



# ANNUAL FINANCIAL STATEMENTS



# Annual financial statements

## LAWS OF INCORPORATION AND MOI

Alviva Holdings Limited has been established and incorporated in compliance with the provisions of the Companies Act and operates in conformity with its MOI.

## LEVEL OF ASSURANCE

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act.

## AUDITORS

SNG Grant Thornton

## PREPARER

RD Lyon CA, CFO

## PUBLISHED

28 September 2020

# Certificate by Company Secretary

The Company Secretary of Alviva Holdings Limited certifies that in terms of section 88(2) of the Companies Act, the Company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the reporting period ended 30 June 2020.



**Ms SL Grobler** CA(SA)  
Company Secretary

28 September 2020

**Postal address:**  
PO Box 483  
Halfway House  
1685

**Physical address:**  
The Summit  
269, 16th Road  
Randjespark  
Midrand  
1685

# Statement by the CEO and CFO

in compliance with paragraph 3.84(k) of the JSE Listings Requirements

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

- (a) the financial statements set out on pages 150 to 268, fairly present in all material respects the financial position, financial performance and cash flows of Alviva Holdings Limited in terms of IFRS;
- (b) no facts have been omitted or untrue statements made that would make the financial statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to Alviva Holdings Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of Alviva Holdings Limited; and
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Signed by the CEO and the CFO



**P Spies**  
CEO



**RD Lyon, CA**  
CFO

# Directors' responsibility statement and approval

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the Group and Company as at the reporting date and the results of its operations and cash flows for the period then ended, in conformity with IFRS.

The consolidated and separate financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and in the manner required by the Companies Act and are based on appropriate accounting policies consistently applied throughout the Group and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong internal financial control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal financial control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties in order to ensure an acceptable level of risk. The internal financial controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring that the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

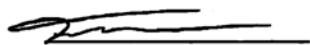
The directors are of the opinion, based on the information and explanations given by management, that the system of internal financial control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate financial statements. However,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

The directors have reviewed the Group and Company's cash flow forecasts for the next 12 months from date of approval of the consolidated and separate financial statements and, in the light of this review, taking into account the impact of the COVID-19 pandemic in South Africa and the current financial position, they are satisfied that the Group and the Company have, or have access to, adequate resources to continue in operational existence for the foreseeable future.

The directors are not aware of any events after the reporting period that have a material impact on the Group and Company's cash flow forecasts for the next 12 months that have not already been incorporated into these forecasts.

The external auditors are responsible for independently examining and reporting on the consolidated and separate financial statements and their report is presented on pages 145 to 149.

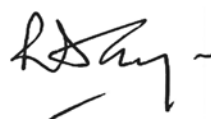
The consolidated and separate financial statements for the year ended 30 June 2020, as set out in pages 150 to 268, were approved by the Board on 25 September 2020 and are signed on their behalf by:



**A Tugendhaft**  
Chairperson



**P Spies**  
CEO



**RD Lyon, CA**  
CFO

# Audit and Risk Committee report

for the year ended 30 June 2020

The Alviva Audit and Risk Committee (“the Committee”) is constituted as a statutory sub-committee of the Board, in line with the JSE Listings Requirements, and reports in compliance with section 94(7)(f) of the Companies Act.

Although not a statutory requirement, the Committee has also fulfilled its duties in terms of the requirements of King IV™. The Committee conducted its work in accordance with the Audit and Risk Committee Charter, which was reviewed and updated during the reporting period and approved by the Board.

The quality, integrity and reliability of audit and risk-related issues of the Group are delegated to the Committee to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting statements in compliance with all applicable legal requirements and accounting standards. Ensuring good corporate governance in the Group is also a mandate assigned to it by the Board.

## DUTIES ASSIGNED BY THE BOARD

In addition to the statutory requirements of the Companies Act and King IV™, the Board assigned additional functions for the Committee to perform. Duties were mandated by the Board-approved Committee Charter and included the following key actions:

- ▶ Ensured that the appointment of the external auditors complied with the provisions of the Companies Act and any other relevant legislation, including auditor independence, fees payable and the nature and extent of any non-audit services;
- ▶ Examined the reliability and accuracy of the financial information presented to all users of such information, including the Company’s going concern assertion;
- ▶ Appointed the Chief Audit Executive, approved and monitored Internal Audit’s work plans and performance, the execution thereof and the results of work performed;
- ▶ Formed an integral component of the risk management process and as such reviewed the risk management process, resultant risk registers and action plans to mitigate all key risks. Key risks involved strategic risks, liquidity risks, financial reporting risks, fraud risks, operational risks, risks associated with information technology, legal and compliance risks and internal financial controls;
- ▶ Reported to the Board on the Committee’s activities and made recommendations to the Board concerning the adequacy and effectiveness of the risk policies, procedures, practices, controls or any other matters arising from the above responsibilities;
- ▶ Oversaw integrated reporting and reviewed all factors and risks that may impact on the integrity of the integrated annual report;
- ▶ Ensured that a combined assurance model is applied to provide a coordinated approach to all assurance activities;
- ▶ Monitored relationships between all assurance providers and monitored results and actions taken to address any deficiencies;
- ▶ Satisfied itself of the appropriateness, expertise, resources and experience of Alviva’s finance function, and specifically the CFO;
- ▶ Ensured that appropriate financial reporting procedures exist and are working;
- ▶ Assessed the information regarding the audit firm and designated audit partner provided by the external auditors, prior to recommending them for reappointment;
- ▶ Considered the most current information provided in respect of the JSE Proactive Monitoring Process;
- ▶ Monitored Alviva’s compliance with the recommendations of King IV™;
- ▶ Reviewed IT and fraud risks; and
- ▶ In addition to the above duties, the Committee reviewed the following:
  - ▶ Integrated annual report;
  - ▶ Interim report; and
  - ▶ Provisional financial results and final profit statements.

# Audit and Risk Committee report

continued

for the year ended 30 June 2020

## COMMITTEE ACTIVITIES AND DECISIONS TAKEN THROUGH THE REPORTING PERIOD

The Committee has met periodically to consider and to act upon its statutory duties and functions and the Board confirms that the Committee has during the reporting period performed the duties mandated to it by the Board.

### AUDIT

#### External audit

- ▶ In terms of section 90(1) of the Companies Act, the Committee had nominated SNG Grant Thornton as the independent auditors and Mr A Govender, a registered independent auditor, as the designated partner, for appointment for the 2020 audit. This appointment was approved by shareholders at the AGM on 21 November 2019. The Committee has satisfied itself through enquiry that the auditor of Alviva is independent, as defined by the Companies Act, and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the auditor that the internal governance processes within the audit firm support and demonstrate the claim to independence.
- ▶ The Committee, in consultation with executive management, agreed to the engagement letter, terms, nature and scope of the audit function and audit plan for the 2020 reporting period. The budgeted fee was considered for appropriateness and then approved. The final adjusted fee will be agreed on completion of the audit. Audit fees are disclosed in note 27 of the financial statements.
- ▶ The Committee considers and approves the non-audit services rendered by the external auditor. The external auditors did not render any non-audit services during the reporting period. [\[GRI 405-1\]](#)
- ▶ Meetings were held with the auditor where executive management was not present, and no matters of concern were raised. In terms of the Committee Charter, the external auditors have unrestricted access to the Chairperson of the Committee.
- ▶ SNG Grant Thornton has been Alviva's auditors since 2015, with Mr A Govender being appointed as the designated auditor in 2019. The attendant risk of familiarity between management and the external auditors is mitigated through various factors, which include but are not limited to:
  - ▶ balancing the benefits of maximising the knowledge gained through the utilisation of the same audit and management teams and ensuring independence and avoidance where knowledge of processes and procedures create an environment where aspects are taken for granted;
  - ▶ rotation of management and partners, not only from a statutory perspective, but also on an ongoing basis;
  - ▶ the rotation of Mr A Philippou after serving as designated auditor for five years and the appointment of Mr A Govender as the designated audit partner at the AGM held on 21 November 2019;
  - ▶ ongoing independence evaluations; and
  - ▶ rotation of the Engagement Quality Control Reviewer.
- ▶ As gazetted on 5 June 2017, mandatory audit firm rotation will be effective for reporting periods commencing on or after 1 April 2023. An audit firm shall not serve as the appointed auditor of a company for more than ten consecutive reporting periods. The audit firm will only be eligible for reappointment as the auditor after the expiry of at least five reporting periods.

# Audit and Risk Committee report

continued

for the year ended 30 June 2020

AUDIT (continued)	
<p><b>External audit</b> (continued)</p>	<ul style="list-style-type: none"> <li>▶ In light of the above and because Mr Philippou had reached the end of his five-year tenure, the Committee took the decision to conduct a selection process for external auditors. A request for proposal was distributed to six large- and mid-tier audit firms in August 2019, and four of the firms elected to submit proposals. The Committee assessed the proposals received, as required in paragraph 22.15(h) of the JSE Listings Requirements. The Committee has resolved to re-appoint, for approval at the AGM to be held on 18 November 2020, SNG Grant Thornton as the external auditor, and Mr A Govender as the designated auditor, for the 2021 reporting period. The Committee confirms that the auditor and designated auditor are accredited by the JSE Limited, and was satisfied with the quality of the external audit. <a href="#">[GRI 405-1]</a></li> <li>▶ Significant matters that the Committee considered included:             <ul style="list-style-type: none"> <li>▶ the impact of the COVID-19 pandemic in terms of significant judgements and estimates that affect the application of the Group's accounting policies;</li> <li>▶ the adoption of IFRS 16: <i>Leases</i>;</li> <li>▶ fair valuation of assets and liabilities in terms of IFRS 3: <i>Business Combinations</i>; and</li> <li>▶ the impairment of goodwill.</li> </ul> </li> </ul> <p>The Committee relied on assurance obtained from the detailed audit procedures performed, specifically on the above matters, by the external auditors.</p> <p>External IFRS consultants assisted management with the application of the above.</p>
<p><b>Internal audit</b></p>	<ul style="list-style-type: none"> <li>▶ The Committee confirms that internal audit work assisted them in fulfilling their mandate.</li> <li>▶ The Committee assessed the independence of the internal audit function, Group Internal Audit's compliance with the audit standards of the Institute of Internal Auditors and the effectiveness of the internal audit function. Internal Audit's independence was also assessed as part of an independent quality assurance review, which was performed during 2018. Both the Committee assessment and the independent review confirmed Internal Audit's independence.</li> <li>▶ During 2020, it was confirmed that Internal Audit conforms to the International Standards for the Professional Practice of Internal Auditing and guidance by King IV™. <a href="#">[GRI 102-56]</a></li> <li>▶ The Internal Audit Charter was reviewed, updated and approved by the Committee for recommendation to the Board. Internal Audit's mandate is governed by the Internal Audit Charter, which was approved during 2020.</li> <li>▶ Both Internal Audit's mandate and activities were aligned to King IV™ and reviewed during 2020. Internal Audit's execution of duties was guided by the three-year risk-based rolling audit plan as approved by the Committee.</li> <li>▶ The Committee oversaw the cooperation between Internal Audit and other assurance providers, particularly the external auditors, as part of the Combined Assurance Model.</li> <li>▶ In line with the Internal Audit Charter, to ensure independence, Internal Audit has direct access to the Committee, primarily through its Chairperson. The Committee met with the CAE at regular intervals throughout the reporting period without management being present, where audit results, challenges and possible concerns were discussed.</li> <li>▶ During the reporting period there had been internal audit coverage in the key risk areas of the Group. The internal audit process did not highlight any breakdowns in internal control that are known to have a material impact on the Group's performance and achievement of objectives during the reporting period.</li> <li>▶ The Committee reviewed the Internal Audit rating methodology and dispute escalation process and deemed it to be satisfactory.</li> <li>▶ The Committee confirmed its satisfaction with the effectiveness of the CAE and the arrangement for internal audit.</li> </ul>

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# Audit and Risk Committee report

continued

for the year ended 30 June 2020

## AUDIT (continued)

### Internal control

- ▶ The Group maintains systems of internal control, which include financial, operational and compliance controls.
- ▶ The Committee is responsible for reviewing the functioning of the internal control system, the reliability and accuracy of the financial information provided by management as well as that provided for dissemination to other users of financial information. In addition, it reviews whether the Group should continue to use the services of the current external auditors, any accounting or auditing concerns identified as a result of the external audit, the Group's compliance with legal and regulatory provisions, its MOI, Code of Conduct and by-laws.
- ▶ The Board is accountable for establishing appropriate risk and control policies. Executive management is responsible for monitoring, reviewing and communicating these controls and policies through the organisation. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems, as they are identified.
- ▶ All processes have been in place for the reporting period and up to the date of the approval of the financial statements and the directors are not aware of any known material breakdown in the functioning of the internal financial controls that has occurred during the reporting period to render the control environment ineffective.
- ▶ The Committee assured itself of the internal financial controls through the integrated reporting model and, specifically, reports from both the internal and external auditors. The independent assurance, which was received during the reporting period, formed the basis for reporting to the Board on the reliability thereof.
- ▶ The Group's overall system of internal control remains adequate and no significant deficiencies in the design, implementation or execution of internal financial controls were identified.

## REPORTING

### Evaluation of the CFO, finance function and financial reporting

- ▶ The Committee confirms that it has satisfied itself of the appropriateness of the expertise and experience of Mr RD Lyon CA, CFO of the Group.
- ▶ The Committee has considered, and has satisfied itself of, the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function.
- ▶ The Committee has established that the Group has appropriate financial reporting procedures in place and that those procedures are operating and operated satisfactorily during the reporting period.
- ▶ The Committee is satisfied that all entities in the Group are considered and included in the consolidated financial statements.

### Financial statements and accounting policies

- ▶ The Committee has reviewed the accounting policies and the financial statements of the Group and the Company. It is satisfied that they are appropriate and comply with International Financial Reporting Standards. There has been no change in the accounting policies, except for the adoption of IFRS 16: *Leases*. The adoption of the changes to accounting policies has been reviewed by the Committee.
- ▶ The Committee and the Board are confident that they have taken and continue to take all the necessary steps to execute their responsibilities in terms of the Companies Act and the principles of good governance as contemplated in King IV™.
- ▶ The Committee fulfilled its mandate and recommended the financial statements for the year ended 30 June 2020 for approval to the Board. The Board approved the financial statements on 25 September 2020 and the financial statements will be open for discussion at the AGM.



# Audit and Risk Committee report

continued

for the year ended 30 June 2020

REPORTING (continued)	
<b>Going concern</b>	<ul style="list-style-type: none"> <li>▶ Management presented the results of the Company's and the Group's solvency and liquidity tests at each of the Committee's meetings. The Committee satisfied itself that the Company and the Group have sufficient assets to carry on with operations and that the Group was both solvent and liquid. These results were reported at each of the Board meetings.</li> <li>▶ The Committee monitored liquidity throughout the national lockdown and thereafter. Further details on the actions taken relating to the COVID-19 pandemic are discussed in note 5.</li> </ul>
<b>Integrated reporting process</b>	<p>The Committee oversaw the integrated reporting process in accordance with its terms of reference and, in particular, the Committee:</p> <ul style="list-style-type: none"> <li>▶ regarded all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, as well as any evidence that brings into question previously published information and forward-looking statements or information;</li> <li>▶ reviewed the financial statements;</li> <li>▶ reviewed the disclosure of material sustainability issues in the sustainability report and in the integrated annual report to ensure that it is reliable and does not conflict with the financial information;</li> <li>▶ recommended the integrated annual report for approval by the Board; and</li> <li>▶ reviewed the content of the summarised financial information to determine if it provides a balanced view.</li> </ul>
<b>JSE Proactive Monitoring Panel and JSE proposals</b>	<ul style="list-style-type: none"> <li>▶ The Committee has considered the 2019 JSE Report on Proactive Monitoring, issued on 18 February 2020, including Annexure 3 which includes <i>Combined Findings of the JSE Proactive Monitoring of Financial Statements: Reviews done 2011 to 2018</i> issued on 11 October 2019, <i>Activities of the Financial Reporting Investigation Panel in 2019</i> issued on 22 October 2019 and <i>Final Findings of the JSE's Thematic Review for Compliance with IFRS 9 and 15</i> issued on 6 November 2019, and has taken the appropriate action to apply the findings.</li> <li>▶ The Committee noted the JSE proposals as regards amendments to the JSE Listings Requirements relating to the reporting of various performance measures including alternative or non-IFRS measures and ratios.</li> </ul>
RISK	
<b>Risk management</b>	<ul style="list-style-type: none"> <li>▶ The Board assigned oversight of the Group's risk management function to the Committee.</li> <li>▶ In terms of King IV™, the Committee has satisfied itself of the effectiveness of the risk management function. [GRI 102-30]</li> <li>▶ The total risk management process was reviewed. A decision was taken to implement software to assist in making the process of risk management more efficient, automated and digital. The project implementation is in progress and expected to be concluded during the coming reporting period. This further enables the business to integrate risk into daily operations.</li> <li>▶ The Committee reviewed the annual risk maturity assessment presented by Internal Audit and was satisfied with the results in the reporting period.</li> <li>▶ Standing Committee agenda items included risks associated with IT, financial reporting, liquidity risks, fraud, legal and regulatory compliance, litigation, insurance, reputation issues, ethics and health and safety compliance.</li> <li>▶ Disclosure in respect of the risk management framework and key risks identified, together with mitigating strategies, are disclosed on pages 51 to 56 of the integrated annual report.</li> </ul>

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# Audit and Risk Committee report

continued

for the year ended 30 June 2020

RISK (continued)	
<b>Fraud prevention and whistle-blowing</b>	<ul style="list-style-type: none"> <li>▶ The Code of Conduct is intended to assist individuals, who believe they have discovered serious malpractice or impropriety, to take the appropriate action. The Committee is assured that these arrangements provide for proportionate and independent investigation of matters reported and for suitable follow-up action.</li> <li>▶ All reports to the anonymous whistle-blowing hotline (Ethics Line) were reported to the Committee via the Internal Audit function.</li> <li>▶ The Committee reviewed summary reports of all defalcations throughout the Group as well as management actions to mitigate any fraud risks.</li> <li>▶ The Committee is satisfied that management had taken appropriate actions to address fraud risks, which became evident as a result of these reports, and deemed management’s anti-fraud management and controls to be sufficient.</li> <li>▶ It is confirmed that the Ethics Line remained operational and no major concerns were raised throughout the reporting period. The Committee is satisfied that instances of whistle-blowing were appropriately dealt with during the reporting period.</li> </ul>
<b>Technology and Information</b>	<ul style="list-style-type: none"> <li>▶ The Board assigned oversight of technology and information governance, and the risks associated therewith, to the Committee.</li> <li>▶ The Committee accepts that technology has a fundamental impact on the way in which business is conducted and businesses are measured and, to keep the Committee abreast of the technology and information governance and IT risk management throughout the Group, the CIO presented a report to the Committee in respect of the reporting period. A decision was taken by the Committee that the CIO will present a report to the Committee bi-annually.</li> <li>▶ The Committee noted the following from the IT risk presentation at the reporting date:               <ul style="list-style-type: none"> <li>▶ The IT strategy for the Group is in place with the main drivers of the strategy being business need, appropriateness, scalability, support and commercial viability.</li> <li>▶ The continued implementation of a robust and updated IT infrastructure for the Group is in process;</li> <li>▶ A King IV™ gap analysis was completed for the Group and gaps pertaining to IT were identified. The CIO presented the IT governance areas and governance structures that had been established to ensure ongoing management of IT governance ;</li> <li>▶ A Security Remediation Report was presented, indicating that the Group was showing continued improvement and that various initiatives were in place to further improve and protect the Group’s information in the fast-changing cyber environment;</li> <li>▶ The IT risk register detailed the top priority IT risks and mitigating strategies;</li> <li>▶ A schedule of key audit findings and how these were being addressed, was presented and discussed;</li> <li>▶ All current IT projects, the status of each and the expected date of completion, was presented ; and</li> <li>▶ A report detailing achievements to SLA for each major subsidiary was presented to the Committee.</li> </ul> </li> </ul> <p>The Committee further noted that ERP systems had been replaced with the Sage X3 platform at Axiz and Centrafin during the reporting period, with Pinnacle and Alviva Shared Management Services following shortly after the reporting date. Lessons had been learnt from the Axiz implementation and successfully applied in the new implementations.</p>

# Audit and Risk Committee report

continued

for the year ended 30 June 2020

RISK (continued)	
<p><b>Technology and Information</b> (continued)</p>	<ul style="list-style-type: none"> <li>▶ The Committee confirms that:                             <ul style="list-style-type: none"> <li>▶ risks associated with the IT environment and projects are continuously evaluated and appropriate plans are in place and implemented to mitigate these risks to an acceptable level;</li> <li>▶ IT expenditure is motivated by sound commercial principles to ensure that the business strategies and IT strategies are aligned;</li> <li>▶ a long-term IT plan has been developed and the appropriateness thereof is reviewed on a continuous basis to ensure that it supports and does not inhibit the long-term strategy of the Group;</li> <li>▶ developments in the IT industry are monitored on an ongoing basis and the potential impact thereof on the Group's long-term strategy is evaluated regularly;</li> <li>▶ the necessary skills are in place to ensure that the internal control systems are adequately applied across the Group's entire IT environment;</li> <li>▶ appropriate disaster recovery and business continuity plans are developed, maintained and tested; and</li> <li>▶ business continuity plans allowed remote working to continue during the COVID-19 lockdown period with minimal disruption to business processes.</li> </ul> </li> </ul>
ASSURANCE	
<p><b>Combined assurance</b></p>	<p>The Committee has fulfilled its mandate in terms of the custodianship of the combined assurance framework.</p> <ul style="list-style-type: none"> <li>▶ A three-lines-of-assurance model was adopted, as detailed in the combined assurance section on pages 49 and 50 of the integrated annual report.</li> <li>▶ The Committee is satisfied that the Group has optimised the assurance coverage obtained from management and internal and external assurance providers in accordance with the combined assurance framework.</li> </ul>
COMPLIANCE	
<p><b>Legal and regulatory compliance</b></p>	<ul style="list-style-type: none"> <li>▶ The Committee has been assigned the responsibility for ensuring ongoing legal and regulatory compliance. This mandate has been fulfilled through regular reviews of exposure levels associated with any key non-compliances and legal disputes.</li> </ul>
GOVERNANCE	
<p><b>Charter and policies</b></p>	<ul style="list-style-type: none"> <li>▶ The Charter of the Committee was reviewed and is aligned to King IV™ recommended practices. The Board ratified the Charter on 24 February 2020. The Charter is available for inspection at the registered office of the Company.</li> <li>▶ The following charters and policies were subject to annual review and approved by the Committee:                             <ul style="list-style-type: none"> <li>▶ Internal Audit Charter;</li> <li>▶ IT Charter;</li> <li>▶ IT Steering Committee Charter; and</li> <li>▶ Business Continuity Policy.</li> </ul> </li> </ul>

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# Audit and Risk Committee report

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for the year ended 30 June 2020

## FINANCIAL STATEMENTS

Following the review by the Committee of the consolidated and separate financial statements of Alviva for the reporting period ended 30 June 2020, the Committee is of the view that, in all material aspects, it complies with the relevant provisions of the Companies Act and International Financial Reporting Standards and fairly presents the financial position at that date and the results of its operations and cash flows for the reporting period.

In conjunction with the Social and Ethics Committee and the Board, the Committee has also satisfied itself as to the integrity of the remainder of the integrated annual report.

Having achieved its objectives for the reporting period, the Committee recommended the financial statements and integrated annual report for the reporting period ended 30 June 2020 for approval to the Board on 25 September 2020.

## APPROVAL

The Committee has fulfilled its responsibilities set out in paragraph 3.84 (g) of the JSE Listings Requirements, which includes a review of the information detailed in paragraph 22.15 (h).

The Committee has fulfilled its mandate during the reporting period and accordingly the financial statements have been approved for recommendation to the Board. The Board has subsequently approved the financial statements on 25 September 2020 which will be open for discussion at the AGM of shareholders.

I wish to thank the members of the Committee and management for their contributions during the reporting period to ensure that the Committee could fulfil its mandate assigned to it by the Board.



**Ms P Natesan**

*Chairperson of the Audit and Risk Committee*

# Directors' report

for the year ended 30 June 2020

The directors take pleasure in presenting their report for the reporting period ended 30 June 2020.

## DIRECTORS' RESPONSIBILITY

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

## ALVIVA'S BUSINESS

A description of Alviva's business profile, Group structure and geographic footprint is set out in the integrated annual report.

The Company does not have a controlling shareholder and the directors of Alviva manage the Company for its stakeholders. Alviva Holdings Limited has its primary and only listing in South Africa in the Technology sector of the JSE.

## CORPORATE GOVERNANCE

The Corporate Governance Report appears on pages 32 to 48 of the integrated annual report.

## FINANCIAL RESULTS

The operating results and the state of affairs of the Company and the Group are discussed in the Report to Shareholders on pages 21 to 27 of the integrated annual report.

The Group generated an attributable profit of R149 million (2019: R395 million). The financial statements on pages 150 to 268 detail the Group's and the Company's financial performance, position and cash flow for the reporting period.

### Segment analysis

A detailed segment analysis of the Group's performance is disclosed in note 40 to the financial statements.

### Trading statements

The Company issues trading statements when it is satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported on, will differ by at least 20% from the preceding corresponding period. The measure adopted by the Company, in determining the trading statement requirement, is applied only on headline earnings per ordinary share and/or earnings per ordinary share.

## STATED CAPITAL

At the AGM held on 21 November 2018, which authority was renewed at the AGM held on 21 November 2019, shareholders gave the Board general approval in terms of sections 46 and 48 of the Companies Act, by way of a special resolution, to acquire shares in the Company. The Board exercised this authority and mandated the repurchase of issued ordinary shares of the Company, to a maximum of 6 550 000 shares. Since the renewal of the mandate, the Company has repurchased, to the end of June 2020, 1 990 309 ordinary shares, totalling 1,54% of the total issued share capital (excluding treasury shares), at an average price of R10,19 per share.

Following the repurchases of the abovementioned shares, the issued share capital of the Company at 30 June 2020 was 136 317 746 shares. Details of the authorised and issued share capital are provided in note 19 to the financial statements.

# Directors' report

continued

for the year ended 30 June 2020

## Forfeitable Share Plan (FSP)

Details of the FSP are disclosed in the Remuneration Committee Report on pages 73 and 74, pages 81 to 84 and in note 37 to the financial statements.

### FSP 5

FSP 5, along with its participants and share allocation, was approved by the Board of Directors on 8 June 2020 and became effective on 26 June 2020. A total of 2 435 000 shares were allocated to FSP 5 and all participants accepted the shares granted to them before the reporting date.

## RIGHTS ATTACHING TO SHARES

Each ordinary Alviva share is entitled to identical rights in respect of voting, dividends, profits and a return of capital. The variation of rights attaching to Alviva shares requires the prior consent of at least 75% of the issued shares of that class or the sanction of a special resolution passed at a special general meeting of the holders of the Alviva shares of that class.

The issue of Alviva shares, whether in the initial or in any increased capital, is subject to shareholder approval.

## DIRECTORS' AND PRESCRIBED OFFICER'S INTERESTS AND SHAREHOLDING (INCLUDING DIRECTORS' AND PRESCRIBED OFFICER'S ASSOCIATES)

Directors' and prescribed officer's interests and shareholding, including directors' and prescribed officer's associates, as at 30 June 2020, are presented in the table below.

Director	Status of director/ prescribed officer	Direct beneficial Share register (own name)	FSP shares earned and held in MSR share account	Indirect beneficial Held by associates	Total	% of issued share capital
P Spies	CEO	100 000	241 200		341 200	0,25
RD Lyon	CFO	300 000	140 700	280 000	720 700	0,53
A Tugendhaft	Non-Executive Chairperson	–	–	318 600	318 600	0,23
JV Parkin	CCO – Prescribed Officer	193 000	33 500	28 700	255 200	0,19
<b>Total</b>		<b>593 000</b>	<b>415 400</b>	<b>627 300</b>	<b>1 635 700</b>	<b>1,20</b>

None of the directors' shares are subject to security, guarantee, collateral or otherwise pursuant to paragraph 3.63(b)(1x) of the JSE Listings Requirements.

Directors' and prescribed officer's interests and shareholding, including directors' and prescribed officer's associates, as at 30 June 2019, are presented in the table below.

Director	Status of director/ prescribed officer	Direct beneficial Share register (own name)	Indirect beneficial Held by associates	Total	% of issued share capital
RD Lyon	CFO	200 000	280 000	480 000	0,33
A Tugendhaft	Non-Executive Chairperson	–	218 600	218 600	0,15
JV Parkin	CCO – Prescribed Officer	193 000	28 700	221 700	0,15
<b>Total</b>		<b>393 000</b>	<b>527 300</b>	<b>920 300</b>	<b>0,63</b>

# Directors' report

continued

for the year ended 30 June 2020

There has been no change in directors' interests from the reporting date until the approval of the Alviva integrated annual report on 25 September 2020. The directors have no non-beneficial shareholdings.

Details of transactions in Alviva shares by directors and prescribed officers were disclosed on SENS during 2020 and are summarised in the table below. For the executive directors and the prescribed officer, any purchases in relation to the grant of shares under allocation of the long-term incentive scheme (FSP) were included in the various SENS announcements dealing with such allocations.

Name of director/prescribed officer	Status	Purchase	Earned on FSP and held under MSR	Sale
A Tugendhaft	Direct beneficial	100 000	–	–
P Spies	Direct beneficial	100 000	241 200	–
RD Lyon	Direct beneficial	100 000	140 700	–
JV Parkin	Direct beneficial	–	33 500	–

For further details refer to the Remuneration Committee Report and note 37 to the financial statements.

## SHAREHOLDERS OTHER THAN DIRECTORS

An analysis of shareholders is set out in the tables below and in note 45 to the financial statements.

### Major shareholders

Pursuant to section 56(7) of the Companies Act, the following beneficial interests, equal to or exceeding 5%, as at 30 June 2020, were disclosed or established through enquiry:

Name	Number of shares held	% of total issued ordinary shares
Invesco Canada Limited *	42 435 057	31,13
Fidelity Investments *	10 956 766	8,04
Forfeitable Share Plan	7 180 750	5,27
<b>Total</b>	<b>60 572 573</b>	<b>44,44</b>

\* Held on behalf of various funds for the ultimate benefit of various individual shareholders.

No individual shareholder's beneficial shareholding in any Alviva employee incentive scheme is equal to or exceeds 5%.

## DIVIDEND POLICY

The Company's policy is to declare a gross dividend of approximately 10% of headline earnings.

# Directors' report

continued

for the year ended 30 June 2020

## DECLARATION OF ORDINARY DIVIDEND

To this end, the Board has declared a final dividend of 15 cents (2019: 30 cents) per ordinary share for the year ended 30 June 2020, as announced on SENS on 28 September 2020.

Notice is hereby given that a final dividend of 15 cents per ordinary share for the year ended 30 June 2020 has been declared by the Board of the Company.

The salient dates applicable to the final dividend are as follows:

	Date
Last day of trade "cum" dividend	Tuesday, 10 November 2020
First day to trade "ex" dividend	Wednesday, 11 November 2020
Record date	Friday, 13 November 2020
Payment date	Monday, 16 November 2020

No share certificates may be dematerialised or rematerialised between Wednesday, 11 November 2020 and Friday 13 November 2020, both days inclusive.

Dividends are to be paid out of distributable reserves. Dividends Tax of 20% will be withheld in terms of the Income Tax Act for those shareholders who are not exempt from dividend tax. In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- ▶ The gross local dividend amount is 15 cents per ordinary share for shareholders exempt from Dividends Tax;
- ▶ The net local dividend amount is 12,00000 cents per ordinary share for shareholders liable to pay Dividends Tax;
  - ▶ Alviva Holdings Limited currently has 136 317 746 ordinary shares in issue (which includes 7 180 750 FSP shares); and
  - ▶ Alviva Holdings Limited's income tax reference number is 9675/146/71/7.

Where applicable, payment in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, payment cheques will be posted to certificated shareholders at their risk on the payment date. Shareholders who have dematerialised their shares will have their accounts at their Central Securities Depository Participant or broker credited on the payment date.

