure we have immediate access to the latest global industry developments and invested heavily in talent to build much-needed internal IP capacity. Key supplier partnerships and talent management will remain our core focus in 2020.



HUMAN CAPITAL MANAGEMENT

The agile environment that is the ICT industry prompts our business not just to understand but anticipate the key skills the segment will require in the future and proactively foster skills development in our staff and the broader community to continually generate a talent pool capable of driving the 4IR in South Africa. We recognise that to create disruptive solutions with multiple areas of integration requires diverse skill sets from individuals and that the speed of innovation necessitates continuous investment of time and resources in talent development. A people-centred commitment and empowering work environment, on the other hand, will enable us to attract and retain scarce skills.

The opportunity, given AYO's differentiation:

At AYO, we are cognisant of the fact that proactive learning and growth to cater for skills in a changing world is paramount. We are also aware of the positive impact a meaningful learning and growth programme can achieve in transforming our communities and the ICT sector.

AYO Academy, our flagship skills development initiative, is designed to develop and nurture such meaningful, critical and scarce skills. The programme will ensure AYO's talent pipeline is of the highest standard while supporting socio-economic transformation through upliftment and education of talented young leaders of tomorrow.

Key risks and mitigating actions:

Shortage of and competition for critical skills are rising globally in all industry segments. The situation is exacerbated in South Africa, where political and economic uncertainty has fuelled high emigration levels of talented professionals.

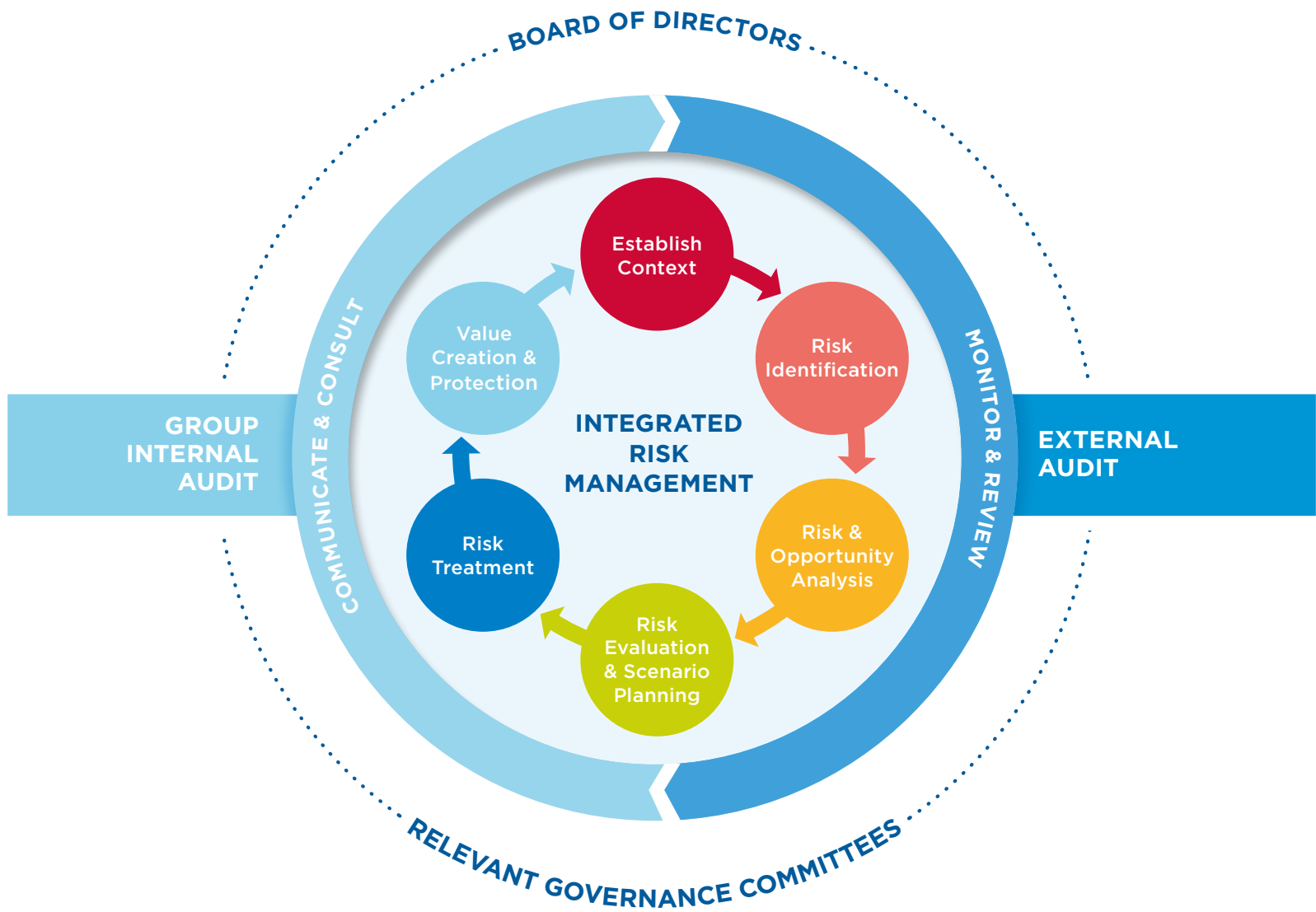
Having a strong employee value proposition is thus critical for our success in attracting and retaining a competent workforce. We focus on fostering an inclusive empowering environment, attractive remuneration and development opportunities, with the vision of becoming the employer of choice in the South African ICT industry.

Our risk management

Risk management is an integral part of our value-based strategy, our governance and our day-to-day operations. We believe that each risk carries an associated opportunity and aim to not only deal with uncertainty in the business environment and minimise our downside exposure but also seek to capitalise on the upside potential to achieve our strategic objectives. Thus, our integrated and cohesive approach to risk management is inextricably linked to strategy formulation and execution.

INTEGRATED RISK MANAGEMENT MODEL AND COMBINED ASSURANCE

AYO's integrated risk management framework sets the foundation for our businesses to effectively manage environmental risks in a standardised and systematic manner.





The Board approves AYO's risk profile, financial risk appetite and tolerance levels and ensures that risks are managed within these levels. To support the Board and ensure effective risk management oversight, each committee is responsible for monitoring relevant risks within the ambit of its scope.

The internal auditor performs an independent objective assurance function and consulting activity on the adequacy and effectiveness of the Group's systems of governance, risk management and internal controls. The system of internal control is designed to ensure that significant risks are appropriately identified, managed and provide reasonable assurance that:

- Company assets and information are safeguarded;
- Operations are efficient and effective; and
- Applicable laws and regulations are complied with.

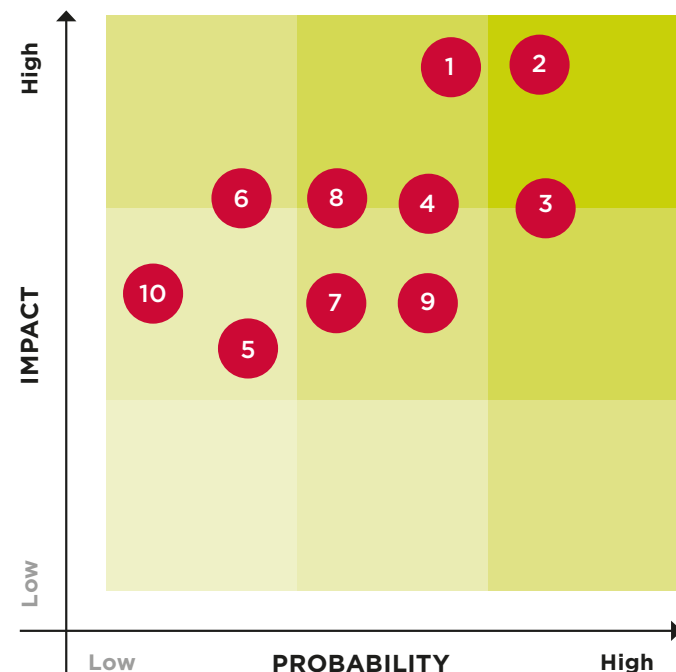
BDO South Africa Inc., the external audit firm, provides an audit opinion in accordance with the Companies Act, the JSE Listing Requirements and King IV™. They assist the audit and risk committee in discharging their corporate governance and compliance responsibilities. They provide advice on financial reporting, tax and business issues and make recommendations to management to improve internal controls and business efficiencies to add further value to the Company.

AYO's risk management model is further applied to our "watch list", which contain risk areas not specifically covered in the Group's top risks. Our "watch list" is constantly evolving and together with the top risks list represents a comprehensive coverage of themes that could potentially impact on the Group's performance.

The watch list themes include:

- South Africa's and Africa's political and economic developments;
- Significant changes in public sector ICT expenditure;
- New and changing laws and regulations affecting the ICT industry and the industry verticals we operate in;
- Changes in customers' buying criteria;
- Disruptive new technologies launched in the world;
- Governance and integrity perception of our Group by regulators, media and shareholders;
- Reputation management for our subsidiaries;
- Time spent in legal and other non-core value-generating activities.

AYO'S TOP RISK	RBS CATEGORY
1. Economic Uncertainty	Business risk, Financial risk, Operational risk
2. Reputational Impairment	Reputational risk
3. Talent and Skills Shortage	Human risk, Operational risk
4. Legal and Compliance	Legal risk, Operational risk
5. Market Consolidation	Business risk, Market risk, Operational risk
6. Investment Performance	Business risk, Financial risk
7. Unplanned Legal Actions	Legal risk, Business risk, Operational risk
8. Loss of Major Projects and/or Clients	Business risk, Operational risk
9. Dependence on Major Customers	Business risk, Operational risk
10. Lower B-BBEE Rating	Business risk, Legal risk





BUSINESS, MARKET AND FINANCIAL RISKS

Economic Uncertainty:

Macroeconomic events beyond our control, including significant currency rate fluctuations, drastic movement in the public sector expenditure and overall economic stability directly affect our costs and revenues. While many such events can be seen as opportunities for AYO to introduce cost-saving technological advancements and assist our clients in navigating these uncertainties in the medium- and long-term, our immediate vulnerability to South Africa's volatile economy is acknowledged.

Mitigation:

- Diversifying our portfolio with operations in both developing and developed foreign economies
- Entry into new industry verticals to diversify the risk of segmental exposure
- Modular re-structuring of core managed services offerings to enhance competitiveness and cost management for clients

Market Consolidation:

Telecommunications operators aiming to position themselves as turnkey service providers and large multinationals looking to penetrate the African market via South Africa are driving significant market consolidation where small local players are rapidly absorbed. While this trend is positive for the industry as it brings about capital investment and access to innovative global technologies, it could present a risk for AYO, particularly if we are unable to innovate ahead of the curve.

Mitigation:

- Investment in capabilities (both people and infrastructure) to drive growth through innovation
- Targeted acquisition strategy to fortify our presence in the fastest-growing subsegments of the industry

Investment Performance:

The financial performance of the AYO Group is in part influenced by the performance of subsidiaries within the Group in which AYO does not hold a controlling stake. Our ability to identify and acquire companies that will upsurge our Group revenues and profitability while opening access to new niche market segments is crucial to our growth strategy.

Mitigation:

- Careful, consistent monitoring of subsidiaries' performance
- Collaborative initiatives amongst subsidiaries to facilitate symbiotic relationships and mutual growth
- Stringent due diligence on past performance and future potential of targeted acquisitions



REPUTATIONAL, LEGAL AND HUMAN RISKS

Reputational Impairment:

Negative media portrayal, whether founded or not, ultimately results in reputational impairment. Even when allegations are later withdrawn or corrected, the damages incurred linger long after the dust has settled. This has certainly been the situation in which AYO has found itself in 2019 and the impact of such unfavourable publicity can be felt in our acquisitions pipeline, investments and new business contracts.

