www.etion.com

ETION

2018 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

ETION

Advancing humanity through technology

2018
Consolidated annual financial statements

Contents

Company information

Directors	T Daka NS Mjoli-Mncube SP Mzimela CP Bester N Medupe Dr SJ Khoza EC De Kock C Maherry
Registration number	1987/001222/06
Registered and business address	85 Regency Drive Route 21 Corporate Park Irene 0157
Postal address	PO Box 95361 Waterkloof Pretoria
Independent auditors	PricewaterhouseCoopers Inc. 4 Lisbon Lane Waterfall City Jukskei View 2090
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Bankers	Standard Bank of South Africa Limited First National Bank Limited Nedbank Limited
Country of incorporation	Republic of South Africa
Preparer	The financial statements were internally compiled under the supervision of EC De Kock CFO
Published	30 July 2018
Secretary	Fusion Corporate Secretarial Services (Pty) Ltd

Statement of responsibility by the board of directors

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied 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 control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group'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 control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the group has, or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the group's external auditor and their report is presented on pages 5 to 8.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board and committees of the Board. The board of directors believes that all representations made to the independent auditors during their audit are valid and appropriate.

The consolidated annual financial statements set out on pages 3 to 48, which have been prepared on the going concern basis, were approved by the board of directors on 30 July 2018 and were signed on their behalf by:

T Daka

EC De Kock

Certificate from the company secretary

I certify that, to the best of my knowledge, in accordance with the Companies Act, 2008 (as amended) ("the Act"), Etion has lodged with the Registrar all returns as are required of a public company in terms of section 88 (2) (e) of the Act, for the year ended 31 March 2018 and, furthermore, that all such returns and notices are to the best of my knowledge and belief, true, correct and up to date.

Melinda Gous
Fusion Corporate Secretarial Services (Pty) Ltd
Company Secretary

Pretoria

30 July 2018

Directors' report

The directors present the annual report, which forms part of the financial statements of the group for the year ended 31 March 2018.

1. REVIEW OF ACTIVITIES

The operations in the group mainly comprise the following, and it operates principally in South Africa:

The group develops, produces, distributes and integrates niche world class technology driven engineering solutions for harsh environments within our market segments. Refer to note 35 for further information on the market segments of the group.

The operating results and state of affairs of the group are fully set out in the attached financial statements and do not in our opinion require any further comment. Net profit of the group was R33.424 million (2017: R67.751 million), after taxation of R8.929 million (2017: R26.429 million)

2. SHARE CAPITAL

The company's authorised share capital remained unchanged at 1 725 490 196 shares (2017: unchanged).

The number of shares in issue remained unchanged in the current year.

3. DIVIDENDS

No dividends were declared or paid to the shareholders during the year (2017: none).

4. BORROWING LIMITATIONS

In terms of the Memorandum of Incorporation of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

5. MATERIAL EVENTS AFTER YEAR END

On 1 June 2018, the group acquired the shares and all the shareholders' claims against Law Trusted Third Party Services (Pty) Ltd ("LAWTrust"). Refer to note 32 for additional information on the acquisition.

On 19 June 2018 Ansys changed its name to Etion Limited which represents energy and action.

No other event which is material to the financial affairs of the company has occurred between the reporting date and the date of the approval of the Financial Statements.

6. DIRECTORS' INTEREST IN STATED CAPITAL AND CONTRACTS

At 31 March 2018, the directors in aggregate, were directly or indirectly beneficially interested in 193 481 040 ordinary shares (2017: 194 481 040), equivalent to 41.97% (2017: 42.18%) of the issued ordinary shares of Etion Limited. The directors' interest in the ordinary issued share capital of the company as at 31 March 2018, is set out in the table below:

Number of shares held beneficially

Directors	2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
Executive				
T Daka	45 062 745	102 674 375	45 062 745	102 674 375
AR van der Watt	–	21 814 752	–	21 814 752
BC Lamprecht	–	–	1 000 000	–
Non executive				
NS Mjoli-Mncube	220 877	4 000 000	220 877	4 000 000
CP Bester	–	19 708 291	–	19 708 291
	45 283 622	148 197 418	46 283 622	148 197 418

There has been no changes in the directors' interest in the ordinary issued share capital between the end of the financial year and the date of approval of the financial statements.

Directors' report
continued

7. DIRECTORS

The directors of the company during the period and at the date of this report are as follows:

Directors	Designation	Changes
T Daka	Executive	
BC Lamprecht	Executive	Resigned 08 January 2018
AR van der Watt	Executive	Resigned 20 June 2018
EC De Kock	Executive	Appointed 08 January 2018
C Maherry	Executive	Appointed 20 June 2018
NS Mjoli-Mncube	Non executive	
SP Mzimela	Non executive	
CP Bester	Non executive	
N Medupe	Non executive	
Dr SJ Khoza	Non executive	

Directors' remuneration

Details of directors' remuneration are set out in note 22 and 27 to the Financial Statements.

Directors' interests in contracts

No material contracts in which directors have an interest were entered into in the current financial year (2017: none).

8. SECRETARY

The group's designated company secretary is Fusion Corporate Secretarial Services Proprietary Limited, situated at Unit 7, Block C, Southdowns Office Park, 22 Karee street, Irene Centurion.

9. LIQUIDITY AND SOLVENCY

The directors have performed the required liquidity and solvency tests required by the Companies Act of South Africa.

10. GOING CONCERN

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

The directors have reviewed the group's budget and cash flow forecasts for the year ending March 2019 which include certain assumptions about the cash flows from planned and unplanned projects and raising additional funding when required. On this basis and in light of the group's current financial position, the directors are satisfied that the group will continue to operate for the foreseeable future and have therefore adopted the going concern basis in preparing these financial statements.

11. AUDITORS

PricewaterhouseCoopers Inc. were appointed as auditors for the company during the past financial year. At the AGM, the shareholders will be requested to reappoint PricewaterhouseCoopers Inc. as the independent external auditors of the company.

12. SPECIAL RESOLUTIONS

The following special resolutions were passed on 3 November 2017 at the annual general meeting:
- Authority for the company to repurchase its own shares;
- Remuneration of non-executive directors;
- Financial assistance, as amended, in terms of section 44 and section 45 of the Companies Act.

13. COMPANY FINANCIAL STATEMENTS

The separate financial statements of the company Etion Limited are available on the company's website.

Independent auditors' report to the shareholders of Etion Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Etion Limited and its subsidiaries (together the Group) as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Etion Limited's consolidated financial statements set out on pages 9 to 48 comprise:
- the consolidated statement of financial position as at 31 March 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

OUR AUDIT APPROACH

Overview

Overall group materiality	• Overall group materiality: R2 117 650, which represents 5% of profit before tax.
Group audit scope	• We performed a full scope audit on Etion Limited as well as all of its subsidiaries.
Key audit matters	• Risks regarding revenue recognition • Recoverability of trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditors' report
to the shareholders of Etion Limited
continued

Overall group materiality	R2 117 650
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The group financial statements are a consolidation of eight companies of which four were considered financially significant based on their contribution to consolidated revenue. We have performed full scope audits on all the companies due to statutory requirements. All of these companies were audited by the group engagement team.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Risks regarding revenue recognition The Group generates its revenue through the development of solutions for its clients, production of related electronic components as well as the sale of finished goods. Refer to accounting policy note 1.9 and note 17 to the consolidated financial statements for the detailed disclosures. The Group's revenue accounting policy for the resale of finished goods and sale of manufactured goods recognises revenue on the transfer of risks and rewards of the product to the client. For the sale of design, development and project services, revenue is recognised when the outcome of the transaction can be estimated reliably with reference to the stage of completion. The decline in revenue from R806 million for 2017 to R573 million for 2018, when considered in context of the significant growth in revenue in the prior year resulted in additional audit focus being placed on revenue recognition on the sale of manufactured and finished goods as well as revenue recognition from the sale of design, development and project services and thus resulted in this matter being identified as a matter of most significance to the audit. Our focus was specifically on occurrence i.e. that transactions and events that have been recorded have occurred and pertain to the Group, and cut-off i.e. the recognition of revenue in the correct accounting period.	We assessed the control environment by obtaining an understanding of the revenue and receivables process and the controls implemented through discussions with management. Our procedures included the following: • We selected a sample of transactions included on the revenue listings and traced them to the signed contracts, purchase orders, invoices, payment received and, where no payment was received, to signed delivery notes; • We considered whether the total amount per the purchase order had been recognised as revenue by agreeing the quantities as well as the quoted price on the purchase order to the production budgets and to the related invoices; • Management's revenue recognition listings reflect management's calculation of the percentage of completion. From the revenue recognition listings, we selected a sample of design, development and project services rendered that had not been invoiced at year-end and recalculated the percentage of completion; and • We selected a sample of invoices before and after year-end and tested that the selected invoices were recognised in the appropriate financial year by agreeing the invoices to signed delivery notes or signed invoices accepting delivery.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables In terms of note 1.3 of the Group's accounting policies, the Group recognises an impairment of trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The directors recognised R855 thousand provision for impairment in the current year. The significant increase in gross trade receivables (R130 million for 2018 compared to R114 million for 2017) during the current financial year when considered in context of the decrease in the consolidated revenue for the Etion Limited Group and the significant judgement that the directors exercised in the calculation of the provision for impairment, resulted in additional audit focus being placed on the recoverability of trade receivables and thus resulted in this matter being identified as a matter of most significance to the audit. Refer to note 10 to the consolidated financial statements for the related disclosures.	We selected a sample of significant trade receivables balances and trade receivables balances that were past due but not impaired. Our procedures included the following: • We considered whether the trade receivables were recoverable by agreeing outstanding balances at year-end to receipts from customers subsequent to the year-end; and • We evaluated the directors' recoverability assessment of those trade receivables where no subsequent payments were received through an assessment of the debtors' payment histories as well as actions taken by the directors to recover such outstanding balances. Based on the work that we performed on the selected sample, we did not identify any additional impaired balances other than those provided for by the directors.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Etion Limited consolidated annual financial statements for the year ended 31 March 2018 and the 2018 Integrated Report, which includes the Directors' Report, the Audit and Risk Committee report and the certificate from the Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated financial statements and our auditor's reports thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Independent auditors' report
to the shareholders of Etion Limited
continued