## SERVICE CONTRACTS WITH DIRECTORS

Alviva complies with relevant legislation when determining minimum terms and conditions for the appointment of executive directors. During the reporting period, the CEO signed an addendum to his contract of employment providing that his appointment will continue until 30 June 2022 with a restraint of trade period lasting up to 24 months following the termination date. The CFO's employment agreement does not contain a minimum service term or restraint of trade clause.

Employment contracts do not commit the Company to pay on termination arising from the director's failure. Balloon payments on termination are not seen as fair remuneration policy. The Remuneration Committee reviews, at least annually, the terms and conditions of executive directors' service agreements, taking into account information from comparable companies, where relevant. All recently contracted employment agreements with executive directors, management and sales staff include a restriction of trade clause to protect Alviva's proprietary interests and to ensure that the business is not prejudiced in any way or form. The restriction of trade undertaking is applicable for a period of six months from the date that the employment terminates. Executive directors are expected to manage their leave in such a manner that leave is not accumulated. On leaving the Company, any leave not utilised is not paid out.



# Directors' report

continued

for the year ended 30 June 2020

## EXTERNAL AUDIT AND EXTERNAL AUDITOR INDEPENDENCE

SNG Grant Thornton acts as the external auditor of the Company, and has indicated its willingness to continue in office for the ensuing reporting period. The Audit and Risk Committee has satisfied itself of the independence of SNG Grant Thornton and the designated auditor, Mr A Govender, as required by section 90 of the Companies Act. The Board concurs with the Audit and Risk Committee's assessment.

The Board has endorsed the recommendation of the Audit and Risk Committee to shareholders that SNG Grant Thornton be appointed as the independent external auditor of the Company for the ensuing reporting period with effect from the date of the AGM to be held on 18 November 2020. A resolution to re-appoint SNG Grant Thornton as the auditor and Mr A Govender as designated auditor will be proposed at the AGM on 18 November 2020.

The proposed audit fee to be paid to SNG Grant Thornton for the independent audit of Alviva Group entities for the reporting period ended 30 June 2020 amounts to R4,38 million (2019: R4,00 million).

## SYSTEMS OF INTERNAL CONTROL

The Group maintains systems of internal control, which include financial, operational and compliance controls. The Audit and Risk Committee is responsible for reviewing the functioning of the internal control system, the reliability and accuracy of the financial information provided by management as well as that provided for dissemination to other users of financial information.

In addition, it reviews whether the Group should continue to use the services of the current external auditors, any accounting or auditing concerns identified as a result of the external audit, the Group's compliance with legal and regulatory provisions, its MOI, Code of Conduct and by-laws.

The Board is accountable for establishing appropriate risk and control policies. Executive management is responsible for monitoring, reviewing and communicating these controls and policies throughout the organisation. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems, as they are identified.

All processes have been in place for the reporting period and up to the date of the approval of the financial statements and the directors are not aware of any known material breakdown in the functioning of the internal financial controls that has occurred during the reporting period to render the control environment ineffective.

The Audit and Risk Committee assured itself of the internal financial controls through the integrated reporting model and, specifically, reports from both the internal and external auditors. The independent assurance, which was received during the reporting period, formed the basis for reporting to the Board on the reliability thereof.

Alviva's overall system of internal control remains adequate and no significant deficiencies in the design, implementation or execution of internal financial controls were identified.

The reports of Internal Audit are also made available to Alviva's external auditors to assist them in meeting their responsibilities.

# Directors' report

continued

for the year ended 30 June 2020

## RESOLUTIONS PASSED AT THE AGM IN 2019

The following resolutions were adopted by shareholders at the AGM held on 21 November 2019:

Resolution no	Description	% vote in favour
<b>Special resolutions</b>		
1	Issue of a general authority for the Company to repurchase its own shares	99,66
2	Issue of a general authority to provide financial assistance in terms of section 44 of the Companies Act	99,66
3	Approval of the fee structure to be paid to non-executive directors	99,66
<b>Ordinary resolutions</b>		
1	<i>Reappointment of retiring director and ratification of appointment of directors</i>	
1.1	Reappointment of Ms SH Chaba as an Independent Non-Executive Director	99,91
1.2	Ratification of appointment of Ms MG Mokoka as an Independent Non-executive Director	99,91
1.3	Ratification of appointment of Mr PN Masemola as an Independent Non-executive Director	100,00
2	<i>Appointment of the members of the Audit and Risk Committee</i>	
2.1	Ms P Natesan (Chairperson)	100,00
2.2	Ms SH Chaba	99,57
2.3	Ms MG Mokoka	99,91
3	Approval to reappoint SizweNtsalubaGobodo Grant Thornton Incorporated and Mr A Govender as auditors	100,00
4	<i>Endorsement of the Company's Remuneration Policy and Its Remuneration Implementation Report</i>	
4.1	Endorsement of the Company's Remuneration Policy	98,83
4.2	Endorsement of the Company's Remuneration Implementation Report	98,97
5	General authorisation to place unissued shares under the control of the directors	98,95
6	General authorisation to issue shares for cash	99,63
7	Approval of the amendment of the Forfeitable Share Plan Rules	99,63
8	Authorisation of the directors to implement the special and ordinary resolutions	99,97

# Directors' report

continued

for the year ended 30 June 2020

## BOARD OF DIRECTORS

The Board comprises seven directors, two executive directors and five non-executive directors. The executive directors are the CEO and the CFO. Four of the five non-executive directors are independent. The Chairperson, who is a non-executive director, is not considered to be independent and thus a Lead Independent Director was appointed.

Name	Designation	Date appointed
Mr A Tugendhaft	Non-Executive Director	24 November 1998
	Appointed as Chairperson	3 October 2017
Ms P Natesan	Independent Non-Executive Director	6 December 2017
	Appointed as Lead Independent Director	6 December 2017
Ms SH Chaba	Independent Non-Executive Director	31 August 2012
Ms MG Mokoka	Independent Non-Executive Director	29 July 2019
Mr PN Masemola	Independent Non-Executive Director	29 July 2019
Mr P Spies	Executive Director – CEO	27 January 2016
Mr RD Lyon	Executive Director – CFO	1 January 2013

A brief biography of each of the directors is disclosed on pages 29 and 30 of the integrated annual report.

## ROTATION OF DIRECTORS

In accordance with the Company's MOI requirement that one-third or more of the non-executive directors must retire at each AGM, Mr A Tugendhaft and Ms P Natesan retire by rotation at the upcoming AGM to be held on 18 November 2020 and, being eligible, have offered themselves for re-election. Resolutions to re-elect Mr A Tugendhaft as non-executive director and Ms P Natesan as independent non-executive director of the Company will be put to shareholders at the AGM to be held on 18 November 2020.

## STATE OF AFFAIRS AT THE COMPANY – MATERIAL MATTERS

### Borrowing powers

The MOI imposes no restrictions on the borrowing powers of the Company or the directors. The Company does, however, have in place a formal delegation of authority imposing limitations in terms of transaction value and nature, which is fully operational and reviewed on an ongoing basis by the Board.

### Business combinations

Details of business combinations during the reporting period are disclosed in note 35 to the financial statements.

### Investment in subsidiaries

Details of interest in subsidiaries held are disclosed in note 12 to the financial statements.

### Investment in equity-accounted investees

Details of the investments in the equity-accounted investees are disclosed in note 13 to the financial statements.

# Directors' report

continued

for the year ended 30 June 2020

## Directors' interest in contracts

No director of the Company had any interest in any contract of significance during the reporting period.

## Contingent liabilities

The directors are not aware of any contingent liabilities that existed at 30 June 2020, or at the date of this report.

## Litigation statement

The directors, whose names appear on pages 29 and 30 of the integrated annual report, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have a material effect on the Group's financial position.

## Related party transactions

The related party transactions entered into in the ordinary course of business are disclosed in note 38 to the financial statements.

## Insurance

The Group has placed cover in the South African traditional insurance markets to ensure that all categories of risk are covered adequately. Additional cover on a per risk basis has been purchased, where appropriate.

## Impact of the COVID-19

The COVID-19 pandemic has had a significant impact in South Africa and across the world. The first impact was noted in the Group in January 2020, with major markets all impacted from March 2020 onwards. Based on the magnitude of the pandemic and its potential impact on the financial statements, management has conducted a review of all possible financial effects the virus could have on the measurement, presentation and disclosure provided. The results of this assessment are disclosed in note 5 to the financial statements.

## GOING CONCERN STATEMENT

Following due consideration of the operating budgets, an assessment of Group debt covenants and funding requirements, solvency and liquidity, the key risks, outstanding legal, insurance and taxation issues, the impact of the COVID-19 pandemic and other pertinent matters presented by management, the directors have recorded that they have reasonable expectations that the Company and the Group have adequate resources and the ability to continue in operations for the foreseeable future. For these reasons, the financial statements have been prepared on the going concern basis.

## EVENTS AFTER THE REPORTING DATE

Other than as disclosed below, there were no events material to the understanding of the financial statements that occurred after the reporting date and the publication date of the financial statements, except the continuation of the risk-adjusted approach implemented by the South African government in relation to the COVID-19 pandemic.

## Redemption of preference shares

As announced on SENS on 20 May 2020 and 21 May 2020, respectively, Absa Bank Limited (acting through its Corporate and Investment Banking Division) is the holder of 40 (forty) redeemable preference shares of R10 million each in DCT Holdings (RF) Proprietary Limited, a subsidiary of Alviva.

In terms of the Preference Share Subscription Agreement entered into on 4 April 2017, the redemption date of 10 (ten) preference shares was scheduled for 20 May 2020. By mutual consent, the scheduled redemption date was amended by three months and, on 20 August 2020, the Company redeemed preference shares to the value of R100 million to Absa Bank Limited.

# Report of the independent auditor

To the Shareholders of Alviva Holdings Limited

## Report on the Audit of the Consolidated and Separate Financial Statements

### *Opinion*

We have audited the consolidated and separate financial statements of Alviva Holdings Limited (the group) set out on pages 150 to 268, which comprise the consolidated and separate statement of financial position as at 30 June 2020, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Alviva Holdings Limited as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### *Basis for Opinion*

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

### *Key Audit Matters*

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

# Report of the independent auditor

continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Adoption of IFRS 16 “Leases”.</b></p> <p>The group adopted IFRS 16, ‘Leases’ (IFRS 16) for the first time in the 2020 reporting period which represented a significant event that took place during the year. The Group has adopted IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17. The implementation of this new accounting standard required a complex assessment by management to correctly apply the requirements of IFRS 16 against the lease agreements and thus this represented a significant risk for the audit. The implementation of IFRS 16 further resulted in a material impact to assets and liabilities as disclosed in the financial statements.</p> <p>Refer to the leases accounting policy note 6.3.</p> <p>Refer to the changes in significant accounting policies note 7 for IFRS 16: Leases in the notes to the financial statements.</p>	<p>We reviewed the Group’s implementation of IFRS 16 during the current reporting period through our evaluation of management’s assessments and conclusions on IFRS 16 based on the lease agreements that the group has in place. We performed this assessment by evaluating the lease agreements against the requirements of the IFRS 16 standard.</p> <p>Our procedures included reviewing the reasonableness of the incremental borrowing rate applied in the measurement of the right of use liability, reviewing the accounting policy updates, financial statement disclosures and the recognition and measurement principles applied in the adoption of the standard.</p>
<p><b>Impairment assessment of goodwill</b></p> <p>Due to the number of business combinations that the Group has historically entered into, the Group’s net assets include a significant amount of goodwill at the reporting date. There is a potential risk that these acquired businesses may not trade in line with expectations and forecasts, resulting in a potential impairment of the carrying amount of goodwill allocated to these businesses.</p> <p>As required by International Accounting Standard (IAS) 36, Impairment of Assets (“IAS 36”), the Group performs an impairment assessment of goodwill on an annual basis and when impairment indicators are identified.</p> <p>The goodwill impairment assessment is considered to be a matter of most significance in our audit of the consolidated financial statements due to the significant judgements and assumptions made by management when performing the impairment assessment, and in estimating the key assumptions applied, particularly:</p> <ul style="list-style-type: none"> <li>▶ Weighted average cost of capital discount rates;</li> <li>▶ Whether the impact of COVID-19 is appropriately considered in the cash-flow forecasts and whether the forecasts used in the impairment assessments are reasonable;</li> <li>▶ Whether the other assumptions applied in the forecasts are reasonable.</li> </ul> <p>This matter is disclosed in the following notes to the consolidated financial statements:</p> <ul style="list-style-type: none"> <li>▶ Note 11: Goodwill;</li> <li>▶ Note 4: Critical judgements made.</li> </ul>	<p>We tested the mathematical accuracy of the valuation models used by management. We also assessed the appropriateness of the valuation model applied by management, with reference to market practice and the requirements of IAS 36. We reviewed the reasonableness of the underlying assumptions, inputs and discount rates used in the cash flow forecasts through the performance of sensitivity analysis calculations and through the verification and corroboration of market related inputs.</p> <p>We assessed the reliability of the Group’s budgets included in the business plans (which form the basis of the cash flow forecasts), by comparing prior period budgets to actual results and corroborating budget inputs to supporting evidence such as contracts and revenue models. We also agreed revenue and EBITDA, used to calculate cash flow forecasts, to approved budgets.</p> <p>Utilising our valuations expertise, we independently sourced data such as the long-term growth rates, cost of debt, risk-free rates in the applicable market, market risk premiums, debt/equity ratios, as well as the beta of comparable companies. We independently calculated a discount rate for each cash generating unit using our independently sourced data. We applied these independently sourced and calculated inputs to management’s forecasts in order to calculate the recoverable amounts. We noted that management’s recoverable amounts calculated through application of the “fair value less costs to disposal” model fell within a reasonable range of our independent calculations.</p>

# Report of the independent auditor

continued

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the document titled “Alviva Holdings Limited Integrated Annual Report 2020”, and in the document titled “Alviva Holdings Limited Annual Financial Statements 2020”, which includes the Directors’ Report, the Report of the Audit and Risk Committee and the Certificate by the Company Secretary, as required by the Companies Act of South Africa and the Statement by the CEO and CFO. The other information further comprises the Analysis of Shareholding note on pages 267 to 268. The other information does not include the consolidated and separate financial statements and our audit report thereon.

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

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

## **Responsibilities of the Directors for the Consolidated and Separate Financial Statements**

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

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

# Report of the independent auditor

continued

## ***Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements***

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

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

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

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

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

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



# Report of the independent auditor

continued

## Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton Inc. has been the auditor of Alviva Holdings Limited for six years.



**Abendran Govender**

SizweNtsalubaGobodo Grant Thornton Inc.

*Engagement Director*

Registered Auditor

28 September 2020

20 Morris Street East  
Woodmead  
Johannesburg  
Gauteng

# Statements of financial position

as at 30 June 2020

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>2 080 544</b>	<b>1 784 247</b>	<b>4 170 120</b>	<b>3 843 629</b>
Property, plant and equipment	9	457 218	122 312	–	–
Intangible assets	10	320 127	287 895	–	–
Goodwill	11	614 454	631 526	–	–
Interests in subsidiaries	12	–	–	4 170 120	3 843 629
Investment in equity-accounted investees	13	41 773	88 119	–	–
Finance lease receivables	14	556 138	576 189	–	–
Deferred tax	15	90 834	78 206	–	–
<b>Current assets</b>		<b>5 711 445</b>	<b>4 710 221</b>	<b>172</b>	<b>495</b>
Inventory	16	1 228 187	1 036 748	–	–
Trade and other receivables	17	2 946 836	3 264 856	–	–
Finance lease receivables	14	298 383	269 975	–	–
Current tax assets		18 418	14 096	–	–
Cash and cash equivalents	18	1 219 621	124 546	172	495
<b>Total assets</b>		<b>7 791 989</b>	<b>6 494 468</b>	<b>4 170 292</b>	<b>3 844 124</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>		<b>2 377 779</b>	<b>2 335 027</b>	<b>4 168 541</b>	<b>3 833 519</b>
Stated capital	19	1 363	1 434	1 363	1 434
Treasury shares	20	(115 328)	(125 819)	–	–
Other equity reserves	21	46 289	33 568	–	–
Retained earnings		2 345 484	2 355 661	4 167 178	3 832 085
Non-controlling interests	34	99 971	70 183	–	–
<b>Non-current liabilities</b>		<b>1 244 584</b>	<b>915 171</b>	<b>–</b>	<b>9 000</b>
Interest-bearing liabilities	22	1 075 406	778 342	–	–
Non-interest-bearing liabilities	23	72 829	46 205	–	9 000
Contract liabilities	25	16 064	11 528	–	–
Deferred tax	15	80 285	79 096	–	–
<b>Current liabilities</b>		<b>4 169 626</b>	<b>3 244 270</b>	<b>1 751</b>	<b>1 605</b>
Trade and other payables	24	3 626 394	2 806 046	1 744	1 605
Interest-bearing liabilities	22	332 194	106 285	–	–
Non-interest-bearing liabilities	23	7 584	44 130	–	–
Contract liabilities	25	183 929	114 847	–	–
Current tax liabilities		19 525	14 163	7	–
Bank overdrafts	18	–	158 799	–	–
<b>Total equity and liabilities</b>		<b>7 791 989</b>	<b>6 494 468</b>	<b>4 170 292</b>	<b>3 844 124</b>

[GRI 201-1]

# Statements of profit or loss and other comprehensive income

for the year ended 30 June 2020

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>Revenue</b>	26	14 804 155	15 922 641	459 524	456 213
Cost of sales		(12 370 493)	(13 314 503)	–	–
<b>Gross profit</b>		2 433 662	2 608 138	459 524	456 213
<b>Other income</b>		27 382	56 788	19 155	4 047
Gain on discounting of finance lease agreements		1 272	2 841	–	–
Gain on foreign exchange		630	8 068	–	–
Profit on disposal of property, plant and equipment		1 611	609	–	–
Share-based payment income		–	–	10 155	4 047
Gain on remeasurement of contingent consideration	23	23 869	45 270	9 000	–
<b>Operating expenses</b>		(2 072 507)	(1 995 153)	–	(327)
Selling expenses		(59 940)	(66 165)	–	–
Impairment losses and write-offs on trade and finance lease receivables	36.7	(45 645)	(37 361)	–	–
Impairment loss on loan to equity-accounted investee	36.7	(27 990)	(23 210)	–	–
Impairment loss on goodwill		(49 563)	–	–	–
Impairment loss on investment in subsidiary		–	–	–	(25 274)
Employee benefit expenses		(1 323 782)	(1 338 582)	–	–
Administration expenses		(246 505)	(307 683)	–	(327)
Loss on disposal of subsidiary		–	(32 141)	–	–
Depreciation and amortisation		(319 082)	(190 011)	–	–
<b>Operating profit before interest</b>	27	388 537	669 773	478 679	434 659
Finance income	28	50 666	52 059	42	35
Finance costs	28	(227 640)	(185 108)	–	–
<b>Profit before tax</b>		211 563	536 724	478 721	434 694
Income tax expense	29	(74 688)	(145 866)	(12)	(9)
<b>Profit for the period</b>		136 875	390 858	478 709	434 685
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified to profit or loss, net of tax:</b>		4 609	447	–	–
Exchange differences from translating foreign operations		4 609	447	–	–
<b>Total comprehensive income for the period</b>		141 484	391 305	478 709	434 685
<b>Net profit for the period attributable to:</b>		136 875	390 858		
Owners of the Company		148 724	394 500		
Non-controlling interests	34	(11 849)	(3 642)		
<b>Total comprehensive income attributable to:</b>		141 484	391 305		
Owners of the Company		153 333	394 947		
Non-controlling interests	34	(11 849)	(3 642)		
<b>Earnings per ordinary share (cents)</b>	30				
– Basic earnings per ordinary share		112,7	275,3		
– Diluted basic earnings per ordinary share		110,7	268,1		
<b>Non-IFRS information*</b>					
<b>Earnings before interest, tax, depreciation and amortisation</b>		707 619	859 784	478 679	459 933

\* This information is not required by IFRS but is presented as additional information to the users of the financial statements.

[GRI 201-1]

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# Statements of changes in equity

for the year ended 30 June 2020

	Notes	Attributable to owners of the Company					Non-controlling interests R'000	Total equity R'000
		Stated capital R'000	Treasury shares R'000	Other equity reserves R'000	Retained earnings R'000	Total R'000		
<b>Group</b>								
<b>Balances at 30 June 2018</b>		1 584	(129 090)	54 268	2 211 329	2 138 091	89 313	2 227 404
Repurchase of shares		(85)	-	-	(150 706)	(150 791)	-	(150 791)
Treasury shares repurchased and cancelled		(65)	39 290	-	(39 225)	-	-	-
Treasury shares acquired		-	(36 019)	-	-	(36 019)	-	(36 019)
Equity-settled share-based payment		-	-	9 943	-	9 943	-	9 943
Profit for the period		-	-	-	394 500	394 500	(3 642)	390 858
Other comprehensive income		-	-	447	-	447	-	447
Transactions with non-controlling interests	34	-	-	-	(50 633)	(50 633)	(5 253)	(55 886)
Transfer between reserves		-	-	(31 090)	31 090	-	-	-
Dividends paid	30.5	-	-	-	(40 694)	(40 694)	(10 235)	(50 929)
<b>Balances at 30 June 2019</b>		<b>1 434</b>	<b>(125 819)</b>	<b>33 568</b>	<b>2 355 661</b>	<b>2 264 844</b>	<b>70 183</b>	<b>2 335 027</b>
Repurchase of shares		(71)	-	-	(102 123)	(102 194)	-	(102 194)
Treasury shares acquired		-	(10 378)	-	-	(10 378)	-	(10 378)
Treasury shares vested with FSP participants		-	20 869	(12 346)	(8 523)	-	-	-
Profit for the period		-	-	-	148 724	148 724	(11 849)	136 875
Other comprehensive income		-	-	4 609	-	4 609	-	4 609
Transactions with non-controlling interests		-	-	-	(6 763)	(6 763)	52 102	45 339
Equity-settled share-based payment		-	-	20 458	-	20 458	-	20 458
Dividends paid	30.5	-	-	-	(41 492)	(41 492)	(10 465)	(51 957)
<b>Balances at 30 June 2020</b>		<b>1 363</b>	<b>(115 328)</b>	<b>46 289</b>	<b>2 345 484</b>	<b>2 277 808</b>	<b>99 971</b>	<b>2 377 779</b>
<b>Company</b>								
<b>Balances at 30 June 2018</b>		1 584	-	-	3 709 841	3 711 425	-	3 711 425
Repurchase of shares		(85)	-	-	(150 706)	(150 791)	-	(150 791)
Treasury shares repurchased and cancelled		(65)	-	-	(119 286)	(119 351)	-	(119 351)
Profit for the period		-	-	-	434 685	434 685	-	434 685
Dividends paid	30.5	-	-	-	(42 449)	(42 449)	-	(42 449)
<b>Balances at 30 June 2019</b>		<b>1 434</b>	<b>-</b>	<b>-</b>	<b>3 832 085</b>	<b>3 833 519</b>	<b>-</b>	<b>3 833 519</b>
Repurchase of shares		(71)	-	-	(102 124)	(102 195)	-	(102 195)
Profit for the period		-	-	-	478 709	478 709	-	478 709
Dividends paid	30.5	-	-	-	(41 492)	(41 492)	-	(41 492)
<b>Balances at 30 June 2020</b>		<b>1 363</b>	<b>-</b>	<b>-</b>	<b>4 167 178</b>	<b>4 168 541</b>	<b>-</b>	<b>4 168 541</b>

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# Statements of cash flows

for the year ended 30 June 2020

	Notes	Group		Company	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>Cash generated from operations</b>	31	<b>1 801 043</b>	275 076	<b>139</b>	(174)
Finance income received	28	<b>50 666</b>	52 059	<b>42</b>	35
Finance costs paid	28	<b>(227 640)</b>	(185 108)	<b>-</b>	-
Income tax paid	33	<b>(115 736)</b>	(172 331)	<b>(5)</b>	(9)
		<b>1 508 333</b>	(30 304)	<b>176</b>	(148)
<b>Cash flows from investing activities</b>					
Expenditure to maintain operating capacity					
Acquisition of property, plant and equipment	9	<b>(96 578)</b>	(64 964)	<b>-</b>	-
Proceeds on disposal of property, plant and equipment		<b>15 946</b>	3 012	<b>-</b>	-
Acquisition of intangible assets	10	<b>(47 188)</b>	(17 134)	<b>-</b>	-
Proceeds on disposal of intangible assets		<b>592</b>	3 540	<b>-</b>	-
Proceeds on disposal of subsidiary		<b>-</b>	14 988	<b>-</b>	-
Receipts/(advances) of loan to equity-accounted investee	13	<b>18 356</b>	(49 252)	<b>-</b>	-
Acquisition of subsidiaries, net of cash acquired	35	<b>(48 619)</b>	(153 474)	<b>-</b>	(85 000)
Subscription of preference shares in existing subsidiary		<b>-</b>	-	<b>(65 000)</b>	(100 000)
Net investment in finance leases receivable		<b>(8 357)</b>	(165 726)	<b>-</b>	-
Dividends received		<b>-</b>	-	<b>459 524</b>	456 213
		<b>(165 848)</b>	(429 010)	<b>394 524</b>	271 213
<b>Cash flows from financing activities</b>	32				
Interest-bearing liabilities raised		<b>205 000</b>	96 464	<b>-</b>	-
Interest-bearing liabilities repaid		<b>(60 967)</b>	(8 331)	<b>-</b>	-
Non-interest-bearing liabilities repaid		<b>(57 724)</b>	(68 679)	<b>-</b>	-
Repurchase of shares		<b>(102 194)</b>	(150 792)	<b>(102 195)</b>	(270 142)
Treasury shares acquired		<b>(10 378)</b>	(36 018)	<b>-</b>	-
Transactions with non-controlling interests, including dividends paid		<b>(25 465)</b>	(58 794)	<b>-</b>	-
Group loans (raised)/repaid		<b>-</b>	-	<b>(251 336)</b>	41 681
Dividends paid to ordinary shareholders	30.5	<b>(41 492)</b>	(40 694)	<b>(41 492)</b>	(42 449)
		<b>(93 220)</b>	(266 844)	<b>(395 023)</b>	(270 910)
<b>Increase/(decrease) in net cash, cash equivalents and overdrafts</b>		<b>1 249 265</b>	(726 158)	<b>(323)</b>	155
Effects of exchange rate changes on cash held in foreign currencies		<b>4 609</b>	447	<b>-</b>	-
Net cash and cash equivalents at 1 July		<b>(34 253)</b>	691 458	<b>495</b>	340
<b>Net cash and cash equivalents at 30 June</b>		<b>1 219 621</b>	(34 253)	<b>172</b>	495
Cash and cash equivalents	18	<b>1 219 621</b>	124 546	<b>172</b>	495
Bank overdrafts	18	<b>-</b>	(158 799)	<b>-</b>	-

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# Notes to the financial statements

for the year ended 30 June 2020

## 1. REPORTING ENTITY

Alviva Holdings Limited is a company domiciled in South Africa. The address of the Company is The Summit, 269 16th Road, Randjespark, Midrand, 1685. The consolidated financial statements of the Company as at and for the period ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the Group). The primary activities of the Group have been disclosed in the integrated annual report on pages 14 and 15.

## 2. STATEMENT OF COMPLIANCE

The consolidated and separate financial statements ("the financial statements") have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa.

The financial statements were authorised for issue by the Board of Directors on 25 September 2020 and are subject to the approval of the shareholders at the AGM.

## 3. BASIS OF PREPARATION

The financial statements are prepared as a going concern on a historical basis except for derivative financial instruments and contingent consideration, which are stated at fair value, as applicable. The accounting policies, inclusive of reasonable judgements and assessments, have been consistently applied for all reporting periods presented, except for the policy on lessee accounting, and comply with IFRS.

The financial statements are presented in South African Rand, which is the functional currency of the Group. Amounts are rounded to the nearest thousand, except where another rounding measure has been indicated in the financial statements.

## 4. SIGNIFICANT ESTIMATES AND JUDGEMENTS

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

### Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in the following notes:

Judgement description	Related note
<b>Revenue recognition:</b> timing principles, i.e., over time or at a point in time	26.1
<b>Equity-accounted investees:</b> assessment of significant influence and joint control principles	13
<b>Consolidation:</b> assessment of control of structured entities	12
<b>Preference shares:</b> classification principles based on instrument characteristics as equity or a financial liability	22
<b>Tax:</b> judgements in terms of the complexity of legislation	29
<b>COVID-19 impact:</b> going concern assessment	5

# Notes to the financial statements

continued

for the year ended 30 June 2020

## Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next reporting period is included in the following notes:

Assumptions and estimation uncertainty	Related note
<b>Deferred tax:</b> availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised	15
<b>Useful lives and residual values of tangible assets:</b> key assumptions in relation to the useful life and residual values assessments	9
<b>Impairment of non-financial assets:</b> key assumptions underlying recoverable amounts	10
<b>Impairment of goodwill:</b> key assumptions underlying recoverable amounts	11
<b>Revenue recognition:</b> estimate of expected returns	26
<b>Measurement of expected credit losses ("ECLs"):</b> key assumptions in determining the loss rates and credit ratings	36.7
<b>Net realisable value ("NRV") of inventory:</b> key assumptions in determining the NRV	16
<b>Business combinations:</b> fair value estimation of contingent consideration	23.2; 35
<b>Share-based payment arrangement:</b> key inputs into the appropriate valuation model	37.3
<b>COVID-19 impact on measurement of ECLs:</b> assessment of forward-looking information	5
<b>COVID-19 impact on impairment of goodwill:</b> input of forward-looking information into model	5

## 5. COVID-19 PANDEMIC

During the reporting period, there has been widespread local and global uncertainty associated with the COVID-19 pandemic. On 15 March 2020, a National State of Disaster was declared in South Africa due to the COVID-19 pandemic and subsequently, on 26 March 2020, a national lockdown became effective for all South African citizens and businesses. This national lockdown was extended until 30 April 2020. On 1 May 2020, a risk-adjusted phased-in approach of economic activity was implemented and promulgated in terms of the Disaster Management Act of South Africa, 2002 (Act 57 of 2002).

It is important to note that the material operational entities within the Group, were classified as essential service providers during the national lockdown and remained operational throughout the economic restrictions implemented by Government during the reporting period. The majority of staff members worked remotely contributing to the limited disruption in operational activity although the various entities operated at reduced activity levels.

The COVID-19 pandemic has had a significant impact across the world, negatively affecting the lives of the Group's customers and its employees. Based on the magnitude of the pandemic and its potential impact on the financial statements, management has conducted a review of the possible financial effects the pandemic could have on the measurement, presentation and disclosure provided.