Mitigation:

- Proactive corporate communication strategy to reposition the AYO brand aimed at all stakeholder segments
- Honest and transparent corporate citizenship behaviour and communications

Talent and Skills Shortage:

The South African ICT industry is strongly affected by the global shortage of scarce technical skills as top industry talent is lured by lucrative opportunities in more developed economies, now more easily accessible to them than ever. Loss of key skilled employees could impact our ability to innovate, particularly in the software development space, and affect our ability to fulfil contractual obligations.

Mitigation:

- Focus on delivering improved employee value proposition, enhanced employee communication and people-centred commitment
- Development of critical scarce technical skills through AYO Academy

Legal and Compliance Risks:

Our governance and integrity are perceived to be weak by regulators and certain shareholders as an indirect result of negative publicity. The JSE has challenged us in auditing unaudited interim results for the previous year and is exceptionally vigilant in monitoring our regulatory compliance.

Mitigation:

- Appointment of new executive team and Board
- Appointment of an internal audit team and IFRS specialist to ensure compliance with listing requirements at all times

B-BBEE Rating:

AYO's B-BBEE rating is an important differentiator and competitive advantage for the business, which we can leverage to expand our market share and revenue. A lower rating, conversely, could result in potential loss of new business or limit access to growth opportunities.

Mitigation:

- Active monitoring of ongoing B-BBEE programmes
- Pursue areas in which our scoring can be improved
- Assess potential acquisition's B-BBEE score as part of their overall evaluation process



OPERATIONAL RISKS

Unplanned Legal Actions:

On 31 May 2019, AYO received summons issued by the Public Investment Corporation ("PIC") and the Government Employees Pension Fund ("GEPF"). We have instructed our attorneys to oppose the action. While we appreciate the fair and accessible judiciary system of the country and understand the need to protect the interests of vulnerable demographic groups whose financial future depends on responsible investment by PIC on their behalf, such unplanned legal shenanigans impact on our resources and ability to deliver on our strategy.

Mitigation:

- Decisive response strategy for swift and effective resolution of current and potential legal actions threatening our resources and operations
- Proactive corporate communication strategy aimed at all stakeholders to assuage resulting brand damage from legal actions and sequential negative media coverage.

Loss of Major Projects and/or Clients:

Inundated by constant allegations in the public domain, we acknowledge the capacity of such negative coverage to challenge our ability to retain existing customers and renew business agreements. This risk affects not just AYO as a company, but all subsidiary businesses in the Group and has further indirect effects including reduction of credit facilities with suppliers, concerns around owner warranties and high staff apprehension and turnover.

Mitigation:

- Pursue a diversified project mix and customer base, underpinned by long-term partnership agreements
- Investing in brand recognition and positioning for our subsidiary companies in their own right

Dependence on Major Customers:

While we value the importance of major contracts with large organisational clients, we recognise that over-reliance on specific customers could potentially result in a material reduction in revenue for the business.

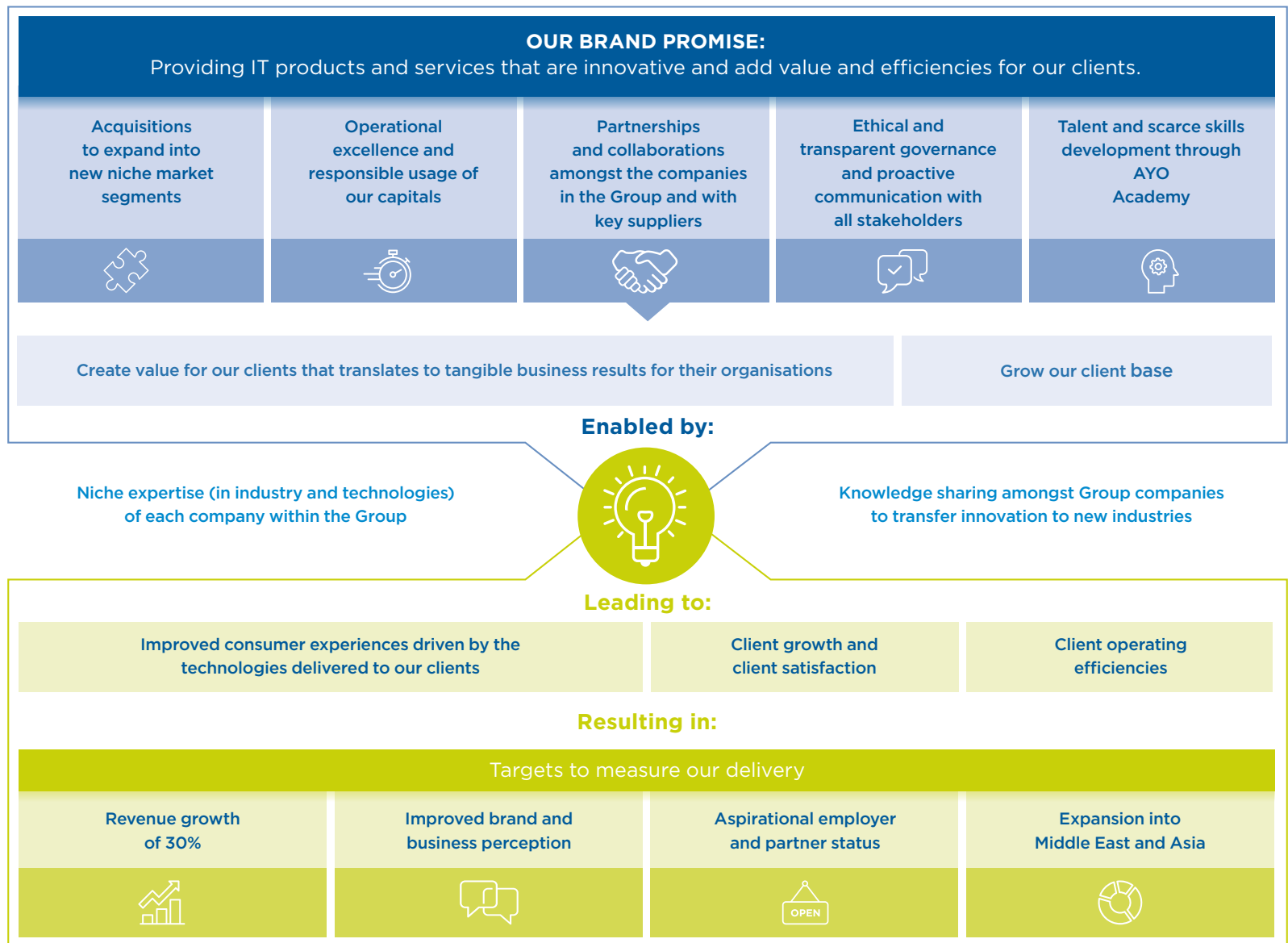
Mitigation:

- Expanding our portfolio into new industry verticals
- Expanding our portfolio into new geographies
- Acquiring businesses with an established, existing client base

Our strategy

When developing our strategy, we consider both the risks and opportunities in the world in which we operate, as well as our resources, strengths and limitations. What is clear is that the ICT sector will continue to grow faster than any other segment of the South African economy in the next three to five years and that this growth will be driven primarily by value-added services such as analytics consulting and cloud-based computing. The World Economic Forum's latest Global Information Technology report ranks South Africa 65th out of 139 countries in terms of network readiness, suggesting that the ICT infrastructure sector will remain highly relevant and commercially viable.

Our refined strategy is responsive to these trends to ensure we focus on the right opportunities, stay competitive and relevant, deliver sustainable growth and ongoing value for all stakeholders and society.





Delivering our strategy



MARKET ACQUISITIONS

AYO's inorganic growth objectives have not changed since our listing in late 2017. We pursue diversification into new, niche, fast-growing and high-margin ICT market segments via targeted acquisition strategy.

In the past year, AYO purchased:

- A controlling (55%) stake in Sizwe Africa IT Proprietary Limited – an important player in the ICT infrastructure space (a segment with very positive growth outlook in the short and medium-term) as well as the data storage and server space (another fast-growing segment fuelled by the popularisation of data storage outsourcing).
- 40% interest in SGT Solutions Proprietary Limited – a turnkey solutions integrator providing multi-technology communications systems for mobile broadband and networking with an impressive client list including mobile network operators, large multinational businesses and SOEs.
- 24% interest in Global Command and Control Technologies – a company specialising in developing niche technologies for the military, defence and navy domains, as well as security and private commercial enterprises.

We also concluded the acquisition of 43% equity interest in Puleng Technologies, increasing AYO's shareholding in the company to 100%.

Looking forward:

We will continue to actively seek and acquire an interest in progressive ICT businesses to further diversify our Group's portfolio, and industries reach. Our guiding principles for our acquisition strategy are:

- Pricing: AYO does not overpay for acquisitions. We determine fair pricing through due diligence.
- Client Portfolio: The future growth and earnings of a company are directly related to the industries in which its clients operate. We focus on acquisitions that open new industry verticals for the whole Group.
- Strategic Fit: Through acquisitions, we strive to penetrate niche ICT segments, where we currently do not have operations and capabilities. This way, we can quickly increase our market share and diversify our offerings.
- Profitability and Earnings Outlook: We assess the viability of potential acquisitions through strict inspection of past financial performance, profitability and revenue outlook going forward.

Key risks in implementing this strategy:

Penetration into the local ICT market through acquisition of operational, scalable and profitable growing companies has been adopted as a strategic business model by a number of large international players. This increased competition may lead to over-bidding and ultimately over-paying for auspicious subsidiary targets. We acknowledge the importance of due diligence in the acquisition process, to avoid the risk of errors by both omission and misinterpretation, and strictly adhere to our integrated risk management model during the evaluation.



OPERATIONAL EXCELLENCE

The quality of our operations, from how well we manage our resources to how efficient we are in what we do, directly impacts on our financial and non-financial performance. Therefore, operational excellence is imperative in our business.

During the reporting period, we:

- Appointed a new executive management team which in a short space of time has managed to align our internal processes to our vision, thus enabling us to deliver on our strategy and commitments.
- Improved and streamlined many of our internal processes (including risk assessment, financial reporting and internal auditing amongst others) and introduced standard policies and operating procedures to prepare ourselves to operate more efficiently as we grow as a business.
- Hired new employees in response to the increased capacity requirements on our business that come with new contracts and growth we achieved during the period.

Looking forward:

In 2020 we will continue to focus on “doing the right things well” with critical priorities being:

- Carefully managing our resources – both financial and other resources.
- Hiring talent of the right skill and expertise to address the growing requirements of the business.
- Implementing green initiatives to reduce waste of natural resources.
- Implement technologies that streamline our operations.

Key risks in implementing this strategy:

It is very important for a business to manage the fine balance between building up capacity for growth and over-investing in the process. We are cognisant of this fact and carefully measure up the size of each opportunity we pursue to the associated cost for the business. Our Board plays an active role in evaluating how we manage resources and ensures that we invest responsibly and operate cost-effectively.



PARTNERSHIP AND COLLABORATIONS

Solid relationships with clients, subsidiaries and suppliers have been the cornerstone of AYO's strategy since inception. We believe that the value we create through collaboration is far higher than every single organisation can deliver on its own.

On this note, we are happy to report that the contract we commenced at the beginning of the reporting period with a large multinational oil and gas client has given AYO not just significant revenue growth but also another solid partner for our stable.

Looking forward:

Our focus areas for 2020 are to:

- Preserve existing and pursue future relationships with large organisational clients that drive organic growth and consistency of revenues.
- Preserve existing and pursue more partnerships with leading international suppliers, including Microsoft Corporation, Cisco Corporation, Oracle, Amazon Web Services and others that will provide us with continuous access to the latest global technologies.
- Create a robust collaborative platform for our subsidiaries to encourage knowledge sharing and cross-pollination of technologies across industry verticals.

Key risks in implementing this strategy:

While we strive to acquire subsidiaries based on their niche expertise in a specific ICT field, which fosters value creation through collaboration within the Group, we acknowledge that some skill overlap will inevitably exist, which may lead to competition amongst partners. Thus, we base all significant partnerships and collaborations in written agreements, stipulating each party's contribution, agreed mutual benefits and collaborative advantage.