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 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 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Etion Limited for three years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: P Pope
Registered Auditor

Johannesburg

30 July 2018

Consolidated Statement of Financial Position as at 31 March 2018

	Notes	2018 R'000	2017 R'000
Assets			
Non-current assets			
Property, plant and equipment	5	**50 294**	53 158
Intangible assets	6	**118 543**	118 692
Deferred tax assets	7	**14 722**	6 150
Other financial asset	8	**1 010**	1 010
		184 569	179 010
Current assets			
Inventories	9	**88 276**	101 099
Trade and other receivables	10	**140 790**	124 404
Current tax receivable	11	**5 513**	–
Cash and cash equivalents	12	**50 800**	79 291
		285 379	304 794
Total assets		**469 948**	483 804
Equity and liabilities			
Equity attributable to equity holders of parent			
Share capital	13	**212 141**	212 141
Retained income		**90 305**	56 652
		302 446	268 793
Non-controlling interest		**–**	229
		302 446	269 022
Liabilities			
Non-current liabilities			
Interest bearing borrowings	14	**27 788**	36 602
Deferred tax liability	7	**5 164**	1 458
		32 952	38 060
Current liabilities			
Trade and other payables	15	**110 155**	166 467
Interest bearing borrowings	14	**9 461**	5 211
Current tax payable	11	**–**	3 802
Provisions	16	**5 388**	1 186
Bank overdraft	12	**9 546**	56
		134 550	176 722
Total liabilities		**167 502**	214 782
Total equity and liabilities		**469 948**	483 804

Consolidated Statement of Comprehensive Income

	Notes	2018 R'000	2017 R'000
Revenue	17	**572 562**	806 019
Cost of sales	18&21	**(410 379)**	(593 887)
Gross profit		**162 183**	212 132
Other operating income	19	**2 276**	969
Other gains	20	**7 849**	17 409
Administrative and operating expenses	21	**(125 787)**	(130 304)
Operating profit		**46 521**	100 206
Finance income	23	**1 975**	3 106
Finance costs	24	**(6 143)**	(9 132)
Profit before taxation		**42 353**	94 180
Taxation	25	**(8 929)**	(26 429)
Profit for the year		**33 424**	67 751
Other comprehensive income		**–**	–
Total comprehensive income for the year		**33 424**	67 751
Total comprehensive income attributable to:			
Owners of the parent		**33 473**	67 876
Non-controlling interest		**(49)**	(125)
		33 424	67 751
Earnings per share			
Basic and diluted earnings per share (cents)	29	**7.26**	14.72

Consolidated Statement of Changes in Equity

	Share capital R'000	Retained income R'000	Total attributable to equity holders of the group R'000	Non-controlling interest R'000	Total equity R'000
Balance at 01 April 2016	212 141	(11 224)	200 917	354	201 271
Profit for the year	–	67 876	67 876	(125)	67 751
Balance at 01 April 2017	212 141	56 652	268 793	229	269 022
Profit for the year	**–**	**33 473**	**33 473**	**(49)**	**33 424**
Buy back of minority interest shares in subsidiary	**–**	**180**	**180**	**(180)**	**–**
Balance at 31 March 2018	**212 141**	**90 305**	**302 446**	**–**	**302 446**

Consolidated Statement of Cash Flows

	Notes	2018 R'000	2017 *Restated R'000
Cash flows from operating activities			
Cash receipts from customers		556 150	787 654
Cash paid to suppliers and employees		(555 460)	(686 268)*
Cash generated from operations	26	690	101 386*
Finance income		1 975	3 106
Finance costs		(6 143)	(9 132)
Tax paid	11	(23 110)	(26 765)
Net cash from operating activities		(26 588)	68 595*
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(4 942)	(15 371)
Proceeds from disposal of property, plant and equipment		1 169	612
Purchase of intangible assets	6	(7 578)	(6 482)
Increase in other financial assets		–	(335)
Net cash from investing activities		(11 351)	(21 576)
Cash flows from financing activities			
Settlement of other financial liabilities		–	(8 442)
(Repayment of)/proceeds from interest bearing borrowings		(4 564)	6 601
Net cash from financing activities		(4 564)	(1 841)
Total cash, cash equivalents and bank overdraft movement for the year		(42 503)	45 178*
Cash, cash equivalents and bank overdraft at the beginning of the year		79 235	27 653
Unrealised foreign exchange adjustment		4 522	6 404*
Total cash, cash equivalents and bank overdraft at end of the year	12	41 254	79 235

* These amounts were restated from what was reported in the prior year to reflect the correct split of unrealised foreign exchange differences to the elements they relate to.

Accounting policies

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies are consistent with the previous years.

1.1 Basis of preparation

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the JSE Listings Requirements and the Companies Act of South Africa. The financial statements have been prepared under the historical cost convention, on a going concern basis, and presented in South African Rand (rounded to the nearest R'000), which is the group's functional currency.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

Property, plant and equipment are stated at historical cost less any accumulated depreciation and any accumulated impairment losses. Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment (including directly attributable costs in bringing the asset to its location and condition necessary for it to be capable of operating in the manner that management intended) and costs incurred subsequently to add to, replace part of, or service it to the extent it is probable that future economic benefits will flow to the group and the cost can be measured reliably. Day to day servicing costs are expensed. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the replaced part is derecognised.

The carrying values of property, plant and equipment are reviewed when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Depreciation of an asset commences when the asset is available for use as intended by management. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is charged so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight line method. Land is not depreciated. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. If the expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The estimated useful lives of the major categories of property, plant and equipment are:

Buildings	20 years
Plant and machinery	5 – 10 years
Furniture and fittings	6 years
Motor vehicles	5 – 7 years
Office equipment	4 – 7 years
Computer equipment	3 years
Leasehold improvements	Period of the lease
Manufacturing equipment	4 – 17 years
Tools and laboratory equipment	3 – 18 years
Electronic equipment	3 – 16 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Accounting policies
continued

1.3 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within administrative and operating expenses.

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the statement of comprehensive income.

Trade and other receivables and other financial assets are classified as loans and receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments with original maturities of three months or less and bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of business is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses are not reversed. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

1.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs but excludes interest expenses. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.9 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the group's activities for sale of goods and services net of value added tax, estimated returns, rebates and discounts.

Revenue from the sale of goods can be further classified into "sale of goods manufactured", as well as "resale of finished goods". "Sale of goods manufactured" relates to products that are manufactured and sold to clients based on the clients' or the group's own specifications. "Resale of finished goods" relates to where the group sells on finished products procured to the end client. In both instances, revenue is recognised when:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods – this is established when goods are delivered to the client and they have accepted the goods by means of signed delivery receipts;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The sales of services can be further classified into "sale of network installation services" as well as "sale of design, development and project services". When the outcome of a transaction involving the rendering of "sale of design, development and project services" can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the group;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of "sale of design, development and project services" cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable. When it is probable that total project cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

"Network installation services", sold to various third parties, are provided on a time and material basis, or as a fixed price contract. Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred. Revenue from fixed price contracts is recognised under the percentage of completion method. Under this method, revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by reference to costs incurred to date as a percentage of total expected costs to be incurred. When the stage of completion differs from the actual invoicing at financial year end, it is recognised as project receivable in trade and other receivables or billings in excess of earnings in trade and other payables, as appropriate.

Contract service revenue normally comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
- to the extent that it is probable that they will result in revenue; and
- they are capable of being reliably measured.

When loans and receivables are impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discount at the original effective interest of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the effective interest rate.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.10 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Accounting policies
continued

1.11 Current and deferred income tax

Income tax expense

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

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income. Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current income tax for current and prior years is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior years exceeds the amount due for those years, the excess is recognised as an asset.

Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised, for the carry forward of unused tax losses, to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

1.12 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost
- Financial assets and liabilities measured at fair value through profit and loss

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

No other reclassifications may be made into or out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially at fair value when the group becomes a party to the contractual provisions of the instruments. The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Gains or losses arising from changes in the fair value of the "financial liabilities and assets at fair value through profit or loss' category are presented in the income statement within "other (losses)/gains" in the period in which they arise.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

1.12 Financial instruments (continued)

Fair value determination

If the market for a financial asset is not active, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of future and option contracts are initially measured at fair value on the contract date, and are re measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss held for trading.

1.13 Foreign currencies

Functional and presentation currency

Items included in the financial statements of the group are measured using the currency of the primary economic environment in which the group operates (the functional currency).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are 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 items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

1.14 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Accounting policies
continued

1.15 Accrued revenue/billings in excess of earnings

The value of accrued revenue comprises the selling price for services rendered up to and including reporting date, which cannot be invoiced at this date due to contractual milestones not yet reached. The value is calculated based on the percentage of completion method for fixed price development contracts. The value is stated at selling price less provision for impairment, if any.

The value of billings in excess of earnings comprises the excess of invoice values over the selling price for services rendered recognised up to and including reporting date. The value is calculated based on the percentage of completion method for fixed price development contracts. The value is stated at selling price less provision for impairment, if any.

1.16 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised immediately in profit or loss for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units, or companies of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by paragraph 5 of IFRS 8 "Operating segments" before aggregation.

An impairment loss is recognised for a cash generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:
- First, to reduce the carrying amount of any goodwill allocated to the cash generating unit; and
- Then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.17 Bank overdrafts and borrowings

Bank overdrafts and borrowings are recognised initially at fair value, net of transaction costs incurred. Bank overdrafts and borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Bank overdrafts and borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

1.18 Employee benefits

Short term employee benefits

The cost of short term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.18 Employee benefits (continued)

Defined contribution plans

The group operates a defined contribution plan. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and as the employee renders the services. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments are available.

Bonus plans

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the group's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.19 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. If collection is expected in one year or less (or in normal operating cycle of business if longer), they are classified as current liabilities. If not, they are presented as non-current liabilities.

1.20 Dividend distribution

Dividend distribution to the group's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the directors.