# Notes to the financial statements

continued

for the year ended 30 June 2020

COVID-19 consideration	Assessment	Impact	Related note
Impairment of goodwill	The pandemic had an impact on the operational and valuation assumptions and inputs applied in the recoverability assessment in relation to the cash-generating units of the various investments in subsidiaries held within the Group. Management adopted a conservative approach in the assessment of the impairment models applied based on the long-term impact on the economy as a whole. It is important to note that overall the pandemic was not the sole contributing factor to the overall impairments recognised but merely a contributing factor.	Low to moderate	11
Financial asset impairment	The financial impact of the crisis has put an increased level of pressure on customers throughout the economic landscape in South Africa and foreign countries in which the Group operates. The overall increased risk is mitigated by the Group in relation to the continuous enforcement of the strict credit approval process, historically applied, as well as the insurance cover in relation to customer balances. The overall recoverability of the customers did not deteriorate significantly although some isolated customers indicated a level of financial difficulty and requested short-term payment relief. The Group adjusted the overall ECL ratings model for the impact of COVID-19 and other macro-economic factors and remained conservative in the application of the model based on the default indicators as set out in the accounting policies.	Moderate	36.7
	There was a potential impairment on cash balances due to the negative impact of the pandemic on financial institutions. The nature of the bank balances of the Group is largely short-term, comprising mainly current accounts. Given the significant actions taken by central banks to improve liquidity through monetary and fiscal interventions, the Group's ECLs on cash balances remained immaterial.	Insignificant	36.7
Non-financial asset impairment	The nature of the non-financial assets and the fact that the significant operational entities of the Group were classified as essential service providers, resulted that the overall non-financial assets have been recovered through use in the normal course of business albeit at a reduced operational level. In addition to this, the Group's revenue-generating processes is not directly dependent on the non-financial assets of the Group. Discretionary capital expenditure was reduced during the last quarter of the reporting period.  Future projections and underlying insured values still support the carrying value of non-financial assets of the Group.	Insignificant	10



# Notes to the financial statements

continued

for the year ended 30 June 2020

COVID-19 consideration	Assessment	Impact	Related note
Foreign currency exchange rates	Significant movements in currencies expose the Group to foreign currency gains and losses and also impact the Group's translation of its results into its presentation currency i.e., South African Rand (ZAR). The ZAR weakened against most of the currencies of the Group's foreign entities during the reporting period, which resulted in a slight increase in other comprehensive income of the Group. The Group manages the risk against foreign currency exposure by means of FEC contracts which mitigated the Group's exposure from the impact of the pandemic.	Low	36.4
Inventories	Although the overall pandemic resulted in a restriction on imports of certain inventory items during the national lockdown, the inventory levels stabilised during the implementation of the risk-adjusted approach implemented by Government. Mitigating factors include the fact that the significant operational entities of the Group were classified as essential service providers in combination with the continuing operations of the Group, although at a reduced level during the initial restricted economic environment. This resulted in no significant impact in relation to inventories as the items will be sold during the normal course of operations of the Group in the foreseeable future.	Low	16
Leases	There has been no major impact on the accounting treatment of leases as a result of COVID-19. With the ICT industry being treated as an essential service provider, operations have continued to provide services to customers. The Group did receive minimal rent concessions from some landlords during the reporting period.	Low	22.1
Events after the reporting period	The pandemic did not result in any material or significant adjusting events after the reporting period.	Insignificant	43

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for the year ended 30 June 2020

COVID-19 consideration	Assessment	Impact	Related note
Going concern	The operations of the Group have stabilised and management anticipates minimal disruptions in the foreseeable future. The Group maintains a level of solvency and liquidity and effective management of the cash position of the Group, without the utilisation of any government implemented debt relief schemes (except TERS funding in relation to leave days for employees), which are all indicators of a reduced impact of COVID-19 on the going concern of the Group. As part of the implemented pandemic responses by management, the Group implemented a liquidity management process whereby the Group obtained short-term repayment extensions from certain suppliers and extended the redemption of the preference shares by three months as per the contractual terms of the contract. Substantial repayments to suppliers and the redemption payment in relation to the preference share was successfully executed after the reporting date with the working capital of the Group stabilising to normal operational levels.	Low	44
Onerous contracts	The nature of the Group's customers with contracts is not indicative of any likely significant onerous contract provisions.	Insignificant	17
Recoverability of deferred tax assets	A deferred tax asset is only recognised to the extent that the Group will have adequate future taxable income in relation to the unutilised estimated assessed losses. The pandemic lead to a reduced level of operations in the Group, which has since increased towards the end of the reporting period due to the classification of the major operational entities as essential service providers and the relaxation of economic restraints in relation to the overall risk-adjusted approach. The Group will have adequate future taxable income in relation to unutilised estimated assessed losses.	Low	15
Contingent consideration	The pandemic resulted in pressure on the operational activities of some specific entities, which contributed as a factor to the adjustment of the contingent consideration. It is important to note that other business factors also contributed to the underperformance of these entities and that the pandemic was not the sole contributing factor.	Low	23.2

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 6. SIGNIFICANT ACCOUNTING POLICIES

### 6.1 BASIS OF CONSOLIDATION

#### Business combinations

The consolidated financial statements incorporate the results of business combinations using the acquisition method. The consideration transferred in a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquisition-related costs are accounted for as an expense in the period in which the costs are incurred and the services are received. The results of acquired operations are included in the consolidated financial statements from the date on which control is obtained.

Non-controlling interests that represent present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are initially measured at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments recognised in goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IFRS 9: *Financial Instruments* or, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss recognised in profit or loss.

#### Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and all investees controlled by the Company which are classified as subsidiaries, including the Ledibogo Group. The results of subsidiaries acquired or disposed of during the reporting period are included in the consolidated financial statements from or up to the effective date that control commences or is relinquished, as appropriate. Inter-company transactions and balances between Group companies are eliminated in full.

The Company measures, in its separate financial statements, its investments in subsidiaries at cost less impairment, if any.

#### Non-controlling interests ("NCI")

NCI in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. NCI consist of the amount of those interests at the date of the original business combination and the NCI's share of changes in equity since the date of the combination.

Where there is a change in the interest in a subsidiary that does not result in a loss of control, the difference between the fair value of the consideration transferred or received and the amount by which the NCI is adjusted, is recognised as an equity transaction directly in the statement of changes in equity. Transactions with NCI are treated as transactions with equity owners of the Group.

For purchases from NCI, the difference between the consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary, is recognised in equity.

# Notes to the financial statements

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for the year ended 30 June 2020

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

## Investments in equity-accounted investees

The Group's investments in equity-accounted investees comprise interests in an associate and a joint venture.

An associate is an investee over which the Group can exercise significant influence, but does not have control nor joint control over the financial and operating policies.

A joint venture is a joint arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, and the Group has rights to the net assets of the arrangement, rather than the right to its assets and obligations for its liabilities.

Interests in the associate and joint venture are accounted for using the equity method from the date on which the investee becomes an equity-accounted investee.

## Equity method

Under the equity method, the investments in equity-accounted investees are initially recognised at cost and thereafter adjusted to recognise the investor's share of the post-acquisition profits or losses of the investee, distributions received and any adjustments that are required. The share of profits or losses are recognised in profit or loss. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Where a Group entity transacts with an equity-accounted investee of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant investee.

In the separate financial statements of the Company, equity-accounted investees are accounted for at cost and adjusted for impairment if applicable.

## Common control transactions

For transactions in which combining entities are controlled by the same party or parties before and after the transaction and where that control is not transitory are referred to as common control transactions. The Group's accounting policy for the acquiring entity would be to account for the transaction at book values as reflected in the financial statements of the selling entity. The excess of the cost of the transaction over the acquirer's proportionate share of the net assets value acquired in common control transactions, will be allocated to the common control reserve in equity.

An acquiring entity accounts for a common control transaction at the book values reflected in the financial statements of the selling entity and there is no restatement of comparative information. The difference between any purchase consideration and the net asset value of the acquiree is recognised in equity in the common control reserve of the acquirer.

Common control transactions are eliminated on consolidation.

## 6.2 PROPERTY, PLANT AND EQUIPMENT

All items of property and equipment, except for land, which is measured at cost, are measured at cost less accumulated depreciation and any accumulated impairment losses. The right-of-use asset represents property leased by the Group. The property comprises administrative and storage space.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Freehold land is not depreciated. Depreciation is charged so as to write-off the cost of all other assets over their estimated useful lives to their residual values, using the straight-line method. The depreciation charge for each period is recognised in profit or loss. Depreciation commences when the assets are ready for their intended use. Right of use assets are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

# Notes to the financial statements

continued

for the year ended 30 June 2020

The estimated useful lives for current and comparative periods are as follow:

Right-of-use assets: Properties	Remainder of lease term
Buildings	25 to 50 years
Motor vehicles including right-of-use assets *	5 to 6 years
Office equipment *	6 years
Computer equipment *	3 to 4 years
Plant and equipment *	5 years
Right-of-use assets: Equipment *	Remainder of lease term
Furniture, fittings and other equipment *	6 to 10 years
Leasehold improvements	Remainder of lease term
Rental assets	3 to 5 years

\* All of these classes are included under "Plant, vehicles and equipment" in note 9.

The residual values, useful lives and depreciation methods are reviewed at each reporting date and adjusted if appropriate.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

## 6.3 LEASES

The Group has initially applied IFRS 16 from 1 July 2019 (refer to note 22.1).

### **POLICY APPLICABLE FROM 1 JULY 2019**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

### **Group as lessee**

The Group leases various properties for administrative and warehouse purposes.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate based on the external financing resources from a treasury function point of view as this is the function which would be utilised to fund the purchase of assets similar to the leased assets of the Group.

# Notes to the financial statements

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Lease payments included in the measurement of the lease liability comprise the following:

- ▶ fixed payments, including in-substance fixed payments; and
- ▶ lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The leases entered into by the Group do not have variable lease payments that depend on an index rate, residual value guarantees or any purchase options.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a change in assessment of whether the Group will exercise an extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'interest-bearing liabilities' in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases in relation to properties and equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group enters into sale-and-leaseback transactions with external financing sources in relation to equipment. The Group transfers the underlying asset to the seller at the fair value of the underlying asset.

Reference is made to the requirements of IFRS 15 to determine whether or not the transfer of the underlying asset is a sale or not in relation to sale-and-leaseback transactions. If the transfer of the asset is not a sale, the seller will continue to recognise the transferred asset and will recognise a financial liability under IFRS 9 equal to the transfer proceeds.

For the Group, the transfer of the equipment under sale-and-leaseback transactions do not meet the definition of a sale under IFRS 15 and therefore the Group continues to recognise the underlying assets as property, plant and equipment. A financial liability has been recognised at an amount equal to the proceeds received and is presented in "interest-bearing liabilities" in the statement of financial position.

## **POLICY APPLICABLE BEFORE 1 JULY 2019**

### **Group as lessee**

Where substantially all of the risks and rewards incidental to ownership of a leased asset were transferred to the Group (a "finance lease"), the asset was treated as if it had been acquired. The amount initially recognised as an asset was the fair value or, if lower, the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment was shown as a liability. Lease payments were analysed between capital and finance cost. The finance cost was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The capital element reduced the balance owed to the lessor. Where substantially all of the risks and rewards incidental to ownership were retained by the lessor (an "operating lease"), the total rentals payable under the lease were recognised in profit or loss on a straight-line basis over the lease term. Land and buildings of property leases were considered separately for the purposes of lease classification.

### **Group as lessor**

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

# Notes to the financial statements

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for the year ended 30 June 2020

## 6.4 GOODWILL

Goodwill arising on acquisition represents the excess of the cost of a business combination plus NCI over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Goodwill is recognised as an intangible asset with any impairment of the carrying value being recognised in profit or loss. Cash-generating units ("CGUs") to which goodwill has been allocated are tested for impairment annually, or more frequently, when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## 6.5 INTANGIBLE ASSETS

Externally acquired intangible assets are recognised at cost less accumulated amortisation and any accumulated impairment losses. These intangible assets are amortised on a straight-line basis over their useful lives. Software and trademarks are considered to have finite useful lives. The estimated useful life, residual values and amortisation method are reviewed at each reporting date, and adjusted if appropriate.

The intangibles recognised by the Group and their useful lives are as follows:

Contract-based intangible assets	Term of the contract
Customer relationships	3 to 6 years
Mainframe software	5 to 10 years
Operating and desktop-based software	2 to 3 years
Trademarks	10 years

Any gain or loss on disposal of an intangible asset is recognised in profit or loss.

Internally generated intangible assets are recognised initially at cost, being the sum of expenditure from the date the recognition criteria for an intangible asset are met, bearing in mind the following additional criteria:

- ▶ During the research phase, no intangible asset is recognised. Expenditure on research is recognised as an expense when it is incurred.
- ▶ During the development phase, an intangible asset will be recognised only if the following can be demonstrated:
  - ▶ it is technically feasible to complete the intangible asset so that it will be available for use or sale;
  - ▶ there is an intention to complete the intangible asset and use or sell it;
  - ▶ there is an ability to use or sell the intangible asset;
  - ▶ it is possible to demonstrate how the asset will generate probable future economic benefits;
  - ▶ there are available financial, technical and other resources to complete the development of the intangible asset as well as to use or sell the intangible asset; and
  - ▶ the expenditure attributable to the intangible asset during the development phase can be reliably measured.

# Notes to the financial statements

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## 6.6 SHARE-BASED PAYMENTS

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

## 6.7 INVENTORIES

Inventories consist of inventory on hand, goods in transit and work in progress and are initially recognised at cost. Inventories are subsequently measured at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the Group.

When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised.

An allowance for obsolete or damaged inventory is maintained by the Group. The level of the allowance for obsolete inventory is equivalent to the value of the difference between the cost of the inventory and its net realisable value or current replacement cost at the reporting date. Movements in this allowance are recognised in profit or loss.

## 6.8 FINANCIAL INSTRUMENTS

### Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### Financial assets

#### *Classification*

On initial recognition, a financial asset is classified as measured at:

- ▶ amortised cost;
- ▶ fair value through other comprehensive income ("FVOCI") – debt investment;
- ▶ FVOCI – equity investment; or
- ▶ FVTPL.



# Notes to the financial statements

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for the year ended 30 June 2020

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group's financial assets comprise only financial assets at amortised cost and financial assets measured at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▶ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL, including derivative financial assets.

## ***Business model assessment***

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- ▶ the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- ▶ how the performance of the portfolio is evaluated and reported to the Group's management;
- ▶ the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- ▶ how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- ▶ the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group assessed the various financial assets in relation to the various considerations of the business model and concluded that all the financial assets, except derivatives, are held by the Group with the main objective of collecting the contractual cash flows and that the contractual terms give rise to cash flows that are solely payments of principal and interest (if applicable). Other factors considered by the Group that support the assessment include the fact that the portfolios of these financial instruments are assessed on the collectability of the portfolio, the fact that the Group does not have a history of selling these types of financial instruments and the fact that the remuneration of managers includes compensation based on the effective collectability of these financial instruments. The only exception was derivatives classified as FVTPL.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

## ***Assessment whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

# Notes to the financial statements

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for the year ended 30 June 2020

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- ▶ contingent events that would change the amount or timing of cash flows;
- ▶ terms that may adjust the contractual coupon rate, including variable-rate features;
- ▶ prepayment and extension features; and
- ▶ terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

## Subsequent measurement and gains and losses

### *Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains or losses are recognised in profit or loss. These assets include derivatives.

### *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment losses are recognised in profit or loss. Any derecognition gain or loss is recognised in profit or loss.

## Financial liabilities

### *Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## Derecognition

### *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

# Notes to the financial statements

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## 6.9 IMPAIRMENT OF FINANCIAL ASSETS AND FINANCE LEASE RECEIVABLES

### Financial instruments and finance lease receivables

The Group recognises loss allowances for ECLs on:

- ▶ financial assets measured at amortised cost; and
- ▶ finance lease receivables.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade receivables and finance lease receivables are always measured at an amount equal to lifetime ECLs. The simplified approach is applied to the trade receivables.

When determining whether the credit risk of a financial asset or finance lease receivable has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset or finance lease receivable has increased significantly if it is more than 30 days past due.

The Group considers a financial asset or finance lease receivable to be in default when:

- ▶ the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- ▶ the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument or finance lease receivable.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset or finance lease receivable.

### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost and finance lease receivables are credit-impaired. A financial asset or finance lease receivable is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset or finance lease receivable is credit-impaired includes the following observable data:

- ▶ significant financial difficulty of the borrower or issuer;
- ▶ a breach of contract such as a default or being more than 90 days past due;
- ▶ the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- ▶ it is probable that the borrower will enter bankruptcy or other financial reorganisation.

# Notes to the financial statements

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for the year ended 30 June 2020

## Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Loss allowances for finance lease receivables are deducted from the gross carrying amount of the assets.

## Write-off

The gross carrying amount of a financial asset or finance lease receivable is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets or finance lease receivables that are written off are no longer subject to enforcement activities for recovery of amounts due.

## 6.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets, other than goodwill, to determine whether there is any indication that those assets have incurred an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGUs to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives, including goodwill, and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, other than goodwill which never reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 6.11 STATED CAPITAL

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of ordinary shares or share options are recognised in equity as a deduction, net of tax from the proceeds.

## 6.12 TREASURY SHARES

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented in retained earnings.

# Notes to the financial statements

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## 6.13 FOREIGN CURRENCY

### Foreign currency transactions

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the “functional currency”) are recognised at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the translation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Foreign currency non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange difference component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange difference component of that gain or loss is recognised in profit or loss.

### Foreign operations

On consolidation, the results of foreign operations are translated into South African Rand at rates approximating those ruling when the transactions took place. All assets and liabilities of foreign operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of foreign operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange translation reserve which is included in a separate reserve, presented as part of other equity in the statement of changes in equity.

Exchange differences recognised in profit or loss of Group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Group or the foreign operation concerned. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange translation reserve relating to that operation up to the date of disposal are transferred to profit or loss as part of the gain or loss on disposal.

## 6.14 CONTRACT LIABILITIES

### Warranty cover

The Group has a separate performance obligation in terms of its contracts with its customers to repair or replace goods sold with one, two or three year carry-in or on-site warranties in the event that the product should fail to operate under normal operating conditions. The portion of the revenue earned on the transaction with the customer that relates to the warranty cover is deferred and recognised in profit or loss over the period of the warranties.

### Service and maintenance contracts

Revenue that relates to service and maintenance contracts contracted for a 12 to 36-month period is deferred and recognised on a systematic basis over the remaining period of the contract in terms of services rendered.

# Notes to the financial statements

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## 6.15 INCOME TAX

### Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- ▶ the initial recognition of goodwill;
- ▶ the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- ▶ investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset only when certain criteria are met.

### Current tax

The tax currently payable (or receivable) is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

The Group and its subsidiaries offset current tax assets and current tax liabilities if only when certain criteria are met.

## 6.16 REVENUE

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts to be collected on behalf of third parties. The Group recognises revenue when it transfers control over a good or service to a customer.

Revenue from goods is recognised at a point in time, which is generally on delivery when no further performance obligations are required unless the product is provided as part of the installation process. Goods include ICT-related products such as hardware, software and associated licences, fibre-related components and solar components.

Revenue relating to services is recognised over the period which the service is performed and when control is transferred. Services include installation, distribution and maintenance. Revenue from the sale of extended warranties is recognised over the period of the warranty.

Revenue from leases is recognised on a straight-line basis over the period of the leases. Interest income from financing activities, directly related to the finance lease receivables, is recognised using the effective interest method.

Refer to note 26.3 for details about the Group's accounting policies relating to contracts with customers.

# Notes to the financial statements

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for the year ended 30 June 2020

## 6.17 FINANCE INCOME

Interest income on investments is accrued on a time basis, with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Interest and dividend income received in relation to investments held are classified as revenue in profit or loss for the Company, based on the primary activities of the Company.

## 6.18 FINANCE COSTS

All finance costs are recognised in profit or loss using the effective interest method in the period in which they are incurred. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

## 6.19 EMPLOYEE BENEFITS

### Short-term employee benefits

The cost of all short-term employee benefits is recognised as an expense during the reporting period in which the employee renders the related service.

Liabilities for employee entitlements to wages, salaries and annual leave represent the amount which the Group has a present obligation to pay as a result of employee services provided during the reporting period.

### Defined contribution plan

Contributions to defined contribution pension schemes are recognised in profit or loss in the period to which they relate.

## 6.20 OPERATING PROFIT

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes finance costs, finance income (other than recognised as revenue) and income taxes.

## 6.21 FAIR VALUE MEASUREMENT

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (refer to note 36.2).

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determined that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, on initial recognition at the transaction price. Consequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

## 7. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

### IFRS 16: Leases

IFRS 16: *Leases* was effective from 1 January 2019 and was adopted by the Group on 1 July 2019. The Group applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information has not been restated to reflect the requirements of the new standard, i.e., it is presented as previously reported under IAS 17. In addition, the disclosure requirements in IFRS 16 have not been applied to comparative information.

IFRS 16 supersedes the previous standards relating to the accounting treatment of leases (IAS 17: *Leases* and IFRIC 4: *Determining whether an Arrangement contains a Lease*). Under IAS 17, lessees were required to classify a lease as either a finance lease or an operating lease.

### Group as lessee

Assets held under finance leases as classified in terms of IAS 17 were capitalised as property, plant and equipment and finance lease liabilities were included in interest-bearing liabilities. Leases classified as operating under IAS 17, did not result in the recognition of the underlying assets as property, plant and equipment or lease liabilities. The operating lease rentals were expensed in profit or loss on a straight-line basis over the period of the lease.

For lessees, IFRS 16 does not distinguish between finance leases and operating leases; instead a right-of-use asset and corresponding lease liability must now be recognised in respect of each lease, except where recognition exemptions are applied as permitted under IFRS 16.

As lessee, the Group enters into leases in respect of properties utilised for administrative and storage purposes, and ad hoc leases over equipment.

On transition, lease liabilities were measured at the present value of remaining lease payments discounted at the Group's incremental borrowing rate at 1 July 2019. Right-of-use assets were measured at an amount equal to the lease liability.

The Group has tested its right-of-use assets for impairment on the date of transition and concluded there is no indication of impairment.

For contracts in place on 1 July 2019, the Group elected not to reassess whether a contract is, or contains a lease. The Group applied the following practical expedients on adoption of IFRS 16, as permitted by the standard:

- ▶ the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ▶ leases with remaining lease terms of less than 12 months at 1 July 2019 were accounted for as short-term leases;
- ▶ the exclusion of initial direct costs from the measurement of right-of-use assets on 1 July 2019; and
- ▶ the use of hindsight in determining the lease term for contracts that contained options to extend or terminate the lease.

The Group leases equipment previously classified as finance leases under IAS 17. For these leases, the carrying amounts of the right-of-use asset and lease liability at 1 July 2019 were determined at the carrying amounts of the leased asset and finance lease liability under IAS 17 at 30 June 2019.



# Notes to the financial statements

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for the year ended 30 June 2020

## Group as lessor

As lessor, the Group enters into leases over equipment. These leases are entered into with customers subsequent to sale-and-leaseback transaction considerations.

The sale-and-leaseback transactions which existed at the transition date were not reassessed to determine whether the transfer of the underlying asset satisfied the IFRS 15 requirements to treat the transfer as a sale.

Sale-and-leaseback transactions were previously accounted for as sale and operating lease transactions. At transition date, the Group recognised a right-of-use asset and lease liability in respect of these leases.

Sub-leasing under IFRS 16 distinguishes between two types of leases: operating and finance leases. The Group enters into sub-leases over equipment, subject to sale-and-leaseback transactions, with customers. The Group assessed the classification of sub-lease contracts with reference to the right-of-use asset and concluded that they are operating leases under IFRS 16.

## Impact

At transition date, the Group recognised a right-of-use asset to the value of R308 million (included in property, plant and equipment) and a lease liability of R308 million (included in interest-bearing liabilities) in relation to property leases.

The Group recognised property, plant and equipment to the value of R34 million and a lease liability of R34 million (included in interest-bearing liabilities) in relation to sale-and-leaseback transactions over equipment that existed at transition date. The Group recognised a financial liability of R19 million in relation to sale-and-leaseback transactions entered into during the reporting period.

As a result of adopting IFRS 16, the operating profit before tax for the reporting period ended 30 June 2020 has decreased by R107 million due to the replacement of operating lease expenses with depreciation on the underlying assets (R76 million) and finance costs on lease liabilities (R31 million), totalling an amount of R107 million. The operating lease expenses in terms of IAS 17 would have amounted to R87 million for the period.

# Notes to the financial statements

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for the year ended 30 June 2020

The impact of adopting IFRS 16 is as follows:

## Statement of financial position

	At transition 1 July 2019 R'000	Movements during the reporting period R'000	As at reporting date 30 June 2020 R'000
<b>ASSETS</b>			
<b>Increase in property, plant and equipment</b>	342 196	(46 311)	295 885
<b>Property leases</b>	307 832	(32 185)	275 647
Right-of-use assets – recognised at transition	307 832	–	307 832
Movements			
– Right-of-use assets – leases entered into during the reporting period	–	33 256	33 256
– Lease modifications*	–	(773)	(773)
– Accumulated depreciation for the period	–	(64 668)	(64 668)
<b>Sale-and-leaseback transactions (equipment)</b>	34 364	(14 126)	20 238
Right-of-use asset (previously treated as sale and operating lease transactions)	34 364	–	34 364
Movements			
– Derecognition of underlying assets subject to sub-leases	–	(2 763)	(2 763)
– Accumulated depreciation for the period	–	(11 363)	(11 363)
<b>Increase in deferred tax</b>			
Movements			
– Deferred tax recognised in profit or loss	–	5 565	5 565
<b>Total assets</b>	342 196	(40 746)	301 450
<b>LIABILITIES</b>			
<b>Increase in lease liabilities (included in interest-bearing liabilities)</b>	342 196	(23 787)	318 409
<b>Property leases</b>	307 832	(12 331)	295 500
Lease liabilities – recognised at transition	307 832	–	307 832
Movements			
– Lease liabilities – leases entered into during the reporting period	–	33 256	33 256
– Lease modifications*	–	(773)	(773)
– Repayments during the period	–	(44 815)	(44 815)
<b>Sale-and-leaseback transactions (existing at transition)</b>	34 364	(11 455)	22 909
Lease liabilities – recognised at transition	34 364	–	34 364
Movements			
– Repayments during the period	–	(11 455)	(11 455)
<b>Increase in financial liabilities (included in interest-bearing liabilities)</b>	–	18 870	18 870
<b>Sale-and-leaseback transactions (entered into during the reporting period)</b>	–	18 870	18 870
Transactions entered into net of capital repayments	–	18 870	18 870
<b>Total liabilities</b>	342 196	(4 917)	337 279
Operating lease commitments at 30 June 2019 as disclosed under IAS 17	–	–	289 116
Effect of extension options reasonably certain to be exercised and short-term leases	–	–	157 366
	–	–	446 482
Discounted using incremental borrowing rate as at 1 July 2019 (property leases and sale-and-leaseback transactions)	–	–	342 196
Finance leases liabilities as at 30 June 2019	–	–	8 121
<b>Lease liabilities recognised at 1 July 2019</b>	–	–	350 317

\* The Group recognised the modification of leases in relation to leased properties during the reporting period. The lease modification was in terms of the lease payments over the remaining lease period.

# Notes to the financial statements

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for the year ended 30 June 2020

## Statement of profit or loss and other comprehensive income

	Movements during the reporting period 30 June 2020 R'000
Increase in depreciation (included in depreciation and amortisation)	(76 031)
<b>Decrease in operating profit before interest</b>	(76 031)
Increase in finance costs	(31 108)
<b>Decrease in profit before tax</b>	(107 139)
Decrease in income tax expense	5 565
<b>Decrease in profit for the period – refer to total impact on profit or loss below</b>	(101 574)
Effect on basic earnings per ordinary share (cents) *	(10,8)
Effect on diluted earnings per ordinary share (cents) *	(10,6)
<b>Reconciliation of impact on earnings for the period</b>	
Increase in depreciation	(76 031)
Increase in finance costs	(31 108)
Decrease in operating lease expense (as per IAS 17)	87 378
Decrease in earnings before considering tax impact	(19 761)
Decrease in income tax expense	5 565
<b>Total impact including adjustment for decrease in operating lease expense</b>	(14 196)

\* The impact of adopting IFRS 16 includes the adjustment for the decrease in operating lease expenses that would have been recognised as cost of sales (sale-and-lease back transactions) and operating expenses (property leases) in the calculation of the earnings per ordinary share for the period under IAS 17.

During the reporting period, the Group re-assessed the terms of the property leases in relation to fixed lease payments. Fixed lease payments in terms of parking and operating costs were identified and included, resulting in an additional right-of-use asset of R24 million and corresponding lease liability of R24 million when compared to the interim results.

### COVID-19-related rent concessions (amendment to IFRS 16)

During the reporting period, IFRS 16 was amended to include a practical expedient in response to the COVID-19 pandemic. The effective date of the amendment was for reporting periods commencing on 1 June 2020 and early adoption was permitted. The Group early adopted the amendment during the reporting period.

Under the amendment, a lessee elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession consistently with how it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient would apply only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions were met:

- ▶ the change in lease payments results in revised consideration for the lease that is the same as, or less than, the consideration for the lease immediately preceding the change;
- ▶ any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- ▶ there is no substantive change to other terms and conditions of the lease.

The Group received a minimal rent concession in relation to some property leases during the reporting period which was directly associated with the COVID-19 pandemic and which did not result in any substantive change to other terms and conditions of the lease.

The impact of applying the practical expedient resulted in the recognition of other income (off-set in administration expenses) amounting to R1 million in profit or loss of the Group in the current reporting period.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

# Notes to the financial statements

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for the year ended 30 June 2020

## 8. NEW STANDARDS AND INTERPRETATIONS

### NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the financial statements:

Standards and Interpretations	Details of amendment	Effective date
<b>Amendments to References to the Conceptual Framework in IFRS Standards</b>	<p>Amendments to References to the Conceptual Framework in IFRS Standards.</p> <p>Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards.</p>	Annual periods beginning on or after 1 January 2020
<b>Definition of a Business (Amendments to IFRS 3)</b>	<p>The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:</p> <ul style="list-style-type: none"> <li>▶ clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;</li> <li>▶ narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;</li> <li>▶ add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;</li> <li>▶ remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;</li> <li>▶ and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.</li> </ul>	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020
<b>Definition of Material (Amendments to IAS 1 and IAS 8)</b>	<p>The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.</p>	Annual reporting periods beginning on or after 1 January 2020

# Notes to the financial statements

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for the year ended 30 June 2020

Standards and Interpretations	Details of amendment	Effective date
<b>Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)</b>	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	Annual reporting periods beginning on or after 1 January 2022
<b>Reference to the Conceptual Framework (Amendments to IFRS 3)</b>	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	Annual reporting periods beginning on or after 1 January 2022
<b>Annual Improvements to IFRS Standards 2018–2020</b>	Makes amendments to the following standards:  IFRS 9 – The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.  IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.	Annual reporting periods beginning on or after 1 January 2022

All Standards and Interpretations will be adopted at the effective date as disclosed.

# Notes to the financial statements

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for the year ended 30 June 2020

	Group				Total R'000
	Land and buildings * R'000	Leasehold improve- ments R'000	Plant, vehicles and equip- ment ** R'000	Rental assets R'000	
<b>9. PROPERTY, PLANT AND EQUIPMENT</b>					
<b>Carrying amount as at 1 July 2018</b>	15 295	1 828	100 633	2 941	120 697
Cost	15 295	4 113	226 325	13 096	258 829
Accumulated depreciation	–	(2 285)	(125 692)	(10 155)	(138 132)
<b>Movement for the year 2019</b>					
Additions	–	936	64 028	–	64 964
Disposal through sale of subsidiary	–	–	(16 487)	–	(16 487)
Cost	–	–	(29 493)	–	(29 493)
Accumulated depreciation	–	–	13 006	–	13 006
Disposals	–	(73)	(1 564)	(766)	(2 403)
Cost	–	(583)	(40 546)	(5 737)	(46 866)
Accumulated depreciation	–	510	38 982	4 971	44 463
Depreciation	–	(753)	(42 771)	(935)	(44 459)
<b>Carrying amount at 30 June 2019</b>	<b>15 295</b>	<b>1 938</b>	<b>103 839</b>	<b>1 240</b>	<b>122 312</b>
Cost	15 295	4 466	220 314	7 359	247 434
Accumulated depreciation	–	(2 528)	(116 475)	(6 119)	(125 122)
<b>Movement for the year 2020</b>					
Recognition of ROU asset on initial application of IFRS 16	307 832	–	34 364	–	342 196
Additions	33 256	7 788	88 790	–	129 834
Transfer from inventory – sale-and-leaseback transactions	–	–	12 802	–	12 802
Lease modifications – decrease in right-of-use asset	(773)	–	–	–	(773)
Acquisitions through business combinations	–	–	788	–	788
Cost	–	–	2 092	–	2 092
Accumulated depreciation	–	–	(1 304)	–	(1 304)
Disposals ***	–	(6 799)	(9 700)	(599)	(17 098)
Cost	–	(8 213)	(49 219)	(599)	(58 031)
Accumulated depreciation	–	1 414	39 519	–	40 933
Depreciation	(64 668)	(858)	(66 833)	(484)	(132 843)
<b>Carrying amount at 30 June 2020</b>	<b>290 942</b>	<b>2 069</b>	<b>164 050</b>	<b>157</b>	<b>457 218</b>
Cost	355 610	4 041	309 143	6 760	675 554
Accumulated depreciation	(64 668)	(1 972)	(145 093)	(6 603)	(218 336)

\* Land and buildings include the right-of-use asset in relation to the property leases.