GOVERNANCE AND COMMUNICATIONS

Without the correct leadership, a company cannot create value. To deliver on the commitments, we've made to our stakeholders, in 2019 we appointed a new executive management team. With a combination of diverse professional backgrounds and soft skills, this new executive team has quickly identified the company's strengths and areas needing improvement and implemented changes to prepare us for accelerated growth in the short and medium-term. Changes were also made to our Board, and we are now confident that AYO is guided by a team of directors with the requisite knowledge, skills and industry experience, as well as impeccable business and personal reputation.

Looking forward:

Looking forward to 2020 we will:

- Continue our emphasis on ethical and transparent governance with regular Board communications.
- Continue to streamline our internal auditing process to ensure our governance complies with all regulations and proactively adhere to relevant rules.
- Increase and improve communications with all stakeholders to both inform and seek feedback and suggestions.

Key risks in implementing this strategy:

Amplified communications, particularly financial ones as they are subject to high level of legal requirements, carry heightened compliance risk. Miscommunication or erroneous messaging has the ability to impact share price, brand reputation and other company valuation metrics.

Our focus on intensified communications in 2020 will be subject to strict compliance verification with close cooperation between our communications and risk management/compliance teams facilitated by the office of corporate affairs.



SKILLS AND TALENT DEVELOPMENT

We recognise that proactivity is required to ensure a steady supply of fitting talent, especially as new roles with scarce skill requirements are introduced in our fast-growing business. We seek to create a rich talent pipeline through skills development and opportunity creation, providing the stepping stones for our employees and potential employees to gain productive employment, training and experience. With abundant skills and personal development prospects, continually improving employee value proposition and better corporate brand positioning, we aim to become an employer of choice in the ICT industry.

Looking forward:

Our key deliverables for 2020 in this regard include:

- Continual focus on talent and skills development within the Company and in our communities through the AYO Academy.
- Facilitation of varied and consistent opportunities for re-skilling and up-skilling staff in both technical and soft skills for positive impact on employees' overall well-being and prospects.
- Continual improvements to our employee value proposition to become the ICT employer of choice.

Key risks in implementing this strategy:

Investment in staff development is inherently a long-term endeavour and carries an associated risk while appearing as a significant trade-off in the short term. We acknowledge that risk but are of the view that an investment in people is always a positive investment and are confident that our strong employee value proposition and focused corporate communications will catapult AYO into the coveted ICT employer of choice position, thus mitigating the risk of high staff turnover.

Our trade-offs

UNPACKING THE TOUGH CHOICES WE FACE

Creating long-term value for stakeholders, which is ultimately what we aim to do, comes at a cost. We have to make certain trade-offs like matching the availability and quality of our capital inputs with the opportunities and their associated expected outcomes or balancing the short and the long term. Our strategic focus areas form the basis on which we allocate our capitals and resources with our material matters acting as a compass, guiding our decision making in an integrated manner, allowing us to focus on the most critical levers to optimise the outcomes of these important decisions for all stakeholders.



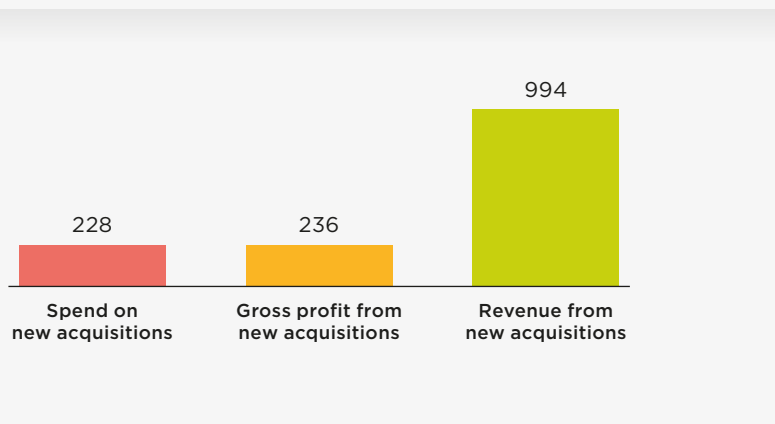
STRATEGIC FOCUS AREA: Strategic acquisitions

Understanding the Trade-Off:

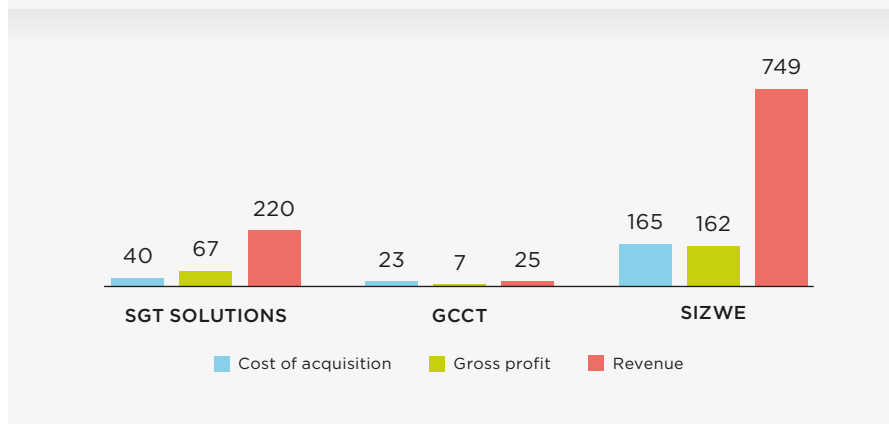
Business acquisitions allow us to diversify our portfolio, penetrate new industry verticals and improve our offering, thus strengthening our relationships with existing clients. However, the capital outlay associated with purchasing equity and/or financing the scaling of a business may reflect negatively on our short-term cash balance.

We continuously strive to balance the costs and benefits of each acquisition by evaluating its strategic fit to our portfolio (both in terms of leading us into growing and profitable ICT segments and giving us access to new client industry verticals) and its financial performance prospects.

2019 AYO Group acquisitions analysis
(R million)



2019 AYO Group revenue and profit for new subsidiaries
(R million)



CAPITALS IN PLAY



STRATEGIC FOCUS AREA: Operational excellence

Understanding the Trade-Off:

Unlike traditional businesses, at AYO we don't view being operationally excellent as a trade-off between financial and human capital. It is not a straightforward equation of, for example, investing in technology to reduce staffing.

We instead invest both financial and human capital (by hiring additional staff to service

new contracts, for example) to create better value for clients (improved relationship capital), create innovative products and services for them (manufactured and intellectual capital), contribute to the professional development of the staff involved in the project (human capital) to ultimately drive revenues (financial capital).

CAPITALS IN PLAY



STRATEGIC FOCUS AREA: Partnerships and collaborations

Understanding the Trade-Off:

Creating a collaborative environment is pivotal to what we do at AYO as we believe that through strategic partnerships with key suppliers, clients and within our subsidiary businesses we not only enhance our ability to innovate (intellectual and manufactured capitals) but also boost our social and relationship capital (as we can better service

our clients) and enrich our human capital by upskilling and reskilling them.

We will continue to dedicate time, energy and money on strengthening our supplier partnerships with leading global trendsetting brands and creating collaborative platforms for our subsidiaries to bolster the competitive edge of the AYO Group as a whole.

CAPITALS IN PLAY



STRATEGIC FOCUS AREA: Ethical governance and communications

Understanding the Trade-Off:

Managing our corporate and brand reputation, particularly in the short term is one of our foremost attention areas as it has a colossal impact on our ability to create value and deliver on our commitments. The new appointments in our management team and Board, while certainly improving confidence in our governance, ethical practices and ultimately trustworthiness, come at a cost. These changes in leadership during turbulent times can feel like changing the engines of an airplane mid-flight and can have an unsettling short-term effect.

The interim impact on our human and social/relationship capital induced by governance changes in the last 18 months will be offset in the medium-term with positive effects for all our capitals, including:

- Strengthened capacity to deliver financial and other results with aligned leadership, vision and strategy.
- Social and relationship capital growth through inspiring trust and enhancing corporate image and brand perception.
- Improved compliance and rating with JSE and B-BBEE regulatory bodies and the associated upswing in social and intellectual capitals.



CAPITALS IN PLAY



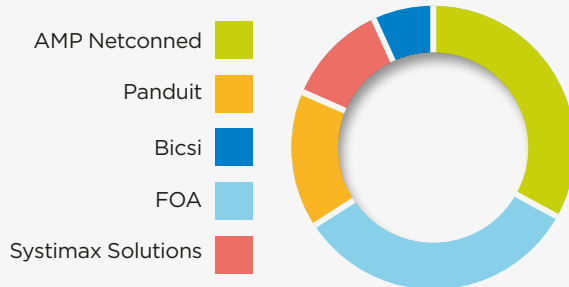
STRATEGIC FOCUS AREA: Talent and skills management

Understanding the Trade-Off:

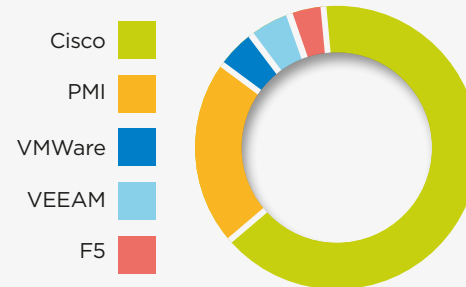
Training and development carry a high financial capital cost. During the reporting period, AYO spent over R3 million on staff training initiatives. The value created, however, in terms of positive influence for our human, intellectual and social capitals more than offsets the expenditure:

- 116 technology-related skills gained collectively amongst our employees certified by reputable industry names like Cisco Systems, Fibre Optic Association, Project Management Institute, VM Ware Cloud Infrastructure and others.
- 443 direct and over 1 000 indirect community beneficiaries of skills development campaigns we invested in including Techno-Girl Campaign, Innovation and Space Tour Exhibition, Joyful Computer Literacy Programme and the educational foundations we support (SAME and QASA).
- Positive brand association, exposure and positioning (intellectual capital).

Infrastructure and cabling related certifications



Software and services related certifications



Integrated stakeholder engagement

Our success and sustainability are greatly influenced by our relationships with all our stakeholders. It is a top business imperative for us to hold open and collaborative interactions with each group, listen to their input and feedback, understand their needs and priorities and respond by creating value that is felt by all stakeholder sets. To achieve that we integrate stakeholder engagement in all our business processes and day-to-day operations.