1.21 Consolidation – subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Change in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the company.

1.22 Earnings per share

The group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Headline earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2015 issued by the South African Institute of Chartered Accountants (SAICA).

1.23 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Accounting policies
continued

1.23 Intangible assets (continued)

An intangible asset arising from internal developments (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets include the following:

Externally acquired computer software

Costs associated with the maintaining of externally acquired computer software are recognised as an expense.

Costs of externally acquired computer software products recognised as intangible assets are amortised over their useful lives (not exceeding two years).

Internally generated intangible assets (developed products)

Costs associated with the maintaining of internally generated intangible assets are recognised as an expense. Costs that are directly associated with the development or enhancement of identifiable and unique products or features that is under the control of the group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing the products, an appropriate portion of relevant overheads as well as any hardware utilised in the development process.

Development costs on internally generated intangible assets are amortised over their useful lives.

Intangible assets identified as part of business combination

As part of the Fair Value Exercise (IFRS 3) certain intangible assets may be identified and recognised at the date of acquisition. These assets are amortised over the amortisation periods as per below.

Intangible assets are amortised at the following rates:

Item	Average useful life/ amortisation period
Externally acquired	
Computer software	2 years
Internally generated (developed products):	
Rail products	2 – 3 years
Defence and cyber security products	3 – 5 years
Mining and industrial products	2 – 7 years
Telecommunications products	3 – 5 years
Intangible assets identified as part of business combination:	
Brand	5 years
Customer relationships	5 years

1.24 Segment reporting

The segment information has been prepared in accordance with IFRS 8 "Operating segments", which requires disclosure of financial information of an entity's operating segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

A segment is a distinguishable component of the group engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. All intersegment transactions are eliminated.

The group operates within three operating segments and its principle activities are:
(a) Safety and Productivity Solutions (SPS)
(b) Digital Network Solutions (DNS)
(c) Original Design Manufacturing (ODM)

Notes to the consolidated annual financial statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 New and amended standards adopted by the group

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact
Amendment to IAS 12 Income taxes	01 January 2017	The impact of the standard is not material
Amendment to IAS 7 Cash flow statements	01 January 2017	The impact of the standard is not material, but has resulted in additional disclosures

The effect of the new and amended standards mentioned above did not have any material impact on the financial statements of the group.

2.2 New standards, amendments and interpretations issued but not effective for the current financial year and not early adopted

A number of new adopted standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below and the assessment of the estimated impact that the initial application will have on the consolidated financial statements are set out below. These will be adopted in the period that they become mandatory unless otherwise indicated:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact
IFRS 15 Revenue from contracts with customers	01 January 2018	Refer to impact assessment below
IFRS 16 Leases	01 January 2019	Refer to impact assessment below
IFRS 9 Financial Instruments	01 January 2018	Refer to impact assessment below
Amendment to IFRS 10 Consolidated annual financial statements	01 January 2019	Unlikely there will be a material impact
Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from contracts with customers	01 January 2018	Refer to impact assessment below
Amendments to IFRS 9: Financial Instruments	01 January 2018	Refer to impact assessment below
Amendment to IAS 19: Employee Benefits: Annual improvements project	01 January 2018	Unlikely there will be a material impact
IFRIC 22 Foreign currency transactions and advance consideration	01 January 2018	Unlikely there will be a material impact

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The application of the standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract based five step analysis of transactions to determine whether, how much and when revenue is recognised.

Notes to the consolidated annual financial statements
continued

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2 New standards, amendments and interpretations issued but not effective for the current financial year and not early adopted (continued)

IFRS 15 Revenue from contracts with customers (continued)

IAS 18 currently applies as follows:

- Revenue from the sale of goods is currently recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.
- Revenue from rendering of services is currently recognised when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Revenue is recognised provided that the revenue, costs and the stage of completion can be measured reliably.

Application of IFRS 15 results in the following:

- Revenue from the sale of goods will be recognised when a customer obtains control of the goods.
- Revenue from the rendering of services results in the group transferring control of a good or service over time and, thereby, satisfying the performance obligation and recognising revenue over time.

Sales transactions potentially involve multiple performance obligations based on contractual terms determining the timing over which revenue should be recognised. In terms of the new standard, revenue will be recognised either over time or at a point in time, dependant on the identified performance obligations.

Management has performed a high level assessment of the impact of the standard on its financial statements. Management continues with a detailed assessment to determine the extent of identified impacts.

Based on the high level assessment the application of this standard will most likely include a possible change in the accounting for the following transactions:

- Goods sold inclusive of a delivery service will require a formal assessment of the application of a single performance obligation model to facilitate continued accounting application. An assessment outcome indicating multiple performance obligations will impact accounting practice as well as required disclosure.
- Product warranties sold as part of the sale of the goods will require a formal assessment of the application of a single performance obligation model to facilitate continued accounting application. An assessment outcome indicating multiple performance obligations will impact accounting practice as well as required disclosures. Separate performance obligations may necessitate the need for a deferral of the portion of revenue associated with the product warranty.
- Installation services at customer sites will require a formal assessment of the application of a point in time revenue model based on the most reliable input or output data versus a percentage of completion model based on site progress.
- Development projects with various milestones and tasks will require a formal assessment of the application of a single performance obligation model to facilitate continued accounting application. An assessment outcome indicating multiple performance obligations will impact accounting practice as well as required disclosure.
- Exported goods will require a formal assessment of the point of transfer of control are to be performed in order to determine the appropriate timing for revenue recognition and initial measurement amount. An assessment outcome indicating a differing timing in control transfer from current practice will impact accounting practice as well as required disclosure.

The consolidated financial statement disclosures will be updated to ensure compliance with IFRS 15 requirements including the implications of adoption of the various transition options.

Based on the outcomes of the detailed assessments, referred to above, the group will determine which transition option to apply.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its initial assessment, the group does not believe that the new classification requirements will have a material impact on its accounting for financial assets.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability weighted basis. The new impairment model will apply to financial assets measured at amortised cost.

The change from an incurred loss model to an ECL model when assessing the impairment of trade receivables is not expected to have a significant impact on the group under the new standard. Based on the nature of the customer base and the low level of historic credit losses, bad debts are not considered a major expense to the group.

The incurred loss model, is calculated on a client by client basis and only if a loss is expected for a specific client, a provision is raised. This will need to be adjusted to the ECL model, where expected future losses are included in the calculation and applied across the various portfolios of the debtor book and are to be applied to all customers.

The consolidated financial statement disclosures will be updated to ensure compliance with IFRS 7 and IFRS 9 requirements including the implications of adoption of the various transition options.

Based on the outcomes of the detailed assessments, referred to above, the group will determine which transition option to apply.

IFRS 16 Leases

IFRS 16 Leases replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The group leases its head office building for each entity and a warehouse building as well as certain low value assets and these are currently accounts for these as operating leases.

Management has performed a high level assessment of the impact of the standard on its consolidated financial statements. Management continues with detailed assessment to determine the extent of these potential changes.

On application the head office building lease will be capitalised and reflected as lease assets (right of use assets) and lease liabilities on the statement of financial position. The previous straight lining effect associated with IAS 17 accounting will be reversed, resulting in further accounting impacts on the financial statements.

Management will implement revised lease disclosure on adoption of the IFRS 16.

Based on the outcomes of the detailed assessments, referred to above, the group will determine which transition options to apply.

Notes to the consolidated annual financial statements
continued

3. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by the Board of Directors.

Market risk

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange risks arises from future commercial transactions as well as recognised assets and liabilities.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Management uses forward exchange contracts (FECs) and futures and option contracts to economically hedge certain foreign currency liabilities when and where applicable to manage the exchange risk on these transactions. This is consistent with the method used in prior years.

As at 31 March 2018, if the rand had strengthened/weakened by 5% against the US Dollar, and European Euro with all other variables held constant, pre-tax profit would have been R15 626 higher/lower (March 2017: if rand strengthened/weakened by 1% pre-tax profit would be R882 867 higher/lower), mainly as a result of foreign exchange gains on translation of foreign denominated trade receivables, trade payables and cash and cash equivalents. Profit has been as sensitive as in the prior year to movements in the exchange rates, due to the fact that the composition of foreign denominated trade receivables, trade payables and cash and cash equivalents as at the end of the two financial years has remained fairly consistent. Equity was not sensitive to exchange rate fluctuations other than through profit and loss as per above. This is due to the fact that there are no equity securities denominated in foreign currency.

The largest foreign currency exposures at the end of the reporting period were as follows:

	2018 R'000	2017 R'000
Foreign currency exposure at the end of the reporting period		
Current Assets		
Trade debtors (USD debtors)	$3 693 157	$1 314 681
Cash (USD bank accounts)	$152 020	$189 445
Current liabilities		
Trade creditors (USD creditors)	$3 868 965	$511 586
Trade creditors (EUR creditors)	–	€7 058 999
Exchange rates used for conversion of foreign items were:		
USD	11.81	13.46
EUR	14.54	14.39

Forward exchange contracts which relate to future commitments.