\*\* Equipment includes the right-of-use asset in relation to the sale-and-leaseback transactions.

\*\*\* Disposals include the derecognition of right-of-use assets as a result of entering into finance sub-leases over equipment.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment includes right-of-use assets with a carrying amount of:

- ▶ R275 647 344, relating to leased property utilised for administrative and warehouse storage purposes. Refer to note 22.1.1 of the financial statements;
- ▶ R20 238 171, relating to sale-and-leaseback transactions which the Group entered into during the prior reporting periods. Refer to note 22.1.2 of the financial statements; and
- ▶ R267 151, relating to leased motor vehicles. Refer to note 22.1.1 of the financial statements.

Rental assets with a net carrying amount of R156 699 (2019: R1 239 499) serve as security for the Nedbank facility held (refer note 22.3).

The Group reviews the estimated useful lives and residual values of property, plant and equipment at each reporting date. No changes to the useful lives or residual values of property and equipment were made based on the current period review.

The Group reviews the carrying amount of property, plant and equipment at each reporting date to determine whether any indication of impairment is present. No indicators of impairment were present based on the current period review and therefore no impairment loss was recognised in profit or loss.

No current contractual commitments exist to purchase items of property, plant and equipment.

	Group	
	2020 R'000	2019 R'000
<b>9.1 Details of land and buildings</b>		
<b>Midrand property</b>		
Land comprises stand number 865 Kosmosdal, Extension 11, Gauteng with buildings and additions thereon		
Land and buildings acquired through business combination in January 2016		
Land at cost	1 915	1 915
Buildings at cost	13 380	13 380
	15 295	15 295

The residual value of the owned buildings exceeds the depreciable amount of the buildings and therefore no depreciation charge (2019: Rnil) has been recognised in profit or loss for the reporting period.

# Notes to the financial statements

continued

for the year ended 30 June 2020

	Group			
	Customer relationships R'000	Software R'000	Trade-marks R'000	Total R'000
<b>10. INTANGIBLE ASSETS</b>				
<b>Carrying amount as at 1 July 2018</b>	252 909	28 551	1 458	282 918
Cost	372 832	46 713	3 500	423 045
Accumulated amortisation	(119 923)	(18 162)	(2 042)	(140 127)
<b>Movement for the year 2019</b>				
Additions	–	17 134	–	17 134
Acquisitions through business combinations	134 187	2 750	–	136 937
Cost	134 187	6 500	–	140 687
Accumulated amortisation	–	(3 750)	–	(3 750)
Disposal through sale of subsidiary	–	–	–	–
Cost	–	(76)	–	(76)
Accumulated amortisation	–	76	–	76
Disposals	–	(3 543)	–	(3 543)
Cost	–	(12 737)	–	(12 737)
Accumulated amortisation	–	9 194	–	9 194
Amortisation	(128 594)	(15 791)	(1 167)	(145 552)
<b>Carrying amount at 30 June 2019</b>	<b>258 502</b>	<b>29 101</b>	<b>291</b>	<b>287 894</b>
Cost	505 973	57 534	3 500	567 007
Accumulated amortisation	(247 471)	(28 433)	(3 209)	(279 113)
<b>Movement for the year 2020</b>				
Additions	–	47 188	–	47 188
Acquisitions through business combinations	172 014	22	–	172 036
Cost	172 014	98	–	172 112
Accumulated amortisation	–	(76)	–	(76)
Disposals	–	(752)	–	(752)
Cost	–	(18 416)	–	(18 416)
Accumulated amortisation	–	17 664	–	17 664
Amortisation	(171 056)	(14 892)	(291)	(186 239)
<b>Carrying amount at 30 June 2020</b>	<b>259 460</b>	<b>60 667</b>	<b>–</b>	<b>320 127</b>
Cost	679 033	86 404	3 500	768 937
Accumulated amortisation	(419 573)	(25 737)	(3 500)	(448 810)

\* Included in software is an amount of R2,2 million attributable to internally generated software not yet ready for use. The Group expects the internally generated software to be ready for use in the next reporting period.

The Group reviews the useful lives of the intangible assets at each reporting date. No changes have been made in the current or prior reporting periods.

The Group reviews the carrying amount of intangible assets at each reporting date to determine any indication of impairment present. No indicators of impairment were present based on the current period review and therefore no impairment loss was recognised in profit or loss.



# Notes to the financial statements

continued

for the year ended 30 June 2020

	Group	
	2020 R'000	2019 R'000
<b>11. GOODWILL</b>		
<b>Balance at 1 July</b>	<b>631 526</b>	<b>564 235</b>
Cost	639 356	572 065
Accumulated impairment losses	(7 830)	(7 830)
<b>Movement for the year 2020</b>		
Business combinations (refer to note 35)	32 491	93 871
Derecognised through disposal of subsidiary	–	(26 580)
Impairments	(49 563)	–
<b>Balance at 30 June</b>	<b>614 454</b>	<b>631 526</b>
Cost	671 847	639 356
Accumulated impairment losses	(57 393)	(7 830)

## Method of testing for impairment

In testing the impairment of goodwill allocated to CGUs, the following key assumptions were used:

- ▶ Discount rate 15,7%
- ▶ Growth rate 4% to 6%
- ▶ Terminal growth rate 5% to 8%

The recoverable amounts have been calculated using the value-in-use method. Discounted cash flow forecasts for a five-year period with the application of a terminal growth rates were used to determine the recoverability of the goodwill.

Due to the fact that the Group has a centralised treasury function which determines an average discount rate applicable to the Group as a whole, each recoverable amount calculation includes a specific adjustment in terms of segment-related risk factors not considered by the treasury function in determining the average discount rate.

	Segment	Reporting period acquired	Group	
			2020 R'000	2019 R'000
<b>CGUs and goodwill allocation</b>				
Explicx Technologies Proprietary Limited	ICT Distribution	2008	24 591	24 591
Cost			28 210	28 210
Accumulated impairment losses			(3 619)	(3 619)
Pinnacle Micro Proprietary Limited	ICT Distribution	2009	15 801	15 801
Cost			20 012	20 012
Accumulated impairment losses			(4 211)	(4 211)
Datanet Infrastructure Group Proprietary Limited	ICT Distribution	2010	1 339	1 339
Centrafin Proprietary Limited	Financial services	2011	12 744	12 744
Devtrade Security Proprietary Limited	ICT Distribution	2013	25 360	25 360
Pacific Cables Proprietary Limited	ICT Distribution	2014	1 751	1 751
Datacentrix Limited	Services and Solutions	2016	190 464	190 465
Solareff Proprietary Limited	Services and Solutions	2016	45 222	45 222
Intdev Internet Technologies Proprietary Limited	Services and Solutions	2016	3 993	3 993
Sintrex Integration Systems Proprietary Limited	Services and Solutions	2018	61 426	61 426
VH Fibre Optics Proprietary Limited	ICT Distribution	2018	9 336	48 841
Cost			48 841	48 841
Accumulated impairment losses			(39 505)	–
DG Store SA Proprietary Limited	Services and Solutions	2018	66 426	66 426
Obscure Enterprises Proprietary Limited	ICT Distribution	2018	39 696	39 696
Tricon Services	ICT Distribution	2019	38 266	38 266
Merlynn Intelligence Technologies Proprietary Limited	Services and Solutions	2019	45 548	55 606
Cost			55 606	55 606
Accumulated impairment losses			(10 058)	–
SynergERP Proprietary Limited	Services and Solutions	2020	18 928	–
SynergERP Limited – DWC LCC	Services and Solutions	2020	2 501	–
SynergERP Limited – UK	Services and Solutions	2020	11 062	–
			<b>614 454</b>	<b>631 526</b>

# Notes to the financial statements

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for the year ended 30 June 2020

## 11. GOODWILL (continued)

### ICT Distribution

Explicx Technologies Proprietary Limited, Pinnacle Micro Proprietary Limited, Datanet Infrastructure Group Proprietary Limited, Devtrade Security Proprietary Limited, Pacific Cables Proprietary Limited, VH Fibre Optics Proprietary Limited, Obscure Enterprises Proprietary Limited and Tricon Services were purchased in prior years and the respective goodwill formed part of the assets acquired in those periods.

Cash flows were determined using a combination of current reporting period's actual profits and the following reporting period's financial budgeted profits, as approved by the directors.

The key assumptions used in the budgets are a reflection of management's past experience in the market in which the unit operates. Cash flows for the five following periods have been extrapolated using a steady 4% to 6% per annum (0% to 2% growth and 4% long-term forecasted inflation) growth rate, thereafter, a terminal growth rate of 5% to 8%.

These cash flows were discounted using a discount rate of 15,7%. The various sensitivity analyses, performed by changing key variables by 1% in the calculation, resulted in the recoverable amount exceeding the carrying amount in all instances.

### Services and Solutions

Datacentrix Holdings Proprietary Limited, Solareff Proprietary Limited, Intdev Internet Technologies Proprietary Limited, Sintrex Integration Systems Proprietary Limited and DG Store SA Proprietary Limited were acquired during prior reporting periods and the respective goodwill formed part of the assets. Cash flows were determined using the current reporting period's actual profits and have been extrapolated in five future periods using a steady 4% to 6% per annum (0% to 2% growth and 4% long-term forecasted inflation) growth rate, thereafter, a terminal growth rate of 6%. These cash flows were discounted using a discount rate of 15,7%. The various sensitivity analyses, performed by changing key variables by 1% in the calculation, resulted in the recoverable amount exceeding the carrying amount in all instances.

SynergERP Proprietary Limited, SynergERP Limited – DWC and SynergERP Limited were acquired within this segment during the current reporting period.

### Financial Services

Centrafin Proprietary Limited was purchased in a prior reporting period and the goodwill formed part of the assets acquired in that period.

Cash flows were determined using the current reporting period's actual profits and have been extrapolated in five future periods using a steady 6% per annum (2% growth and 4% long-term forecasted inflation) growth rate, thereafter, a terminal growth rate of 5%. These cash flows were discounted using a discount rate of 15,7%. The various sensitivity analyses, performed by changing key variables by 1% in the calculation, resulted in the recoverable amount exceeding the carrying amount in all instances.

### COVID-19 stress test

For the current reporting period, a further sensitivity analysis was performed by changing key variables by between 3% and 5% (stress test). This also resulted in the recoverable amount exceeding the carrying amount in all instances.

### Impairment

Goodwill, attributable to VH Fibre Optics Proprietary Limited ("VH Fibre") and Merlynn Intelligence Technologies Proprietary Limited ("Merlynn"), was impaired to the recoverable amounts of the respective CGUs during the current reporting period.

An impairment amounting to R40 million (VH Fibre) and R10 million (Merlynn) was recognised in the profit or loss for the period.

# Notes to the financial statements

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for the year ended 30 June 2020

## 12. INTEREST IN SUBSIDIARIES

The direct and indirect interests in subsidiaries at the reporting date are set out below:

2020	Country of incorporation	Principle operating industry	Interest classification	Issued share capital 2020	% of proportion of ownership interest 2020	% of voting rights held 2020	Investment held 2020 R'000
<b>Investment in subsidiaries</b>							<b>3 725 096</b>
Alviva International Investments Proprietary Limited	South Africa	Intermediate	Direct	120	100,0	100,0	151 202
Alviva International Co Limited	Mauritius	ICT industry and related	Indirect	100	100,0	100,0	-
Alviva Shared Management Services Proprietary Limited	South Africa	Group services	Direct	1 000	100,0	100,0	21 926
Alviva Treasury Services Proprietary Limited	South Africa	Intermediate	Direct	179 238 346	100,0	100,0	101 695
Appleby Solutions Limited	Zambia	ICT industry and related	Indirect	5 000	100,0	100,0	-
Arriba Technologies Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	-
Axiz Botswana Proprietary Limited	Botswana	ICT industry and related	Indirect	100	100,0	100,0	-
Axiz Namibia Proprietary Limited	Namibia	ICT industry and related	Indirect	100	100,0	100,0	-
Axiz Proprietary Limited	South Africa	ICT industry and related	Indirect	90	55,4	55,4	-
Axiz Technology Proprietary Limited	South Africa	ICT industry and related	Direct	8 825 000	100,0	100,0	-
Axizworkgroup Mozambique Limitada	Mozambique	ICT industry and related	Indirect	20 000	99,0	99,0	-
Boditse Proprietary Limited	Botswana	ICT industry and related	Indirect	1 000	100,0	100,0	-
Centrafin Proprietary Limited	South Africa	Financial Services	Direct	1 000	100,0	100,0	23 801
Centravoice Proprietary Limited	South Africa	ICT industry and related	Indirect	1 000 000	55,4	55,4	-
Datacentrix Holdings Proprietary Limited **	South Africa	Investment holding in ICT industry	Indirect	189 636 519	55,4	55,4	-
Datacentrix Properties Proprietary Limited	South Africa	Property holding	Indirect	100	55,4	55,4	-
Datacentrix Proprietary Limited	South Africa	ICT industry and related	Indirect	2	55,4	55,4	-
Datacentrix Solution DMCC	United Arab Emirates	ICT industry and related	Indirect	50	55,4	55,4	-
Datacentrix Solution LCC	United Arab Emirates	ICT industry and related	Indirect	20 000	27,1	27,1	-
DCT Holdings Proprietary Limited	South Africa	Investment Holding Co	Direct	892	55,4	55,4	3 301 479
DG Store (SA) Proprietary Limited	South Africa	ICT industry and related	Indirect	120	44,3	44,3	-
eNetworks Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	-
Froggy IT Solution Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	-
GridCars Proprietary Limited	South Africa	Operating Co	Indirect	100	21,2	21,2	-
Imbewu IT Solutions Proprietary Limited (formerly known as Digital Generation Consulting Proprietary Limited)	South Africa	ICT industry and related	Indirect	100	44,3	44,3	-
Infrasol Proprietary Limited	South Africa	ICT industry and related	Indirect	1	55,4	55,4	-
Intdev Internet Technologies Proprietary Limited	South Africa	Operating Co	Indirect	2 500	55,4	55,4	-

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 12. INTEREST IN SUBSIDIARIES (continued)

2020	Country of incorporation	Principle operating industry	Interest classification	Issued share capital 2020	% of proportion of ownership interest 2020	% of voting rights held 2020	Investment held 2020 R'000
Merqu Communications Proprietary Limited	South Africa	ICT industry and related	Indirect	1	55,4	55,4	-
Obscure Enterprises Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	-
Obscure Technology Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	-
Parcea Computing Proprietary Limited	South Africa	ICT industry and related	Indirect	100	51,0	51,0	-
Pinnacle Micro Namibia Proprietary Limited	Namibia	ICT industry and related	Indirect	100	100,0	100,0	-
Pinnacle Micro Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	-
Sintrex Integration Systems Proprietary Limited	South Africa	ICT industry and related	Indirect	243	41,6	41,6	-
Solareff Proprietary Limited	South Africa	Operating Co	Indirect	1 000	28,3	28,3	-
VH Fibre Optics Proprietary Limited	South Africa	ICT industry and related	Indirect	400 000	55,4	55,4	-
Merlynn Intelligence Technologies Proprietary Limited	South Africa	Operating Co	Direct	100	65,0	65,0	94 000
SynergERP Proprietary Limited	South Africa	Operating Co	Indirect	1 782	38,8	38,8	-
Synerg300 Proprietary Limited	South Africa	Operating Co	Indirect	1 100	38,8	38,8	-
SynergIT Proprietary Limited	South Africa	Operating Co	Indirect	1 158	38,8	38,8	-
SynergERP Limited – DWC LCC	United Arab Emirates	Operating Co	Indirect	300 000	51,0	51,0	-
SynergERP Limited – UK	United Kingdom	Operating Co	Indirect	1 500	51,0	51,0	-
<b>Dormant</b>							
Axiz Investment Trust	South Africa	Employee Trust	Direct		100,0	100,0	-
DG Education Proprietary Limited	South Africa	ICT industry and related	Indirect	100	44,3	44,3	-
Dirigible IT Proprietary Limited	South Africa	Dormant	Indirect	100	55,4	55,4	-
Precision ICT Proprietary Limited	South Africa	Dormant	Direct	120	100,0	100,0	-
Tri Continental Distribution SA Proprietary Limited *	South Africa	Dormant	Direct				-
Workgroup IT Proprietary Limited	South Africa	Dormant	Direct	1 000	100,0	100,0	30 993
Obscure Technology WC Proprietary Limited *	South Africa	ICT industry and related	Indirect				-
<b>Loan to subsidiary</b>							
Alviva Treasury Services Proprietary Limited							445 024
							4 170 120

\* Deregistered during the reporting period.

\*\* The interest held in this company has been provided as security for the Class B preference shares (refer note 22.5).

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 12. INTEREST IN SUBSIDIARIES (continued)

The direct and indirect interests in subsidiaries are set out below:

2019	Country of incorporation	Principle operating industry	Interest classification	Issued share capital	% of proportion of ownership interest 2019	% of voting rights held 2019	Investment held 2019 R'000
<b>Investment in subsidiaries</b>							3 645 941
Alviva International Investments Proprietary Limited (formerly known as PinnAcc Proprietary Limited)	South Africa	Intermediate	Direct	120	100,0	100,0	151 202
Alviva International Co Limited	Mauritius	ICT industry and related	Indirect	100,0	100,0	100,0	-
Alviva Shared Management Services Proprietary Limited	South Africa	Group services	Direct	1 000	100,0	100,0	11 771
Alviva Treasury Services Proprietary Limited	South Africa	Intermediate	Direct	179 238 346	100,0	100,0	101 695
Appleby Solutions Limited	Zambia	ICT industry and related	Indirect	5 000	100,0	100,0	-
Arriba Technologies Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	-
Axiz Botswana Proprietary Limited	Botswana	ICT industry and related	Indirect	100	100,0	100,0	-
Axiz Namibia Proprietary Limited	Namibia	ICT industry and related	Indirect	100	100,0	100,0	-
Axiz Proprietary Limited	South Africa	ICT industry and related	Indirect	90	55,4	55,4	-
Axiz Technology Proprietary Limited	South Africa	ICT industry and related	Direct	8 825 000	100,0	100,0	-
Axizworkgroup Mozambique Limitada	Mozambique	ICT industry and related	Indirect	20 000	99,0	99,0	-
Boditse Proprietary Limited	Botswana	ICT industry and related	Indirect	1 000	100,0	100,0	-
Centrafin Proprietary Limited	South Africa	Financial Services	Direct	1 000	100,0	100,0	23 801
Centravoice Proprietary Limited	South Africa	ICT industry and related	Indirect	1 000 000	55,4	55,4	-
Datacentrix Holdings Proprietary Limited ***	South Africa	Investment holding in ICT industry	Indirect	189 636 519	55,4	55,4	-
Datacentrix Properties Proprietary Limited	South Africa	Property holding	Indirect	100	55,4	55,4	-
Datacentrix Proprietary Limited	South Africa	ICT industry and related	Indirect	2	55,4	55,4	-
Datacentrix Solution DMCC	United Arab Emirates	ICT industry and related	Indirect	50	55,4	55,4	-
Datacentrix Solution LCC	United Arab Emirates	ICT industry and related	Indirect	20 000	27,1	27,1	-
DCT Holdings Proprietary Limited	South Africa	Investment Holding Co	Direct	892	55,4	55,4	3 232 479
DG Store (SA) Proprietary Limited	South Africa	ICT industry and related	Indirect	120	38,8	38,8	-
Digital Generation Consulting Proprietary Limited	South Africa	ICT industry and related	Indirect	100	38,8	38,8	-
eNetworks Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	-
Froggy IT Solution Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	-
GridCars Proprietary Limited	South Africa	Operating Co	Indirect	100	21,2	21,2	-
Infrasol Proprietary Limited	South Africa	ICT industry and related	Indirect	1	55,4	55,4	-
Intdev Internet Technologies Proprietary Limited	South Africa	Operating Co	Indirect	2 500	55,4	55,4	-
Merqu Communications Proprietary Limited	South Africa	ICT industry and related	Indirect	1	55,4	55,4	-

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 12. INTEREST IN SUBSIDIARIES (continued)

2019	Country of incorporation	Principle operating industry	Interest classification	Issued share capital	% of proportion of ownership interest 2019	% of voting rights held 2019	Investment held 2019 R'000
Modrac Proprietary Limited **	South Africa	ICT industry and related	Indirect				–
Obscure Enterprises Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	–
Obscure Technology Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	–
Parcea Computing Proprietary Limited	South Africa	ICT industry and related	Indirect	100	51,0	51,0	–
Pinnacle Micro Namibia Proprietary Limited	Namibia	ICT industry and related	Indirect	100	100,0	100,0	–
Pinnacle Micro Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	–
Sintrex Integration Systems Proprietary Limited	South Africa	ICT industry and related	Indirect	243	41,6	41,6	–
Solareff Proprietary Limited	South Africa	Operating Co	Indirect	1 000	28,3	28,3	–
VH Fibre Optics Proprietary Limited	South Africa	ICT industry and related	Indirect	400 000	55,4	55,4	–
Merlynn Intelligence Technologies Proprietary Limited	South Africa	Operating Co	Direct	100	65,0	65,0	94 000
<b>Dormant</b>							
Axiz Investment Trust	South Africa	Employee Trust	Direct		100,0	100,0	–
Devfam Fire Prevention Equipment Proprietary Limited *	South Africa	Dormant	Direct	–	–	–	–
DG Education Proprietary Limited	South Africa	ICT industry and related	Indirect	100	38,8	38,8	–
Dirigible IT Proprietary Limited	South Africa	Dormant	Indirect	100	55,4	55,4	–
Precision ICT Proprietary Limited	South Africa	Dormant	Direct	120	100,0	100,0	–
Protectaire Properties Proprietary Limited *	South Africa	Dormant	Indirect	–	–	–	–
Tri Continental Distribution SA Proprietary Limited	South Africa	Dormant	Direct	100	100,0	100,0	–
Workgroup IT Proprietary Limited	South Africa	Dormant	Direct	1 000	100,0	100,0	30 993
Obscure Technology WC Proprietary Limited	South Africa	ICT industry and related	Indirect	100	55,4	55,4	–
<b>Loan to subsidiary</b>							
Alviva Treasury Services Proprietary Limited				–	–	–	197 688
							3 843 629

\* Deregistered during the reporting period.

\*\* Disposed of during reporting period.

\*\*\* The interest held in this company has been provided as security for the Class B preference shares (refer note 22.5).

The aggregate profit after tax of the subsidiaries for the reporting period, attributable to the Company was R323 million (2019: R526 million). The aggregate loss after tax of the subsidiaries for the reporting period attributable to the Company was R125 million (2019: R14 million).

The aggregate profit and loss after tax referred to is prior to any intergroup eliminations.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 12. INTEREST IN SUBSIDIARIES (continued)

### Loan to subsidiary

The loan is unsecured, has no fixed terms of repayment and is interest free. There is no expectation of repayment within the next twelve months.

Information about the Group's exposure to credit risks and impairment losses for financial assets is included in note 36.7.

### Controlled structured entities

#### *The Ledibogo Trust*

The main purpose of the Trust is to act as a vehicle which ensures compliance with the formal B-BBEE codes by the Group through the promotion of B-BBEE initiatives. The Trust controls Ledibogo (RF) Proprietary Limited ("Ledibogo"). Based on the judgement applied by management, the Trust and Ledibogo are consolidated in the Group as the structured entity is controlled by Alviva.

#### *The Centrafin Owner Trust*

The Trust was registered by Centrafin Proprietary Limited ("Centrafin"), a subsidiary of Alviva, as founder. The main objective of the Trust is to control and ring-fence Centrafin Receivables (RF) Limited ("Centrafin Receivables"), as part of a specific securitisation agreement with Nedbank Limited. Based on the judgement applied by management, the Trust and Centrafin Receivables are consolidated in the Group as the structured entity is controlled by Alviva through the control exercised over Centrafin.

## 13. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES

	Notes	Group	
		2020 R'000	2019 R'000
Investment in joint venture	13.1	-	-
Investment in associate	13.2	-	-
Loan to associate	13.2; 13.3	41 773	88 119
		41 773	88 119

# Notes to the financial statements

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for the year ended 30 June 2020

## 13. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES (continued)

	Group	
	2020 R'000	2019 R'000
<b>13.1 Investment in joint venture</b>		
Effective rate of indirect interest held in joint venture (%)	50,0	50,0
Reconciliation between proportionate investment and current investment value:		
Investment at cost	1 204	1 204
Equity-accounted proportionate share of losses	(1 204)	(1 204)
<b>Investment in equity-accounted investee</b>	-	-
Unrecognised share of losses – opening balance	380	254
Unrecognised share of losses for the period	-	126
Utilisation of unrecognised share of losses for the period	(375)	-
<b>Unrecognised share of losses carried forward</b>	5	380

The Group has an indirect interest in Electronic-DNA Proprietary Limited (“EDNA”), a company incorporated in South Africa, through its subsidiary Datacentrix Proprietary Limited which holds a 50% interest in the company. The company supplies licences for security software developed. The equity-accounted investee is not a publicly listed entity and consequently does not have a quoted published price.

	EDNA	
	2020 R'000	2019 R'000
<b>The financial information of the equity-accounted investee is as follow:</b>		
Non-current assets	299	690
Current assets	10 409	6 754
<b>Total assets</b>	10 708	7 444
Non-current liabilities	-	-
Current liabilities	(10 720)	(8 206)
<b>Total liabilities</b>	(10 720)	(8 206)
<b>Net asset value</b>	(12)	(762)
Revenue	7 678	6 768
Cost of sales	-	-
Gross profit	7 678	6 768
Other expenses	(7 518)	(7 556)
Net finance income	380	417
Operating profit	540	(371)
Income tax benefit	210	119
<b>Profit/(loss) for the period</b>	750	(252)



# Notes to the financial statements

continued

for the year ended 30 June 2020

## 13. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES (continued)

	Group	
	2020 R'000	2019 R'000
<b>13.2 Investment in associate</b>		
Effective rate of indirect interest held in associate (%)	49,0	49,0
Reconciliation between proportionate investment and current investment value:		
Investment at cost *	-	-
Equity-accounted proportionate share of losses	-	-
Loan to associate	41 773	88 119
<b>Investment in equity-accounted investee</b>	<b>41 773</b>	<b>88 119</b>
Unrecognised share of losses – opening balance	11 373	1 081
Unrecognised share of losses for the period	14 245	10 292
<b>Unrecognised share of losses carried forward</b>	<b>25 618</b>	<b>11 373</b>

\* Amount below R1 000.

The Group has an indirect interest in Apex Business Systems Proprietary Limited ("APEX"), a company incorporated in South Africa, through its subsidiary DCT Holdings Proprietary Limited which holds a 49% interest in the company. The indirect interest was obtained effectively on 1 May 2018. The company supplies SHARP related IT solutions. The equity-accounted investee is not a publicly listed entity and consequently does not have a quoted published price.

	APEX	
	2020 R'000	2019 R'000
<b>The financial information of the equity-accounted investee is as follow:</b>		
Non-current assets	5 365	3 459
Current assets	96 439	154 968
<b>Total assets</b>	<b>101 804</b>	<b>158 427</b>
Non-current liabilities	(703)	-
Current liabilities	(153 383)	(181 637)
<b>Total liabilities</b>	<b>(154 086)</b>	<b>(181 637)</b>
<b>Net asset value</b>	<b>(52 282)</b>	<b>(23 210)</b>
Revenue	123 552	29 564
Cost of sales	(122 646)	(23 631)
Gross profit	906	5 933
Other expenses	(29 716)	(25 378)
Net finance costs	(262)	(1 560)
Operating loss	(29 072)	(21 004)
Income tax expense	-	-
<b>Loss for the period</b>	<b>(29 072)</b>	<b>(21 004)</b>

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 13. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES (continued)

	Group	
	2020 R'000	2019 R'000
<b>13.3 Loan to associate</b>		
Opening balance at 1 July	88 119	62 077
Loan (repaid by)/advanced to equity-accounted investee	(18 356)	49 252
Loss allowance	(27 990)	(23 210)
	41 773	88 119

### Terms of the loan to associate

The loan is secured, interest-free (2019: 10,25% per annum) and has no fixed terms of repayment. There is no expectation of repayment or intention to call for repayment within the next 12 months. The loan is secured by the cession whereby the company cedes all of its right, title, and interest in and to its book debts and a notarial bond has been registered over the inventory held in favour of the lender.

Information about the Group's exposure to credit risks and impairment losses for financial assets is included in note 36.7.

	Group	
	2020 R'000	2019 R'000
<b>14. FINANCE LEASE RECEIVABLES</b>		
<b>Non-current assets</b>	556 138	576 189
Finance service-related agreements	556 138	576 189
<b>Current assets</b>	298 383	269 975
Finance service-related agreements	298 383	265 254
Managed Print and Document Services agreements	–	4 721
	854 521	846 164
<b>14.1 Finance service-related agreements</b>		
<b>Undiscounted lease receivable *</b>	1 094 477	1 118 697
– within one year	427 486	417 154
– within two to five years	666 991	701 543
Less: Unearned finance income	(220 714)	(241 945)
Less: Loss allowance	(19 242)	(35 309)
<b>Present value of finance lease receivables</b>	854 521	841 443
– within one year	298 383	265 254
– within two to five years	556 138	576 189

\* The information disclosed for the current reporting period has been provided for comparability purposes (not required under IFRS 16). The maturity analysis under IFRS 16 has been included below.

These leases are mainly for ICT and office equipment asset financing to customers over the economic life of the underlying assets, subject to specified minimum periods varying between one and five years. The receivables bear interest at an average rate of 18% (2019: 18%) and are secured by retention of ownership of the underlying assets.

These receivables have been provided as security for the Nedbank Senior loan and Nedbank overdraft facilities granted (refer notes 9 and 22.2).

# Notes to the financial statements

continued

for the year ended 30 June 2020

	<b>Group</b>
	2020 R'000
<b>14. FINANCE LEASE RECEIVABLES</b> (continued)	
<b>14.1 Finance service-related agreements</b> (continued)	
<b>Maturity analysis</b>	
Less than one year	427 486
One to two years	65 008
Two to three years	172 451
Three to four years	175 065
Four to five years	251 914
More than five years	2 553
Total undiscounted lease receivables	1 094 477
Unearned finance income	(220 714)
Net investment in leases	873 763

	<b>Group</b>
	2019 R'000
<b>14.2 Managed Print and Document Services agreements</b>	
<b>Future minimum lease payments</b>	5 104
– within one year	5 104
– within two to five years	–
Less: Unearned finance income	(221)
Less: Loss allowance	(162)
<b>Present value of minimum lease payments</b>	4 721
– within one year	4 721
– within two to five years	–

During the previous reporting periods, the Group entered into finance leases in respect of customer transactions in the Managed Print and Document Solutions service offering. The leases are covered in back-to-back transactions with vendors. The leases bear interest at rates varying between 8% and 13%. All leases were settled during the reporting period.

Information about the Group's exposure to credit risks and impairment losses for lease receivables is included in note 36.7.

# Notes to the financial statements

continued

for the year ended 30 June 2020

	Group	
	2020 R'000	2019 R'000
<b>15. DEFERRED TAX</b>		
Deferred tax balance at 1 July	(890)	(8 657)
Deferred tax assets acquired through business combinations	1 815	531
Previously unrecognised deferred tax asset	3 092	–
Utilisation of assessed losses	(4 668)	269
Foreign currency translation reserve impact on opening balance	–	(36)
Temporary differences	41 101	39 751
Tax rate differential on temporary differences from acquisitions through business combination	1 641	5 879
Temporary differences from acquisitions through business combination	(32 258)	(37 572)
Over/(under) provisions relating to prior periods	716	(1 055)
Deferred tax balance at 30 June	10 549	(890)
<b>Comprising:</b>		
Assessed losses	3 438	5 033
Temporary differences	7 111	(5 923)
Loss allowances	32 166	33 428
Property, plant and equipment	3 199	2 865
Intangible assets	(60 158)	(66 927)
Provisions and accruals	57 256	53 032
Lease liabilities	5 565	–
Finance lease receivables	(30 917)	(28 321)
Net balance at 30 June	10 549	(890)
<b>Categorised as:</b>		
Deferred tax asset	90 834	78 206
Deferred tax liability	(80 285)	(79 096)

Management expects sufficient future taxable income in the relevant subsidiaries to enable these companies to utilise the unutilised tax losses as at 30 June 2020.