OUR STAKEHOLDER CLUSTERS	
Staff	Shareholders
Clients	Investment Community
Suppliers	Regulators
Subsidiaries	Government
JV and Business Partners	Media
Society	

STAKEHOLDER	KEY ISSUES AND EXPECTATIONS	HOW WE DID
<p>Shareholders and Investment Community <i>The owners of our business</i></p>	<ul style="list-style-type: none"> • Sustainable business • Asset value growth • Return on investment • Optimal capital allocation • Solid and achievable growth strategy • Sound risk identification and management • Capable and experienced leadership team • Transparent reporting and disclosure • Open communication • Sound governance 	<ul style="list-style-type: none"> • Revenue growth of 207% to R1.9bn • Gross profit growth of 182% to R559m • Profit before tax growth of 47% to R288m – 39%, 273m • Growth in total assets of 11% to R5.2bn – 10%, 5.1bn
<p>Staff <i>The engine that drives our business</i></p>	<ul style="list-style-type: none"> • Job security • Competitive remuneration packages and fair pay • Stimulating work with opportunities to make a difference • Career development and personal growth opportunities • Diverse, inclusive and empowering culture • Accessible communication channels, open engagement and honest feedback 	<ul style="list-style-type: none"> • Market-related salary packages and fair pay for critical skills • Modern, hygienic and pleasant place of work • Flexible working conditions • Open door policy to the executive management team • Investment of more than R3 million in skills development and access to wide-ranging development opportunities • Entrepreneurial culture which rewards innovation



STAKEHOLDER	KEY ISSUES AND EXPECTATIONS	HOW WE DID
<p>Clients <i>The force that keeps us in business</i></p>	<ul style="list-style-type: none"> • Cutting-edge products and services • Excellence in client service • Partnership approach to the business relationship • Reliable long-term supply and delivery • Competitive pricing • Ethical corporate behaviour, good governance and regulatory compliance • B-BBEE empowerment • Recognised and admired brands 	<ul style="list-style-type: none"> • Customer-centric culture with a focus on identifying clients' needs before they themselves recognise them • Solid relationships with our suppliers to ensure consistent products and services available for our clients at competitive prices • Consistent practice of curiosity helping us identify innovative global products to introduce to our clients • Adherence to all regulations, applicable laws and governing bodies requirements, including B-BBEE ratings
<p>Suppliers <i>Our business enablers</i></p>	<ul style="list-style-type: none"> • Professional relationship approach • Fair treatment and fair pay • Timeous payment • Transparent procurement selection process with emphasis on supporting entrepreneurship, SME and B-BBEE suppliers 	<ul style="list-style-type: none"> • Regular engagements with a professional approach to the relationship • Adherence to negotiated payment terms • Preferential procurement policy supporting local entrepreneurs and SMEs • Introduction of supplier development programme offering business development and financial assistance to black-owned SMEs
<p>Subsidiaries <i>The innovators that fuel our shared growth</i></p>	<ul style="list-style-type: none"> • Balanced approach to operational support and autonomy • Financial backing for growth strategies • Collaboration opportunities with other subsidiaries to share innovations and knowledge across client industries • Strong parent brand • Ethical parent company corporate citizenship 	<ul style="list-style-type: none"> • Self-governing management approach allowing for business autonomy of subsidiaries • Varied financial support vehicles including debt guarantee, direct loans and equity acquisition • Focused target acquisition strategy, investing in companies that do not compete amongst each other but contribute a niche dimension to our Group mix. • Collaborative platform to interact with, share and learn from other subsidiaries' successes and challenges • Transparent governance and compliance with all regulatory requirements
<p>JV and Business Partners <i>Our partners in business growth</i></p>	<ul style="list-style-type: none"> • Clearly defined roles, expectations and deliverables for each party in the relationship • Shared accountability and responsibility for joint projects • Consistent engagement and collaborative approach to decision-making • Proactive communication and timeous disclosure of risks, challenges and opportunities 	<ul style="list-style-type: none"> • Unbiased partnership terms rooted in the unique capabilities of each party • Fair share of responsibility in joint projects • Accountability for output • Regular (both scheduled and concern-induced) honest communication

STAKEHOLDER	KEY ISSUES AND EXPECTATIONS	HOW WE DID
<p>Regulators and Government <i>The custodians of our business environment</i></p>	<ul style="list-style-type: none"> • Compliance with all legal, regulatory and certification requirements • Responsible corporate citizenship • Responsible taxpayer behaviour • Participation in meetings of regulators and industry working groups 	<ul style="list-style-type: none"> • Internal compliance control procedures in place • Continuous staff and management training on various regulations and compliance requirements • Immediate corrective action of concerns raised by authorities • Timeous submission of all periodic assessment documentation • Timeous declaration and fulfilment of all tax obligations
<p>Media <i>The drivers of public opinion</i></p>	<ul style="list-style-type: none"> • Accurate, honest and timeous sharing of news-worthy information • Proactive and professional manner of engagement • Availability of key contact for response and verification of third-party delivered information 	<ul style="list-style-type: none"> • Appropriate response to media mentions involving direct company allegations • Professional relationship approach • Timely communication of interim and annual performance results in public media space
<p>Society <i>Our community</i></p>	<ul style="list-style-type: none"> • Transformation initiatives with real impact on people and communities • Innovation that positively affects people's daily lives and/or creates opportunities for them and their communities • Investment in education and development of historically disadvantaged groups and communities • Responsible corporate citizenship • Trusted and admired brand 	<ul style="list-style-type: none"> • Focus on education and critical skills development through AYO Academy • Investment of more than R7 million in CSI initiatives dedicated to socio-economic growth: <ul style="list-style-type: none"> - Innovation and Space Tour Exhibition - Techno-Girl Campaign - Joyful Computer Literacy Programme - ICT Infrastructure sponsorship of NPOs offering education to marginalised groups, including SAME Foundation and QASA



“ Corporate executives need to re-frame their responsibilities to include the interests of all the stakeholders in society at large; not just shareholders, but also employees, partners and the citizens of our communities.

Simon Mainwaring – brand futurist, global keynote speaker and author

Interview with our Director of Corporate Affairs

Vanessa Govender stepped into the role of Corporate Affairs Director for AYO at the end of 2018. As a member of the executive management team, she has hands-on involvement in the daily business operations. She has made impressive strides in aligning plans and processes to create synergies across the various business units and attracting and developing the right calibre of talent to fuel the Company's future growth while simultaneously managing stakeholder engagements.

In this interview, Vanessa shares some of AYO's main successes in 2019 and outlines the key focus areas for the year ahead.

What has been the main focus for you since you joined AYO?

I joined the executive management team and the Board with the mandate to prepare the business for an accelerated growth curve. Our acquisition pipeline is auspicious, bringing along substantial opportunities for sharp revenue growth, real innovation with tangible impact and value for us as a Company, our stakeholders and the broader community. My top priority is to build up our internal capacity through talent acquisition and development, as well as streamlined processes. This will prepare us for the growing expectations and requirements on the business, enhance our adaptability in the rapidly changing information and technology space and overall equip us to lead the Company's and industry's growth.

In 2019 we have grown substantially as a business not only in terms of revenue, but also in terms of people. With the acquisition of two new subsidiaries and additional talent to enable us to deliver exceptional service to a new large multinational client, our workforce count increased to over 1,200 people. It is important that all our new recruits understand and share AYO's vision and future direction. So, my focus, to a large extent, has been on internal communications - making sure that our people are informed of our narrative, of who we are and what our role in contributing to South Africa's digital transformation is.

I have also dedicated a large amount of time, together with the remuneration committee, on reviewing and optimising AYO's employee value proposition. Our vision of becoming the leader of 4IR in South Africa and beyond cannot be achieved without talented, engaged and motivated employees, so transforming AYO into the ICT "employer of choice" in the country has been our top priority.





What comes next? What are your plans for 2020?

2019 started with a brand-new executive team for AYO – not just myself, but also a new CEO (Howard Plaatjes) and CFO (Tatenda Bundo). It wasn't the smoothest of starts into this new tenure for us, as the Company was challenged on a number of levels during the period – from regulators to media speculations. Our interim unaudited financial results had to be audited. The value of our business and subsidiaries was contested. So, a large proportion of our time was spent responding to queries, defending our integrity and explaining our position, rather than driving growth for the business and creating value for our stakeholders.

Nevertheless, we managed to stand strong and achieve some very important milestones amidst putting out all these fires. We have streamlined many of our business processes, set up collaborative platforms for our subsidiaries and assembled an excellent team. We are confident our business is solid and has proven its resilience, is geared to move forward driving innovation, value and growth for our customers and our society.

So 2020 is a year we look forward to with great enthusiasm. We feel like the tedious (if I can call it that) groundwork has been done and while we will, of course, continue to improve and optimise our processes, we have some exciting projects in the pipeline that we will be bringing to life.

Can you share some of those with us?

My focus going into the new year is on stakeholder relationships. While, we have done some very important work and have contributed to having an impact on people and various areas of the business, I feel like we could have done a better job at sharing those successes with the broader community. Proactive and timeous communication with all stakeholders is what builds brand trust and today, more than ever, customers and society need brands they can trust and rely on. We will engage with the various stakeholder clusters in our ecosystem; invite them to communicate and collaborate; share our plans, progress and stumbling blocks as well as encourage their participation and welcome their input.

We are currently in the process of redesigning our website and overhauling other communication channels to not just become more accessible to our stakeholders but also to add value to their lives – be it via introducing them to the latest technology innovations from around the globe, sharing best practices in terms of process optimisation, for example, or hosting technology summits. As we have said on numerous occasions, AYO's vision is to drive the 4th Industrial Revolution in South Africa, and our online presence is the first step in that direction. The internet is now firmly established as the go-to information source for everyone on any topic and it is important that our "virtual home" provides the information, inspiration and tools that enable our audience to join and benefit from this "digital progress".

Broadcast media is also at the heart of our communication plans for 2020 with some very fresh and exciting collaborations currently in the making. Our engagement with media in the past has been largely reactive and we haven't been taking full advantage of the opportunities such channels present to connect with the public. So, we have developed an innovative concept for the new year to better utilise the media networks, which aims to delight and entertain but simultaneously create real opportunities for individuals and small businesses to enter and grow into the exciting field of ICT.

This will be supported by further investment in and development of the AYO Academy, our ground-breaking skills development initiative, which again, delivers real value and opportunities for participants.

Essentially our communication plans are based on "show" rather than "tell". AYO is a company with strong vision and capabilities. We are confident that we will deliver positive results for all sectors of business and society. 2020 is the year we are turning our plans to reality. Through implementing bold projects we will take our rightful place as the leader of the South African ICT industry and 4th Industrial Revolution. Ultimately, AYO's success is measured by how we contribute to improving livelihoods, while delivering superior returns to our shareholders and adding significant value to all our employees and stakeholders.

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PERFORMANCE REVIEW

Reflections from our Chief Financial Officer



The AYO Group delivered a robust financial performance for the year ended 31 August 2019 despite a challenging operating and economic environment with revenue increasing by 207% to R1.9 billion, profit after tax increasing by 23% to R182 million.

Underpinned by organic growth, strategic acquisitions and operational excellence, our financial results are testament to our commitment to create value for our shareholders. The triple digit revenue growth, as well as associated growth in profitability and total assets, reflects the progress we have made in delivering our strategy.

Revenue increased as a result of organic and acquisitive growth, as mentioned above. Despite the exigent economic conditions facing the Group, revenues from our existing subsidiaries remained constant, with the exception of Puleng Technologies, which had a significant once-off contract in the previous reporting period.

While organic revenue growth for the Company itself and all our subsidiaries is the main focus of our daily operations, the executive team's core attention has been centred around acquisitions. Diversification into revenue and profit-generating niche ICT segments continues to be a vital part of our growth strategy. R338 million was invested in subsidiaries acquisition during the period which resulted in a sharp revenue upswing for the Group, even though these new subsidiaries' results were only consolidated for parts of the reporting period.

"Gearing for growth" requires an upfront investment in operational capacity. This financial year saw the implementation of a significant contract with a large multi-national organisational client as the said contract came into effect in July 2018, just before the commencement of the reporting period. Fuelled by the consistent service delivery through the year and the positive commentary from the client along the way, the management team, has renewed confidence in AYO's ability to secure more deals of similar magnitude. Thus, expenses were incurred to prepare us for concluding and implementing large contracts in 2020 and beyond. Yet, our concerted steadfastness to operational excellence led to the net decrease of operating expenses as percentage of revenue from 31.2% to 28.7%. This is a significant achievement for AYO in the light of implementation of a large contract with lower than historic margins during the reporting period.



The large multi-national organizational client mentioned above gave AYO six months' notice purporting to terminate the contract with AYO. AYO disputes the client's right to cancel the contract and has invoked the arbitrations provisions under the agreement. In the event that AYO is not successful with the arbitrations, we have commenced with plans to ensure that we minimise the financial impact of the potential loss of the contract.

With respect to the challenges we faced in 2019, we are cognizant that the impacting events are still ongoing and with that come risks which might affect our ability to secure contracts and deliver value. Media sentiment around the Group remains negative, which is damaging to our brand and reputation. A reputation building and marketing plan aimed at restoring confidence in AYO will be rolled out in 2020.

In spite of the severe risks from the reputational damage suffered and potential litigation, our outlook for 2020 is confident and optimistic. We expect a strong financial performance for the upcoming financial year aided by robust acquisition pipeline and organic growth within our subsidiaries. We continue to pursue acquisitions that present a strategic fit to our Group, as part of our growth strategy.