	Contract value	Number of contracts	Future contract rate	Forward exchange rate	Maturity date
2018					
Future Contracts					
USD	$1000	1	14.11	11.969	2018/06/18
USD	$1 000 000	1 000	14.18	13.92	2018/06/18
USD	$500 000	500	14.77	13.92	2018/06/18
USD	$750 000	750	13.70	13.92	2018/06/18
USD	$750 000	750	12.750	13.92	2018/06/18
USD	$478 000	478	14.673	13.92	2018/06/18
USD	$500 000	500	12.360	12.33	2018/09/17
USD	$500 000	500	12.305	12.33	2018/09/17
USD	$1000	1	15.055	12.108	2018/09/17
Option contracts					
USD	$300 000	1	14.7175	11.8177	2018/04/11
USD	$100 000	1	14.8115	11.8177	2018/04/05
USD	$300 000	1	14.8125	11.8177	2018/05/18
USD	$100 000	1	14.882	11.8177	2018/05/03
USD	$300 000	1	14.8975	11.8177	2018/06/12
USD	$300 000	1	14.9825	11.8177	2018/07/12
2017					
Future Contracts					
EUR	€100 000	100	15.38	14.572	2017/06/30
EUR	€200 000	200	15.42	14.572	2017/06/30
EUR	€100 000	100	15.26	14.572	2017/06/30
EUR	€100 000	100	15.36	14.572	2017/06/30
EUR	€100 000	100	15.28	14.572	2017/06/30
EUR	€100 000	100	14.70	14.572	2017/06/30
USD	$150 000	150	14.608	13.584	2017/06/30
USD	$300 000	300	13.345	13.584	2017/06/30
USD	$1 238 000	1 238	13.329	13.584	2017/06/30
USD	$300 000	300	12.920	13.584	2017/06/30
USD	$300 000	300	13.420	13.584	2017/06/30
USD	$510 000	510	13.765	14.007	2017/12/30
GBP	£146 000	146	16.395	16.99	2017/06/30
Option contracts					
EUR	€1 900 000	1	14.39		2017/04/30
EUR	€1 930 000	1	14.50		2017/05/31
EUR	€1 320 000	1	14.53		2017/06/30
EUR	€1 050 000	1	14.17		2017/07/31
EUR	€1 050 000	1	14.27		2017/08/31
EUR	€1 050 000	1	14.28		2017/09/30
USD	$600 000	1	13.16		2017/10/31
USD	$600 000	1	13.24		2017/11/30
USD	$600 000	1	13.28		2017/12/31

Notes to the consolidated annual financial statements
continued

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Price risk

The group is not exposed to equity securities or commodity price risk.

Cash flow and fair value interest rate risk

As the group has interest bearing assets and liabilities, the group's income and operating cash flows are partly dependent on changes in market rates. The group's interest rate risk arises from long term borrowings, related party loans as well as cash and cash equivalents. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value risk. During March 2018 and 2017, the group's borrowings at variable rates were only denominated in South African Rand.

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and possible hedging. Based on the scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest bearing positions.

As at 31 March 2018, if interest rates on South African Rand denominated borrowings at that date had been 100 basis points lower with all other variables held constant, pre-tax profit would have been R406 731 higher due to the net increase in interest earned on bank deposits and paid on borrowings. In March 2017 the pre-tax profit would have been R869 408 lower if there were a 100 basis points increase in the net interest earned on bank deposits and paid on borrowings for that financial year.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposures to large customers, including outstanding receivables and committed transactions. For banks and financial institutions, only the big four banks in South Africa are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The credit risk of other financial assets takes into consideration the fact that the loans are made as part of the group's BBBEE expenditure and is intended to assist in building sustainable and profitable suppliers that would be in a position to repay the loans at a later stage.

The group may request certain customers to provide independent reputable bank guarantees, or advance payments, as collateral against credit risk, in respect of contracts concluded. The objective of such collateral is to counter the risk of non-payment by the group's contract debtors. This process is followed by the group as far as possible to manage the credit risk before credit is granted to the customers on projects.

Financial assets that are past due but not impaired are high credit quality with a historical group default rate of 0% (2017: 0%). The historical default rate is calculated by dividing the actual bad debt write off by revenue for the year. Refer to note 10 for more information. The group has some concentration of credit risk in debtors within specific segments that it operates, especially where there are only a few key players in those segments. In these cases management assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2018 R'000	2017 R'000
Credit rating		
BAA2	–	79 259
BAA3	50 072	–

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 5 years	Between 2 and 5 years	Over 5 years
At 31 March 2018				
Trade payables	80 215	–	–	–
Interest bearing borrowings	1 046	11 511	23 184	14 510
Other payables	10 916	–	–	–
Bank borrowings	9 546	–	–	–
At 31 March 2017				
Trade payables	131 729	–	–	–
Interest bearing borrowings	464	5 770	22 667	18 445
Other payables	16 394	–	–	–
Bank borrowings	56	–	–	–

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 14 and cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total "borrowings" (including current and non-current "borrowings" as shown in the statement of financial position) less "cash and cash equivalents". Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2018 and 2017 respectively were as follows:

	Notes	2018 R'000	2017 R'000
Total borrowings			
Interest bearing borrowings	14	37 249	41 813
Less: Cash and cash equivalents	12	41 254	79 235
Net debt		(4 005)	(37 422)
Total equity		302 446	269 022
Total capital		298 441	231 600
Gearing ratio		(1)%	(16)%

Notes to the consolidated annual financial statements
continued

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (continued)

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. Refer to note 34 for the fair value disclosures.

The nominal values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each statement of financial position date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

(b) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.5. The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the gross margin, growth rate and/or discount rate assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply/demand, together with economic factors such as the economic stability of the country of main operations, fluctuation in exchange rates etc.

(c) Trade receivables

The group assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on an individual basis, based on historical loss ratios, adjusted for other indicators present at the reporting date.

(d) Allowance for slow moving, damaged and obsolete inventory

An allowance is made for inventory to write inventory down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the cost of sales note.

(e) Deferred tax assets

The group uses budgets and financial forecasts of the respective companies for the foreseeable future to estimate whether deferred tax assets are recoverable or not.

(f) Useful lives and residual values

The useful lives and residual values of property, plant and equipment items, specifically manufacturing equipment items that are utilised over many years, are evaluated annually. Management estimates are based on historical experience and industry norms, taking into account any relevant information on hand of residual values of assets being utilised that is readily available from equipment suppliers or other players in the manufacturing environment. Management performs annual residual value assessments for the residual value of the building and it is expected that the residual value of the property will at least be cost price.

5. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and buildings	30 525	–	30 525	30 525	–	30 525
Manufacturing equipment	20 687	(10 898)	9 789	20 644	(8 704)	11 940
Plant and machinery	640	(299)	341	991	(528)	463
Furniture and fittings	2 700	(2 192)	508	3 199	(2 761)	438
Motor vehicles	3 924	(1 752)	2 172	4 607	(1 615)	2 992
Office equipment	4 199	(1 798)	2 401	4 541	(1 724)	2 817
Computer and electronic equipment	6 871	(4 585)	2 286	6 834	(5 032)	1 802
Leasehold improvements	1 014	(749)	265	886	(886)	–
Tools and lab equipment	6 374	(4 367)	2 007	5 966	(3 785)	2 181
Total	76 934	(26 640)	50 294	78 194	(25 036)	53 158

Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Land and buildings	30 525	–	–	–	30 525
Manufacturing equipment	11 940	185	–	(2 336)	9 789
Plant and machinery	463	133	(140)	(115)	341
Furniture and fittings	438	222	–	(152)	508
Motor vehicles	2 992	994	(1 061)	(753)	2 172
Office equipment	2 817	99	(18)	(497)	2 401
Computer and electronic equipment	1 802	1 836	(55)	(1 297)	2 286
Leasehold improvements	–	273	–	(8)	265
Tools and lab equipment	2 181	1 200	(93)	(1 281)	2 007
	53 158	4 942	(1 367)	(6 439)	50 294

Notes to the consolidated annual financial statements
continued

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Land and buildings	30 525	–	–	–	30 525
Manufacturing equipment	3 828	9 659	–	(1 547)	11 940
Plant and machinery	628	–	–	(165)	463
Furniture and fittings	414	302	(1)	(277)	438
Motor vehicles	2 520	1 509	(159)	(878)	2 992
Office equipment	3 167	139	–	(489)	2 817
Computer and electronic equipment	1 142	1 870	(70)	(1 140)	1 802
Leasehold improvements	148	–	–	(148)	–
Tools and lab equipment	681	1 891	–	(391)	2 181
	43 053	15 370	(230)	(5 035)	53 158

The manufacturing equipment, plant and machinery and motor vehicles with a book value of R10 678 270 (2017: R13 989 289) serve as security for instalment sale agreements (note 14).

Details of properties

The property is situated at 76 Regency drive, Route 21 Corporate Park, Irene, Gauteng. The property was registered in the Deeds Office on 27 July 2015. At that date the full property cost was capitalised in the records of Parsec Properties (Pty) Ltd. The property serves as security for the borrowings as per note 14.

6. INTANGIBLE ASSETS

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Customer relationships and brands	23 620	(13 385)	10 235	23 620	(8 661)	14 959
Computer software	4 575	(3 681)	894	6 368	(5 714)	654
Goodwill	93 072	–	93 072	93 072	–	93 072
Developed products	32 560	(18 218)	14 342	25 809	(15 802)	10 007
Total	153 827	(35 284)	118 543	148 869	(30 177)	118 692

Reconciliation of intangible assets – 2018

	Opening balance	Additions	Amortisation	Closing balance
Customer relationships and brands	14 959	–	(4 724)	10 235
Computer software	654	827	(587)	894
Goodwill	93 072	–	–	93 072
Developed products	10 007	6 751	(2 416)	14 342
	118 692	7 578	(7 727)	118 543

Reconciliation of intangible assets – 2017

	Opening balance	Additions	Disposals	Amortisation	Closing balance
Customer relationships and brands	19 683	–	–	(4 724)	14 959
Computer software	121	1 015	–	(482)	654
Goodwill	93 072	–	–	–	93 072
Developed products	7 542	5 467	(268)	(2 734)	10 007
	120 418	6 482	(268)	(7 940)	118 692

Impairment of intangibles

The recoverable amount of the development cost assets ready for sale is determined on fair value (level 3) less cost to sell calculations and is based on the assumption that a certain number of units will be sold over a two to seven year period. The fair value is based on management's best estimated selling price in the current market conditions, which take into consideration previous selling prices and current market conditions.