# Notes to the financial statements

continued

for the year ended 30 June 2020

	Group	
	2020 R'000	2019 R'000
<b>16. INVENTORIES</b>		
Inventory on hand	1 107 948	950 049
Goods in transit	148 685	116 504
Work-in-progress	19 651	27 722
	<b>1 276 284</b>	<b>1 094 275</b>
Allowance for obsolete inventory	(48 097)	(57 527)
	<b>1 228 187</b>	<b>1 036 748</b>

During the current period there was a decrease in the allowance for obsolete inventory of R9 million (2019: decrease of R8 million) with a corresponding effect in cost of sales recognised in profit or loss.

The Group did not recognise a right to returned goods asset at the current or prior reporting dates.

## 17. TRADE AND OTHER RECEIVABLES

Trade receivable balances	2 885 703	3 204 462
Loss allowances	(159 400)	(111 105)
	<b>2 726 303</b>	<b>3 093 357</b>
Other receivables *	138 547	156 603
Value-Added Tax receivable	81 986	14 896
	<b>2 946 836</b>	<b>3 264 856</b>

\* Other receivables comprise mainly prepayments and deposits.

A portion of trade receivables of various entities within the Group has been provided as security for banking facilities (refer notes 18 and 22.3).

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables are included in note 36.7.

# Notes to the financial statements

continued

for the year ended 30 June 2020

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>18. CASH AND CASH EQUIVALENTS</b>				
Cash on hand	376	449	-	-
Balances with banks	1 219 245	124 097	172	495
South African Rand	1 159 196	74 451	172	495
Namibian Dollar	7 271	9 038	-	-
US Dollar	19 414	30 705	-	-
Botswana Pula	4 042	4 647	-	-
Mozambican Metical	18 438	4 430	-	-
Kenyan Shilling	227	-	-	-
United Arab Emirates Dirham	87	-	-	-
Qatari Rial	1 626	-	-	-
Mauritian Rupee	8 071	-	-	-
Zambian Kwacha	873	826	-	-
Bank overdraft	-	(158 799)	-	-
	<b>1 219 621</b>	<b>(34 253)</b>	<b>172</b>	<b>495</b>

The Group holds cash and cash equivalents with reputable financial institutions. These institutions have a national short-term and national long-term credit rating of zaAA or above and zaA-1+ or above, respectively. (Source: S&P Global rating agency).

Information about the Group's exposure to credit and market risks, and impairment losses for cash and cash equivalents are included note 36.7.

## Banking facilities

The significant banking facilities available to specific companies within the Group at the reporting date were as follows:

	Axiz Proprietary Limited R'000	Centrafin Proprietary Limited R'000	Datacentrix Proprietary Limited R'000	Obscure Technologies Proprietary Limited R'000	Pinnacle Micro Proprietary Limited R'000	Sintrex Integration Systems Proprietary Limited R'000
Direct facilities	600 000	70 000	152 250	15 000	321 000	5 000
Contingent facilities	-	-	2 697	12 000	274 160	-
Settlement facilities	100 000	-	330 000	-	4 102	-
	<b>700 000</b>	<b>70 000</b>	<b>484 947</b>	<b>27 000</b>	<b>599 262</b>	<b>5 000</b>

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 18. CASH AND CASH EQUIVALENTS (continued)

### Securities provided in terms of the banking facilities

#### *Facility holder: Axiz Proprietary Limited*

The following securities have been provided to Nedbank Limited:

- ▶ A deed of cession whereby the company cedes all of its right, title and interest in and to its book debts.
- ▶ A limited guarantee, including a pledge in security of intra-Group accounts, for an amount of R550 million between the company and Alviva Holdings Limited.

Cession by the company of its right, title and interest in Credit Guarantee Insurance Corporation of Africa insurance policies as set out below:

- ▶ Policy number SDC151755;
- ▶ Policy number 169459/ED; and
- ▶ Policy number 316228/ED.

The following imposed covenant is directly linked to the facility:

- ▶ Debt cover ratio in relation to utilised direct facilities not to be less than 1, based on a specific debtors book formula applied by the bank.
- ▶ The retained earnings of the company must exceed R350 million.

#### *Facility holder: Centrafin Proprietary Limited*

The following securities have been provided to Nedbank Limited:

- ▶ A deed of cession whereby the company cedes all of its right, title and interest in and to its book debts.
- ▶ A limited guarantee for an amount of R70 million between the company and Alviva Holdings Limited.

The following imposed covenant is directly linked to the facility:

- ▶ Debt cover ratio in relation to utilised direct facilities not to be less than 3, based on a specific debtors book formula applied by the bank.

Rental assets with a net carrying amount of R156 669 (2019: R1 239 499) serve as security for one of the overdraft facilities (refer note 9).

#### *Facility holder: Datacentrix Proprietary Limited*

The following securities have been provided to ABSA Bank Limited:

- ▶ A deed of cession whereby the company cedes all of its right, title and interest in and to its book debts.
- ▶ A limited guarantee for an amount of R208 million between the company and Datacentrix Holdings Proprietary Limited, excluding cession of loan accounts.
- ▶ The required level of insurance against credit losses by means of an active insurance policy.

The following imposed covenant is directly linked to the facility:

- ▶ Debt cover ratio in relation to utilised direct facilities not to be less than 2, based on a specific debtors book formula applied by the bank.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 18. CASH AND CASH EQUIVALENTS (continued)

### *Facility holder: Obscure Technologies Proprietary Limited*

The following securities have been provided to Nedbank Limited:

- ▶ A deed of cession whereby the company cedes all of its right, title and interest in and to its book debts.
- ▶ A limited guarantee for an amount of R27 million between the company and Alviva Holdings Limited.
- ▶ Suretyship for the amount of R5 million by the non-controlling interest of the company.
- ▶ A general condition contract for the purchase and sale of foreign currencies.

The following imposed covenant is directly linked to the facility:

- ▶ Debt cover ratio in relation to utilised direct facilities not to be less than 1 based on a specific debtors book formula applied by the bank.

### *Facility holder: Pinnacle Micro Proprietary Limited*

The following securities have been provided to First National Bank, a division of FirstRand Bank Limited:

- ▶ A deed of cession whereby the company cedes all of its rights, titles and interest in and to its Credit Insurance Policy and all foreign exchange contracts entered into.
- ▶ The company shall not incur additional indebtedness unless this indebtedness is with the consent of the financial institution being obtained.
- ▶ The company shall not change its core business or merge or amalgamate with another party unless the consent of the financial institution is obtained.
- ▶ A collateral cover ratio of 167% is maintained.
- ▶ The company shall not dispose of material assets outside of the course of ordinary business unless the consent of the financial institution is obtained.
- ▶ The company shall insure at least 70% of the debtors' book from time to time.

### *Facility holder: Sintrex Integration Systems Proprietary Limited*

The following securities have been provided to Nedbank Limited:

- ▶ A deed of cession whereby the company cedes all of its right, title and interest in and to its book debts.

The following imposed covenants are directly linked to the facility:

- ▶ Debt cover ratio in relation to utilised direct facilities not to be less than 3 based on a specific debtors' book formula applied by the bank.
- ▶ Dividend cover of at least 2 times by the company.

The Group's bankers have issued guarantees to the value of R8 144 223 (2019: R2 127 605) on behalf of the Group.

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# Notes to the financial statements

continued

for the year ended 30 June 2020

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>19. STATED CAPITAL</b>				
<b>Authorised share capital</b>				
300 000 000 ordinary shares of R0,01 each	3 000	3 000	3 000	3 000
<b>Issued share capital</b>				
136 317 746 (2019: 143 421 787) ordinary shares	1 363	1 434	1 363	1 434
	1 363	1 434	1 363	1 434

	2020 Shares	2019 Shares	2020 Shares	2019 Shares
<b>Reconciliation of issued shares</b>				
Opening balance at 1 July	143 421 787	158 371 854	143 421 787	158 371 854
Specific repurchase and cancellation of treasury shares	–	(6 500 000)	–	(6 500 000)
General share repurchase and cancellation	(7 104 041)	(8 450 067)	(7 104 041)	(8 450 067)
Closing balance at 30 June	136 317 746	143 421 787	136 317 746	143 421 787

During the current reporting period, Alviva repurchased a total of 7 104 041 (2019: 8 450 067) of its ordinary shares on the open market for a total consideration of R102 million (2019: R187 million).

The above repurchase transactions were executed in terms of the general authority granted by shareholders at its AGM.

# Notes to the financial statements

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for the year ended 30 June 2020

	Group			
	2020 Number	2019 Number	2020 R'000	2019 R'000
<b>20. TREASURY SHARES</b>				
Opening balance	6 835 000	11 285 000	125 819	129 090
Repurchased and cancelled	–	(6 500 000)	–	(39 290)
Shares vested with FSP participants *	(1 058 600)	–	(20 869)	–
Shares allocated to FSP participants *	1 404 350	2 050 000	10 378	36 019
	<b>7 180 750</b>	<b>6 835 000</b>	<b>115 328</b>	<b>125 819</b>

\* Refer to note 37.3.

## 21. OTHER EQUITY RESERVES

	Group				
	Foreign currency translation reserve R'000	Profit on disposal of treasury shares R'000	Equity- settled share- based payment reserve R'000	Other R'000	Total R'000
<b>Balance at 1 July 2018</b>	7 383	31 090	15 792	3	54 268
Increase in foreign currency translation reserve	447	–	–	–	447
Equity-settled share-based payment (refer note 37.3)	–	–	9 943	–	9 943
Transfer between reserves	–	(31 090)	–	–	(31 090)
<b>Balance at 1 July 2019</b>	<b>7 830</b>	<b>–</b>	<b>25 735</b>	<b>3</b>	<b>33 568</b>
Increase in foreign currency translation reserve	4 609	–	–	–	4 609
Equity-settled share-based payment (refer note 37.3)	–	–	8 112	–	8 112
<b>Balance at 30 June 2020</b>	<b>12 439</b>	<b>–</b>	<b>33 847</b>	<b>3</b>	<b>46 289</b>

# Notes to the financial statements

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for the year ended 30 June 2020

## 22. INTEREST-BEARING LIABILITIES

	Notes	Group		
		Total balance R'000	Current portion R'000	Non-current portion R'000
<b>2020</b>				
<b>Secured</b>				
Lease liabilities – properties	22.1.1	295 502	51 897	243 605
Lease liabilities – sale-and-leaseback transactions *	22.1.2	22 909	12 506	10 403
Lease liabilities – motor vehicles	22.1.1	555	236	319
Financial liabilities – sale-and-leaseback transactions **	22.1.2	18 870	5 608	13 262
Asset-backed senior loan: Nedbank	22.3	624 000	–	624 000
Term loan facility	22.4	35 750	11 947	23 803
Redeemable preference shares	22.5	400 000	250 000	150 000
<b>Unsecured</b>				
Third-party loans	22.6	10 014	–	10 014
		<b>1 407 600</b>	<b>332 194</b>	<b>1 075 406</b>
<b>2019</b>				
<b>Secured</b>				
Finance lease liabilities	22.2	8 121	6 285	1 836
Asset-backed senior loan: Nedbank	22.3	532 000	–	532 000
Redeemable preference shares	22.5	340 000	100 000	240 000
<b>Unsecured</b>				
Third-party loan	22.6	4 506	–	4 506
		<b>884 627</b>	<b>106 285</b>	<b>778 342</b>

\* These sale-and-leaseback transactions existed on transition to IFRS 16.

\*\* These sale-and-leaseback transactions were entered into during the reporting period.

### 22.1 Leases

The Group has adopted IFRS 16 using the modified retrospective approach and, therefore, the comparative information has not been restated and continues to be reported under IAS 17. Refer to note 6.3 of the financial statements.

	Group
	2020 R'000
<b>Leases as lessee</b>	
Lease liabilities – property	295 502
Lease liabilities – sale-and-leaseback agreements	22 909
Lease liabilities – motor vehicles	555
	<b>318 966</b>
Non-current liabilities	254 327
Current liabilities	64 639
	<b>318 966</b>

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 22. INTEREST-BEARING LIABILITIES (continued)

### 22.1.1 Property and motor vehicle leases

The Group leases various property for administrative and storage purposes. Some of these leases include a fixed monthly lease payment in relation to the parking and operating costs directly associated with the underlying property. In addition, the Group leases motor vehicles.

#### Terms

The property leases typically run for a period of five years, with an option to renew the lease after that date. Lease payments are renegotiated every three to five years to reflect market rentals. Most of the property leases were entered into before the commencement of the current reporting period. Previously, these leases were classified as operating leases under IAS 17.

The incremental borrowing rate applied at transition, of 8,75%, was the incremental borrowing rate of Alviva Treasury Services Proprietary Limited, which administrates the formal treasury function of the Alviva Group. Management applied this rate due to the fact that the Group will obtain funding for a building from the treasury function of the Group before approaching an external financial institution.

The motor vehicle leases (previously classified as finance leases) have an average maturity of 60 months and bear interest at market-related rates.

#### Right-of-use-assets

The right-of-use assets related to the property and motor vehicles are included in property, plant and equipment, as disclosed in note 9.

#### Short-term leases

In some instances, the property leases are negotiated on a month-to-month basis. These leases are classified as short-term leases. Previously, these leases were classified as operating leases under IAS 17.

In addition to the short-term property leases, the Group leases equipment on an ad hoc basis which are also classified as a short-term leases.

#### Maturity analysis of lease payments

The Group's specific maturity analysis of these lease liabilities, based on contractual undiscounted cash flows, at the reporting date, is as follows:

	Less than 3 months	Between 3 to 12 months	1 to 5 years	More than 5 years
Lease liabilities – property leases	17 200	54 462	219 058	53 225
Lease liabilities – motor vehicle	84	235	281	–

#### Amounts recognised in profit or loss

	Leases under IFRS 16 2020	Operating leases under IAS 17 2019
Lease expense (included in administration expenses)	–	80 658
Short term lease expense * (included in administration expenses)	11 722	–
Interest on lease liabilities (included in finance costs)	27 657	–
Debt forgiveness related to lease payments ** (included in administration expenses)	(1 262)	–
	38 117	80 658

\* The short-term lease expense includes leases with a lease term of less than 12 months at transition as well as the properties leases on a month-to-month basis, as explained above.

\*\* The Group received a debt forgiveness relief in relation to property leases, which was recognised in terms of IFRS 16's practical expedient. The relief was received in relation to a minimal number of leases and ranged for lease payments during the months of April 2020 to August 2020.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 22. INTEREST-BEARING LIABILITIES (continued)

### 22.1.2 Sale-and-leaseback agreements

	2020		
	Total liability R'000	Financial liabilities R'000	Lease liabilities R'000
Sale-and-leaseback agreements	41 779	18 870	22 909
	41 779	18 870	22 909
Non-current liabilities	23 665	13 262	10 403
Current liabilities	18 114	5 608	12 506
	41 779	18 870	22 909

The Group entered into sale-and-leaseback agreements in relation to office and ICT equipment as the underlying assets.

The Group entered into sale-and-leaseback agreements in prior reporting periods. Previously, these agreements were classified as operating leases under IAS 17. At transition, these agreements were recognised as lease liabilities with a corresponding right-of-use asset. During the reporting period, the Group entered into additional sale-and-leaseback agreements which have been recognised as financial liabilities in the current reporting period as the Group did not transfer control of the underlying assets in terms of these agreements.

#### Terms

The leases typically run for a period of between three and five years with no renewal options. The leases have an incremental borrowing rate of between 10% and 14%. The lease payments range between R1 120 and R471 394 in relation to the sale-and-leaseback agreements.

#### Right-of-use-asset

The right-of-use assets and underlying equipment are included in property, plant and equipment, as disclosed in note 9.

#### Maturity analysis of lease payments

The Company's specific maturity analysis of these lease liabilities, based on contractual undiscounted cash flows, at the reporting date, is as follows:

	Less than 3 months	Between 3 to 12 months	1 to 5 years
Lease liabilities – sale-and-leaseback agreements	3 708	10 843	11 614

#### Amounts recognised in profit or loss

	Leases under IFRS 16 2020	Operating leases under IAS 17 2019
Lease expense (included in cost of sales)	–	18 083
Interest on lease liabilities (included in finance costs)	3 489	–
	3 489	18 083

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 22. INTEREST-BEARING LIABILITIES (continued)

### 22.2 Finance lease liabilities

The Group entered into finance leases in respect of customer transactions in the Managed Print and Document Solutions service offering in the previous reporting periods. These leases were covered in back-to-back transactions with vendors. The leases had a maturity of between 24 and 36 months. The leases bore interest at rates varying between 8% and 13%. These leases were settled during the reporting period.

	<b>Group</b>
	2019 R'000
<b>Future minimum lease payments</b>	8 587
– within one year	1 827
– within two to five years	6 760
<i>Less: Future finance charges</i>	(466)
<b>Present value of minimum lease payments</b>	8 121
– within one year	6 285
– within two to five years	1 836

### 22.3 Asset-backed senior loan: Nedbank

The asset-backed senior loan is secured by a cession over finance lease receivables amounting to R612 million (2019: R612 million), cash resources of R70 million (2019: R70 million) and trade debtors of R10 million (2019: R10 million), bears interest at 3-month Jibar plus 2,5% and is repayable from 1 May 2022 over the life of the financed assets.

### 22.4 Term loan facility

During the reporting period, the Company entered into a term funding agreement amounting to a total of R44 million. The agreement was entered into in relation to a specific underlying transaction with a customer.

The loan is repayable in quarterly instalments and bears interest at a fixed rate of 9,50% per annum. The terms of the loan are structured based on the underlying customer transaction. No specific additional security was required in relation to the funding agreement.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 22. INTEREST-BEARING LIABILITIES (continued)

### 22.5 Redeemable preference shares

DCT Holdings Proprietary Limited ("DCT") issued 60 (2019: nil) redeemable preference shares to Absa Bank Limited during the reporting period. The applicable rate assigned to the preference shares is 79% of the official prime rate per annum compounded on a monthly basis. The scheduled redemption date of the preference shares is three years and one month from the issue date. The dividend payment dates are 31 January and 31 July of each year until the scheduled redemption dates, as follows:

Redemption	Redemption date
Tranche 1	20 August 2020 (previously 20 May 2020)
Tranche 2	22 April 2021
Tranche 3	28 July 2021
Tranche 4	19 August 2022

During the reporting period the scheduled redemption date of Tranche 1 was extended by three months from 20 May 2020 to 20 August 2020. Despite the Group's strong liquidity position, this was done by mutual consent with the holder of the preference shares to remain prudent in light of the uncertainty surrounding COVID-19.

A commitment fee, equal to 0,5% per annum of the commitment fee less the value of the issue price of issued preference shares, is payable to the holder of the preference shares. The maximum number of preference shares that may be issued to the holder is 50 Class B cumulative redeemable non-participating preference shares.

The shares held in Datacentrix Holdings Proprietary Limited ("DXL"), a subsidiary of the Group, have been pledged as security to Absa Bank Limited in relation to the preference shares.

The holder of the preference shares is entitled to monitor the use of the proceeds of the issue of preference shares to ensure that the proceeds are used within the scope of the qualifying purpose. The qualifying purpose of the additional amount received is to finance business acquisitions.

In terms of DCT's Memorandum of Incorporation, the preference shares will at least rank *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies in general and there shall be no class of shares in the stated capital of the company which ranks in priority to the preference shares issued in terms of this agreement.

The agreement requires the Company to remain listed on the JSE.

No changes in the shareholding between the Company, DCT, DXL and Datacentrix Proprietary Limited ("DXP") are permitted until Class B preference shares have been redeemed.

Certain financial covenants apply to the Company and DXP in terms of the preference share agreement.

The interest expense of R13 million (2019: R12 million), which is payable after the reporting date on 31 July 2020, is included in trade and other payables.

### 22.6 Third-party loans

	Group	
	2020 R'000	2019 R'000
<b>Unsecured</b>		
Merlynn third-party loans	1 014	4 506
Solareff third-party loans	9 000	-
	<b>10 014</b>	<b>4 506</b>

These loans bear interest at the official prime rate per annum. The loans will be settled after the 2021 reporting period.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 23. NON-INTEREST-BEARING LIABILITIES

	Notes	Group		
		Total balance R'000	Current portion R'000	Non-current portion R'000
<b>2020</b>				
<b>Unsecured</b>				
Third-party loans	23.1	437	–	437
Contingent consideration	23.2	79 976	7 584	72 392
		<b>80 413</b>	<b>7 584</b>	<b>72 829</b>
<b>2019</b>				
<b>Unsecured</b>				
Third-party loans	23.1	437	–	437
Contingent consideration	23.2	89 898	44 130	45 768
		<b>90 335</b>	<b>44 130</b>	<b>46 205</b>

### 23.1 Third-party loans

	Group	
	2020 R'000	2019 R'000
<b>Unsecured</b>		
Parcea Computing Proprietary Limited outside shareholders	437	437
	<b>437</b>	<b>437</b>

Loans due to outside shareholders have no specified repayment terms. The Group has the unconditional right to defer settlement for at least the next 12 months as agreed with the shareholders.



# Notes to the financial statements

continued

for the year ended 30 June 2020

## 23. NON-INTEREST-BEARING LIABILITIES (continued)

### 23.2 Reconciliation of movements in contingent consideration

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>Acquisitions of interests in subsidiaries</b>				
Opening balance of liability	89 898	150 761	9 000	–
Acquisition of interest in Obscure Enterprises Proprietary Limited ("Obscure")	–	28 000	–	–
Acquisition of interest in Merlynn Intelligence Systems Proprietary Limited ("Merlynn")	–	94 000	–	94 000
Acquisition of SynergERP Proprietary Limited *	13 381	–	–	–
Acquisition of interest in SynergERP Limited – DWC LLC ("Synerg DWC")	27 852	–	–	–
Acquisition of interest in SynergERP Limited – UK ("Synerg UK")	30 438	–	–	–
Settlement paid to vendors	(57 724)	(137 593)	–	(85 000)
Fair value adjustment to contingent consideration	(23 869)	(45 270)	(9 000)	–
	<b>79 976</b>	<b>89 898</b>	<b>–</b>	<b>9 000</b>

\* The contingent consideration in relation to the business combination was settled during the reporting period as set out in note 35.1.

#### Contingent consideration related to the acquisition of VH Fibre

The final purchase price will be determined and paid on a formula that is based on the profits for the current reporting period.

	Group	
	2020 R'000	2019 R'000
<b>The contingent consideration can be broken down as follows:</b>		
Current	1 827	9 835
Non-current	–	3 210
	<b>1 827</b>	<b>13 045</b>

The fair value of the contingent consideration was determined at the reporting date in terms of the discounted cash flow method. The inputs into the model included the expected cash flows in terms of the performance conditions of the acquiree, based on internally prepared budget and forecasted estimates, discounted at a rate of 5,8% (2019: 8,8%), which represents the borrowing rate of the treasury function of the Group.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 23. NON-INTEREST-BEARING LIABILITIES (continued)

### 23.2 Reconciliation of movements in contingent consideration (continued)

#### Contingent consideration related to the acquisition of Obscure

As previously disclosed, the total purchase price will be determined and paid on a formula that is based on the profits for the reporting periods ending ending 30 June 2020 and 2021.

	Group	
	2020 R'000	2019 R'000
<b>The contingent consideration can be broken down as follows:</b>		
Current	5 757	34 295
Non-current	14 100	33 558
	<b>19 857</b>	<b>67 853</b>

The fair value of the contingent consideration was determined at the reporting date in terms of the discounted cash flow method. The inputs into the model included the expected cash flows in terms of the performance conditions of the acquiree, based on internally prepared budget and forecasted estimates, discounted at a rate of 5,8% (2019: 8,8%), which represents the borrowing rate of the treasury function of the Group.

#### Contingent consideration related to the acquisition of Merlynn

In terms of the purchase agreement, the final purchase price will be determined and paid on a formula that is based on the profits for the current reporting period.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>The contingent consideration can be broken down as follows:</b>				
Non-current	–	9 000	–	9 000
	–	9 000	–	9 000

The fair value of the contingent consideration was determined at the reporting date in terms of the discounted cash flow method. The inputs into the model included the expected cash flows in terms of the performance conditions of the acquiree, based on internally prepared budget and forecasted estimates, discounted at a rate of 5,8% (2019: 8,8%), which represents the borrowing rate of the treasury function of the Group.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 23. NON-INTEREST-BEARING LIABILITIES (continued)

### 23.2 Reconciliation of movements in contingent consideration (continued)

#### Contingent consideration related to the acquisition of Synerg DWC

During the reporting period, the Company acquired 51% of Synerg DWC's issued share capital (refer to note 35.2). The total purchase price will be determined and paid on a formula based on the profits for the reporting period ending 30 June 2022.

	Group	
	2020 R'000	2019 R'000
<b>The contingent consideration can be broken down as follows:</b>		
Current	-	-
Non-current	27 852	-
	27 852	-

The fair value of the contingent consideration was determined at the reporting date in terms of the discounted cash flow method. The inputs into the model included the expected cash flows in terms of the performance conditions of the acquiree, based on internally prepared budget and forecasted estimates, discounted at a rate of 5,8%, which represents the borrowing rate of the treasury function of the Group. Based on the expected timing of the cash flows related to the contingent consideration and the acquisition date, the fair value at the reporting date approximates the contingent consideration recognised on the acquisition date of the acquisition.

#### Contingent consideration related to the acquisition of Synerg UK

During the reporting period, the Company acquired 51% of Synerg UK's issued share capital (refer to note 35.3). The total purchase price will be determined and paid on a formula based on the profits for the reporting period ending 30 June 2022.

	Group	
	2020 R'000	2019 R'000
<b>The contingent consideration can be broken down as follows:</b>		
Current	-	-
Non-current	30 438	-
	30 438	-

The fair value of the contingent consideration was determined at the reporting date in terms of the discounted cash flow method. The inputs into the model included the expected cash flows in terms of the performance conditions of the acquiree, based on internally prepared budget and forecasted estimates, discounted at a rate of 5,8%, which represents the borrowing rate of the treasury function of the Group. Based on the expected timing of the cash flows related to the contingent consideration and the acquisition date, the fair value at the reporting date approximates the contingent consideration recognised on the acquisition date of the acquisition.

# Notes to the financial statements

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for the year ended 30 June 2020

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>24. TRADE AND OTHER PAYABLES</b>				
Trade payables	3 227 763	2 357 584	1 744	1 605
Derivative liability – foreign exchange contracts	11 772	24 827	–	–
Other payables *	211 666	220 014	–	–
Value-Added Tax payable	24 333	50 674	–	–
Employee-related accruals	81 148	112 066	–	–
Operating cost accruals	69 712	40 881	–	–
	<b>3 626 394</b>	<b>2 806 046</b>	<b>1 744</b>	<b>1 605</b>

\* Comprising other operational payables that are not considered to be trade creditors in the normal operating cycle.

The Group did not recognise a refund liability at the current and prior reporting dates. Refer to note 26.3 of the financial statements.

	Group	
	2020 R'000	2019 R'000
<b>25. CONTRACT LIABILITIES</b>		
Contract liabilities related to warranty cover	9 418	11 404
Contract liabilities related to service and maintenance contracts	190 575	114 971
	<b>199 993</b>	<b>126 375</b>
Non-current portion	16 064	11 528
Current portion	183 929	114 847

## Warranty cover

The Group offers warranty cover in relation to the repair or replacement of goods sold with one, two or three year carry-in or on-site warranties in the event that the product should fail to operate under normal operating conditions.

The portion of the revenue earned on the contractual sale transaction that relates to the warranty cover is deferred and recognised as revenue in profit or loss over the period of the warranties. Refer to note 26.3.

## Service and maintenance contracts

This contract liability relates to project installations and service and maintenance contracts with a 12 to 36-month period. The advance consideration received from customers is recognised as revenue in profit or loss on a systematic basis over the remainder of the contract in terms of services rendered. Refer to note 26.3.

# Notes to the financial statements

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for the year ended 30 June 2020

## 26. REVENUE

The Group generates revenue primarily from the sale of IT-, fibre- and solar-related products and provision of installation, distribution and maintenance services. Other sources of revenue for the Group include rental income from equipment and finance income from finance leases entered into with customers.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Revenue from contracts with customers	14 586 277	15 711 229	–	–
Other revenue	217 878	211 412	459 524	456 213
– Revenue related to leases	217 878	211 412	–	–
– Dividend income	–	–	459 524	456 213
<b>Total revenue</b>	<b>14 804 155</b>	<b>15 922 641</b>	<b>459 524</b>	<b>456 213</b>

### 26.1 Disaggregation of revenue from contracts with customers

In the following tables, revenue from contracts with customers is disaggregated by timing of revenue recognition, major service offering and contributing industry. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (refer to note 40). In addition, the Group also disaggregated total revenue into the geographical regions.

#### Reportable segments

2020

Group	Reportable segments			Total 2020 R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
<b>Timing of revenue recognition</b>				
At a point in time	9 629 391	2 972 845	–	12 602 236
Over a period of time	238 365	1 745 676	–	1 984 041
<b>Revenue from contracts with customers</b>	<b>9 867 756</b>	<b>4 718 521</b>	<b>–</b>	<b>14 586 277</b>
Revenue related to leases	–	20 373	197 505	217 878
<b>Total revenue</b>	<b>9 867 756</b>	<b>4 738 894</b>	<b>197 505</b>	<b>14 804 155</b>

# Notes to the financial statements

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for the year ended 30 June 2020

## 26. REVENUE (continued)

### 26.1 Disaggregation of revenue from contracts with customers (continued)

#### Major service offering

Group	Reportable segments			Total 2020 R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
<b>Service offerings</b>				
IT-related products	9 508 021	2 899 384	–	12 407 405
Fibre-related products	125 530	–	–	125 530
Solar-related products	–	73 461	–	73 461
Electric charge-point sales	–	4 578	–	4 578
Installation services	13 260	241 217	–	254 477
Infrastructure management	–	103 137	–	103 137
Maintenance services	–	215 206	–	215 206
Consulting services – usage	104 449	180 528	–	284 977
Consulting services – labour hours	116 496	1 001 010	–	1 117 506
<b>Revenue from contacts with customers</b>	<b>9 867 756</b>	<b>4 718 521</b>	<b>–</b>	<b>14 586 277</b>
Revenue related to leases	–	20 373	197 505	217 878
<b>Total revenue</b>	<b>9 867 756</b>	<b>4 738 894</b>	<b>197 505</b>	<b>14 804 155</b>

#### Contributing industry

Group	Reportable segments			Total 2020 R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
<b>Industries</b>				
ICT	9 728 966	4 365 744	–	14 094 710
Fibre solution	138 790	–	–	138 790
Renewable energy	–	245 996	–	245 996
Infrastructure management	–	106 781	–	106 781
<b>Revenue from contacts with customers</b>	<b>9 867 756</b>	<b>4 718 521</b>	<b>–</b>	<b>14 586 277</b>
Revenue related to leases	–	20 373	197 505	217 878
<b>Total revenue</b>	<b>9 867 756</b>	<b>4 738 894</b>	<b>197 505</b>	<b>14 804 155</b>

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 26. REVENUE (continued)

### 26.1 Disaggregation of revenue from contracts with customers (continued)

#### Geographical regions

Group	Reportable segments			Total 2020 R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
<b>Regions</b>				
South Africa	8 318 072	4 442 623	–	12 760 695
Africa (excluding South Africa)	1 549 684	209 643	–	1 759 327
Other *	–	66 255	–	66 255
<b>Revenue from contracts with customers</b>	9 867 756	4 718 521	–	14 586 277
Revenue related to leases	–	20 373	197 505	217 878
<b>Total revenue</b>	9 867 756	4 738 894	197 505	14 804 155

\* Includes Group entities in the UK and the Middle East.