The 2020 financial year will also see a full set of performance results for Sizwe, SGT Solutions and GCCT being consolidated into the Group results, as compared to only eight months and six months respectively in 2019 financial year, due to IFRS reporting principles.

I would like to thank my colleagues on the Board for their guidance, leadership and support during this challenging year, as well as the Group's finance team for their commitment, hard work and support.

Isaiah Tatenda Bundo
Chief Financial Officer

AYO's financial performance

FINANCIAL PERFORMANCE

AYO managed to deliver robust performance and deliver on our commitment to creating value for all our stakeholders, despite the negative media sentiment we faced in this financial year.

	2019 R'000	2018 R'000
Revenue	1 959 292	638 893
Gross profit	559 273	197 958
Other income	10 046	3 293
Other operating losses	(44 437)	(30 918)
Operating expenses	(562 230)	(199 536)
Net finance income	311 938	225 200
Loss from equity-accounted investments	(1 608)	-
Profit before tax	272 985	195 997
Taxation	(91 186)	(48 040)
Profit after tax	181 299	147 957

Revenue

A major contract with large multi-national corporation commenced in July 2018, producing significant organic growth and increase in revenues. The acquisition of Sizwe and SGT Solutions in December 2018 and February 2019 respectively, also contributed strongly to the improved financial performance of the Group. Revenues from all our existing subsidiaries apart from Puleng, which had a significant once-off contract in the prior financial year, showed slight improvement despite the adverse economic conditions in the market place.

Gross profit

The multi-national corporate managed services contract has gross margins which are lower than the historical margins of 31%. As a result, the gross profit margin decreased from 31% to 28.5%. However, even with the lower margins, this contract generates substantially more revenues than we have seen in the past and thus, begets a significant increase in net profit. The inclusion of Sizwe in the Group's financials further contributed to the drop in gross profit margin.

Other operating losses

In the prior year there was a once off equity-settled share-based payment expense of R12 million, goodwill impairment of R5 million, listing costs of R7 million and a loss from the disposal of a subsidiary of R5 million resulting in other operating losses of R31 million. In the current year AYO incurred net fair value losses of R54 million from its investments, a fair value gain of R11 million from written NCI put options and a R5 million fair value loss on contingent consideration liabilities result in other operating losses of R45 million. The net fair value losses on investments are expected to be once off and we are expecting a decrease in other operating losses in the next financial year.

Operating expenses

Operating expenses significantly increased in the current year mainly as a result of the inclusion of the operating expenses Sizwe, SGT Solutions and GCCT. Total operating expenses of R233 million have been included in respect of Sizwe, SGT Solutions and GCCT. In the current year the Group incurred once-off expenses of R3. million related to the acquisitions of subsidiaries, R7.8 million related to the interim audits for February 2018 and February 2019 and R11 million on legal costs.

Net finance income

Net finance income for the year has also increased mainly as a result of the interest on the R4.2 billion cash which was raised by AYO when listing on the JSE in December 2017.

Taxation

The Group incurred an effective tax rate of 32% for the 2019 financial year. The Group takes its tax responsibilities seriously and is committed to continuously comply with all applicable tax regulations.

FINANCIAL POSITION

	2019 R'000	2018 R'000
Property, plant and equipment, goodwill and intangible assets	313 756	60 160
Investments	24 619	-
Other non-current assets	315 087	12 622
Current assets (excluding cash)	795 921	289 652
Cash and cash equivalents	3 680 216	4 308 698
Total assets	5 129 599	4 671 132
Equity	4 470 874	4 468 980
Non-current liabilities (excluding deferred tax)	63 042	575
Current liabilities	658 725	201 577
Total equity and liabilities	5 129 599	4 671 132

The financial position of the Group displays substantial improvement compared to last year with the incorporation of Sizwe and SGT Solutions.

Non-current assets

Property, plant and equipment, goodwill and intangible assets increased by R254 million to R314 million as a result of the acquisition of Sizwe and SGT Solutions.

AYO acquired a 32% shareholding in Bambelela. Bambelela holds a 50% shareholding in Vunani Limited a diversified financial services group a 9.3% shareholding in 4 Plus a company with interests in digital media, artificial intelligence, software development and telecommunications. These investments have been disclosed at fair value of R25 million.

Current assets

Current assets increased by R506 million to R796 million as a result of additional inventory balances and trade receivables balances from Sizwe and SGT Solutions.

Non-current liabilities

Non-current liabilities are comprised of contingent liabilities which arose from the acquisition of Sizwe and SGT Solutions. The contingent consideration arrangements require AYO to pay the former owners of Sizwe and SGT Solutions for achieving specific earn-out targets for the 2020 and 2021 financial years.

Current liabilities

Current liabilities increased by R392 million to R593 million as a result of additional trade payable balances and finance lease payable balances from Sizwe and SGT Solutions.

CASH FLOW OVERVIEW

	2019 R'000	2018 R'000
Cash generated from operations before working capital	67 509	3 520
Workings capital charges	(117 111)	(62 451)
Cash utilised in operations	(76 602)	(58 931)
Net interest received	3 021	-
Finance costs	(6 706)	(2 220)
Finance income received	256 784	215 243
Tax paid	(117 794)	(16 735)
Net cash from operating activities	88 944	137 358
Net capital expenditure	(41 069)	(10 118)
Net loans, advances and lease payments	-	(77 424)
Purchase of investments	(91 541)	-
Business combinations	(112 306)	-
Net capital raised	-	4 260 280
Dividends paid	(223 629)	(17 646)
Total cash movement for the year	(624 532)	4 232 522

Total cash generated from operations before working capital changes increased to R68 million from R4 million in the prior year as a result of the strong operational performance and acquisitions as outlined above.

The tax paid increased to R118 million as a result of the increase in profitability of the Group.

Interest income is from interest earned from cash at bank.

Net capital expenditure was R40 million in the current year, which is mainly comprised of expenditure incurred in the development of the Group's intangible assets and acquisition of property, plant and equipment.

There was a R112 million net spend on business combinations in line with the Group's growth strategy.

The Group paid a maiden interim dividend of 35 cents per share in the year under review. The Board of AYO has approved a final dividend of 16 cents per share for the year ended 31 August 2019.

Key performance indicators



MARKET ACQUISITIONS

We finalised the acquisition of three new subsidiaries, leading to:

- Expansion into two additional industry verticals
- Additional revenue of R1 billion from new companies in the Group
- Additional profit of R44 million from new companies in the Group



OPERATIONAL EXCELLENCE

- Operational efficiency ratio improvement to 28.7% from 31.2% in the previous year
- Revenue per employee of R1.6 million - amongst the highest in the South African ICT sector



PARTNERSHIP AND COLLABORATIONS

- 119 key principal partnerships
- Two new retail brands represented
- 273 major client partnerships

119 key principal partnerships

2 new retail brands

273 client partnerships



GOVERNANCE AND COMMUNICATIONS

- Three executive appointments at Board level
- Diversity of Board expertise spanning over 12 industry sectors
- New company secretary appointed

3 executive appointments

12 industry sectors expertise

1 new company secretary



SKILLS AND TALENT DEVELOPMENT

- 1 244 total employees (2018: 1 079)
- R3 million invested in skills development
- 27 AYO Academy Graduate Programme
- 25 training interventions
- 76 course graduates
- Five bursaries
- Eight learnerships

25 training interventions

76 course graduates

R3m investment in skills development



Statement of profit or loss and other comprehensive income

for the year ended 31 August 2019

Figures in Rand	Notes	2019 '000	2018 '000
Revenue	28	1 959 292	638 893
Cost of sales		(1 400 019)	(440 935)
Gross profit		559 273	197 958
Other operating income	29	10 046	3 293
Other operating gains/(losses)	30	(44 434)	(7 321)
Goodwill impairment	31	-	(4 957)
Equity-settled share-based payment expense	31	-	(11 809)
Listing costs expensed	31	-	(6 831)
Other operating expenses	32	(562 230)	(199 536)
Finance income	33	322 856	226 954
Finance costs	34	(10 918)	(1 754)
Loss from equity-accounted investments		(1 608)	-
Profit before taxation		272 985	195 997
Income tax expense	35	(91 186)	(48 040)
Profit for the year		181 799	147 957
Other comprehensive income:			
Items that will not subsequently be reclassified to profit or loss:			
Gains on property revaluation		221	-
Total items that will not subsequently be reclassified to profit or loss net of tax		221	-
Items that will subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(250)	(28)
Income tax relating to items that may be reclassified		32	-
Total items that will subsequently be reclassified to profit or loss		(218)	(28)
Other comprehensive income for the year net of taxation		3	(28)
Total comprehensive income for the year		181 802	147 929
Profit attributable to:			
Owners of AYO		150 599	144 286
Non-controlling interest		31 200	3 671
		181 799	147 957
Total comprehensive income attributable to:			
Owners of AYO		150 602	144 258
Non-controlling interest		31 200	3 671
		181 802	147 929
Earnings per share (cents)			
Basic earnings per share (cents)	36	43.76	47.20

Statement of financial position

at 31 August 2019

Figures in Rand	Notes	2019 '000	2018 '000
Assets			
Non-current assets			
Property, plant and equipment	3	102 776	7 169
Goodwill	4	131 152	35 248
Intangible assets	5	79 828	17 743
Investments in joint ventures	6	33	33
Loans to related party companies	7	108 562	1 989
Loans receivable	8	156 764	-
Investments	9	24 619	-
Other financial assets	10	12 355	6 890
Finance lease receivables	11	350	-
Operating lease asset		110	-
Deferred tax	12	36 913	3 710
		653 462	72 782
Current assets			
Inventories	13	178 991	12 378
Loans receivable	8	17 199	-
Trade and other receivables	14	584 491	183 222
Other financial assets	10	12 242	93 390
Finance lease receivables	11	669	-
Current tax receivable		2 329	662
Cash and cash equivalents	15	3 680 216	4 308 698
		4 476 137	4 598 350
Total assets		5 129 599	4 671 132
Equity and liabilities			
Equity			
Stated capital	16	4 444 410	4 444 410
Reserves	17	(30 470)	11 777
Retained income		(77 458)	(7 501)
Equity attributable to shareholders of AYO		4 336 482	4 448 686
Non-controlling interest		134 392	20 294
		4 470 874	4 468 980
Liabilities			
Non-current liabilities			
Other financial liabilities		797	-
Derivatives	26	3 934	-
Finance lease liabilities	19	2 853	575
Employee benefit obligation	20	6 665	-
Deferred income	21	11 244	-
Contingent consideration liability	22	37 549	-
		63 042	575
Current liabilities			
Trade and other payables	23	443 836	132 925
Loans from related party companies	24	20 863	-
Loans from shareholders	25	-	5 001
Other financial liabilities	26	38 500	1 133
Finance lease liabilities	19	12 683	389
Operating lease liability		-	47
Deferred income	21	18 589	-
Current tax payable		24 124	41 636
Provisions	27	26 094	15 390
Dividend payable		5 093	-
Contingent consideration liability	22	4 795	-
Bank overdraft	15	1 106	5 056
		595 683	201 577
Total liabilities		658 725	202 152
Total equity and liabilities		5 129 599	4 671 132