Impairment tests for goodwill

On board system products

The recoverable amount of the goodwill of R15.059 million in the Safety and Productivity Solutions (SPS) CGU (on board system products) determined based on a value in use calculations. The calculation used pre-tax cash flow projections based on financial budgets approved by the Executive Committee covering a three year period. The discount rates are pre-tax and reflect the specific risks relating to the relevant segments. The key assumptions used for the value in use calculation are as follows:

Key assumptions used for value in use calculations

	2018 R'000	2017 R'000
Gross margin	33%	33%
Growth rate	1%	1%
Discount rate	21%	21%

Parsec business combination

The recoverable amount of the goodwill of R78 million due to the Parsec business combination is determined based on a value in use calculations and is allocated to the following CGU's: Digital Network Systems: R25.2 million; Original Design Manufacturing: R52.8 million. The calculation used pre-tax cash flow projections based on financial budgets approved by the Executive Committee covering a three year period. Cash flows beyond the initial three year period were extrapolated using the estimated growth rate disclosed below. The discount rates are pre-tax and reflect the specific risks relating to the relevant segments.
The key assumptions used for the value in use calculation are as follows:

Key assumptions used for value in use calculations

	DNS		ODM	
	2018	2017	2018	2017
Gross margin	26%	24%	34%	33%
Growth rate	8%	8%	10%	10%
Discount rate	18%	18%	18%	18%

Sensitivity analysis

Sensitivity analyses were performed to substantiate the recoverable amount of goodwill. For the on board systems, only when the discount rate was increased to 55% or the margin was dropped to 17% was the goodwill calculated to be impaired.

For the Parsec business combinations, only when the gross margin was decreased to +15% or when the discount rate was increased to +55% was the goodwill calculated to be impaired.

Notes to the consolidated annual financial statements
continued

7. DEFERRED TAX ASSETS/(LIABILITIES)

	2018 R'000	2017 R'000
Deferred income tax liabilities		
Prepayments	(365)	(391)
Retention debtors	(64)	(97)
Deferred revenue	(2 055)	(501)
Intangible assets	(6 719)	(6 784)
Property, plant and equipment	(3 037)	(2 301)
Total deferred tax liability	(12 240)	(10 074)
Deferred income tax asset		
Provisions	5 741	6 060
Warranty provision	357	332
Operating leases	173	–
Billings in excess of earnings and prepayments	978	870
Calculated tax loss	14 549	7 504
Total deferred tax asset	21 798	14 766
Deferred tax liability	(12 240)	(10 074)
Deferred tax asset	21 798	14 766
Total net deferred tax asset	9 558	4 692
Reconciliation of deferred tax asset/(liability)		
At beginning of year	4 692	2 016
Statement of comprehensive income charge	4 866	2 676
At the end of the year	9 558	4 692
The net amounts are expected to be recovered and settled as follows:		
Deferred tax asset		
– No more than 12 months after the reporting period	7 237	7 264
– More than 12 months after the reporting period	14 536	7 503
Deferred tax liabilities		
– No more than 12 months after the reporting period	(2 459)	(988)
– More than 12 months after the reporting period	(9 756)	(9 087)
	9 558	4 692

8. OTHER FINANCIAL ASSET

	2018 R'000	2017 R'000
Interest free borrowings		
Tau Di A Rora Technologies CC	1 010	1 010

These loans are unsecured, bear no interest and have no fixed term of repayment. They were made as part of the group's BBBEE Enterprise and Supplier development programs and is intended to assist in building sustainable and profitable suppliers that would be in a position to repay the loans at a later stage. It is anticipated that this repayment will not materialise within the next 12 month period and hence the loans are classified as non-current.

9. INVENTORIES

	2018 R'000	2017 R'000
Finished goods	77 585	87 257
Work in progress	16 003	19 063
	93 588	106 320
Provision for slow moving inventories	(5 312)	(5 221)
	88 276	101 099

The cost of inventories recognised as expense and included in cost of sales amounted to R330.7 million (2017: R496.7 million)

10. TRADE AND OTHER RECEIVABLES

	2018 R'000	2017 R'000
Trade receivables	128 978	111 991
Gross trade receivables	129 833	113 597
Provision for impairment	(855)	(1 606)
Deposits	1 166	637
Accrued revenue	7 337	1 789
Prepayments	1 303	1 456
Staff loans	112	109
Sundry debtors	784	272
Retention debtors	228	348
Receiver of Revenue (VAT)	882	7 802
	140 790	124 404

All trade and other receivables are due within one year from the reporting date.

The fair values of trade and other receivables approximate the cost due to the short term nature of the receivables.

As of 31 March 2018, trade receivables of R0.85 million (2017: R1.6 million) were provided for at group level. The ageing of these receivables is as follows:

	2018 R'000	2017 R'000
More than six months	855	1 606

As of 31 March 2018, trade receivables of R48.769 million (2017: R36.757 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 R'000	2017 R'000
Up to 3 months	30 824	30 375
Between 3 and 6 months	14 400	4 915
More than 6 months	3 545	1 467
	48 769	36 757
Movements on the provision for impairment of trade receivables are as follows:		
Opening balance	1 606	608
Increase in provision/(unused amounts reversed)	(751)	998
Closing balance	855	1 606

The creation and release of provision for impaired receivables have been included in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group does not hold any collateral as security.

Refer to note 3 for trade receivables denominated in foreign currencies.

Debtors serve as security for the group's invoice discounting facility (note 12).

Notes to the consolidated annual financial statements
continued

	2018 R'000	2017 R'000
11. TAX PAID		
Balance at beginning of the year	**(3 802)**	(1 462)
Charge to statement of comprehensive income	**(13 795)**	(29 105)
Taxation received during the year	**–**	(10)
Balance at end of the year	**(5 513)**	3 802
Tax paid	**(23 110)**	(26 775)
12. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	**27**	32
Cash at bank	**50 773**	79 259
Bank overdraft	**(9 546)**	(56)
	41 254	79 235
Current assets	**50 800**	79 291
Current liabilities	**(9 546)**	(56)
	41 254	79 235
For the purpose of the statement of cash flows the year end cash, cash equivalents and bank overdrafts comprise the following:		
Cash on hand and at bank	**50 800**	79 291
Bank overdraft	**(9 546)**	(56)
	41 254	79 235

Refer to note 3 for bank accounts denominated in foreign currencies

At 31 March 2018, the group had a combination of overdraft and invoice discounting facilities to assist with operational cash flow requirements.

The group has overdraft facilities of R20 million (2017: R20 million). The facilities are secured by the debtors of the individual companies making use of the facilities.

The invoice discounting facility comprises of 80% (2017: 80%) of the debtors book within the company where the facility is utilised, at any given point capped at R10 million (2017: R10 million). The facility is secured by the cession of debtors of the individual company making use of this facility (note 10).

The extent of the company's facilities with their bankers can be summarised as follows:

	2018 R'000	2017 R'000
Overdraft facility	**20 000**	20 000
Corporate credit cards and fleet services cards	**1 268**	1 268
Combined Letter of Guarantee and Forward Exchange Cover facility	**13 360**	13 360
Revolving Credit Line facility	**18 307**	18 307
Invoice Discounting facility	**10 000**	10 000
Issued Letter of Performance Guarantee	**301**	2 949
	63 236	65 884

	2018 R'000	2017 R'000
13. SHARE CAPITAL		
Authorised		
1 725 490 496 Authorised no par value ordinary shares		
Reconciliation of number of shares issued:		
Opening balance	**461 038 321**	461 038 321
Number of shares issued during the year	**–**	–
Closing balance	**461 038 321**	461 038 321
Issued		
Ordinary	**212 141**	212 141

The shares have no par value and the issued shares are fully paid. Each issued share has one voting right and there are no restrictions.

On 3 November 2017, an ordinary resolution was passed by way of general authority, to issue all or any of the authorised but unissued shares in the capital of the company for cash, subject to the Memorandum of Incorporation of the company, the requirements of the Companies Act of South Africa and the JSE Listing Requirements, when applicable.

	2018 R'000	2017 R'000
14. INTEREST BEARING BORROWINGS		
Instalment sale agreements		
Minimum lease payments due		
– no later than one year	**3 667**	5 241
– later than one year and no later than five years	**7 443**	10 398
	11 110	15 639
less: future finance charges	**(1 701)**	(2 914)
Present value of minimum lease payments	**9 409**	12 725
Present value of minimum lease payments due		
– no later than one year	**2 827**	3 963
– later than one year and no later than five years	**6 582**	8 762
	9 409	12 725
Non-current liabilities	**6 582**	8 762
Current liabilities	**2 827**	3 963
	9 409	12 725
The loans bear interest at prime and are repayable in monthly instalments of R343 450 (2017: R374 230) over an average period of 60 months.		
Secured by: Plant and equipment and motor vehicles with a book value of:	**10 678**	13 989
The interest rate exposure of borrowings of the group is as follows:		
Instalment sale agreement		
At floating rates (average %)	**10.20%**	10.50%

Notes to the consolidated annual financial statements
continued

	2018 R'000	2017 R'000
14. INTEREST BEARING BORROWINGS (CONTINUED)		
Property loan: Senior debt		
Minimum payments due		
– no later than one year	**3 890**	3 707
– later than one year and no later than five years	**15 741**	15 696
– later than five years	**14 510**	18 445
less: future finance charges	**(11 301)**	(13 760)
Present value of minimum lease payments	**22 840**	24 088
Present value of minimum payments due		
– no later than one year	**1 634**	1 248
– later than one year and no later than five years	**8 865**	7 941
– later than five years	**12 341**	14 899
	22 840	24 088

The loan bears interest at prime and is repayable in monthly instalments of R318 854 (2017: R295 235) over a period of 120 months.

Secured by: Property situated at 76 Regency Drive, Route 21 Corporate Park with a cost of:	**30 525**	30 525

The interest rate exposure of borrowings of the group is as follows:

Senior debt loan agreement		
At fixed rates (%)	**10.43%**	10.43%

The interest rate is fixed at 10.43% for the first 3 years and in July 2018 becomes variable at prime less 0.5%. A R5 million residual value will remain on the loan at the end of the 10 year period.

Mezzanine loan agreement		
Total loan amount	**5 000**	5 000
At floating rates of prime plus 2%	**12.00%**	12.50%

The mezzanine finance of R5 million, with interest payable monthly at a rate of prime plus 2%, is repayable after 3 years. Also payable after the 3 year period is a profit share amount of R3 million, payable to Nedbank Ltd. Included in these financial results is an accrual to reflect this profit share amount as an interest expense over the 3 year period. The liability is included under accruals in note 15. Fair value approximates cost.