#### Reportable segments

2019

Group	Reportable segments			Total 2019 R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
<b>Timing of revenue recognition</b>				
At a point in time	10 865 248	2 708 818	–	13 574 066
Over a period of time	257 907	1 879 256	–	2 137 163
<b>Revenue from contracts with customers</b>	11 123 155	4 588 074	–	15 711 229
Revenue related to leases	–	19 053	192 359	211 412
<b>Total revenue</b>	11 123 155	4 607 127	192 359	15 922 641

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 26. REVENUE (continued)

### 26.1 Disaggregation of revenue from contracts with customers (continued)

#### Major service offering

Group	Reportable segments			Total 2019 R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
<b>Service offerings</b>				
IT-related products	10 692 956	2 689 224	–	13 382 180
Fibre-related products	196 661	–	–	196 661
Solar-related products	–	19 594	–	19 594
Electric charge-point sales	–	8 602	–	8 602
Installation services	61 692	226 373	–	288 065
Infrastructure management	–	123 268	–	123 268
Maintenance services	–	195 347	–	195 347
Consulting services – usage	82 152	518 518	–	600 670
Consulting services – labour hours	89 694	807 148	–	896 842
<b>Revenue from contracts with customers</b>	<b>11 123 155</b>	<b>4 588 074</b>	<b>–</b>	<b>15 711 229</b>
Revenue related to leases	–	19 053	192 359	211 412
<b>Total revenue</b>	<b>11 123 155</b>	<b>4 607 127</b>	<b>192 359</b>	<b>15 922 641</b>

#### Contributing industry

Group	Reportable segments			Total 2019 R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
<b>Industries</b>				
ICT	10 864 801	4 209 933	–	15 074 734
Fibre solution	258 354	–	–	258 354
Renewable energy	–	252 201	–	252 201
Infrastructure management	–	125 940	–	125 940
<b>Revenue from contracts with customers</b>	<b>11 123 155</b>	<b>4 588 074</b>	<b>–</b>	<b>15 711 229</b>
Revenue related to leases	–	19 053	192 359	211 412
<b>Total revenue</b>	<b>11 123 155</b>	<b>4 607 127</b>	<b>192 359</b>	<b>15 922 641</b>



# Notes to the financial statements

continued

for the year ended 30 June 2020

## 26. REVENUE (continued)

### 26.1 Disaggregation of revenue from contracts with customers (continued)

#### Geographical regions

Group	Reportable segments			Total 2019 R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
<b>Regions</b>				
South Africa	9 867 704	4 494 949	–	14 362 653
Africa (excluding South Africa)	1 255 451	89 316	–	1 344 767
Other *	–	3 809	–	3 809
<b>Revenue from contracts with customers</b>	<b>11 123 155</b>	<b>4 588 074</b>	<b>–</b>	<b>15 711 229</b>
Revenue related to leases	–	19 053	192 359	211 412
<b>Total revenue</b>	<b>11 123 155</b>	<b>4 607 127</b>	<b>192 359</b>	<b>15 922 641</b>

\* Includes Group entities in the Middle East.

### 26.2 Contract balances

Group	Total 2020 R'000	Total 2019 R'000
<b>Receivables</b>		
The following table provides information about receivables from contracts with customers:		
Receivables classified as trade and other receivables	<b>2 885 703</b>	3 204 462
Loss allowance	<b>(159 400)</b>	(111 185)
	<b>2 726 303</b>	3 093 277

Refer to note 17 of the financial statements.

#### Contract liabilities

The contract liabilities refer to payments received in advance in relation to service and maintenance as well as the specific warranties provided (in certain instances) for revenue not yet recognised. Refer to note 24 of the financial statements.

No information is provided about remaining performance obligations at 30 June 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

The remaining performance obligations at 30 June 2020 that have an original expected duration of longer than one year amounts to R324 million (2019: R 212 million).

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 26. REVENUE (continued)

### 26.3 Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service offering	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
IT-related products	The Group sells various IT-related products to customers including hardware, software packages and associated licences. The software relates to third-party owned software which is under complete control of the customer.	Revenue is recognised at a point in time when control passes to the specific customer.
	Customers obtain control of these products when the goods are delivered to and have been accepted at their premises or electronically.	Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the directed use of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.
	Invoices are generated at that point in time. Invoices are usually payable within 30-60 days which indicates that no financing is provided to customers.	Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.
	The Group allows for volume and similar rebates on specific deals and contracts but not as a standard term or condition.	Where a volume or similar rebate is allowed, revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.
	Some contracts permit the customer to return an item. Returned goods, are exchanged only for new goods, i.e., no cash refunds are offered. The return policy is rarely exercised by customers.	A refund liability included in trade and other payables and a right to the returned goods (included in inventories) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 26. REVENUE (continued)

### 26.3 Performance obligations and revenue recognition policies (continued)

Type of service offering	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies		
Fibre- and solar-related products	The Group sells fibre- and solar-related products to customers.	Revenue is recognised at a point in time when control passes to the specific customer.		
	Customers obtain control of these products when the goods are delivered to and have been accepted at their premises. The Group does not allow any returns on these specialised products.	Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the directed use of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.		
	Invoices are generated at that point in time. Invoices are usually payable within 30 days which indicates that no financing is provided to customers.	Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.		
Electric charge-point systems and installations	The Group sells and installs a unique motor vehicle electric charge-point at a customer's premises.	Revenue is recognised over a period of time.		
	The overall installation is considered to be specialised and directly linked to the charge-point console.	<table border="1"> <tr> <td>Installation and charge-point components</td> <td>Input method based on the costs of the components completed at the reporting date as a proportion of the total cost estimate for the installation of the system.</td> </tr> </table>	Installation and charge-point components	Input method based on the costs of the components completed at the reporting date as a proportion of the total cost estimate for the installation of the system.
	Installation and charge-point components	Input method based on the costs of the components completed at the reporting date as a proportion of the total cost estimate for the installation of the system.		
	Customers does not obtain control of the various charge-point components prior to the commencement of the installation at their premises.	<table border="1"> <tr> <td>Warranty component</td> <td>Input method based on the number of months lapsed of the warranty period at the reporting date as a proportion of the total contractual term.</td> </tr> </table>	Warranty component	Input method based on the number of months lapsed of the warranty period at the reporting date as a proportion of the total contractual term.
	Warranty component	Input method based on the number of months lapsed of the warranty period at the reporting date as a proportion of the total contractual term.		
Invoices are generated on a milestone basis during the installation process. Invoices are usually payable within 30 days which indicates that no financing is provided to customers.	Unearned warranty revenue is included in contract liabilities.			
As part of the installation, an internal warranty is provided to the customer in relation to the malfunctioning of the charge-points which forms part of the invoiced amount. The warranty is usually for a period of 24 months.				

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 26. REVENUE (continued)

### 26.3 Performance obligations and revenue recognition policies (continued)

Type of service offering	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies		
Installations	The Group installs some of the products sold to customers i.e., hardware components, fibre-related components and solar solutions.	Revenue is recognised over a period of time.		
	The overall installations in these cases are not considered to be specialised and are identified as a separate performance obligations.	Installation element	Input method based on the completed labour hours at the reporting date as a proportion of the total labour hours estimated for the installation of the related product.	
	In some cases the products, mostly IT-related products, are controlled by the customer before the installation project commences. In other cases, the products, mostly solar- and fibre-related products, are not controlled by the customer before the installation project is initiated and transferred during the installation process.	Product delivered as part of installation solution	Input method based on the costs of the products completed at the reporting date as a proportion of the total cost estimate for the completed product set.	
	Invoices are generated on a milestone basis during the installation process. Invoices are usually payable within 30 days which indicates that no financing is provided to customers.	Warranty component	Output method based on the number of months lapsed of the warranty period at the reporting date as a proportion of the total contractual term.	
	As part of some installation projects, an internal warranty is provided to the customer in relation to failing solutions which forms part of the invoiced amount. The warranty is usually for a period of 12 to 36 months.	Unearned warranty revenue is included in contract liabilities.		
Infrastructure management	The Group owns internally developed software which specifically assists customers with infrastructure management.	Revenue is recognised over a period of time.		
	The software remains in the control of the Group whereby the customer receives merely the right to access and not the right to usage.	Licence agreement	Output method based on the number of months lapsed of the licencing agreement period at the reporting date as a proportion of the total contractual term.	
	Invoices are generated on a monthly basis. Invoices are usually payable within 30 days which indicates that no financing is provided to customers.	Payments received in advance are included in contract liabilities.		

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 26. REVENUE (continued)

### 26.3 Performance obligations and revenue recognition policies (continued)

Type of service offering	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies	
Maintenance contracts	The Group sells maintenance contracts as part of the service offering in combination with other contracts with customers.	Revenue is recognised over a period of time.	
	Invoices are generated on a monthly basis. Invoices are usually payable within 30 days which indicates that no financing is provided to customers.	Maintenance agreement	Output method based on the number of months lapsed of the licencing agreement period at the reporting date as a proportion of the total contractual term.
		Payments received in advance are included in contract liabilities.	
Consulting services – usage	The Group provides access to certain resources such as data, mobile connections, IT storage space on servers, Cloud services and various other similar resources to customers by means of contract with a fixed determined price per consumption unit.	Revenue is recognised over a period of time.	
	Invoices are generated on a monthly basis. Invoices are usually payable within 30 days which indicates that no financing is provided to customers.	Consumption/ resources utilised by customer	Output method based on the utilisation or consumption by the customer measured in the contractually specific unit metric for example data or electric units.
		Payments received in advance are included in contract liabilities.	
Consulting services – labour hours	The Group provides technical resources to customers by means of consulting services.	Revenue is recognised over a period of time.	
	Some customers enter into a contract at a fixed monthly fee allowing access to technical consulting staff and other customers request the services on an ad-hoc basis.	Labour hours of consultants	Input method based on the labour hours spent at the reporting date as a proportion of the total labour hours coupled to the specific consulting service (contractually or ad-hoc).
	Invoices are generated on a monthly basis or when the ad-hoc service is completed (whichever period is shorter). Invoices are usually payable within 30 days which indicates that no financing is provided to customers.		

# Notes to the financial statements

continued

for the year ended 30 June 2020

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>27. OPERATING PROFIT</b>				
Operating profit before interest includes:				
<b>Auditor's remuneration</b>	4 379	3 786	–	–
Audit services	4 379	3 786	–	–
<b>Employee benefit expenses [GRI 405-1]</b>	1 323 782	1 338 582	–	–
<b>Defined contribution plan expense</b>	67 800	76 062	–	–
<b>Depreciation</b>	132 843	44 459	–	–
Leasehold improvements	858	753	–	–
Equipment and vehicles, owned	66 833	42 771	–	–
Buildings	64 668	–	–	–
Rental equipment	484	935	–	–
<b>Amortisation</b>	186 239	145 552	–	–
Intangible assets	186 239	145 552	–	–
<b>Gain on remeasurement of contingent consideration</b>	(23 869)	(45 270)	–	–
<b>Gain on foreign exchange</b>	(630)	(8 068)	–	–
<b>Profit on disposal of property, plant and equipment</b>	(1 611)	(609)	–	–
<b>Impairment losses and write-offs on trade and finance lease receivables</b>	45 645	37 361	–	–
<b>Impairment loss on loan to equity-accounted investee</b>	27 990	23 210	–	–
<b>Impairment loss on goodwill</b>	49 563	–	–	–
<b>Loss on disposal of subsidiary</b>	–	32 141	–	–
<b>28. NET FINANCE COSTS</b>				
<b>Finance income</b>	(50 666)	(52 059)	(42)	(35)
Interest income	(50 666)	(52 059)	(42)	(35)
<b>Finance costs</b>	227 640	185 108	–	–
Short-term finance including lease liabilities	140 234	106 415	–	–
Interest (forward points) on forward exchange contracts	57 553	50 995	–	–
Preference share dividend (deemed interest)	29 853	27 698	–	–

# Notes to the financial statements

continued

for the year ended 30 June 2020

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>29. INCOME TAX</b>				
<b>29.1 Tax expense</b>				
Normal tax	114 525	187 200	12	9
Current period	115 018	187 959	12	9
Adjustments in respect of the prior period	(493)	(759)	–	–
Securities transfer tax	–	133	–	–
Non-residents shareholders' tax	134	–	–	–
Deferred tax	(39 971)	(41 467)	–	–
Current period – originating	(39 696)	(42 522)	–	–
Adjustments in respect of the prior period	(275)	1 055	–	–
	<b>74 688</b>	<b>145 866</b>	<b>12</b>	<b>9</b>
<b>29.2 Reconciliation of tax rate</b>				
Profit before tax	211 563	536 724	468 566	434 694
Income tax expense	(74 688)	(145 866)	(12)	(9)
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Effective tax rate	35,3	27,2	–	–
RSA normal tax rate	28,0	28,0	28,0	28,0
Non-residents shareholders' tax	0,9	–	–	–
Foreign and Trust tax rate differential	1,7	(1,0)	–	–
Unrecognised deferred tax asset	2,0	0,6	–	–
Utilisation of assessed losses brought forward	(0,8)	–	–	–
Tax allowances not included in profit or loss	(4,1)	(1,4)	–	–
Non-deductible expenses	11,5	0,4	1,9	1,7
Non-taxable income	(3,5)	0,6	(29,9)	(29,7)
Adjustments in respect of the prior period	(0,4)	–	–	–

The estimated tax loss available within the Group for set off against future taxable income is R16 million (2019: R18 million).

# Notes to the financial statements

continued

for the year ended 30 June 2020

		Group	
		2020 R'000	2019 R'000
<b>30.</b>	<b>EARNINGS AND HEADLINE EARNINGS PER SHARE AND DIVIDENDS PAID</b>		
<b>30.1</b>	<b>Basic and diluted earnings per ordinary share</b>		
	Basic earnings per ordinary share has been calculated using the following:		
	Profit for the period attributable to owners of the Company	136 875	390 858
	Net profit attributable to non-controlling interests	11 849	3 642
	<b>Earnings attributable to ordinary shareholders</b>	<b>148 724</b>	<b>394 500</b>
	Weighted average number of shares in issue ('000 shares) *	131 987	143 281
	Weighted average number of shares in issue for purpose of dilution ('000 shares) *	134 351	147 141
	Basic earnings per ordinary share (cents)	112,7	275,3
	Diluted basic earnings per ordinary share (cents)	110,7	268,1
<b>30.2</b>	<b>Headline and diluted headline earnings per ordinary share</b>		
	Normal and diluted headline earnings per ordinary share		
	Headline earnings per ordinary share has been calculated using the following:		
	<b>Earnings attributable to ordinary shareholders</b>	<b>148 724</b>	<b>394 500</b>
	Impairment loss on goodwill	49 563	–
	Profit on disposal of property, plant and equipment net of tax	(1 160)	(438)
	Profit on disposal of property, plant and equipment	(1 611)	(609)
	Less: Tax thereon	451	171
	Loss on disposal of subsidiary net of tax	–	31 561
	Loss on disposal of subsidiary	–	32 141
	Less: Tax thereon	–	(580)
	<b>Headline earnings for the period</b>	<b>197 127</b>	<b>425 623</b>
	Weighted average number of shares in issue ('000 shares) *	131 987	143 281
	Weighted average number of shares in issue for purpose of dilution ('000 shares) *	134 351	147 141
	Headline earnings per ordinary share (cents)	149,4	297,1
	Diluted headline earnings per ordinary share (cents)	146,7	289,3
<b>30.3</b>	<b>Core and diluted earnings per ordinary share</b>		
	Core earnings per ordinary share has been calculated using the following:		
	<b>Headline earnings for the period</b>	<b>197 127</b>	<b>425 623</b>
	Acquisition costs net of tax	790	1 770
	Amortisation of intangibles net of tax	100 255	78 244
	<b>Core earnings for the period **</b>	<b>298 172</b>	<b>505 637</b>
	Weighted average number of shares in issue ('000 shares) *	131 987	143 281
	Weighted average number of shares in issue for purpose of dilution ('000 shares) *	134 351	147 141
	Core earnings per ordinary share (cents)	225,9	352,9
	Diluted core earnings per ordinary share (cents)	222,0	343,6

\* Excluding treasury shares.

\*\* Core EPS is considered a meaningful additional measure of evaluating the performance of the Group's operations. It is based on the HEPS measure and adjusted to exclude the amortisation of intangible assets recognised on business combinations and related business combination acquisition costs. It is not an IFRS measure.



# Notes to the financial statements

continued

for the year ended 30 June 2020

## 30. EARNINGS AND HEADLINE EARNINGS PER SHARE AND DIVIDENDS PAID

(continued)

	Group			
	2020		2019	
	Actual	Weighted	Actual	Weighted
<b>30.4 Reconciliation of weighted average number of shares in issue ('000)</b>				
Shares in issue at the beginning of the period	143 422	143 422	158 372	158 372
Less: held as treasury shares	(7 181)	(6 274)	(6 835)	(4 965)
Shares acquired and cancelled	(7 104)	(5 161)	(14 950)	(10 126)
<b>At the end of the period</b>	<b>129 137</b>	<b>131 987</b>	<b>136 587</b>	<b>143 281</b>
<i>Being:</i>				
Shares in issue at the reporting date	136 318	138 261	143 422	148 246
Held as treasury shares at the reporting date	(7 181)	(6 274)	(6 835)	(4 965)
Dilutionary effect of FSP scheme	–	2 364	–	3 860
<b>Weighted number of shares at the end of the period for purposes of dilution</b>	<b>–</b>	<b>134 351</b>	<b>–</b>	<b>147 141</b>
	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>30.5 Dividends paid</b> <small>[GRI 201-1]</small>				
Total dividends paid to ordinary shareholders	41 492	40 694	41 492	42 449

Notice is hereby given that a final dividend of 15 cents (2019: 30 cents) per ordinary share for the year ended 30 June 2020 has been declared by the Board of Directors of the Company.

The salient dates applicable to the final dividend are as follows:

Last day of trade "cum" dividend	Tuesday, 10 November 2020
First day to trade "ex" dividend	Wednesday, 11 November 2020
Record date	Friday, 13 November 2020
Payment date	Monday, 16 November 2020

No share certificates may be dematerialised or rematerialised between Wednesday, 11 November 2020 and Friday, 13 November 2020, both days inclusive.

Dividends are to be paid out of distributable reserves. Dividends Tax of 20% will be withheld in terms of the Income Tax Act for those shareholders who are not exempted from Dividends Tax. In accordance with paragraphs 11.17(1)(a)(i) and (ix) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- ▶ The gross local dividend amount is 15 cents per ordinary share for shareholders exempt from Dividends Tax;
- ▶ The net local dividend amount is 12,00000 cents per ordinary share for shareholders liable to pay Dividends Tax;
- ▶ Alviva has 136 317 746 ordinary shares in issue at the date of the declaration (which includes 7 180 750 treasury shares of which all shares constitute FSP shares); and
- ▶ Alviva's income tax reference number is 9675/146/71/7.

Where applicable, payment in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, payment cheques will be posted to certificated shareholders at their risk on the payment date. Shareholders who have dematerialised their shares will have their accounts at their Central Securities Depository Participant or broker credited on the payment date.

# Notes to the financial statements

continued

for the year ended 30 June 2020

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>STATEMENT OF CASH FLOWS</b>				
<b>31. CASH GENERATED FROM OPERATIONS</b>				
Profit before tax	211 563	536 724	478 721	434 694
<i>Adjusted for</i>				
Finance income	(50 666)	(52 059)	(42)	(35)
Dividends received (included as revenue)	–	–	(459 524)	(456 213)
Finance costs	227 640	185 108	–	–
<b>Non-cash flow items</b>	<b>396 446</b>	<b>209 426</b>	<b>(19 155)</b>	<b>21 227</b>
Depreciation and amortisation	319 082	190 011	–	–
Loss on derecognition of investment	–	–	–	25 274
Gain on remeasurement of contingent consideration	(23 869)	(45 270)	(9 000)	–
Foreign exchange losses on contingent consideration	6 162	–	–	–
Profit on disposal of property, plant and equipment	(1 611)	(609)	–	–
Loss on disposal of subsidiary	–	32 141	–	–
Equity-settled share-based payment expense/(income)	20 458	9 943	(10 155)	(4 047)
Impairment loss on goodwill	49 563	–	–	–
Impairment loss on loan to equity-accounted investee	27 990	23 210	–	–
Debt forgiveness relief on leases	(1 242)	–	–	–
Other non-cash flow items	(87)	–	–	–
<b>Changes in working capital</b>	<b>1 016 060</b>	<b>(604 123)</b>	<b>139</b>	<b>153</b>
Increase in inventories	(191 439)	(272 361)	–	–
Decrease/(increase) in trade and other receivables	335 702	(726 605)	–	–
Increase in trade and other payables	802 715	443 431	139	153
Increase/(decrease) in contract liabilities	69 082	(48 588)	–	–
	<b>1 801 043</b>	<b>275 076</b>	<b>139</b>	<b>(174)</b>

# Notes to the financial statements

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for the year ended 30 June 2020

## 32. CASH FLOWS FROM FINANCING ACTIVITIES ANALYSIS

The changes in the Company's cash flows from financing activities can be categorised as follows:

	Group		
	Non-cash movements R'000	Cash movements R'000	Total R'000
<b>2020</b>			
<b>Description of transaction</b>			
Interest-bearing liabilities raised	–	205 000	205 000
Interest-bearing liabilities repaid	–	(60 967)	(60 967)
Non-interest-bearing liabilities repaid	–	(57 724)	(57 724)
Repurchase of shares	–	(102 194)	(102 194)
Treasury shares acquired	–	(10 378)	(10 378)
Transactions with non-controlling interests	–	(25 465)	(25 465)
Acquisition of non-controlling interest without the loss of control	–	(15 000)	(15 000)
Dividends paid to non-controlling interests	–	(10 465)	(10 465)
Dividends paid to shareholders	–	(41 492)	(41 492)
	–	(93 220)	(93 220)
<b>2019</b>			
<b>Description of transaction</b>			
Interest-bearing liabilities raised	–	96 464	96 464
Interest-bearing liabilities repaid	–	(8 331)	(8 331)
Non-interest-bearing liabilities repaid	–	(68 679)	(68 679)
Repurchase of shares	–	(150 790)	(150 790)
Treasury shares acquired	–	(36 020)	(36 020)
Transactions with non-controlling interests	–	(58 794)	(58 794)
Acquisition of non-controlling interest without the loss of control	–	(48 559)	(48 559)
Dividends paid to non-controlling interests	–	(10 235)	(10 235)
Dividends paid to shareholders	–	(40 694)	(40 694)
	–	(266 844)	(266 844)

None of the movements within the cash flows from financing activities in the statement of cash flows are attributable to non-cash transactions.

# Notes to the financial statements

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for the year ended 30 June 2020

## 32. CASH FLOWS FROM FINANCING ACTIVITIES ANALYSIS (continued)

	Company		
	Non-cash movements R'000	Cash movements R'000	Total R'000
<b>2020</b>			
<b>Description of transaction</b>			
Repurchase of shares	–	(102 195)	(102 195)
Dividends paid to shareholders	–	(41 492)	(41 492)
	–	(143 687)	(143 687)
<b>2019</b>			
<b>Description of transaction</b>			
Repurchase of shares	–	(270 142)	(270 142)
Group loans raised	–	41 681	41 681
Dividends paid to shareholders	–	(42 449)	(42 449)
	–	(270 910)	(270 910)

None of the movements within the cash flows from financing activities in the statement of cash flows are attributable to non-cash transactions.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>33. NORMAL TAX PAID</b>				
Net tax payable/(receivable) at beginning of the period	67	(15 483)	–	–
Tax liability acquired through business combinations	2 117	548	–	–
Normal tax	114 525	187 200	12	9
Securities transfer tax	–	134	–	–
Non-residents shareholders' tax	134	–	–	–
Net tax (payable)/receivable at end of the period	(1 107)	(67)	(7)	–
Tax receivable at end of the period	18 418	14 096	–	–
Tax payable at end of the period	(19 525)	(14 163)	(7)	–
	115 736	172 331	5	9

# Notes to the financial statements

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for the year ended 30 June 2020

	Notes	Group	
		2020 R'000	2019 R'000
<b>34. NON-CONTROLLING INTERESTS</b>			
Balance at 1 July		70 183	89 313
Share of profit		(11 849)	(3 642)
Acquisition of subsidiaries (business combinations) with NCI		58 428	20 674
Acquisition of NCI without change in control		(6 326)	(25 927)
Dividends paid		(10 465)	(10 235)
Balance at 30 June		99 971	70 183

NCIs at the reporting date are summarised below :

		Group – 2020						
Name of subsidiary	Segment	Proportion of ownership interests and voting rights held by NCI %	Opening balance R'000	Profit/ (loss) allocated to NCI R'000	Acquisition of NCI through business combinations R'000	Acquisition of NCI through share acquisitions R'000	Dividends paid R'000	Total NCI R'000
Solareff Proprietary Limited	Services and Solutions	49,0	13 084	1 280	–	–	–	14 364
Parcea Computing Proprietary Limited	Group Central Services	49,0	655	(656)	–	–	–	(1)
GridCars Proprietary Limited	Services and Solutions	61,8	(3 633)	(1 472)	–	–	–	(5 105)
Sintrex Integration Systems Proprietary Limited	Services and Solutions	24,7	21 987	(981)	–	–	(4 840)	16 166
DG Store (SA) Proprietary Limited	Services and Solutions	20,0	22 513	7 357	–	(6 326)	(5 625)	17 919
Merlynn Intelligence Technologies Proprietary Limited	Services and Solutions	35,0	15 577	(8 015)	–	–	–	7 562
SynergERP Proprietary Limited	Services and Solutions	30,0	–	(2 371)	21 374	–	–	19 003
SynergERP Limited - DWC LLC	Services and Solutions	49,0	–	(6 991)	20 934	–	–	13 943
SynergERP Limited - UK ("Synerg UK")	Services and Solutions	49,0	–	–	16 120	–	–	16 120
<b>Total</b>			70 183	(11 849)	58 428	(6 326)	(10 465)	99 971

# Notes to the financial statements

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for the year ended 30 June 2020

## 34. NON-CONTROLLING INTERESTS (continued)

		Group – 2019						
Name of subsidiary	Segment	Proportion of ownership interests and voting rights held by NCI %	Opening balance R'000	Profit/ (loss) allocated to NCI R'000	Acquisition of NCI through business combinations R'000	Acquisition of NCI through share acquisitions R'000	Dividends paid R'000	Total NCI R'000
Solareff Proprietary Limited	Services and Solutions	49,0	18 469	(5 385)	–	–	–	13 084
Parcea Computing Proprietary Limited	Group Central Services	49,0	471	184	–	–	–	655
GridCars Proprietary Limited	Services and Solutions	61,8	(1 586)	(2 047)	–	–	–	(3 633)
Sintrex Integration Systems Proprietary Limited	Services and Solutions	24,7	40 987	3 312	–	(19 577)	(2 735)	21 987
Obscure Enterprises Proprietary Limited	ICT Distribution	0,0	7 244	(894)	–	(6 350)	–	–
DG Store (SA) Proprietary Limited	Services and Solutions	30,0	23 728	6 285	–	–	(7 500)	22 513
Merlynn Intelligence Technologies Proprietary Limited	Services and Solutions	35,0		(5 097)	20 674	–	–	15 577
<b>Total</b>			89 313	(3 642)	20 674	(25 927)	(10 235)	70 183

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 34. NON-CONTROLLING INTERESTS (continued)

### Summary of financial information of subsidiaries with material non-controlling interests

The following table summarises the information relating to subsidiaries that have material NCIs before any intra-Group eliminations:

	Sintrex Integration Systems Proprietary Limited	
	2020	2019
	12 months ended 30 June 2020 R'000	12 months ended 30 June 2019 R'000
<b>NCI percentage (%)</b>	<b>24,69</b>	24,69
Non-current assets	59 079	13 014
Current assets	36 680	51 468
Non-current liabilities	(35 623)	(279)
Current liabilities	(15 602)	(11 800)
<b>Net assets</b>	<b>44 534</b>	52 403
Net assets attributable to NCI	10 995	39 465
Revenue	115 315	141 297
Profit for the period	11 733	27 636
<b>Total comprehensive income for the period</b>	<b>11 733</b>	27 636
Profit attributable to NCI	2 897	6 823
Cash flows from operating activities	(8 718)	43 477
Cash flows from investing activities	(19 227)	26 763
Cash flows from financing activities	(601)	(7 729)
<b>Net movement in cash and cash equivalents</b>	<b>(28 546)</b>	62 511

# Notes to the financial statements

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## 34. NON-CONTROLLING INTERESTS (continued)

	DG Store SA Proprietary Limited	
	2020	2019
	12 months ended 30 June 2020 R'000	12 months ended 30 June 2019 R'000
NCI percentage (%)	20,00	30,00
Non-current assets	6 507	5 767
Current assets	484 717	214 581
Non-current liabilities	–	–
Current liabilities	(412 041)	(164 994)
<b>Net assets</b>	<b>79 183</b>	<b>55 354</b>
Net assets attributable to NCI	15 837	16 606
Revenue	1 248 982	1 152 099
Profit for the period	42 197	32 730
<b>Total comprehensive income for the period</b>	<b>42 197</b>	<b>32 730</b>
Profit attributable to NCI	8 439	9 819
Cash flows from operating activities	161 212	31 984
Cash flows from investing activities	(2 942)	(295)
Cash flows from financing activities	(1 322)	(16 966)
<b>Net movement in cash and cash equivalents</b>	<b>156 948</b>	<b>14 723</b>



# Notes to the financial statements

continued

for the year ended 30 June 2020

## 34. NON-CONTROLLING INTERESTS (continued)

	SynergERP Proprietary Limited	
	2020	2019
	12 months ended 30 June 2020 R'000	4 months ended 30 June 2019 R'000
<b>NCI percentage (%)</b>	<b>30,00</b>	30,00
Non-current assets	1 955	2 156
Current assets	33 262	24 228
Non-current liabilities	–	(98)
Current liabilities	(20 103)	(11 053)
<b>Net assets</b>	<b>15 114</b>	15 233
Net assets attributable to NCI	4 534	4 570
Revenue	33 467	73 511
(Loss)/profit for the period	(119)	9 014
<b>Total comprehensive income for the period</b>	<b>(119)</b>	9 014
Profit attributable to NCI	(36)	2 704
Cash flows from operating activities	1 882	7 186
Cash flows from investing activities	(2 212)	(2 449)
Cash flows from financing activities	622	(900)
<b>Net movement in cash and cash equivalents</b>	<b>292</b>	3 837

As per management's judgement, none of the other NCI are considered to be material. These NCIs amounted to a total of R46,9 million (2019: R60,1 million) at the reporting date.

### 34.1 DG Store SA Proprietary Limited ("DG")

On 1 November 2019, Alviva, through its subsidiary company Datacentrix Holdings Proprietary Limited, acquired an additional 10% of the issued share capital of DG for an amount of R15 million, thereby increasing its shareholding in DG to 80%.

# Notes to the financial statements

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for the year ended 30 June 2020

## 35. BUSINESS COMBINATIONS

### 35.1 SynergERP Proprietary Limited (“Synerg SA”)

On 1 July 2019, Alviva, through its subsidiary DCT Holdings Proprietary Limited, acquired 70% of the issued share capital of Synerg SA for a maximum purchase consideration of R109 million.

Synerg SA enables businesses to leverage software in order to achieve operational efficiency in all areas of a business, from operations to human capital. The business was established in 1993 and has been a Sage Reseller for over 25 years. Synerg SA has earned Platinum reseller status and has been recognised as a top performing partner for three consecutive years – 2016, 2017 and 2018.

The business is currently dedicated to the Enterprise Management Software suite (also known as Sage X3 and Sage X3 People) and supports global organisations through its offices in South Africa. The business is invested in the Sage Enterprise product stack and has one of the largest complements of certified consultants in Africa. As a business, they are closely aligned with Sage and Sage’s growth areas, enabling them to stay up to date with the latest initiatives and focus areas.

In the twelve months to the reporting date, Synerg SA contributed revenue of R79 million and profit of R5 million to the Group’s results. The acquisition contributed to the Group’s revenue and profit for a full reporting period.

An amount of R55 million was paid in cash by way of electronic transfer during July 2019 and the balance of R14 million during May 2020 (contingent consideration).

The final payment was based on the audited results of the company for their year ended 31 December 2019.