Statement of cash flows

for the year ended 31 August 2019

Figures in Rand	Notes	2019 '000	2018 '000
Cash flows from operating activities			
Cash receipts from customers		1 950 208	306 388
Cash paid to suppliers and employees		(2 000 528)	(365 319)
Cash generated from operations	37	(50 320)	(58 931)
Finance income		285 644	215 243
Finance costs		(6 466)	(2 220)
Dividend income		3 021	-
Tax paid	38	(117 794)	(16 735)
Net cash from operating activities		114 085	154 092
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(31 775)	(4 636)
Proceeds from disposal of property, plant, equipment		14 425	58
Acquisition of intangible assets		(19 937)	(2 230)
Sale of intangible assets		93	-
Proceeds from disposal of subsidiary		1 203	(314)
Acquisition of subsidiaries, net of cash acquired		(112 306)	-
Loans advanced to related party companies		(103 547)	3 029
Other loans advanced		(169 670)	(108)
Purchase of investments at fair value		(90 659)	-
Amounts advanced to acquire other financial assets		(809 366)	(63 832)
Amounts repaid from other financial assets		901 226	-
Funds held in Trust		(101 294)	-
Proceeds from assets held for sale		-	827
Costs incurred on internally generated intangible assets		-	(3 823)
Finance lease assets receipts		7 135	-
Net cash to investing activities		(514 472)	(71 029)
Cash flows from financing activities			
Loan from shareholder repaid		(5 000)	-
Proceeds from loans from shareholders loan		-	6 950
Proceeds on share issue		-	4 338 594
Transaction costs related to share issue		-	(78 314)
Dividends paid		(221 108)	(17 646)
Dividends paid to minorities		(2 520)	-
Payments for contingent consideration arrangements		(4 460)	-
Repayment of other financial liabilities		(1 133)	(4 583)
Repayment of loans from group companies		-	(77 424)
Finance lease repayments		(10 254)	(1 384)
Loan received from related party companies		20 330	-
Net cash from financing activities		(224 145)	4 166 193
Total cash movement for the year		(624 532)	4 232 521
Cash at the beginning of the year		4 303 641	71 120
Total cash at the end of the year		3 679 109	4 303 641

Statement of changes in equity

for the year ended 31 August 2019

Figures in Rand	Stated capital '000	Share premium '000	Total share capital '000	Foreign currency translation reserve '000	Revaluation reserve '000
Balance at 1 September 2017	850	183 280	184 130	(4)	-
Total comprehensive income for the year	-	-	-	(28)	-
Profit for the year	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	(28)	-
Issue of shares	4 338 594	-	4 338 594	-	-
Capitalised listing costs	(78 314)	-	(78 314)	-	-
Equity-settled share-based payment	-	-	-	-	-
Dividends	-	-	-	-	-
Disposal of subsidiary	-	-	-	-	-
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 combination	-	-	-	-	-
Changes in ownership of acquisition of minorities	-	-	-	-	-
Balance at 31 August 2019	4 270 965	173 445	4 444 410	(250)	221



NCI put options reserve '000	Share-based payment reserve '000	Changes in ownership reserve '000	Total reserves '000	Retained income '000	Total attributable to shareholders of AYO '000	Non-controlling interests '000	Total equity '000
-	-	-	(4)	(151 787)	32 339	34 752	67 091
-	-	-	(28)	144 286	144 258	3 671	147 929
-	-	-	-	144 286	144 286	3 671	147 957
-	-	-	(28)	-	(28)	-	(28)
-	-	-	-	-	4 338 594	-	4 338 594
-	-	-	-	-	(78 314)	-	(78 314)
-	11 809	-	11 809	-	11 809	-	11 809
-	-	-	-	-	-	(17 646)	(17 646)
-	-	-	-	-	-	(483)	(483)
-	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)	(77 058)	4 336 482	134 392	4 470 874



Value for stakeholders

SHAREHOLDERS: Delivering robust financial returns

Shareholders' confidence is of paramount importance to us as a business. Our decisions and actions are guided by the intent to create value for our shareholders and deliver on their expectations. We aim to provide them with:

- A solid investment case and understanding of our business strategy;
- Continued, sustained capital growth;
- Robust return on investment and dividend yield;
- Assurance that our business activities and decisions are aligned with the strategy to create sustained value;
- Assurance that sound, transparent and compliant governance is core to our business strategy; and
- Proactive, open and truthful communication about the business.

How did we do in 2019

The financial results AYO delivered in 2019 are strong and positive. Our revenue grew by 207% compared to the previous financial year to a record R1.9 billion and we paid an amount of R223 million to our shareholders in our maiden interim dividend payout during the period under review. A final dividend of 16 cents per share was also approved by the Board for the financial year.

We've been steadily progressing on our pre-listing commitments and concluded three targeted acquisitions during the period in alignment with our strategic direction of portfolio diversification into growing and profitable niche ICT segments. Managing the financial capital of our shareholders responsibly is our top priority and we have achieved total asset growth of 11% in 2019 to R5.2 billion. In addition, we have reduced our operating expenses to 28% of revenue for the period, compared to 31% in the previous financial year.

Our internal capacity has been developed and our portfolio optimised to enable us to continue delivering sustained growth and value to our shareholders in 2020 and beyond.

Looking ahead

Beyond robust financial performance, capital growth and investment returns, we are focused on communicating effectively with shareholders in 2020. AYO's executive management team is embarking on a detailed valuation of the Group's intangible assets to validate and protect our shareholders' investments. We recognise the necessity to communicate the value of our assets clearly to the investment community. This way we strive to accentuate our compelling investment case, improve investor confidence in AYO and provide safety and liquidity for our shareholders.



OUR PEOPLE: Investing in our staff

The ability to attract, engage and retain suitably qualified staff is crucial for the growth of any organisation, particularly in the ICT industry. To achieve this, AYO aims to become “the employer of choice” for talented individuals by offering a compelling employee value proposition, which is benchmarked continuously and improved on. We have adopted a total reward philosophy, which comprises a unique combination of career and growth opportunities, recognition, culture and values, compensation, benefits and work environment to motivate, recognise and reward employees and when necessary to attract the requisite skills from the labour market.

We focus on providing our staff with:

- Competitive remuneration packages and equal pay;
- Flexible working conditions to accommodate individual needs;
- Pleasant, healthy and hygienic environment;
- Job security;
- Career development opportunities;
- Skills training and education;
- Accessible management and communication channels for employee engagement;
- Diverse, inclusive and progressive work environment;
- A culture that actively promotes innovation, entrepreneurship and excellence.



How did we do in 2019

- A total of R86 million was paid in remuneration and benefits during the financial year to our 1 244 employees. Additional project-specific bonuses were paid to key individuals in recognition of their dedication in the implementation of important project roll-outs to the value of R2.3 million.
- Our skills development budget was mainly spent on the development of employees across designated levels of the organisation. Targeted development programmes were implemented for high potential and high performing designated groups, to position them for senior roles.
- Employment equity targets for the business were established and closely monitored by the social, ethics and transformation committee. With our current workforce composition of 40% female and 65% black employees AYO is one of the most “transformed” ICT employers in South Africa.
- A number of formal and informal staff engagement sessions were carried out throughout the year to encourage the development of an accommodating, diverse and inclusive corporate culture. We celebrated our successes together, rewarded hard work and congratulated achievements.

Looking ahead

Investing in skills development will continue to be a focal point in our employee value proposition delivery in 2020. We aim to implement company-wide training initiatives to build capabilities around client-centredness, operational excellence, design thinking and other leadership and innovation capabilities.

We will continue to monitor our performance against set employment equity targets and benchmark our employee proposition against industry peers to ensure the competitiveness and relevance of our offering. Healthy, safe and pleasant working conditions will remain an essential component of our total reward package. A formal benchmark study against industry peers will be carried out to identify possibilities for enhancing our employee value proposition.

WHAT OUR STAFF HAVE TO SAY



Lesego Masite CA(SA)

Finance Manager

“It’s exciting to work for an organisation which is serious about closing the digital gender and race gap and advancing economic development in the ICT sector.

The rapid changes and continuous technological advancements in the ICT sector enable AYO to drive the development of black professionals in ICT by providing them with workplace exposure, skills growth and accelerated learning.”

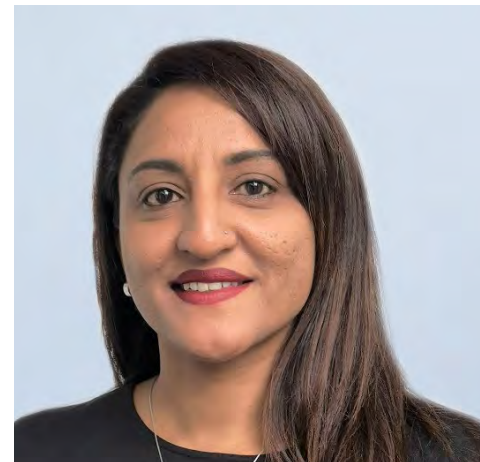


Sello Maila

Field Service Engineer

“My journey at AYO has been an incredible roller coaster of self-realisation. In the short time since joining AYO, I have learnt a lot about myself and grown confident in my capabilities. I am now surer than ever of who I am and where I am going.

From intern to project administrator I have now become a field service engineer and have never felt such sense of belonging. The culture and values of AYO bolstered my personal growth. The people I work with make it worthwhile and man, do I love my JOB!”



Shay Haripersad

Manager: Service Desk

“Working as an IT Service Desk Manager at AYO Technology Solutions Limited is the most gratifying experience in my career journey. It is indeed a great honour and privilege to be part of this ICT company, and what I love the most is the collaborative environment. There is a genuine spirit of cooperation, support and a common goal, all revolving around delivering a world-class service, with value, to the customer.”



Jaco Steenkamp

Manager: Field Service

“As a seasoned network professional, I have been involved in all aspects of networks, including operational support, management, architecture and project management. The opportunity AYO affords me, all the exceptional employees and the business drive to “disrupt” legacy network service offerings in South Africa is truly a motivator to support and grow this business into one of the leading ICT companies in South Africa. Looking forward to all the new business and penitential acquisitions going forward!”



Andisa Mununguhala

Junior Assistant in the Executive Office

“My time at AYO Technology Solutions has been nothing short of amazing, coming in so inexperienced and so nervous as for me, this is the first big corporate company to work for. Adapting to this new environment was not easy. However, I was granted the opportunity to sharpen my skills, grow and enhance my confidence through various training courses together with the amazing support from management and colleagues. In this work environment, I am inspired to better myself and grow not only in my current role but also aspire to reach greater heights.”



Pride Guzha CA(SA)

Group Financial Accountant

“AYO is a highly empowered Group with a lot of diversified offerings in the ever-growing ICT space, which makes working here exciting and challenging. The organisation offers young professionals from different cultures and backgrounds opportunities to shine in their various areas of expertise. I feel honoured and privileged to be part of the team that is making history in the South African ICT space. I enjoy the team spirit and collaborative environment in the business. History will never be erased.”

CLIENTS: Creating growth and great client experiences

AYO's client base comprises of large and small businesses across various industries from mining, oil and gas to banking and mobile service providers. As diverse as our clients are, their needs are similar:

- Quality products and services;
- Consistent and reliable service delivery; and
- Fair and competitive pricing, offering excellent value for money.

While delivering on the above parameters prevents customer dissatisfaction, we believe that we need to go further to proactively create satisfactory experiences and growth for our clients. We view our customers as partners and strive to add value to their organisations in any way possible, through:

- Optimising and technologically enhancing their business processes to reduce operating costs;
- Introducing new technology platforms to their businesses; and
- Train and empower their staff to confidently use such new technologies.

We further empower our customers by leveraging our strong B-BBEE credentials to provide them with maximum points for preferential procurement for their B-BBEE scorecards.

How did we do in 2019

We leverage our technological know-how and experience as well as our global supplier partnerships with industry-leading suppliers like Dell, Microsoft, Plantronics, IBM and Cisco Systems to bring in disruptive new products, software and applications to the market to enable our clients to service their customers better, operate more efficiently and improve their profitability. Through our collaborative business model, we “adapt” successful implementations and apps from one industry vertical to another and empower our clients to become the “digital leaders” of their industries.

We are acutely aware of our clients' needs and seek new ways to address their business requirements. A case in point is the introduction of ICT equipment rental solution, which can be positioned as an operating expense that allows predicted operating payments. ICT hardware is a costly acquisition for a company and requires substantial capital outlay while carrying the inherent risk of rapid obsolescence. On the other hand, standard finance lease and asset purchase facilities

are recorded in the balance sheet as financial debt, which potentially drains credit facilities. AYO's rental solution removes the inherent costs, thus freeing the client's financial assets while simultaneously manages the technology asset risk associated with ownership.