Total property loan:		
Current liability	6 634	1 248
Non current liability	21 206	27 840
	27 840	29 088
Total liability:		
Current liability	9 461	5 211
Non-current liability	27 788	36 602
	37 249	41 813

	2018 R'000	2017 R'000
15. TRADE AND OTHER PAYABLES		
Trade payables	**80 215**	131 729
Accrued expenses	**10 728**	16 110
Billings in excess of earnings and prepayments received	**12 302**	13 852
Receiver of Revenue – VAT	**2 691**	1 146
Leave accrual	**3 414**	3 346
Sundry creditors	**188**	284
Operating lease straight line adjustment	**617**	–
	110 155	166 467

Trade and other payables are settled in South African Rand except where the payable is denominated in a foreign currency. Refer to note 3 for the outstanding liabilities denominated in foreign currencies at year end.

16. PROVISIONS

	Opening balance	Provision raised	Reversed during the year	Closing balance
Reconciliation of provisions – 2018				
Provision for warranty	**1 186**	**1 041**	**(950)**	**1 277**
Provision for product fleet defect	**–**	**4 111**	**–**	**4 111**
	1 186	**5 152**	**(950)**	**5 388**

The group's performance was negatively impacted by a fleet defect at one of the group's rail clients. The process to replace the units with an internally designed and manufactured unit has commenced and is expected to be completed within the next 12 months.

	Opening balance	Provision raised	Reversed during the year	Closing balance
Reconciliation of provisions – 2017				
Provision for warranty	1 503	999	(1 316)	1 186

The provision for warranty claims on products sold and delivered was calculated on a project specific basis as the revenue on the product are recognised. A 3.7 % failure rate and the estimated production and material cost was used to calculate the provision. The warranty claim is valid for a 12 month period.

Information that is typically considered is whether there is back to back warranty cover from the supplier on the products as well as material failure rate from historic information.

Notes to the consolidated annual financial statements
continued

		2018 R'000	2017 R'000
17.	**REVENUE**		
	Resale of finished goods	270 421	425 475
	Sale of goods manufactured	176 569	224 998
	Sale of design, development and project services	100 290	137 704
	Sale of network installation services	25 282	17 842
		572 562	806 019
18.	**COST OF SALES**		
	Cost of sales	410 578	585 240
	– Resale of finished goods	197 745	303 888
	– Sale of goods manufactured	120 655	172 931
	– Sale of design, development and project services	77 495	101 937
	– Sale of network installation services	14 686	6 484
	Write down of inventories to net realisable value	(201)	8 647
	Movement in slow moving stock provision	91	605
	Other write (up)/downs	(292)	8 042
		410 379	593 887
19.	**OTHER INCOME**		
	Bad debts recovered	236	–
	Sundry income	2 040	858
	Profit on sale of property, plant and equipment	–	111
		2 276	969
20.	**OTHER (LOSSES)/GAINS**		
	Financial assets at fair value through profit and loss – held for trading:		
	– Fair value gains: unrealised	–	210
	– Fair value losses: unrealised	(1 791)	(177)
	Foreign exchange gains and losses:		
	– Fair value gains: realised	6 919	14 270
	– Fair value gains: unrealised	4 950	4 270
	– Fair value losses: realised	(227)	(820)
	– Fair value losses: unrealised	(2 002)	(344)
		7 849	17 409

		2018 R'000	2017 R'000
21.	**EXPENSES BY NATURE**		
	Advertising and marketing	4 935	3 599
	Amortisation	7 727	7 940
	BBBEE related expenses	5 087	7 114
	Depreciation	6 439	5 035
	Donations	638	983
	Employee benefit expense	131 485	130 521
	Entertainment	942	1 532
	Fines and penalties	221	1 249
	Hedging costs	5 294	15 213
	Installation and subcontractor costs	17 114	16 227
	Insurance	1 110	1 263
	Motor vehicle expenses	1 346	1 147
	Movement in inventory	(12 824)	16 325
	Operating building lease rentals and municipal costs	8 696	6 888
	Other expenses	959	4 657
	Personnel cost – training	2 589	2 628
	Professional and computer services and costs	7 892	6 154
	Project related travel and wages	744	1 143
	Purchases of raw materials and consumables used	338 457	487 319
	Repairs and maintenance expenditure	2 896	2 377
	Research cost	474	697
	Skills Development Levy	937	859
	Subscriptions	1 636	1 895
	Travel and accommodation – local	493	743
	Travel and accommodation – overseas	879	683
		536 166	724 191
22.	**EMPLOYEE BENEFIT EXPENSE**		
	Salaries and wages	113 743	111 016
	Directors' remuneration (note 27)	17 742	19 505
	Total employee benefit expense	131 485	130 521
	Post retirement benefit: defined contribution plan (included in employee benefits above)	9 065	7 509
	Number of employees at the end of the year	280	283
23.	**FINANCE INCOME**		
	Bank	1 975	3 106
24.	**FINANCE COSTS**		
	Interest bearing borrowings	1 210	1 473
	Bank loans and overdrafts	4 869	5 191
	Related party loans	–	1 610
	Other	64	858
	Total finance costs	6 143	9 132

Notes to the consolidated annual financial statements
continued

	2018 R'000	2017 R'000
25. TAXATION		
Major components of the tax expense		
Current		
Local income tax – current period	13 795	29 105
Deferred		
Deferred tax current year	(4 866)	(2 676)
	8 929	26 429
Reconciliation of the tax expense		
The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of South Africa as follows:		
Accounting profit	42 353	94 180
Tax at the applicable tax rate of 28% (2017: 28%)	11 859	26 370
Tax effect of adjustments on taxable income		
Donations, fines and penalties	224	584
Other expenses not deductible	348	42
Learnership allowances	(3 444)	(567)
Other difference	(58)	–
	8 929	26 429
Assessed tax losses available for sett off against future taxable income	43 406	26 798
26. CASH GENERATED FROM OPERATIONS		
Profit before taxation	42 353	94 180
Adjustments for:		
Depreciation and amortisation	14 166	12 975
Interest income	(1 975)	(3 106)
Interest expense	6 143	9 132
Increase in provision for slow moving and obsolete raw materials	91	605
(Decrease)/increase in provision for impairment of trade receivables	(751)	996
Loss/(profit) on sale of property, plant and equipment	198	(111)
Operating lease straight line adjustment	617	–
Increase/(decrease) in provisions	4 202	(317)
Unrealised foreign exchange differences – cash and bank equivalents	(4 522)	(6 404)*
Unrealised foreign exchange differences – trade creditors	1 475	2 426*
Unrealised foreign exchange differences – trade debtors	1 888	19*
Changes in working capital:		
Inventories	12 732	(16 930)
Trade and other receivables	(17 522)	(3 738)*
Trade and other payables	(58 405)	11 659*
	690	101 386

*These amounts were restated from what was reported in the prior year to reflect the correct split of unrealised foreign exchange differences to the elements they relate to.

	Basic salary	Medical aid	Retirement contribution	Bonus and performance related payments	Total
27. DIRECTORS' AND PRESCRIBED OFFICER'S REMUNERATION					
Executive					
2018					
T Daka	2 123	175	98	–	2 396
AR van der Watt	1 245	155	394	–	1 794
EC De Kock	434	5	90	–	529
Total paid by Etion	3 802	335	582	–	4 719
2017					
T Daka	1 968	108	82	1 988	4 146
AR van der Watt	630	47	83	703	1 463
Total paid by Etion	2 598	155	165	2 691	5 609

	Fees paid to directors for services	Total
Non executive		
2018		
NS Mjoli-Mncube	383	383
SP Mzimela	221	221
CP Bester	239	239
N Medupe	234	234
Dr SJ Khoza	229	229
Total paid by Etion	1 306	1 306
2017		
NS Mjoli-Mncube	364	364
SP Mzimela	212	212
CP Bester	226	226
N Medupe	239	239
Dr SJ Khoza	294	294
Total paid by Etion	1 335	1 335

Notes to the consolidated annual financial statements
continued

27. DIRECTORS' AND PRESCRIBED OFFICER'S REMUNERATION (CONTINUED)

Executive directors paid by subsidiaries

	Basic salary	Medical aid	Retirement contribution	Bonus and performance related payments	Total
2018					
PC Pelser	1 194	118	351	312	1 975
R Fullard	1 261	–	113	168	1 542
EAF Bielich	947	55	164	151	1 317
DT van Loggerenberg	981	101	292	177	1 551
F de Wet	1 215	42	113	177	1 547
BC Lamprecht	1 298	82	127	196	1 703
ML Kamoetie	688	–	180	–	868
MM Massyn-Loubser	1 178	–	36	–	1 214
Total paid by subsidiaries	**8 762**	**398**	**1 376**	**1 181**	**11 717**

	Basic salary	Medical aid	Retirement contribution	Bonus and performance related payments	Fees for services as directors' of subsidiaries	Total
2017						
AR van der Watt	667	82	263	–	24	1 036
PC Pelser	1 269	107	143	519	36	2 074
R Fullard	1 163	–	105	254	18	1 540
EAF Bielich	898	50	124	214	18	1 304
DT van Loggerenberg	987	100	181	254	18	1 540
F de Wet	1 121	38	104	253	18	1 534
BC Lamprecht	1 203	75	113	293	18	1 702
WL Joubert	354	–	–	–	–	354
MM Massyn-Loubser	1 048	–	30	399	–	1 477
Total paid by subsidiaries	8 710	452	1 063	2 186	150	12 561

	2018 R'000	2017 R'000
Intercompany and related party charges		
Parsec Holdings shareholders		
– Finance costs	–	1 610
	–	1 610

28. CATEGORIES OF FINANCIAL INSTRUMENTS

	Loans and receivables 2018 R'000	Financial liabilities at amortised costs 2018 R'000	Loans and receivables 2017 R'000	Financial liabilities at amortised costs 2017 R'000
Assets as per statement of financial position				
Trade and other receivables	**126 925**	**–**	113 357	–
Cash and cash equivalents	**50 800**	**–**	79 291	–
Other financial assets	**1 010**	**–**	1 010	–
Liabilities as per statement of financial position				
Trade and other payables	**–**	**91 131**	–	148 122
Interest bearing borrowings	**–**	**37 249**	–	41 813
Bank overdrafts	**–**	**9 546**	–	56
	178 735	**137 926**	193 658	189 991