The transaction meets the definition of a business combination as set out in IFRS 3: *Business Combinations*.

# Notes to the financial statements

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for the year ended 30 June 2020

## 35. BUSINESS COMBINATIONS (continued)

### 35.1 SynergERP Proprietary Limited ("Synerg SA") (continued)

The fair value of the identifiable assets and liabilities included in the consolidated results of the Group on the date of acquisition, compared to the carrying amounts of the identifiable assets and liabilities recognised in the accounting records of the acquiree immediately before the acquisition, was as follows:

	Fair value recognised at acquisition date R'000	Previously recognised carrying amounts by acquiree R'000
Property, plant and equipment	810	810
Intangible asset: customer relationship	85 360	–
Investments	–	2 258
Deferred tax	1 803	1 803
Trade and other receivables	16 417	16 417
Cash and cash equivalents	5 944	5 944
<b>Total assets</b>	<b>110 334</b>	<b>27 232</b>
Trade and other payables	(12 546)	(12 546)
Contract liabilities	(42)	(42)
Interest-bearing liabilities	(482)	(482)
Current tax liabilities	(2 117)	(2 117)
Deferred tax on intangible asset: customer relationship	(23 901)	–
<b>Total liabilities</b>	<b>(39 088)</b>	<b>(15 187)</b>
<b>Identifiable net assets</b>	<b>71 246</b>	<b>12 045</b>
NCI	(21 374)	
<b>Acquirer's interest</b>	<b>49 872</b>	
Purchase consideration	68 800	
<b>Goodwill on acquisition</b>	<b>18 928</b>	
<b>The impact of the acquisition on the statement of cash flows was as follows:</b>		
Consideration to be settled in cash	55 419	
Cash and cash equivalents acquired	5 944	
<b>Net cash outflow from acquisition</b>	<b>49 475</b>	

At 31 December 2019, management estimated the purchase price as R76 million and reported a contingent consideration of R21 million. During the measurement period, it came to light that the ECL amount on which the estimate was based, had been incorrectly calculated. The purchase consideration was subsequently adjusted to R69 million. This is seen as a change within the measurement period and not information which was obtained post the finalisation of the acquisition and goodwill had been adjusted accordingly.

The fair value of the trade and other receivables acquired represents the future contractual amounts receivable due to the fact that none of the trade and other receivables extends beyond the contract term. Management is of the opinion that all outstanding trade and other receivables are recoverable.

The non-controlling interest related to the business combination was measured at the proportionate share of the recognised amounts of the acquiree's net identifiable assets.

The goodwill of this business combination will have no impact on the current tax asset or liability of the acquirer or acquiree.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 35. BUSINESS COMBINATIONS (continued)

### 35.2 SynergERP Limited – DWC LLC (“Synerg DWC”)

On 1 November 2019, Alviva, through its subsidiary Alviva International Investments Proprietary Limited, acquired 51% of the issued share capital of Synerg DWC for a maximum purchase consideration of R53 million.

Synerg DWC enables businesses to leverage software in order to achieve operational efficiency in all areas of a business, from operations to human capital. The business is dedicated to the Enterprise Management Software suite (also known as Sage X3 and Sage X3 People) and is invested in the Sage Enterprise product stack. Synerg DWC was incorporated to take the SynergERP South Africa service compliment to the UAE and international. As a business, they are closely aligned with Sage and Sage’s strategic growth areas, enabling them to stay up to date with the latest initiatives and focus areas.

In the eight months to the reporting date, Synerg DWC contributed revenue of R3 million and a loss of R147 thousand to the Group’s results. If the acquisition had occurred at the beginning of the reporting period, the company would have contributed revenue of R5 million and a loss of R420 thousand to the Group’s results.

The full consideration will be calculated based on Synerg DWC’s audited results for their year ending 30 June 2022. An amount of R24 million has been recognised as contingent consideration included on non-interest-bearing liabilities, based on preliminary calculations.

The transaction meets the definition of a business combination as set out in IFRS 3: *Business Combinations*.

The fair value of the identifiable assets and liabilities included in the consolidated results of the Group on the date of acquisition, compared to the carrying amounts of the identifiable assets and liabilities recognised in the accounting records of the acquiree immediately before the acquisition, was as follows:

	Fair value recognised at acquisition date R'000	Previously recognised carrying amounts by acquiree R'000
Intangible asset: customer relationship	42 672	–
Trade and other receivables	999	999
Cash and cash equivalents	545	545
<b>Total assets</b>	<b>44 216</b>	<b>1 544</b>
Interest-bearing liabilities	(1 387)	(1 387)
Trade and other payables	(106)	(106)
<b>Total liabilities</b>	<b>(1 493)</b>	<b>(1 493)</b>
<b>Identifiable net assets</b>	<b>42 723</b>	<b>51</b>
NCI	(20 934)	
<b>Acquirer’s interest</b>	<b>21 789</b>	
Purchase consideration	24 290	
<b>Goodwill on acquisition</b>	<b>2 501</b>	
<b>The impact of the acquisition on the statement of cash flows was as follows:</b>		
Consideration to be settled in cash	–	
Cash and equivalents at acquisition date	545	
<b>Net cash inflow from acquisition</b>	<b>545</b>	

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 35. BUSINESS COMBINATIONS (continued)

### 35.2 SynergERP Limited – DWC LLC (“Synerg DWC”) (continued)

The fair values have been determined on a provisional basis. If any new information obtained within a year from the acquisition date about the facts and circumstances that existed at the acquisition date, identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, the acquisition accounting will be revised.

The fair value of the trade and other receivables acquired represents the future contractual amounts receivable due to the fact that none of the trade and other receivables extends beyond the contract term. Management is of the opinion that all outstanding trade and other receivables are recoverable.

The non-controlling interest related to the business combination was measured at the proportionate share of the recognised amounts of the acquiree’s net identifiable assets.

The goodwill of this business combination will have no impact on the current tax asset or liability of the acquirer or acquiree.

### 35.3 SynergERP Limited – UK (“Synerg UK”)

On 1 November 2019, Alviva, through its subsidiary Alviva International Investments Proprietary Limited, acquired 51% of the issued share capital of Synerg UK for a maximum purchase consideration of R53 million.

Synerg UK enables businesses to leverage software in order to achieve operational efficiency in all areas of a business, from operations to human capital. The business is dedicated to the Enterprise Management Software suite (also known as Sage X3 and Sage X3 People) and is invested in the Sage Enterprise product stack. Synerg UK was incorporated to take the SynergERP South Africa service compliment to the UK and international. As a business, they are closely aligned with Sage and Sage’s strategic growth areas, enabling them to stay up to date with the latest initiatives and focus areas.

In the eight months to the reporting date, Synerg UK contributed revenue of R682 thousand and a loss of R504 thousand to the Group’s results. If the acquisition had occurred at the beginning of the reporting period, the company would have contributed revenue of R1 million and a loss of R1 million to the Group’s results.

The full consideration will be calculated based on Synerg UK’s audited results for their year ending 30 June 2022. An amount of R28 million has been recognised as contingent consideration included on non-interest-bearing liabilities, based on preliminary calculations.

The transaction meets the definition of a business combination as set out in IFRS 3: *Business Combinations*.

# Notes to the financial statements

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## 35. BUSINESS COMBINATIONS (continued)

### 35.3 SynergERP Limited – UK (“Synerg UK”) (continued)

The fair value of the identifiable assets and liabilities included in the consolidated results of the Group on the date of acquisition, compared to the carrying amounts of the identifiable assets and liabilities recognised in the accounting records of the acquiree immediately before the acquisition, was as follows:

	Fair value recognised at acquisition date R'000	Previously recognised carrying amounts by acquiree R'000
Intangible asset: customer relationship	43 982	–
Trade and other receivables	32	248
Cash and cash equivalents	311	6 095
<b>Total assets</b>	<b>44 325</b>	<b>6 343</b>
Interest-bearing liabilities	(2 647)	(2 647)
Deferred tax on intangible asset: customer relationship	(8 357)	
Trade and other payables	(423)	(423)
<b>Total liabilities</b>	<b>(11 427)</b>	<b>(3 070)</b>
<b>Identifiable net assets</b>	<b>32 898</b>	<b>3 273</b>
NCI	(16 120)	
<b>Acquirer's interest</b>	<b>16 778</b>	
Purchase consideration	27 840	
<b>Goodwill on acquisition</b>	<b>11 062</b>	
<b>The impact of the acquisition on the statement of cash flows was as follows:</b>		
Consideration to be settled in cash	–	
Cash and equivalents at acquisition date	311	
<b>Net cash inflow from acquisition</b>	<b>311</b>	

The fair values have been determined on a provisional basis. If any new information obtained within a year from the acquisition date about the facts and circumstances that existed at the acquisition date, identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, the acquisition accounting will be revised.

The fair value of the trade and other receivables acquired represents the future contractual amounts receivable due to the fact that none of the trade and other receivables extends beyond the contract term. Management is of the opinion that all outstanding trade and other receivables are recoverable.

The non-controlling interest related to the business combination was measured at the proportionate share of the recognised amounts of the acquiree's net identifiable assets.

The goodwill of this business combination will have no impact on the current tax asset or liability of the acquirer or acquiree.

#### Alignment of accounting policies

The individual company accounting policies of the acquirees are not aligned to the accounting policies of the Group. This will result in certain line items provided in this note, not reconciling to the notes of the Group, for example, that certain financial liabilities are recognised as trade and other payables.

# Notes to the financial statements

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## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

### 36.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In order to maintain or adjust the capital structure of the Group, the board of directors may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. This strategy has remained unchanged from the prior reporting period.

Externally imposed capital requirements are set out in notes 18 and 22 of the financial statements. The Group is not in breach of any of the capital requirements.

The debt to equity ratio of the Group is 61,8% (2019: 39,1%). The measure in terms of total debt for the Group excludes derivative financial liabilities, contract liabilities, deferred tax and current tax liabilities as well as trade and other payables when performing this calculation. The main contributing factors to the change of this ratio are related to the increase in the asset-backed facility and an additional term loan facility utilised to fund the Centrafin Proprietary Limited book (refer notes 22.3 and 22.4). Shareholders' equity reduced following various share repurchase transactions during the reporting period.

### 36.2 Estimation of fair values

The following summarises the valuation methods and assumptions used in estimating the fair values of financial instruments reflected in the tables below.

#### Financial assets at amortised cost

The carrying value of financial assets at amortised cost with a remaining life of less than 12 months reasonably approximates fair value due to the short-term period to maturity. The fair value of long-term receivables is calculated based on the present value of future principal and interest cash flows.

#### Financial liabilities at amortised cost

The carrying value of financial liabilities with a maturity of less than 12 months reasonably approximates fair value due to their short-term nature. For longer maturities fair value is calculated based on the present value of future principal and interest cash flows.

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

The fair value of financial liabilities that are not traded in an active market is determined using suitable valuation techniques.

#### Derivative financial instruments

The fair value of derivative financial instruments is based on observable inputs and unobservable inputs, within the valuation model, directly linked to the underlying instrument to which the derivative is linked.

#### Fair value hierarchy

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- ▶ **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ▶ **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ▶ **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the financial statements

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## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.2 Estimation of fair values (continued)

The following table presents the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

#### Financial assets

	Group		
	At amortised cost R'000	Total R'000	Fair value R'000
<b>2020</b>			
Finance lease receivables	854 521	854 521	1 075 235
Loan to associate	41 773	41 773	41 773
Cash and cash equivalents *	1 219 621	1 219 621	–
Trade and other receivables *	2 726 303	2 726 303	–
	<b>4 242 218</b>	<b>4 242 218</b>	<b>1 117 008</b>
<b>2019</b>			
Finance lease receivables	846 164	846 164	1 088 330
Loan to associate	88 119	88 119	88 119
Cash and cash equivalents *	124 546	124 546	–
Trade and other receivables *	3 093 357	3 093 357	–
	<b>4 152 186</b>	<b>4 152 186</b>	<b>1 176 449</b>

\* The carrying amount is a reasonable approximation of fair value. The financial instrument represents a financial instrument which is not measured at fair value on a recurring basis.



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## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT ((continued)

### 36.2 Estimation of fair values (continued)

#### Financial liabilities

	Group				
	Fair value hierarchy	At fair value through profit or loss R'000	At amortised cost R'000	Total R'000	Fair value R'000
<b>2020</b>					
Interest-bearing liabilities		–	1 088 633	1 088 633	1 088 633
Non-interest-bearing liabilities ***	Level 3	79 976	437	80 413	79 976
Trade and other payables *		–	3 509 141	3 509 141	–
Derivatives related to risk management **	Level 2	11 772	–	11 772	11 772
		91 748	4 598 211	4 689 959	1 180 381
<b>2019</b>					
Bank overdraft *		–	158 799	158 799	–
Interest-bearing liabilities		–	884 627	884 627	884 627
Non-interest-bearing liabilities ***	Level 3	89 898	437	90 335	90 335
Trade and other payables *		–	2 618 479	2 618 479	–
Derivatives related to risk management **	Level 2	24 827	–	24 827	24 827
		114 725	3 662 342	3 777 067	999 789

\* The carrying amount is a reasonable approximation of fair value. The financial instrument represents a financial instrument which is not measured at fair value on a recurring basis.

\*\* This liability is disclosed as part of the trade and other payables line item in the statement of financial position.

\*\*\* Contingent consideration is disclosed as part of non-interest-bearing liabilities.

Amounts disclosed in the tables above are exclusive of all statutory amounts payable or refundable from a legislative nature in relation to Value-Added Tax and prepayments that are not considered to be financial instruments.

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.2 Estimation of fair values (continued)

#### Financial assets

	Company		
	At amortised cost R'000	Total R'000	Fair value R'000
<b>2020</b>			
Loan to subsidiary	445 024	445 024	445 024
Cash and cash equivalents *	172	172	–
	445 196	445 196	445 024
<b>2019</b>			
Loan to subsidiary	197 688	197 688	197 688
Cash and cash equivalents *	495	495	–
	198 183	198 183	197 688

#### Financial liabilities

	Company				
	Fair value hierarchy	At fair value through profit or loss R'000	At amortised cost R'000	Total R'000	Fair value R'000
<b>2020</b>					
Trade and other payables *		–	1 744	1 744	–
		–	1 744	1 744	–
<b>2019</b>					
Non-interest-bearing liabilities **	Level 3	9 000	–	9 000	9 000
Trade and other payables *		–	1 605	1 605	–
		9 000	1 605	10 605	9 000

\* The carrying amount is a reasonable approximation of fair value. The financial instrument represents a financial instrument which is not measured at fair value on a recurring basis.

\*\* Contingent consideration is disclosed as part of non-interest-bearing liabilities.

Amounts disclosed in the tables above are exclusive of all statutory amounts payable or refundable from a legislative nature in relation to Value-Added Tax and prepayments that are not considered to be financial instruments.

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.2 Estimation of fair values (continued)

#### Measurement of fair values and valuation techniques

##### *Derivatives related to risk management (Level 2)*

The fair value of forward exchange contracts have been determined based on valuations obtained from the Group's bankers. The valuations are performed internally by each financial institution with internally specific inputs.

##### *Contingent consideration (Level 3)*

Refer to note 23.2 of the financial statements for the valuation technique and inputs used.

The Group did not have any other financial instruments measured at fair value on a recurring basis during the current or prior reporting periods.

### 36.3 Financial risk management objectives

Risks and related mitigating procedures are assessed by executives with assistance from line managers and employees on a continuous basis to ensure the safeguarding of the Group, its people, its assets and its businesses.

The Group has exposure to the following risks from its financial instruments:

- ▶ Market risk (including currency and interest rate risk)
- ▶ Credit risk
- ▶ Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and procedures for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included in the financial statement notes relating to the financial instrument concerned.

The Group's objective is to effectively manage each of the above risks associated with its financial instruments, in order to limit the Group's exposure as far as possible to any financial loss associated with these risks.

The Board is ultimately responsible and accountable for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks. The Board has established the Audit and Risk Committee, which is responsible for monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's business activities. The Group, through training and management standards and procedures, aims to develop a disciplined and structured control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.4 Foreign currency risk

The Group is exposed to foreign currency risk through the importation of merchandise. This risk is mitigated by entering into forward exchange contracts and by offsetting the risk against foreign currency receivables. The Group does not use forward exchange contracts for speculative purposes and does not apply hedge accounting. The adjustments to fair value are recognised in profit or loss. The Group varies its exposure depending on its view of the currency values, within acceptable risk parameters.

The fair value of forward exchange contracts have been determined based on inputs obtained from the Group's bankers.

The primary foreign currency (FC) to which the company is exposed is the US Dollar, Euro and the Pound Sterling.

	Group			
	Spot rate	Contract FC FC'000	Contract spot rate value R'000	Derivative liability* R'000
<b>2020</b>				
US Dollar	17,37	80 985	1 406 709	(10 581)
Euro	19,48	4 313	84 017	(1 191)
			1 490 726	(11 772)
<b>2019</b>				
US Dollar	14,14	68 695	971 347	(24 768)
Euro	16,10	19	306	(26)
GBP	17,99	85	1 529	(33)
			973 182	(24 827)

\* This liability is disclosed as part of trade and other payables in the statement of financial position.

### 36.5 Foreign currency sensitivity

The following table indicates the Group's sensitivity at reporting date to the indicated movements in foreign exchange on financial instruments including forward (foreign) exchange contracts. The rates of sensitivity are the rates used when reporting the currency risk to the Group and represents management's assessment of the possible change in reporting foreign currency exchange rates. The Group is exposed to movements in the exchange rates related to the Pound Sterling, Euro and the US Dollar. Based on the risk profile of the Group at the reporting date, the foreign currency sensitivity is performed only in relation to the US Dollar as this is the main foreign currency to which the Group has significant exposure.

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.5 Foreign currency sensitivity (continued)

	Group				
	USD 1:	R14,87 R'000	R15,87 R'000	R18,86 R'000	R19,86 R'000
<b>2020</b>					
Effect on profit or loss in relation to foreign exchange *		5 814	6 205	7 374	7 764

The sensitivity for the current period is performed excluding the specific foreign exchange loss recognised in relation to the contingent consideration. The current period sensitivity is based on a more volatile change in exchange rate than in the prior reporting period owing to the volatility of the exchange rate experienced related to the COVID-19 pandemic.

	Group				
	USD 1:	R 13,14 R'000	R 13,64 R'000	R 14,64 R'000	R 15,14 R'000
<b>2019</b>					
Effect on profit or loss in relation to foreign exchange *	–	(571)	(285)	285	571

\* Effect on equity is equal to the effect on profit or loss (excluding tax effects thereon).

### 36.6 Interest rate risk management

The Group's exposure to interest rate risk is on a floating rate basis. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments were:

	Group	
	2020 R'000	2019 R'000
Interest-bearing financial assets	854 521	846 164
Interest-bearing financial liabilities	(1 088 633)	(884 627)
Cash and cash equivalents	1 219 621	(34 253)
	985 509	(72 716)

#### Cash flow sensitivity analysis linked to interest rate risk

A change of 200 basis points (2019: 25 points) in interest rates at the reporting date would have increased/decreased profit or loss by the amounts shown below. This analysis assumes that the other variables remain constant and is based on closing balances compounded annually. The current period sensitivity is based on a more volatile change in interest rate than in the prior reporting period owing to the recent major changes to the South African prime rate.

	Group	
	2020 R'000	2019 R'000
Impact on profit or loss for the reporting period *	19 710	(182)

\* Effect on equity is equal to the effect on profit or loss (excluding tax effects thereon).

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The credit risk is concentrated in the Group's trade receivables and cash and equivalents.

The carrying amounts of financial assets represent the maximum credit exposure.

#### Summary of impairment losses recognised in profit or loss

The following table provides a summary of the impairment losses on financial assets recognised in profit or loss during the reporting period:

	Group	
	2020 R'000	2019 R'000
Impairment loss on trade receivables and finance lease receivables	30 557	37 361
Impairment loss on loan to equity-accounted investee	27 990	23 210
	58 547	60 571

#### Trade receivables and lease receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

The major contributing subsidiary within the Financial Services segment, Centrafin Proprietary Limited, requires collateral to be provided as part of any lease receivable contract. In addition to the collateral required, the company requires bank references and credit rating information as part of the application process for each lease contract.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of up to one to two months for customers. In some instances, the standard payment period may be extended with specific approval.

The Group has a limited history of exposure to write-offs in relation to customer accounts. More so, although the Group is continuously expanding its footprint and client base, the Group has credit histories on many of the significant customers dealing with the Group on a recurring basis. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

The Group is monitoring the economic environment in Zimbabwe and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. The Group does not deal with customers in any other countries which are considered to have a current volatile economic environment.

The Group requires collateral in respect of trade receivables in extraordinary circumstances and in respect of all lease contracts for lease receivables. The Group does not have trade- or lease receivables for which no loss allowance is recognised because of collateral.

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

#### Exposure to credit risk by geographic region

At the reporting date, the exposure to credit risk for trade and lease receivables by geographic region was as follows:

	2020 R'000		2019 R'000	
	Trade receivables	Lease receivables	Trade receivables	Lease receivables
<b>Geographic region</b>				
South Africa	2 544 506	873 763	2 858 105	881 635
Africa	340 052	–	345 990	–
Other	1 145	–	367	–
	<b>2 885 703</b>	<b>873 763</b>	<b>3 204 462</b>	<b>881 635</b>

#### Exposure to credit risk by type of counterparty

At the reporting date, the exposure to credit risk for trade and lease receivables by type of counterparty was as follows:

	2020 R'000		2019 R'000	
	Trade receivables	Lease receivables	Trade receivables	Lease receivables
<b>Type of counterparty</b>				
Large corporations or enterprises	1 198 946	230	1 404 233	1 425
SMME type enterprises or similar	1 187 428	872 051	1 197 504	875 312
Foreign	333 069	–	346 357	–
Government, parastatals and municipalities	166 260	1 482	256 368	4 898
	<b>2 885 703</b>	<b>873 763</b>	<b>3 204 462</b>	<b>881 635</b>

The majority of trade receivables are concentrated in the “Large corporations or enterprises” and “SMME type enterprises or similar” categories based on the strategic model of the Group whereby the Group enters into contracts with customers within both categories. The various distribution status of suppliers held by the Group allows the Group to deal with large corporations or enterprises. The majority of the lease book is concentrated in the “SMME type enterprise or similar” category as is expected from the Group’s strategic lease model. Both these categories are considered to indicate a lower level credit risk exposure to the Group.

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

#### Exposure to overall credit risk based on internally designated credit ratings

At the reporting date, the exposure to overall credit risk based on internal credit ratings for trade receivables and lease receivables was as follows:

	Group			
	Trade receivables		Lease receivables	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>Type of counterparty</b>				
Credit rating of at least substandard risk (level 3)	2 560 725	2 947 394	860 694	856 028
Other customers:				
– Higher risk with a credit rating of at least high risk (level 4)	324 978	257 068	13 069	25 607
<b>Total gross carrying amount</b>	<b>2 885 703</b>	<b>3 204 462</b>	<b>873 763</b>	<b>881 635</b>
Loss allowance	(159 400)	(111 105)	(19 242)	(35 471)
	<b>2 726 303</b>	<b>3 093 357</b>	<b>854 521</b>	<b>846 164</b>

Based on the credit policy of the Group, it is clear that the stringent requirements and policies results in a majority of the trade- and lease receivables being classified as at least a “substandard risk” or lower risk level during the reporting period. Trade- and lease receivables of 89% (2019: 92%) and 98% (2019: 97%), respectively, were rated as a Level 3 or lower based on the Group’s internal grading system which is indicative of a low level exposure to credit risk.

Based on the credit approval process of the Group, the Group does not have any trade and lease receivables which are regarded to have been credit-impaired on initial recognition.

#### Expected credit loss (ECL) assessment

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are internally defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by customer type and geographic region and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

The Group has external insurance in place against the loss of certain customers. The insured amounts are considered when calculating the ECLs for the various customers.

ECL rates are based on actual credit loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.



# Notes to the financial statements

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## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

#### Trade receivables

The following tables present the ECL rates of the Group having applied all factors as discussed above.

The ECL rates in the model are presented as a range as each risk grade has various ECL rates assigned to the type of customer as set out above.

#### Loss ratings model 2020

Risk grades	Internal rating level	ECL rates at 30 June 2019 (Range %)	Forward-looking adjustment (Range %)	ECL rates at 30 June 2020 (Range %)
Low risk	Level 1	0,10 to 0,25	0,00	0,10 to 0,25
Fair risk	Level 2	2,00 to 3,50	0,03 to 0,04	2,03 to 3,54
Substandard risk	Level 3	4,00 to 15,00	0,05 to 0,19	4,05 to 15,19
High risk	Level 4	20,00 to 40,00	0,25 to 0,51	20,25 to 40,51
Doubtful	Level 5	80,00	1,02	81,02
In default, i.e., loss	Level 6	100,00	0,00	100,00

The loss ratings at the previous reporting date were adjusted for forward-looking information by increasing these ratios with a factor of 1,27%. This factor was determined using macro-economic factors and a weighting as indicated below.

#### Macro-economic factors considered

Factors considered	Weighting assigned	Weighted adjustment
CPI Index *	20,00	0,46
Inflation *	20,00	0,57
Interest rates *	15,00	(4,39)
Moody's ratings **	12,50	1,25
GDP growth **	12,50	0,01
COVID-19 pandemic ***	20,00	3,37
<b>Forward-looking factor</b>		<b>1,27</b>

\* Direct impact on operations in terms of product prices and spend of customers.

\*\* Indirect impact as this is representative of the economy as a whole.

\*\*\* Adjusted indirect impact as a result of the COVID-19 pandemic.

# Notes to the financial statements

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## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

#### Loss ratings model 2019

Risk grades	Internal rating level	Historical ECL rates (Range %)	Forward-looking adjustment (Range %)"	ECL rates at 30 June 2019 (Range %)
Low risk	Level 1	0,10 to 0,25	0,00	0,10 to 0,25
Fair risk	Level 2	1,93 to 3,38	0,07 to 0,12	2,00 to 3,50
Substandard risk	Level 3	3,86 to 14,48	0,14 to 0,52	4,00 to 15,00
High risk	Level 4	19,31 to 38,62	0,69 to 1,38	20,00 to 40,00
Doubtful	Level 5	77,24	2,76	80,00
In default, i.e., loss	Level 6	100,00	0,00	100,00

The loss ratings at the previous reporting date were adjusted for forward-looking information by increasing these ratios with a factor of 3,58%. This factor was determined using macro-economic factors and a weighting as indicated below.

#### Macro-economic factors considered

Factors considered	Weighting assigned	Weighted adjustment
CPI Index *	25,00	0,60
Inflation *	25,00	1,12
Interest rates *	20,00	0,50
Moody's ratings **	15,00	1,50
GDP growth **	15,00	( 0,14)
<b>Forward-looking factor</b>		<b>3,58</b>

\* Direct impact on operations in terms of product prices and spend of customers.

\*\* Indirect impact as this is representative of the economy as a whole.

# Notes to the financial statements

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## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

The following tables provide information about the exposure to credit risk and ECLs for trade receivables for customers as at the reporting date based on the simplified approach adopted by management in the ECL assessment.

Risk grade	2020				
	Internal credit rating level	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit-impaired
Low risk	Level 1	0 *	1 888 154	1 467	No
Fair risk	Level 2	2	542 296	10 481	No
Substandard risk	Level 3	5	130 274	7 137	No
High risk	Level 4	38	48 345	18 257	No
Doubtful	Level 5	71	28 683	20 428	Yes
In default, i.e., loss	Level 6	41	247 951	101 630	Yes
			2 885 703	159 400	

\* This percentage has been rounded. The weighted average loss rate is 0,1%.

Risk grade	2019				
	Internal credit rating level	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit-impaired
Low risk	Level 1	0 *	2 002 725	5 686	No
Fair risk	Level 2	1	840 428	9 492	No
Substandard risk	Level 3	5	104 241	4 907	No
High risk	Level 4	31	37 472	11 563	No
Doubtful	Level 5	75	9 057	6 787	Yes
In default, i.e., loss	Level 6	35	210 539	72 670	Yes
			3 204 462	111 105	

\* This percentage has been rounded. The weighted average loss rate is 0,3%.

Based on the grading in conjunction with the Group's credit policy, it is clear that 85% (2019: 89%) of the total trade receivable balances is graded as either a low risk or a fair risk. This supports the effectiveness of the rigid credit policy and approval process implemented by the Group. It is clear that 9% (2019: 7%) of the trade receivables have been graded as in default or a level 6 for which the Group has adequate insurance. The weighted average loss rates are aligned to the Group's ECL model.

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

#### Movements in the allowance for credit losses in respect of trade receivables

The Group assessed the intergroup trade receivables as being a low risk with default rate assigned to these specific receivables based on the fact that the Group, through its formal treasury function, provides financial guarantees for the total outstanding balances of all intergroup balances which limits any form of non-performance resulting in no exposure to the Group upon default by the related Group company.

The movement in the allowance for impairment in respect of trade receivables was as follows:

Description	Group	
	2020 R'000	2019 R'000
Balance at 1 July	111 105	92 866
Acquired through business combination	1 509	–
Written off	–	–
Net remeasurement of loss allowance	46 786	18 239
Balance at 30 June	159 400	111 105

The Group did not identify any significant changes in the gross carrying amounts of trade receivables that contributed to the changes in the impairment loss allowance during the reporting periods.

#### Lease receivables

The following tables present the ECL rates of the Group having applied all factors as discussed earlier.

The ECL rates in the model are presented as a range as each risk grade has various ECL rates assigned to the type of customer as discussed earlier.

#### Loss ratings model 2020

Risk grades	Internal rating level	ECL rates at 30 June 2019 (Range %)	Forward-looking adjustment (Range %)	ECL rates at 30 June 2020 (Range %)
Low risk	Level 1	0,10 to 0,50	0,00	0,10 to 0,50
Fair risk	Level 2	0,50 to 3,00	0,00 to 0,02	0,50 to 3,02
Substandard risk	Level 3	3,00 to 40,00	0,02 to 0,25	3,02 to 40,25
High risk	Level 4	40,00 to 70,00	0,25 to 0,44	40,25 to 70,44
Doubtful	Level 5	70,00 to 100,00	0,44	70,44 to 100,00
In default, i.e., loss	Level 6	100,00	0,00	100,00

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

The loss ratings at the previous reporting date were adjusted for forward-looking information by increasing these ratios with a factor of 0,62%. This factor was determined using macro-economic factors and a weighting as indicated below.

#### Macro-economic factors considered

Factors considered	Weighting assigned	Weighted adjustment
CPI Index *	20,00	0,42
Inflation *	20,00	0,51
Interest rates *	15,00	(5,12)
Moody's ratings **	12,50	1,30
GDP growth **	12,50	0,01
COVID-19 pandemic ***	20,00	3,50
<b>Forward-looking factor</b>		<b>0,62</b>

\* Direct impact on operations in terms of product prices and spend of customers.

\*\* Indirect impact as this is representative of the economy as a whole.

\*\*\* Adjusted indirect impact as a result of the COVID-19 pandemic.

#### Loss ratings model 2019

Risk grades	Internal rating level	Historical ECL rates (Range %)	Forward-looking adjustment (Range %)	ECL rates at 30 June 2019 (Range %)
Low risk	Level 1	0,10 to 0,48	0,00 to 0,02	0,10 to 0,50
Fair risk	Level 2	0,48 to 2,90	0,02 to 0,10	0,50 to 3,00
Substandard risk	Level 3	2,90 to 38,63	0,10 to 1,37	3,00 to 40,00
High risk	Level 4	38,63 to 67,61	1,37 to 2,39	40,00 to 70,00
Doubtful	Level 5	67,61 to 100,00	2,39	70,00 to 100,00
In default, i.e., loss	Level 6	100,00	0,00	100,00

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

The loss ratings at the previous reporting date were adjusted for forward-looking information by increasing these ratios with a factor of 3,54%. This factor was determined using macro-economic factors and a weighting as indicated below.

#### Macro-economic factors considered

Factors considered	Weighting assigned	Weighted adjustment
CPI Index *	23,33	0,56
Inflation *	23,33	1,04
Interest rates *	23,34	0,58
Moody's ratings **	15,00	1,50
GDP growth **	15,00	(0,14)
<b>Forward-looking factor</b>		<b>3,54</b>

\* Direct impact on operations in terms of product prices and spend of customers.