Our expert managed services teams provide on-site support to customer's entire staff complement in their office or site, while significantly reducing the cost and complexity of hiring and managing an in-house IT support team. Further, our clients' staff and business as a whole, benefit considerably from the continuous training we provide to our employees. At the end of the financial year, AYO had 116 certified skills amongst our on-site teams by global providers, including Cisco Systems, Panduit scalable network infrastructure and cloud management service providers. Through daily interactions with customers' employees, our team of experts transfers their specialised technical knowledge and informally contributes to skills development and further education of clients' staff.

Looking ahead

We believe that training and developing our staff is of paramount importance to the value we create for our clients and will continue to emphasise both technical and customer service training going forward.

In 2020 we aim to further promote collaboration between the business units within the Group. This will enable us to introduce more innovative solutions and applications that have successfully been applied in different industries to our clients. We also look forward to rolling out an informative and educational social media campaign which will introduce the latest global technological innovations to the South African business community and provide technical commentary and guidance of the potential applications for these new technologies. This, in turn, will upskill and empower our clients.

In terms of product innovation, our focus for the short and medium-term will be in the digital space, particularly the Internet of Things (IoT), wearable technology and cloud computing, which will introduce exciting new services and opportunities to create value for our clients.



SOCIETY: Contributing to a thriving society

At AYO we believe that the most significant contribution business can make towards the sustainable development of society is through education. Subscribing to the “teach a man to fish” philosophy, we strive to create opportunities within the technology learning spectrum geared up towards previously disadvantaged communities and in doing so, we aim to uncover, nurture and develop the future leaders of South Africa’s technology realm.

Further, we recognise that access to real business opportunities is one of the most significant barriers to entrepreneurship and community upliftment in our country. Our enterprise development efforts are thus geared to support small and starting businesses, which we acknowledge as the trailblazers of sustainable economic growth.

How did we do in 2019

Access to education in South Africa historically has been unbalanced and it is our duty as a good corporate citizen to address such disparities and create equal opportunities for all communities. Through our investments in socio-economic development, we aim to support a broad spectrum of beneficiaries across race, age, gender and regional demographics. We also strive to achieve a balance between creating opportunities for people, which have quantifiable immediate results and investing in infrastructure and capacity building that will benefit entire communities over sustained time frames.

Educational initiatives we supported in 2019 include:

- **Innovation and Space Tour Expo:**

An i-Innovate and Sakhikamva Foundation initiative aiming to inspire young learners’ interest in science and technology, develop essential technical and 21st-century skills and nurture their resilience to obstacles and failure. In an interactive environment under the guidance of a renowned NASA space astronomer, students got first-hand exposure to the role of technology in addressing critical global challenges such as climate change.

- **Techno-Girl Campaign:**

A comprehensive programme led by the Department of Telecommunications & Postal Services focusing on developing female talent in the male-dominated STEM (science, technology, engineering and mathematics) fields. Through Techno-Girl socio-economically disadvantaged girls are exposed to sustained (over three years) opportunities to acquire the technical and soft skills required in the world of work.

- **QASA Work Readiness Programme:**

A training project by the QuadPara Association of South Africa providing computer, business, leadership and soft skills education to people with disabilities to enable their access to employment and empower them to become value-creating members of society.

Additionally, AYO contributed more than R3.5 million to the technical infrastructure needs of schools across all nine provinces in joint CSI projects with SAME Foundation, Masinyusane Development Organisation and Joyful Computer Literacy.

Aligned to our commitment to advance job creation and thus empower communities from within, we have opened opportunities in our supply chain to black-owned

revised our preferential procurement and supplier development policies to support transformation and inclusion. This supports our drive to deliver sustainable value to all South Africans, and contribute to a thriving society.

Looking ahead

Creating value for our society through education and opportunities for marginalised socio-economic clusters is a business imperative for the AYO Group. We will continue to support initiatives that empower historically disadvantaged groups to restore balance in our society.

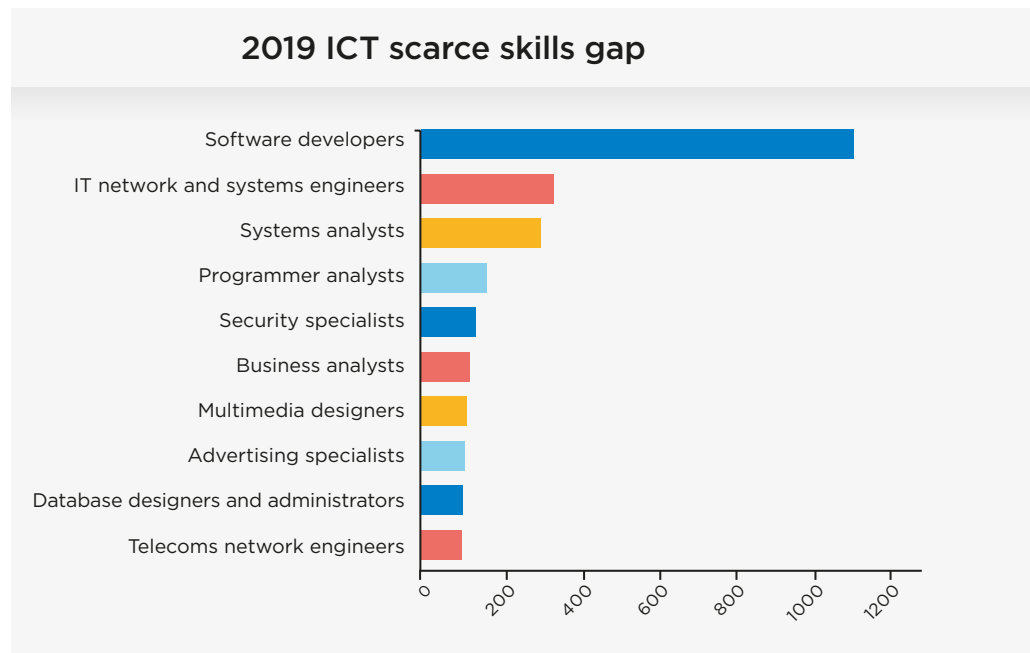
suppliers and small enterprises. We have

AYO Academy

One of the most critical factors affecting the growth of the ICT sector in South Africa is the shortage of skills. The current data suggests that there are more than 2 600 vacancies across ten occupations. AYO Academy aims to address this crisis by offering training programmes and financing the development of such critical skills in previously disadvantaged individuals. The initiative provides participants with the right qualifications to pursue prestigious careers in the ICT fields of programming, coding, data science, artificial intelligence, network engineering, system analysis, project management and ERP implementation.

Courses

The Academy, although still in its infancy, aims to implement and develop courses that are aligned with changes in the sector's requirements, the economic performance of the sector and the development agenda of South Africa. The Academy strives to bridge the gap between the demand and supply of scarce skills while simultaneously provide opportunities to high-potential learners.

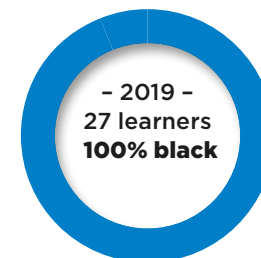


Participants

All Group employees who meet the criteria will qualify for bursaries to further their education in the ICT field. Such bursaries cover specialist qualifications as well as professional and certification programmes. Upon graduation, AYO Academy's Graduate Programme provides an entry point to the corporate world. In 2019, 27 graduates joined the programme, 100% of which are black.

AYO Academy further offers learnerships and internships providing young people from disadvantaged backgrounds opportunities to work in the Group and learn about different aspects of the business.

Each learner is assigned a coach, mentor and line manager who provide ongoing support. The programmes last 12 - 24 months and, on completion, participants receive a nationally recognised qualification. Where possible these learners are then absorbed within the Group.





“ Education is not preparation
for life; education is life itself.

John Dewey - American philosopher

“ An investment in knowledge pays the best interest.

Benjamin Franklin

Looking ahead

AYO Academy will be developed further in 2020, as it represents a value-adding initiative for the individual participants, the Group, the ICT sector, communities and South Africa as a whole.

We aim to formally accredit AYO Academy with the MICT SETA and continue to benchmark the developed curriculums against the skills gaps in the industry. A roadshow with all subsidiary companies within the Group will identify potential further areas of integration for Academy graduates and innovative educational interventions.

An online platform for AYO Academy is also in development, which will facilitate registration, reporting, scheduling and project management and allow remote access to programmes’ curriculum. Chatbots capability will also be integrated to assist learners.

In 2020 the number of internships and learnerships offered via AYO Academy will be increased to more than 100 across the spectrum of programmes with positions in several companies within the Group:


Programme	Target learnerships/ internships
Specialist qualifications <ul style="list-style-type: none"> - Data science - Digital development (Java, Python, Mobile apps) - Business analysis - Coding and programming 	50
Network and managed services <ul style="list-style-type: none"> - Network engineering - Business development - Systems architecture - L1 Agents - incidents, configuration, problem management 	30
IT security <ul style="list-style-type: none"> - Cloud security - Data security - Cyber security 	20
Other <ul style="list-style-type: none"> - Marketing - Finance - HR 	6





The AYO Academy will also continue to assist the Group internally with Leadership Development Programmes and Management Development Programmes to enhance the “bench-strength” in terms of succession planning.

Bursaries, funding learners with interests in ICT related fields across various disciplines, will again be provided to progress learners with a learnership within the Group once their studies are completed.



BUSINESS MODEL

TRAINING SERVICES	
 <p>Equipping graduate learners with skills and certifications in critical ICT skills.</p>	 <p>Training in in-demand facets including: software development, project management, systems and business analysis, network engineering, data science, software and tech architecture and 4IR related technologies.</p>

BUSINESS MODEL			
KEY PARTNERS	CUSTOMER SEGMENTS	REVENUE STREAMS	COST STRUCTURES
 <ul style="list-style-type: none"> • OEM Product vendors • Group & Associate Companies • MICT SETA • Specialised skills certification training institutes • Universities/Innovation Hubs Incubators 	 <ul style="list-style-type: none"> • Graduate learners in MICT-related disciplines • The disabled • Internal staff seeking to develop further or reskill 	 <ul style="list-style-type: none"> • Placements fees (Group and external) • Company skills development budgets • MICT SETA funding • Participating company fees • Certification programmes • Enrolment and training fees 	 <ul style="list-style-type: none"> • Administration costs • Learner stipends • Training services (moderators and assessors) • Certification exams • Travel and accommodation

PARTICIPATING GROUP COMPANIES			
			
			
ICT sector		Public	

Operational overviews of companies in the Group



Puleng Technologies has enjoyed another outstanding year. In its 15th year of operation, the company has continued on its growth path despite the tough economic environment.

Data security remains one of the top priorities for organisational clients and Puleng has managed to capture the confidence of business executives in terms of addressing associated requirements. Puleng specialises in complex projects that address enterprise data and user security risks. Besides providing the appropriate solutions, delivery of these projects is of equal importance to customers and Puleng's hands-on involvement in delivering such projects has been the underlying factor behind the company's performance.

Additionally, the traditional Infrastructure side of the business continues to thrive in a market that is turbulent and volatile. Puleng's focus on niche, complex solutions where the provision of infrastructure is dependent upon its successful implementation, sees the company continuing to win business.

The net of these priorities sees Puleng continue to thrive as a financially successful company. During this particular year, in a climate where the business growth opportunity is scant, Puleng saw its profitability grow more than 30%. This is an achievement unequalled by any competitor in the sector.

Additionally, building on its reputation as a solutions provider and implementor, Puleng has become a de-facto brand in terms of affording thought leadership to its customers. Clients' confidence in delivery and the team's continually developing competency are particularly valuable in this time where ICT security needs evolve at a rapid pace. Puleng continues to enhance its solution portfolio, keeping current with threats our enterprise clients face daily, resulting in consultative engagements and valuable business growth opportunities.

Muhammed Bayet
Chief Executive Officer

Puleng Technologies



Health System Technologies ("HST") had a positive year and managed to meet its budgeted revenue targets with an 11% increase in revenue over 2018 in spite of an incredibly tough economic landscape. Our Nigerian operations gained some momentum during the period generating a small-scale influx of revenue and positive outlook for the short and medium-term.