29. EARNINGS PER SHARE

	Total shares 2018 number	Weighted shares 2018 number	Total shares 2017 number	Weighted shares 2017 number
Total and weighted shares				
Number of shares in issue				
Opening balance	**461 038 321**	**461 038 321**	461 038 321	461 038 321
Closing balance	**461 038 321**	**461 038 321**	461 038 321	461 038 321

	2018 R'000	2017 R'000
Basic and diluted earnings per share attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders	**33 473**	67 876
Weighted average number of shares in issue	**461 038 321**	461 038 321
Basic and diluted earnings per share attributable to ordinary shareholders (cents)	**7.26**	14.72
Headline and diluted headline earnings per share attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders	**33 473**	67 876
Non headline items after tax:		
Loss/(profit) on the sale of property, plant and equipment	**198**	(111)
Total tax effect of adjustments	**(55)**	31
Headline and diluted headline earnings per share attributable to ordinary shareholders	**33 616**	67 796
Weighted average number of shares in issue	**461 038 321**	461 038 321
Headline and diluted headline earnings per share attributable to ordinary shareholders (cents)	**7.29**	14.71

Notes to the consolidated annual financial statements
continued

	2018 R'000	2017 R'000
30. COMMITMENTS UNDER OPERATING LEASES		
Operating leases – as lessee (expense)		
Leased property		
Within one year	3 412	483
Later than one year but within 5 years	11 960	–
Later than five years	31 065	–
	46 437	483
Minimum lease payments under operating leases recognised as an expense during the year	1 994	1 870
Motor vehicles		
Within one year	46	735
Later than one year but within 5 years	–	65
	46	800
Minimum lease payments under operating leases recognised as an expense during the year	756	1 077
Office equipment		
Within one year	283	180
Later than one year but within 5 years	767	642
	1 050	822
Minimum lease payments under operating leases recognised as an expense during the year	252	213

31. GOING CONCERN

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

The directors have reviewed the group's budget and cash flow forecasts for the year ended March 2019 which include certain assumptions about the cash flows from planned and unplanned projects and raising additional funding when required. On this basis and in light of the group's current financial position, the directors are satisfied that the group will continue to operate for the foreseeable future and have therefore adopted the going concern basis in preparing these financial statements.

32. SUBSEQUENT EVENTS

LawTrust acquisition

On 1 June 2018, Etion acquired the shares and all the shareholders' claims against Law Trusted Third Party Services (Pty) Ltd ("LAWTrust").

Etion shall make a maximum payment of R108.5 million for 100% of the issued share capital and shareholder claims (if any) of LAWTrust using cash and Etion shares.

The cash portion shall be R88.4 million and the share portion shall be R20.1 million. The Founders will receive 75% of their payment consideration in Etion shares and 25% of their consideration in cash while the remaining shareholders, all external to the business, will receive 100% of their consideration in cash.

The sellers shall be entitled to receive a maximum pre effective date distribution of R10 million ("Distribution") which will be paid by LAWTrust into an escrow account before the Effective Date of the Transaction and after the fulfilment of the conditions precedent specified below.

The payment of the Distribution to the sellers will be subject to the following:
- LAWTrust achieving a minimum audited net profit after tax ("Minimum Audited NPAT") for the year ended 31 March 2018 ("FY18") of R14 million; and
- LAWTrust having a minimum cash balance ("Minimum Audited Cash Balance") of R25 million as at 31 March 2018.

In the event that the Minimum Audited NPAT and Minimum Audited Cash Balance amounts have not been met, the Distribution to the Sellers shall be reduced by the shortfall between the actual audited net profit after tax for the year ended 31 March 2018 and the Minimum Audited NPAT and by the shortfall between the actual audited cash balance for the year ended 31 March 2018 and the Minimum Audited Cash Balance, before distribution to the Sellers. Any Distribution not distributed to the Sellers will be paid to Etion.

Based on the pre effective date distribution targets being met, the maximum consideration will therefore be R108.5 million and the minimum will be R98.5 million.

LAWTrust is an information technology developer and provider of cyber and information security solutions in the areas of digital authentication, encryption technology, digital signatures and biometrics. The company, which was founded in 2006, provides bespoke solutions to over 500 clients in both the public and private sectors, and is considered one of the country's leading information and cyber security providers.

The transaction will enhance Etion's current cyber security business by introducing strategically aligned products and by providing access to new markets. The transaction is part of the group's strategy to achieve growth both organically and through the acquisition of companies aligned to its core business.

The initial accounting for the business combination has not been finalised at the date of authorisation of the financial statements and as such the required disclosures under IFRS 3 have not been finalised.

Name change

Ansys has in the past built a strong reputation for the design, manufacturing and supply of technology–based solutions used in some of the world's toughest environments. However, each segment had its own established brand in its individual market, which limited the group's ability to cross sell across sectors as well as to enter new sectors.

Following extensive engagements with key stakeholders, including customers, employees and the media, the brand identify of Ansys has been refreshed into a single core brand and the company's name has been changed to Etion, which represents energy and action. This name change was registered with CIPC on 19 June 2018.

No event which is material to the financial affairs of the group has occurred between the reporting date and the date of the approval of the financial statements.

33. COMPANY FINANCIAL STATEMENTS

The separate financial statements of the company Etion Ltd is available on the company's website.

34. FAIR VALUE HIERARCHY

Assets and liabilities measured or disclosed at fair value in the statement of financial position are categorised in its entirety into the following three levels of the fair value hierarchy based on the basis of the lowest level input that is significant to the fair value measurement in its entirety:
- Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities
- Level 2: fair value measured using inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3: fair value measured using inputs for the financial asset or liability that are not based on observable market data.

For fair value of financial instruments traded in active markets (such as held for trading and available for sale securities) is based on quoted market prices at the financial year end date. The quoted market price for financial assets held by the group is current bid price. The fair value of forward exchange contracts is determined using the quoted forward exchange rates at the financial year end date, with the resulting value discounted back to present value.

The fair value of financial liabilities categorised as "other financial liabilities" and financial assets categorised as "loans and receivables" is determined in accordance with general accepted pricing models comprising discounted cash flow analysis. The fair value of derivative financial assets (eg forward exchange contracts) is based on a level 2 in the fair value measurement hierarchy.

The carrying value of non-current financial assets and liabilities at market related floating rates approximate fair value and are classified as level 3.

Where the effects of discounting are immaterial, short term receivables and short term payables are measured at the original invoice amount. Due to the short term nature of trade receivables and trade payables their carrying amounts approximate their fair value.

35. SEGMENTAL INFORMATION

The segment information has been prepared in accordance with IFRS 8 Operating Segments, which defines the requirements of the disclosure of financial information of an entity's operating segments.

Identification of reportable segments

The report outlines material changes which have taken place during the reporting period. These include our repositioning from Ansys to Etion, as well as the change in our reporting, which was historically organised into vertical markets or industry segments of defence, and cyber security, mining and industrial, rail, as well as telecommunication. We have realigned the objectives of the various business units within the group with a common vision, which is driven by the evolving technological landscape to which we must adapt, as a driver for continuous change in the group, in order to remain competitive.

Three new reportable segments have been established: Safety and Productivity Solutions; Digital Network Solutions; Original Design Manufacturing.

The group discloses its reportable segments according to the group's components that the management monitor regularly in making decisions about the operating matters.

Measurement of operating segment profit or loss, assets and liabilities

Segment information is prepared in conformity with the basis that is reported to the Executive Committee in assessing segment performance and allocating resources to segments. These values have been reconciled to the consolidated financial statements. The basis reported by the group is in accordance with the accounting policies adopted for preparing and presenting the consolidated group financial statements and are consistent with the prior year.

Segment assets and liabilities have been allocated using the same principles in allocating the segment profit and loss. This entails assets and liabilities being allocated, as far as possible directly to the segments they relate and the remaining assets and liabilities in the entities apportioned to segments based on the gross profit contribution of each segment.

Segment revenue excludes value added taxation and relates to external customers only. Net revenue represents segment revenue from which intersegment revenue has been eliminated. Segment expenses include direct and allocated expenses.

Reportable segments

During the year the group conducted operations in three main business areas: Safety and Productivity Solutions (SPS); Digital Network Solutions (DNS); Original Design Manufacturing (ODM). Transactions between the business segments are on normal commercial terms and conditions.

Information about geographical areas

The group operates primarily in South Africa. The group revenue earned in South Africa is R469.135 million (2017: R647.814 million) and earned from other countries is R103.426 million (2017: R158.205 million) resulting mostly from business in the UAE region. All of the groups' assets and liabilities are located in South Africa. Revenue in the region of 20% (2017: 25%) of total revenue for the group was derived from a single external customer.