\*\* Indirect impact as this is representative of the economy as a whole.

# Notes to the financial statements

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## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

The following tables provide information about the exposure to credit risk and ECLs for trade receivables for customers as at the reporting date based on the simplified approach adopted by management in the ECL assessment.

Risk grade	2020					
	Present value of minimum lease payments R'000	Internal credit rating level	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit-impaired
Low risk	640 225	Level 1	0 *	807 693	652	No
Fair risk	130 034	Level 2	0 **	158 377	748	No
Substandard risk	90 435	Level 3	4	108 936	4 358	No
High risk	9 176	Level 4	59	13 757	8 081	No
Doubtful	852	Level 5	84	1 959	1 648	Yes
In default, i.e., loss	3 041	Level 6	100	3 755	3 755	Yes
	873 763			1 094 477	19 242	

\* This percentage has been rounded. The weighted average loss rate is 0,1%.

\*\* This percentage has been rounded. The weighted average loss rate is 0,5%.

Risk grade	2019					
	Present value of minimum lease payments R'000	Internal credit rating level	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit-impaired
Low risk	667 638	Level 1	0 *	853 589	1 067	No
Fair risk	139 594	Level 2	3	179 070	4 584	No
Substandard risk	48 796	Level 3	4	59 064	2 355	No
High risk	6 498	Level 4	64	8 337	5 335	No
Doubtful	11 370	Level 5	89	14 105	12 523	Yes
In default, i.e., loss	7 739	Level 6	99	9 636	9 607	Yes
	881 635			1 123 801	35 471	

\* This percentage has been rounded. The weighted average loss rate is 0,1%.

Based on the grading in conjunction with the Group's credit policy, it is clear that 88% (2019: 92%) of the total lease receivables balance is graded as either a low risk or a fair risk. This supports the effectiveness of the rigid credit policy and approval process implemented by the Group. Only 0,5% (2019: 1%) of the lease receivables has been graded as in default or a level 6 (based on gross carrying amounts). The weighted average loss rates are aligned to the Group's ECL model.

The reason for the lower weighted average loss rate in the fair risk grading, in the current period, is a direct result of the decrease of the lease receivables with government, parastatals and municipalities, which are deemed to have a higher credit risk. The credit risk based on type of counterparty is disclosed earlier.

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

#### Movements in the allowance for credit losses in respect of lease receivables

The movement in the allowance for impairment in respect of lease receivables was as follows:

Description	Group	
	2020 R'000	2019 R'000
Balance at 1 July	35 471	20 732
Written off	–	–
Net remeasurement of loss allowance	(16 229)	14 739
Balance at 30 June	19 242	35 471

The Group did not identify any significant changes in the gross carrying amounts of lease receivables that contributed to the changes in the impairment loss allowance during the reporting periods.

#### Loans to Group companies

Impairment of loans to Group companies has been measured using the lifetime ECL model.

The Group considers all of the indicators within the ECL model when determining the credit risk associated with any loans to Group companies. The Group's assessment indicates that the loans to Group companies generally have a low credit risk based on the financial performance of the related Group company as well as the financial performance and ability of the related company to settle the outstanding balance. The Group also considers the historical default information as well as forward-looking information such as budgets and forecasts.

#### *Alviva Treasury Services Proprietary Limited*

Due to the considerations above and the application of these considerations in the ECL model, the Company did not recognise an impairment on the loan.

#### *Apex Business Solutions Proprietary Limited*

Due to the considerations above and the application of these considerations in the ECL model, the Group recognised an impairment on this specific loan. This loan was considered to have a high credit risk with a loss rate of 73% (cumulative) based on the company's financial performance which deteriorated in the current and prior reporting periods based on the non-performance of specific customers towards the latter parts of the reporting periods.

Refer to note 13.2 for the summarised financial information of the company. The company did not perform as expected in the current or prior reporting periods.



# Notes to the financial statements

continued

for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.7 Credit risk (continued)

#### Movements in the allowance for credit losses related to loans to Group companies

The movement in the allowance for impairment in respect of loans to Group companies was as follows:

Description	Group	
	2020 R'000	2019 R'000
Balance at 1 July	23 210	–
Net remeasurement of loss allowance	27 990	23 210
Balance at 30 June	51 200	23 210

#### Cash and equivalents

Impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures in terms of the general approach adopted by management.

The Group considers all of the indicators within the ECL model when determining the credit risk associated with cash and equivalents.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the financial institution combined with the fact that the institution is reputable within the economic environment (refer to note 18 of the financial statements) and the fact that none of the other indicators, considered in terms of the Group's ECL model indicated an increased credit risk. For this reason, no loss allowance has been recognised in relation to cash and equivalents during the current and prior reporting periods.

# Notes to the financial statements

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for the year ended 30 June 2020

## 36. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

### 36.8 Liquidity risk

The liquidity risk of the Group is managed by the Group treasury function which monitors the repayment and settlement terms of all internally and externally funded debt. From a Group perspective, financial assistance is available to Group companies to ensure that all repayment terms outside of the Group are adhered to by each company. Any internal funding is repayable to the intergroup lender only when funds are available.

Refer to note 18 of the financial statements for details of banking facilities available to the Group.

The maturity analysis of financial liabilities at the reporting date is set out in the table below. These amounts are gross and undiscounted, and include contractual interest payments.

	Group			
	Total R'000	Up to 3 months R'000	Between 3 to 12 months R'000	Between 1 to 5 years R'000
<b>2020</b>				
Interest-bearing liabilities **	1 252 877	121 231	211 283	920 362
Non-interest-bearing liabilities	80 413	7 584	–	72 829
Trade and other payables *	3 509 141	3 509 141	–	–
	4 824 431	3 637 956	211 283	993 191
<b>2019</b>				
Bank overdraft	158 799	158 799	–	–
Interest-bearing liabilities **	859 353	50 529	56 530	752 294
Non-interest-bearing liabilities	90 335	44 130	–	46 205
Trade and other payables *	2 618 479	2 618 479	–	–
	3 726 966	2 871 937	56 530	798 499

\* Accrued expenses that are not financial liabilities are excluded.

\*\* The interest-bearing liabilities represent all liabilities included in note 22 except all lease liabilities.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 37. DIRECTORS AND PRESCRIBED OFFICERS

	Direct Number	Indirect Number	Total Number	Total %
<b>37.1 Directors and prescribed officers' interest in the share capital of the Company</b>				
<b>2020</b>				
<b>Executive directors</b>				
P Spies	341 200	–	341 200	0,25
RD Lyon	440 700	280 000	720 700	0,53
<b>Non-executive director</b>				
A Tugendhaft	–	318 600	318 600	0,23
<b>Prescribed officer</b>				
JV Parkin	226 500	28 700	221 700	0,16
	<b>1 008 400</b>	<b>627 300</b>	<b>1 602 200</b>	<b>1,18</b>
<b>2019</b>				
<b>Executive director</b>				
RD Lyon	200 000	280 000	480 000	0,33
<b>Non-executive director</b>				
A Tugendhaft	–	218 600	218 600	0,15
<b>Prescribed officer</b>				
JV Parkin	193 000	28 700	221 700	0,15
	<b>393 000</b>	<b>527 300</b>	<b>920 300</b>	<b>0,63</b>

There have been no changes between the reporting date and the date of this report. The directors have no non-beneficial shareholdings.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 37. DIRECTORS AND PRESCRIBED OFFICERS (continued)

	Group						
	Basic salary R'000	Directors' fees R'000	Travel allowance R'000	Medical contributions R'000	Provident fund contributions R'000	Short-term incentive R'000	Total R'000
<b>37.2 Remuneration</b>							
<b>2020 [GRI 201-1]</b>							
<b>Executive directors</b>							
RD Lyon	3 048	–	96	66	390	–	3 600
P Spies	5 668	–	144	95	291	–	6 198
<b>Non-executive directors</b>							
A Tugendhaft	–	1 145	–	–	–	–	1 145
Ms MG Mokoka <sup>1</sup>	–	344	–	–	–	–	344
PN Masemola <sup>2</sup>	–	266	–	–	–	–	266
P Natesan <sup>3</sup>	–	600	–	–	–	–	600
SH Chaba	–	520	–	–	–	–	520
<b>Prescribed officer</b>							
JV Parkin	2 467	–	–	103	370	–	2 940
	<b>11 183</b>	<b>2 875</b>	<b>240</b>	<b>264</b>	<b>1 051</b>	<b>–</b>	<b>15 613</b>
<b>2019</b>							
<b>Executive directors</b>							
RD Lyon	2 303	–	96	61	360	1 606	4 426
P Spies	4 831	–	144	86	249	3 062	8 372
<b>Non-executive directors</b>							
A Tugendhaft	–	614	–	–	–	–	614
N Medupe <sup>4</sup>	–	277	–	–	–	–	277
P Natesan <sup>3</sup>	–	439	–	–	–	–	439
SH Chaba	–	299	–	–	–	–	299
<b>Prescribed officer</b>							
JV Parkin	2 350	–	–	94	352	1 272	4 068
	<b>9 484</b>	<b>1 629</b>	<b>240</b>	<b>241</b>	<b>961</b>	<b>5 940</b>	<b>18 495</b>

<sup>1</sup> Appointed as Independent Non-Executive Director and member of the Audit and Risk Committee and Remuneration Committee with effect from 29 July 2019.

<sup>2</sup> Appointed as Independent Non-Executive Director and member of the Social and Ethics Committee with effect from 29 July 2019.

<sup>3</sup> Appointed as Chairperson of the Audit and Risk Committee and resigned as member of the Social and Ethics Committee with effect from 29 July 2019.

<sup>4</sup> Resigned as Independent Non-Executive Director with effect from 31 May 2019.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 37. DIRECTORS AND PRESCRIBED OFFICERS (continued)

		Group	
		2020 R'000	2019 R'000
<b>37.3</b>	<b>Share awards</b>		
<b>37.3.1</b>	<b>Equity-settled share-based scheme</b>		
	Forfeitable Share Plan 1 Scheme	–	12 034
	Forfeitable Share Plan 2 Scheme	14 154	8 261
	Forfeitable Share Plan 3 Scheme	10 652	5 440
	Forfeitable Share Plan 4 Scheme	7 325	–
	Forfeitable Share Plan PS Scheme	1 716	–
		<b>33 847</b>	<b>25 735</b>

### Participation

Members of the Board and the prescribed officer accepted awards under the FSP schemes as follows:

#### Forfeitable Share Plan 1 Scheme

P Spies and RD Lyon, executive directors of the Board, accepted awards of 360 000 and 210 000 FSP shares, respectively.

JV Parkin, a prescribed officer, accepted an award of 50 000 FSP shares.

67% of the forfeitable shares that had been awarded under this scheme, vested during the reporting period and were committed in terms of the Minimum Shareholding Requirement Policy. (Refer to the Remuneration Committee Report).

#### Forfeitable Share Plan 2 Scheme

P Spies and RD Lyon, executive directors of the Board, accepted awards of 300 000 and 150 000 FSP shares, respectively.

JV Parkin, a prescribed officer, accepted an award of 50 000 FSP shares.

#### Forfeitable Share Plan 3 Scheme

P Spies and RD Lyon, executive directors of the Board, accepted awards of 300 000 and 150 000 FSP shares, respectively.

JV Parkin, a prescribed officer, accepted an award of 50 000 FSP shares.

#### Forfeitable Share Plan 4 Scheme

P Spies and RD Lyon, executive directors of the Board, accepted awards of 450 000 and 250 000 FSP shares, respectively.

JV Parkin, a prescribed officer, accepted an award of 100 000 FSP shares.

#### Forfeitable Share Plan PS Scheme

P Spies, Group CEO, accepted an award of 500 000 FSP shares.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 37. DIRECTORS AND PRESCRIBED OFFICERS (continued)

### 37.3 Share awards (continued)

#### Forfeitable Share Plan 2 Scheme ("FSP 2")

##### Overview of scheme

FSP 2 was introduced during the 2018 reporting period. The scheme was introduced to executives and senior management of the Group. At the grant date of the scheme each participant received the respective voting and dividend rights in relation to the listed shares held in the Company.

##### Vesting conditions

###### Service conditions

The service condition of the scheme is a period of three years of employment within the Group. Should the employment of the employee be terminated before this date, for any reason, the scheme rules apply and the transfer of ownership is not automatically forfeited.

###### Performance conditions

The performance conditions are based on the return on equity, core earnings per share and total shareholder return of the Company over the service condition period.

##### Valuation of the scheme

The Black Scholes Option Valuation Methodology was applied in valuing of the scheme with the various inputs set out below:

Risk free rate	The zero-coupon bond curve interest rate was used for each grant date in determining this rate.
Volatility	The historical Company share price was used to compute daily volatility which was then annualised. The percentage used in the valuation was 40,4% (2019: 37,6%).
Vesting date	31 October 2020
Dividend yield	An average dividend yield of 1,6% (2019: 1,6%) per annum was used within the model.
Quoted share price	Quoted share price at the date of the valuation.

#### Forfeitable Share Plan 3 Scheme ("FSP 3")

##### Overview of scheme

FSP 3 was introduced during the 2019 reporting period. The scheme was introduced to executives and senior management of the Group. At the grant date of the scheme each participant received the respective voting and dividend rights in relation to the listed shares held in the Company.

##### Vesting conditions

###### Service conditions

The service condition of the scheme is a period of three years of employment within the Group. Should the employment of the employee be terminated before this date, for any reason, the scheme rules apply and the transfer of ownership is not automatically forfeited.

###### Performance conditions

The performance conditions are based on the return on equity, core earnings per share and total shareholder return of the Company over the service condition period.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 37. DIRECTORS AND PRESCRIBED OFFICERS (continued)

### 37.3 Share awards (continued)

#### Valuation of the scheme

The Black Scholes Option Valuation Methodology was applied in valuing of the scheme with the various inputs set out below:

Risk free rate	The zero-coupon bond curve interest rate was used for each grant date in determining this rate.
Volatility	The historical Company share price was used to compute daily volatility which was then annualised. The percentage used in the valuation was 40,4% (2019: 37,6%).
Vesting date	31 October 2021
Dividend yield	An average dividend yield of 1,6% per annum was used within the model.
Quoted share price	Quoted share price at the date of the valuation.

#### Forfeitable Share Plan 4 Scheme ("FSP 4")

##### Overview of scheme

FSP 4 was introduced during the 2020 reporting period. The scheme was introduced to executives and senior management of the Group. At the grant date of the scheme each participant received the respective voting and dividend rights in relation to the listed shares held in the Company.

##### Vesting conditions

###### Service conditions

The service condition of the scheme is a period of three years of employment within the Group. Should the employment of the employee be terminated before this date, for any reason, the scheme rules apply and the transfer of ownership is not automatically forfeited.

###### Performance conditions

The performance conditions are based on the return on equity, headline earnings per share and total shareholder return of the Company over the service condition period.

##### Valuation of the scheme

The Black Scholes Option Valuation Methodology was applied in valuing of the scheme with the various inputs set out below:

Risk free rate	The zero-coupon bond curve interest rate was used for each grant date in determining this rate.
Volatility	The historical Company share price was used to compute daily volatility which was then annualised. The percentage used in the valuation was 40,4%.
Vesting date	31 October 2022
Dividend yield	An average dividend yield of 1,6% per annum was used within the model.
Quoted share price	Quoted share price at the date of the valuation.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 37. DIRECTORS AND PRESCRIBED OFFICERS (continued)

### 37.3 Share awards (continued)

#### Forfeitable Share Plan PS Scheme ("FSP PS")

##### Overview of scheme

FSP PS was introduced during the 2020 reporting period. The scheme was introduced to the CCO of the Group. At the grant date of the scheme the participant received the respective voting and dividend rights in relation to the listed shares held in the Company.

##### Vesting conditions

###### Service conditions

The service condition of the scheme is a period of three years of employment within the Group. Should the employment of the employee be terminated before this date, for any reason, the scheme rules apply and the transfer of ownership is not automatically forfeited.

###### Performance conditions

The performance conditions are based on the return on equity, core earnings per share and shareholder return of Merlynn Intelligence Technologies Proprietary Limited over the service condition period.

##### Valuation of the scheme

The Black Scholes Option Valuation Methodology was applied in valuing of the scheme with the various inputs set out below:

Risk free rate	The zero-coupon bond curve interest rate was used for each grant date in determining this rate.
Volatility	The historical Company share price was used to compute daily volatility which was then annualised. The percentage used in the valuation was 40,4%.
Vesting date	31 October 2022
Dividend yield	An average dividend yield of 1,6% per annum was used within the model.
Quoted share price	Quoted share price at the date of the valuation.



# Notes to the financial statements

continued

for the year ended 30 June 2020

## 38. RELATED PARTY TRANSACTIONS

A list of all subsidiaries and the equity-accounted investee are included in notes 12 and 13, respectively.

All key management personnel involved in the above related party transactions are directors whose remuneration is disclosed in note 37.2. All related party transactions are conducted on an arm's length basis and any outstanding balances to or from the Group are no more or less favourable than any other supplier or customer of a similar size.

	Type of transaction	Amount of transaction R'000	Balance R'000
<b>Company</b>			
<b>2020</b>			
Alviva Treasury Services Proprietary Limited – Subsidiary	Group loan	–	445 025
Ledibogo RF Proprietary Limited – Subsidiary	Group loan	–	(1)
Alviva International Investments Proprietary Limited – Subsidiary	Dividends received	(21 981)	–
Centrafin Proprietary Limited – Subsidiary	Dividends received	(20 000)	–
DCT Holdings Proprietary Limited – Subsidiary	Dividends received	(417 543)	–
<b>2019</b>			
Alviva Treasury Services Proprietary Limited – Subsidiary	Group loan	–	197 688
Ledibogo RF Proprietary Limited – Subsidiary	Group loan	–	(1)
Alviva Treasury Services Proprietary Limited – Subsidiary	Dividends paid	1 755	–
Devfam Fire Prevention Equipment Proprietary Limited – Subsidiary	Dividends received	(1 483)	–
Centrafin Proprietary Limited – Subsidiary	Dividends received	(23 000)	–
DCT Holdings Proprietary Limited – Subsidiary	Dividends received	(431 729)	–

# Notes to the financial statements

continued

for the year ended 30 June 2020

	<b>Group</b>
	2019 R'000
<b>39. COMMITMENTS</b>	
<b>Operating leases – premises</b>	
Up to one year	60 952
One to five years	179 425
	240 377

#### Future minimum lease payments on non-cancellable operating leases

The above comprised leases on business premises occupied by the Group, and were renewable at the end of term by negotiation. None of the leases had any purchase options.

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases relating to equipment, which fell due as follows:

	<b>Group</b>
	2019 R'000
<b>Operating leases – equipment</b>	
Up to one year	18 465
One to five years	30 274
	48 739

These leases related to ICT equipment used by the Group. None of these leases had any purchase options. These lease expenses were included as part of cost of sales based on the nature of the use of the equipment. IFRS 16 was adopted on 1 July 2019. Refer to notes 7, 9 and 22.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 40. SEGMENT AND GEOGRAPHIC ANALYSIS

A segment is a distinguishable component of the Group that is engaged in activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the chief operating decision-maker (which by delegation by the Board of Directors, is the CEO under advice from his senior executive team) and for which discrete financial information is available. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker.

40.1 Segment analysis	Group					
	Segment revenue		Inter-segment revenue		External revenue	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>Business unit</b>						
ICT Distribution	10 542 572	11 802 282	(674 816)	(679 127)	9 867 756	11 123 155
Services and Solutions	4 819 613	4 657 418	(80 719)	(50 291)	4 738 894	4 607 127
Financial Services	199 819	192 359	(2 314)	–	197 505	192 359
	15 562 004	16 652 059	(757 849)	(729 418)	14 804 155	15 922 641

	Group	
	Revenue *	
	2020 R'000	2019 R'000
<b>Business unit</b>		
ICT Distribution	10 542 572	11 802 284
Services and Solutions	4 819 613	4 657 418
Financial Services	199 819	192 359
Less: Inter-segment revenue	(757 849)	(729 420)
<b>External revenue</b>	14 804 155	15 922 641

\* No one customer contributed to more than 10% of the total external revenue.

	Group	
	Segment EBITDA**	
	2020 R'000	2019 R'000
<b>Business unit</b>		
ICT Distribution	346 348	463 046
Services and Solutions	176 465	254 423
Financial Services	133 498	111 791
Group Central Services	51 308	30 524
	707 619	859 784
Depreciation, amortisation and impairments	(319 082)	(190 011)
Finance income	50 666	52 059
Finance costs	(227 640)	(185 108)
<b>Profit before tax</b>	211 563	536 724

\*\* Earnings before interest, tax, depreciation and amortisation.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 40. SEGMENT AND GEOGRAPHIC ANALYSIS (continued)

	Group	
	Net operating assets	
	2020 R'000	2019 R'000
<b>Business unit</b>		
ICT Distribution	1 169 630	1 254 375
Services and Solutions	598 512	640 405
Financial Services	239 004	209 963
Group Central Services	370 633	230 284
	<b>2 377 779</b>	<b>2 335 027</b>

	Group			
	Segment revenue*		Segment EBITDA**	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
<b>40.2 Geographic analysis</b>				
<b>Geographic location of business unit</b>				
South Africa	14 078 986	15 458 883	659 192	849 229
– Local	12 978 572	14 574 313	621 784	800 361
– International	1 100 414	884 570	37 408	48 868
Africa (excluding South Africa)	685 995	463 275	46 924	10 555
Other ***	39 174	483	1 503	–
	<b>14 804 155</b>	<b>15 922 641</b>	<b>707 619</b>	<b>859 784</b>
Depreciation, amortisation and impairments			(319 082)	(190 011)
Finance income			50 666	52 059
Finance costs			(227 640)	(185 108)
Profit before tax			<b>211 563</b>	<b>536 724</b>

\* No one customer contributed to more than 10% of the total external revenue.

\*\* Earnings before interest, tax, depreciation and amortisation.

\*\*\* Includes Group entities in the UK and Middle East (2019: Middle East).

	Group	
	Net operating assets	
	2020 R'000	2019 R'000
<b>Business unit</b>		
South Africa	2 257 579	2 239 193
Africa (excluding South Africa)	89 456	95 672
Other ****	30 744	162
	<b>2 377 779</b>	<b>2 335 027</b>

\*\*\*\* Includes Group entities in the UK and Middle East (2019: Middle East).

## 41. CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities of a material nature.

# Notes to the financial statements

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for the year ended 30 June 2020

	Group	
	2020 R'000	2019 R'000
<b>42. GUARANTEES</b>		
<b>Issued by the Company in favour of:</b>		
Attacq Waterfall Investment Company Proprietary Limited	1 800	1 800
Canadian Solar *	52 102	70 700
Credit Guarantee Insurance Corporation of Africa Limited	15 000	15 000
Dell Emerging Markets (EMEA) Limited	–	169 680
Depfin Investments Proprietary Limited	–	6 463
Hewlett-Packard Financial Services Holding Company Limited	15 000	15 000
Hitachi Vantara Proprietary Limited	–	115 000
Huawei Technologies Africa Proprietary Limited	260 512	212 100
IBM Group of Companies **	711 555	509 040
Lenovo PC HK Limited and Lenovo Global Technology HK Limited	434 187	–
Longi Solar Technology Co Limited	34 735	–
Lodestone Investments Proprietary Limited	13 653	–
Nutanix Netherlands BV	69 470	–
Microsoft Ireland Operations Limited	364 718	296 940
Oracle Systems Limited	–	169 680
Palo Alto Networks (Netherlands) BV	–	56 560
Pinnacle Property Trust	26 685	34 999
Prysmian Cables and Systems Limited	97 406	80 506
Radware Limited	27 788	22 624
Schneider Electric DC MEA FzCo	1 737	1 414
Splunk Inc	86 838	–
VMware International Limited	277 880	226 240
Vodacom Proprietary Limited	10 000	10 000
Wells Fargo Bank NA (Previously GE Capital Bank)	521 025	424 200
Ziegler South Africa Proprietary Limited	7 000	–
	<b>3 029 091</b>	<b>2 437 946</b>

\* Canadian Solar International Limited and Canadian Solar South Africa Proprietary Limited.

\*\* IBM South Africa Proprietary Limited, IBM Global Financing South Africa Proprietary Limited, IBM World Trade Corporation, IBM United Kingdom Financial Services and IBM International Finance II BV.

The Company has issued guarantees to the above entities in respect of current facilities granted to its subsidiaries. These facilities are not fully utilised by the subsidiaries at the reporting date. These guarantees would become payable by the Company to the extent of outstanding balances should any subsidiary default. At the reporting date none of the subsidiaries were in default.

The Group assessed all of the subsidiaries, linked to a guarantee provided, to have a low level risk in relation to the ECL model applied based on the financial position and performance of each entity. This is substantiated by the fact that the Group treasury function provides the needed financial assistance to each subsidiary when required and the fact that no subsidiary has defaulted in the current or prior reporting period in relation to the payment of each of these vendors. The exposure of the Company to any vendor in terms of the guarantee provided is thus assessed as being minimal to none.

# Notes to the financial statements

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for the year ended 30 June 2020

## 43. EVENTS AFTER THE REPORTING DATE

Other than as disclosed below, there were no events material to the understanding of the financial statements that occurred after the reporting date, except the continuation of the risk-adjusted approach implemented by the South African government in relation to the COVID-19 pandemic.

### Redemption of preference shares

As announced on SENS on 20 May 2020 and 21 May 2020, respectively, Absa Bank Limited (acting through its Corporate and Investment Banking Division) is the holder of 40 (forty) redeemable preference shares of R10 million each in DCT Holdings (RF) Proprietary Limited, a subsidiary of Alviva.

In terms of the Preference Share Subscription Agreement entered into on 4 April 2017, the redemption date of 10 (ten) preference shares was scheduled for 20 May 2020. By mutual consent, the scheduled redemption date was amended by three months and, on 20 August 2020, the Company redeemed preference shares to the value of R100 million to Absa Bank Limited.

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## 44. GOING CONCERN

Following due consideration of the operating budgets, an assessment of solvency and liquidity, the key risks and the impact of the COVID-19 pandemic and other pertinent matters presented by management, the directors have recorded that they have reasonable expectations that the Group has adequate resources and the ability to continue in operations for the foreseeable future. For these reasons, the financial statements have been prepared on the going concern basis. However, the extent of the impact of the COVID-19 pandemic remains uncertain and cannot be predicted by the directors.

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# Notes to the financial statements

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for the year ended 30 June 2020

## 45. ANALYSIS OF SHAREHOLDING

SHAREHOLDER SPREAD	2020				2019			
	Shareholders		Shares in issue		Shareholders		Shares in issue	
	Number	%	Number	%	Number	%	Number	%
Range of shares held								
1 – 5 000	3 916	81,70	3 550 921	2,60	3 059	80,04	3 517 971	2,45
5 001 – 10 000	333	6,95	2 586 024	1,90	274	7,17	2 140 331	1,49
10 001 – 50 000	370	7,72	8 777 088	6,44	312	8,16	7 469 254	5,21
50 001 – 100 000	59	1,23	4 213 389	3,09	57	1,49	4 126 741	2,88
100 001 – 1 000 000	94	1,96	28 272 035	20,74	94	2,46	28 699 216	20,01
Over 1 000 000	21	0,44	88 918 289	65,23	26	0,68	97 468 274	67,96
<b>Total</b>	<b>4 793</b>	<b>100,00</b>	<b>136 317 746</b>	<b>100,00</b>	<b>3 822</b>	<b>100,00</b>	<b>143 421 787</b>	<b>100,00</b>

SHAREHOLDER TYPE	2020				2019			
	Shareholders		Shares in issue		Shareholders		Shares in issue	
	Number	%	Number	%	Number	%	Number	%
<b>Non-public shareholders</b>	<b>20</b>	<b>0,42</b>	<b>52 916 875</b>	<b>38,82</b>	<b>13</b>	<b>0,34</b>	<b>65 717 811</b>	<b>45,82</b>
Strategic shareholders (>10%)	4	0,08	42 435 057	31,13	2	0,05	56 805 955	39,61
Share schemes	1	0,02	7 180 750	5,27	1	0,03	6 835 000	4,77
Directors and associates	8	0,17	2 102 019	1,54	6	0,16	1 305 119	0,91
Other employees	7	0,15	1 199 049	0,88	4	0,10	771 737	0,53
<b>Public shareholders</b>	<b>4 773</b>	<b>99,58</b>	<b>83 400 871</b>	<b>61,18</b>	<b>3 809</b>	<b>99,66</b>	<b>77 703 976</b>	<b>54,18</b>
<b>Total</b>	<b>4 793</b>	<b>100,00</b>	<b>136 317 746</b>	<b>100,00</b>	<b>3 822</b>	<b>100,00</b>	<b>143 421 787</b>	<b>100,00</b>

BENEFICIAL INTEREST GREATER THAN 5 % OF ISSUED SHARES *	2020		2019	
	Shares in issue		Shares in issue	
	Number	%	Number	%
Invesco Canada Limited	42 435 057	31,13	42 160 978	29,40
Fidelity Investments	10 956 766	8,04	14 644 977	10,21
36One Asset Management	2 367 775	1,74	7 729 857	5,39
Forfeitable Share Plan	7 180 750	5,27	6 835 000	4,76
<b>Total</b>	<b>62 940 348</b>	<b>46,18</b>	<b>71 370 812</b>	<b>49,76</b>

\* Held on behalf of various funds for the ultimate benefit of various individual shareholders.

# Notes to the financial statements

continued

for the year ended 30 June 2020

## 45. ANALYSIS OF SHAREHOLDING (continued)

DISTRIBUTION OF SHAREHOLDERS	2020				2019			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Banks, brokers and nominees	29	0,61	7 518 239	5,52	27	0,71	5 624 129	3,92
Close corporations	35	0,73	611 820	0,45	31	0,81	408 282	0,28
Collective investment schemes	67	1,40	72 436 614	53,14	82	2,15	77 978 282	54,37
Control accounts and unclaimed shares	3	0,06	14	0,00	3	0,08	14	0,00
Employee share plans	1	0,02	7 180 750	5,27	1	0,03	6 835 000	4,77
Hedge funds	4	0,08	1 426 499	1,05	7	0,18	4 372 899	3,05
Insurance and assurance corporate funds	1	0,02	5 148	0,00	1	0,03	6 296	0,00
Lending, collateral and pledged accounts	4	0,08	3 383 840	2,48	6	0,16	3 469 687	2,42
Non-South African custodians	12	0,25	3 727 211	2,73	29	0,76	2 607 954	1,82
Non-profitable organisations and charity funds	5	0,10	187 711	0,14	7	0,18	1 243 414	0,87
Pooled and mutual funds	36	0,75	5 099 820	3,74	18	0,47	9 221 830	6,43
Private companies	92	1,92	3 123 232	2,29	79	2,07	2 186 759	1,52
Public companies	–	–	–	–	1	0,03	5 000	0,00
Retail individuals	4 264	88,96	24 564 352	18,02	3 277	85,74	22 125 181	15,43
Retirement benefit funds	37	0,77	2 104 892	1,54	28	0,73	1 803 392	1,26
Sovereign wealth fund	2	0,04	66 732	0,05	4	0,10	78 707	0,05
Trusts and investment partnerships	201	4,19	4 880 872	3,58	221	5,78	5 454 961	3,80
<b>Total</b>	<b>4 793</b>	<b>100,00</b>	<b>136 317 746</b>	<b>100,00</b>	<b>3 822</b>	<b>100,00</b>	<b>143 421 787</b>	<b>100,00</b>

SHARE PRICE PERFORMANCE	2020	2019
Opening price 1 July	R16,50	R18,00
Closing price 30 June	R6,70	R16,20
High for period	R17,00	R19,74
Low for period	R3,34	R15,50
Number of shares in issue	136 317 746	143 421 787
Volume traded during period	41 014 505	36 217 588
Ratio of volume traded to shares issued	30,09%	25,25%
Rand value traded during the period	R392 702 267	R642 854 106
Market capitalisation at 30 June	R913 328 898	R2 323 432 949