A key achievement of the unit was the delivery of successful proof of concept on a Health Information Exchange for South Africa in June 2019. The exchange is a first of its kind technological advancement for the sector and will undoubtedly fuel our growth locally in the coming year. Together with several other innovations, it established impetus in our IP refresh cycle, which will stand HST in good stead going forward as we develop "proudly South African health IT products".

Unfortunately, the negative publicity around the AYO Group has culminated in a hostile environment for HST to do business in. We had one direct casualty as an unequivocal consequence of the reputational damage, as HST lost the bid for the Health Information Exchange, despite our successful proof of concept delivery. Retention of existing customers is also becoming a challenge.

While these events are outside our control, they strongly affect our short and medium-term performance outlook. We seek growth opportunities outside South African borders to mitigate their effect with a focus in 2020 on our Nigerian operations as well as expansion into other African countries.

Gerrit Henning
Chief Executive Officer

Health System Technologies



Sizwe Africa IT Group had a superlative financial year despite challenges including uncertain and subdued economic environment and the severe impact of AYO's negative media sentiment. We recorded revenue growth of over 40%, 9% increase in gross profit and 32% growth in operating profit. Profit before tax ended strongly with an 11% increase year on year and 27.5% ahead of target.

The impact of AYO's media exposure in the period has been severe, however, affecting our ability to extend and renew clients' contracts as well as our ability to retain skilled resources. We recognise that this will continue to impact on our relationships and performance in the near future and are proactively seeking ways to mitigate the after-effects.

The pipeline for the 2020 financial year is one of medium opportunities with a focus on renewing and extending current contracts. We are also in the final planning phase of our SOC and cloud solutions offering, which will be a crucial driver of growth and value creation in the short and medium-term.

Aggressive client acquisition and extending the service contracts of our current business partners will be our main priority going forward, as well as diversification of our portfolio through new product and services offering. We will continue to concentrate on maintaining our level 1 B-BBEE status and client partner certifications as critical enablers of growth for the Group.

Hanno Van Dyk

Chief Executive Officer

Sizwe Africa IT Group



2019 was a challenging year for Headset Solutions with revenues falling 7% below target to R71.8 million vs expected R77 million. The underperformance is a direct consequence of the reputational damage suffered by the AYO Group during the reporting period. We lost our preferred supplier status with three large clients during the year and expect to continue feeling these adverse effects in the short-term.

However, we managed to successfully onboard two new product ranges, PolyCom Audio and Video and Jabra Audio and Video, in June/July 2019, which are expected to drive our performance in 2020. While we have only represented the brands for 2 months during this reporting period, we have recorded significant revenue increases with them already and hold an optimistic outlook.

Advancing our B-BBEE score will be one of Headset Solutions' top priorities in the upcoming year as this will improve our client value proposition and grow business and revenues. We recognise black ownership and the associated procurement points as a major factor driving supplier purchase decisions within our target market and have identified potential changes within our ownership and management structure to address the issue.

With our two new ranges, stockholding has more than doubled during the reporting period from an average of R8 million to R18 million. This higher inventory levels have affected our gross profit margin in the short term but enabled us to better compete in the marketplace. We have managed to reduce inventory to R15.7 million at the end of August 2019 and will continue to drive our stockholding to an optimal level going forward.

Headset Solutions' outlook for 2020 is cautiously optimistic, despite the challenges faced in the past financial year. Geographic expansion to the Middle East and India as well as a new go-to-market strategy and management programme are expected to drive significant revenue growth.

Tony Brown

Chief Executive Officer

Headset Solutions



Since joining the AYO Group in February 2019, SGT Solutions has been able to contribute excellent profitability and cash generation for the Group. During the period the main operating divisions have been able to contain cost increases and improve project efficiencies, which has resulted in stellar financial results. The company contributed more than R260 million to the Group's revenue and R23.5 million to operating profit. We are expecting to exceed our budgeted profit and cash flow for the period ending December 2019.

For the year ahead, the company has identified the following key focus areas with strongly positive prospects:

- Expansion of microwave technology services into preventative monitoring and specialised engineering services;
- Addition of microwave product screening and refurbishment capabilities to reduce customer expenses for new equipment;
- Provision of microwave installation kits;
- Technology upgrade in network monitoring equipment and network synchronisation equipment for existing customers in preparation for 5G networks;
- Introduction of cloud-based RAN solutions in the local market; and
- Expansion of SGT's customer base for vandal-proof security containers for the protection of batteries and other equipment at cellular base stations.

Our overall outlook for 2020 is quite positive, despite very competitive and turbulent market conditions.

Dr Vincent Scholtz
Chief Executive Officer

SGT Solutions



In 2019 Afrozaar experienced revenue growth that was primarily driven by low margin cloud services contacts. A subsidiary, Acacia Cloud Solutions, was disposed of, resulting in a gain on sale of R1.2 million and impacting our results positively.

Overall performance, excluding the sale of Acacia, was well ahead of budget and expectations due to the introduction of Amazon Web Services as a new service offering. Amazon Web Services has a gross profit of over R1 million and adds an explicit boost to the company's profitability.

Cost of sales and operating costs were also kept in line with budget and contributed to the good financial results. Stability of staff costs and low staff turnover were recognised as significant factors in achieving the positive outcomes of 2019 and the company will continue to emphasise these in the next financial year.

The traditional publishing industry, where Afrozaar's client base operates, is facing its challenges currently, which can potentially affect our performance in the short term. Thus, we are looking at funding and marketing partners to expand our publishing platform into the UK and other offshore markets. We are also cognisant of competitive risks within the industry locally and continue to invest in and further develop Publisher's Toolbox to remain relevant and competitive.

Richard Cheary
Chief Executive Officer

Afrozaar



Digital Matter's performance in the last financial year was in line with budget and expectation. All main revenue streams continued to perform, despite a tough and competitive operating environment. Revenue was slightly under budget with income from new projects in the Inspection One space the main contributor. Spending at one of our largest mining, oil & gas clients was cut back significantly in the second half of the year due to internal cost-cutting, which negatively impacted our financial performance.

Despite these challenges, we managed to deliver profit before tax on budget, by aggressively managing costs across the board and further managing the cost of sales and operating expenses running under budget.

As per our strategic plan and budget, the first quarter of the new financial year will see us focus on:

- building resource capacity through our outsource agreement with Saratoga;
- re-contracting with a large mining, oil & gas client on their rail tracking project;
- closing new tracking opportunities; and
- managing operating costs.

Clients' CAPEX cost-cutting, a volatile political environment and international economic uncertainty are expected to continue impacting Digital Matter's performance in the short-term, but management is committed to delivering on our objectives despite these challenges.

Jeremy Williams
Managing Director

Digital Matter



In 2017 Global Command & Control Technologies (GCCT) adopted and implemented a strategic market diversification strategy to reduce revenue dependence on local defence contracts. The strategy is bearing fruit with several export contracts secured, resulting in 76% of revenue being derived from defence exports and non-defence contracts currently. This revenue mix allows the company to fulfil its strategic and sovereign capability mandate while being able to grow into new market segments with existing products and services.

Major defence budget cuts have been affecting GCCT's revenues and financial performance for the past two years and the diversified go-to-market approach has been instrumental in turning this adverse trend around. The unit's negative profitability of -R8.8 million for the second half of the year is a significant improvement on the R50 million loss experienced in the previous financial year and is indicative of reaching a breakeven point or positive profit margin in the near future.

In the six months since its establishment as a self-standing business entity and joining the AYO Group, GCCT has been focusing on establishing its business environment and implementation of SAP Business 1 Management System and other business processes to allow the company to operate seamlessly. These implementations have now been fully or partially finalised and normal operations are established. Executions of ongoing contracts were a top priority during this transition period, and GCCT achieved over 90% customer deliveries across all contracts. However, continued defence budget volatility and liquidity problems at SOE clients resulted in a large debtors' book, placing pressure on cash flow and profitability.

The new financial year will see GCCT spend further efforts on market diversification and pursuing more export opportunities. These are expected to bring the company to positive profitability and cash flow in 2020. The business is rapidly expanding into the African market and will see strong revenue growth going forward. Our close alignment with the South African government is also opening doors to additional government departments and the planned Border Management Agency. We have been successful in entering non-defence market sectors including banking and civil aviation to date and will continue to drive expansion into segments such as mining and public health through partnerships and public-private initiatives.

Ratilal Rowji
Chief Executive Officer

Global Command & Control Technologies

SECTION VI: SHAREHOLDER INFORMATION

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SHAREHOLDER INFORMATION

Analysis of shareholder information

Shareholder information as at 30 August 2019

Analysis of shareholders	Number of shareholders	Percentage of total shareholders	Number of shares	Percentage of total issued shares
1 - 5 000	834	78.46%	905 251	0.26%
5 001 - 10 000	95	8.94%	609 625	0.18%
10 001 - 100 000	99	9.31%	2 598 653	0.76%
100 001 - 1 000 000	17	1.60%	4 080 064	1.19%
1 000 001 - and more	18	1.69%	335 930 351	97.62%
Totals	1 063	100.00%	344 123 944	100.00%

Major shareholders (5% and more of the shares in issue)	Number of shares	Percentage of total issued shares
African Equity Empowerment Investments Limited	169 866 829	49.36%
Government Employees Pension Fund	99 782 655	29.00%
	269 649 484	78.36%

Shareholder spread	Number of shareholders	Percentage of total shareholders	Number of shares	Percentage of total issued shares
Non-public:	5	0.47%	269 652 484	78.36%
Directors	3	0.28%	3 000	0.00%
>than 10% of I/C	2	0.19%	269 649 484	78.36%
Public	1 058	99.53%	74 474 460	21.64%
Totals	1 063	100.00%	344 126 944	100.00%

Distribution of shareholders	Number of shareholders	Percentage of total shareholders	Number of shares	Percentage of total issued shares
Individuals	934	87.86%		0.00%
Nominee companies and trusts	59	5.55%		
Public companies	2	0.19%	269 649 484	78.36%
Close corporations and private companies	66	6.21%		
Totals	1 061	99.81%	269 649 484	78%

Share trading statistics	Market price per share (cents)
High	2 495
Low	700
Year-end	799
Volume traded (shares)	517 166
Value traded (rand)	8 635 573
Volume of shares traded as a percentage of issued capital	0.15%
Market capitalisation at 30 August 2019 (rand)	2 749 560 300
Market capitalisation at 14 November 2019 (rand)	1 927 101 086



Shareholder's diary

FINANCIAL REPORTS

Announcement of interim results	May 2020
Interim report	May 2020
Announcement of annual results	November 2020
Integrated report	December 2020

DIVIDEND PAYMENT

Gross dividend (cents per share)	16.00
Dividend net of dividend withholding tax (cents per share)	12.80
Announcement date	Friday, 20 December 2019
Last date to trade cum dividend	Tuesday, 14 January 2020
Trading ex-dividend commences	Wednesday, 15 January 2020
Record date	Friday, 17 January 2020
Date of payment	Monday, 20 January 2020

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

LISTING

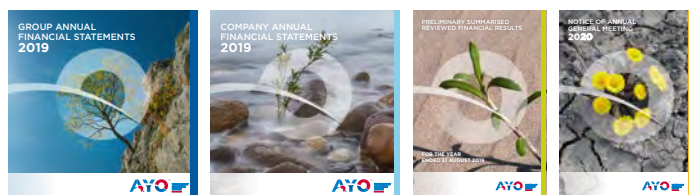
Johannesburg Stock Exchange Sector: Diversified Industrials
 Share Code: AYO
 ISIN Code: ZAE000252441

Corporate information

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

Acacia Erioloba, commonly known as camel-thorn, is widely spread throughout Africa. Not only do they survive in the toughest of circumstances, but they actually thrive. As the popular Namib song goes “*Hart wie Kameldornholz ...*” (“as tough as a camel-thorn wood”).

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Group Annual Financial Statements 2019
Company Annual Financial Statements 2019
Preliminary Summarised Reviewed Financial Results 2019
Notice of Annual General Meeting 2020