	SPS	ODM	DNS	Corporate	Total
Group					
2018					
Revenue					
– Segment sales	77 035	229 058	266 469	–	572 562
– Segment expenses	(80 700)	(206 703)	(238 071)	–	(525 474)
– Segment forex profit/(loss)	(546)	9 187	(792)	–	7 849
Results					
– Segment profit	(4 211)	31 542	27 606	–	54 937
– Corporate expenses				(8 416)	(8 416)
Operating profit					46 521
Finance income				(6 143)	(6 143)
Finance costs				1 975	1 975
Profit before tax					42 353
Taxation					(8 929)
Profit for the year					33 424
Financial Position					
Assets	91 570	235 627	142 645	106	469 948
Liabilities	24 922	97 108	45 470	2	167 502
***2017**					
Revenue					
– Segment sales	100 240	276 943	428 836	–	806 019
– Segment expenses	(94 495)	(259 559)	(359 141)	–	(713 195)
– Segment forex profit/(loss)	(215)	5 071	12 553	–	17 409
Results					
– Segment profit	5 530	22 455	82 248	–	110 233
– Corporate expenses				(10 027)	(10 027)
Operating profit					100 206
Finance income				3 106	3 106
Finance costs				(9 132)	(9 132)
Profit before tax					94 180
Taxation					(26 429)
Profit for the year					67 751
Financial Position					
Assets	80 748	203 556	198 290	1 210	483 804
Liabilities	12 090	84 625	114 977	3 090	214 782

*In the prior period the 2017 segment results were stated as follows:

35. SEGMENTAL INFORMATION (CONTINUED)

	Rail	Defence and cyber security	Mining and Industrial	Telecoms	Corporate	Total
2017						
Revenue						
– Segment sales	100 240	187 623	89 320	428 836	–	806 019
– Segment expenses	(94 495)	(177 973)	(81 586)	(359 141)	–	(713 195)
– Segment forex profit/(loss)	(215)	5 071	–	12 553	–	17 409
Results						
– Segment profit	5 530	14 721	7 734	82 248	–	110 233
– Corporate expenses					(10 027)	(10 027)
Operating profit						100 206
Finance income					3 106	3 106
Finance costs					(9 132)	(9 132)
Profit before tax						94 180
Taxation						(26 429)
Profit for the year						67 751
Financial position						
Assets	80 748	142 045	61 511	198 290	1 210	483 804
Liabilities	12 090	61 872	22 753	114 977	3 090	214 782

36. NET DEBT RECONCILIATION

	2018 R'000	2017 R'000
Net debt		
Cash and cash equivalents	**50 800**	79 291
Borrowings – repayable within one year (Including overdraft)	**(19 007)**	(5 267)
Borrowings – repayable after one year	**(27 788)**	(36 602)
Net debt	**4 005**	37 422
Cash and cash equivalents	**50 800**	79 291
Gross debt – fixed interest rates	**(22 840)**	(24 088)
Gross debt – variable interest rates	**(23 955)**	(17 781)
Net debt	**4 005**	37 422

	Other assets	Liabilities from financing activities		
	Cash	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 31 March 2017	79 291	(5 267)	(36 602)	37 422
Cash flows	(33 013)	(5 898)	–	(38 911)
New borrowings raised	–	297	675	972
Foreign exchange adjustments	4 522	–	–	4 522
Transfer to current borrowings	–	(8 139)	8 139	–
Net debt as at 31 March 2018	50 800	(19 007)	(27 788)	4 005

Notice of annual general meeting

ETION LIMITED
(previously known as Ansys Limited)
(Incorporated in the Republic of South Africa)
Registration number: 1987/115237/06
JSE share code: ETO
ISIN: ZAE000257739
("Etion" or "the Company")

Notice is hereby given of the Annual General Meeting of shareholders of Etion Limited to be held at 85 Regency Drive, Route 21 Corporate Park, Irene, Pretoria, on 27 September 2018 at 10:00am ("the Annual General Meeting").

PURPOSE

The purpose of the Annual General Meeting is to transact the business set out in the agenda below.

AGENDA

- Presentation of the audited annual financial statements of the Company, including the reports of the Directors and the Audit and Risk Committee for the year ended 31 March 2018. The Integrated Annual Report, of which this notice forms part, contains the summarised Group financial statements and the aforementioned reports. The annual financial statements, including the unmodified audit opinion, are available on Etion website at www.etion.co.za, or may be requested and obtained in person, at no charge, at the registered office of Etion during office hours.
- To consider and, if deemed fit, approve, with or without modification, the following ordinary and special resolutions:

REPORT ON THE SOCIAL AND ETHICS COMMITTEE

The Company's Social and Ethics Committee Report, included on pages 70 to 73 of the Integrated Annual Report will serve as the Social and Ethics Committee's report to the Company's shareholders on the matters within its mandate at the Annual General Meeting. Any specific questions to the said Committee may be sent to the Company Secretary prior to the Annual General Meeting,

Note:
For any of the ordinary resolutions numbers 1 to 11 (inclusive) to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution numbers 12 and for special resolutions numbers 1 – 6 (inclusive) to be adopted, at least 75% of the voting rights exercised on the applicable resolution must be exercised in favour thereof.

1. RETIREMENT, RE-ELECTION AND CONFIRMATION OF APPOINTMENT OF DIRECTORS

1.1 Ordinary resolution number 1

"Resolved that Coenraad Petrus Bester, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

1.2 Ordinary resolution number 2

"Resolved that Snowy Joyce Khoza, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers herself for re-election, be and is hereby re-elected as director."

The reason for ordinary resolutions numbers 1 to 2 (inclusive) is that the memorandum of incorporation of the Company, the Listings Requirements of the JSE Limited ("JSE") and, to the extent applicable, the South African Companies Act, 71 of 2008, as amended ("the Companies Act"), require that a component of the non-executive directors rotate at every annual general meeting of the Company and, being eligible, may offer themselves for re-election as directors.

1.3 Ordinary resolution number 3

"RESOLVED that Elvin Collin de Kock's appointment as director and Chief Financial Officer, in terms of the Memorandum of Incorporation of the Company, be and is hereby confirmed."

1.4 Ordinary resolution number 4

"RESOLVED that Christi Maherry's appointment as executive director, in terms of the Memorandum of incorporation of the Company, be and is hereby confirmed.

The reason for ordinary resolutions number 3 and 4 (inclusive) is that the memorandum of Incorporation of the Company requires that any director appointed by the Board of the Company be confirmed by the shareholders at the AGM. A brief curriculum vitae of the director's appointment to the Board being confirmed appears on Annexure B of the Notice of AGM.

Notice of annual general meeting
continued

2. APPOINTMENT AND RE-APPOINTMENT OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

Note: For avoidance of doubt, all references to the audit and risk committee of the Company is a reference to the audit committee as contemplated in the Companies Act.

2.1 Ordinary resolution number 5

"Resolved that Nondumiso Medupe, being eligible, be and is re-appointed as a member and Chairperson of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

2.2 Ordinary resolution number 6

"Resolved that Sizakele Pertunia Mzimela, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

2.3 Ordinary resolution number 7

"Resolved that Snowy Joyce Khoza being eligible and subject to the passing of ordinary resolution number 2, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

2.4 Ordinary resolution number 8

"Resolved that Coenraad Petrus Bester being eligible and subject to the passing of ordinary resolution number 1, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

The reason for ordinary resolutions numbers 5 to 8 (inclusive) is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of a company. A brief curriculum vitae of each of the directors up for election to the Audit and Risk committee appears on Annexure B of the Notice of AGM.

3. RE-APPOINTMENT OF AUDITOR

Ordinary resolution number 9

"RESOLVED that PricewaterhouseCoopers Inc be and is hereby re-appointed as auditor of the Company for the ensuing year on the recommendation of the Audit and Risk Committee of the Company."

The reason for ordinary resolution number 9 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the Annual General Meeting of the Company as required by the Companies Act.

4. NON-BINDING ENDORSEMENT OF ETION LIMITED'S REMUNERATION POLICY AND IMPLEMENTATION REPORT

4.1 Non-binding advisory vote 1 – ordinary resolution number 10

"RESOLVED that the shareholders endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out on pages 75 to 78 of the Integrated Report"

4.2 Non-binding advisory vote 2 – ordinary resolution number 11

Resolved that the Company's implementation report in regard to its remuneration policy, as contained in this Integrated Report, be and is hereby endorsed by way of a non-binding advisory vote.

Reason for and effect of ordinary resolution number 10 and 11

The reason for ordinary resolution numbers 10 and 11 is that King IV recommends that every year the Company's remuneration be disclosed in three parts, namely:

- a background statement;
- an overview of the remuneration policy; and
- an Implementation Report.

And that shareholders be requested to pass separate non-binding advisory votes on the policy and the Implementation report at the AGM. Voting on the above two resolutions enables shareholders to express their views on the remuneration policy adopted and on Its Implementation.

The Human Capital and Remuneration Committee prepared and the Board considered and accepted the remuneration policy and Implementation report thereon, as set out in this Integrated Report.

The Remuneration Policy also records the measures the board will adopt in the event that either the remuneration policy or the Implementation report, or both, are voted against by 25% or more of the voting rights exercised by shareholders. In such event, the company will, in its announcement of the resolutions of the AGM, provide dissenting shareholders with information as to how to engage with the Company In this regard to this matter and the timing of such engagement.

5. GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

Ordinary resolution number 12

RESOLVED that the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deemed fit, without restriction, subject to the provision of the company's memorandum of incorporation, the Companies Act and the Listings Requirements of the JSE ("Listings Requirements"), provided that:

(a) the equity securities which are the subject of this general authority be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
(b) the equity securities must be issued to public shareholders, as defined in the Listings Requirements, and not to related parties;
(c) the equity securities which are the subject of this general authority:
(1) may not, in aggregate, exceed 50% of the Company's listed equity securities as at the date of the Annual General Meeting, being the equivalent of 247 205 517 equity securities;
(2) any equity securities issued in terms of this general authority must be deducted from the initial number of equity securities available under this general authority; and
(3) in the event of a subdivision or consolidation of issued equity securities during the period of this general authority, the general authority must be adjusted accordingly to represent the same allocation ratio;
(d) the general authority shall be valid until Etion's next Annual General Meeting, or for 15 months from the date on which the general authority for such ordinary resolution was passed, whichever period is shorter subject to the Listings Requirements and any other restrictions set out in this authority the maximum discount at which equity securities may be issued is 10% of the weighted average traded price of such equity securities measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the equity securities. The JSE should be consulted for a ruling if the applicant's securities have not traded in such 30-business-day period;
(e) an announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per share will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the general issue for cash; and
(f) this authority includes any options/convertible securities that are convertible into an existing class of equity securities.

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or to share incentive schemes, which schemes have been duly approved by the JSE and by the shareholders of the company), it is necessary for the board of the company to obtain prior authority of the shareholders in accordance with the Listings Requirements and the MOI of the company. Accordingly, the reason for ordinary resolution number 9 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements.

In terms of the Listings Requirements the approval of 75% majority of the votes cast by shareholders present or represented by proxy at this Annual General Meeting will be required for this authority to become effective.

6. REMUNERATION OF NON-EXECUTIVE DIRECTORS

Special resolution number 1

"RESOLVED AS A SPECIAL RESOLUTION THAT the remuneration, as set out in the table below, to be paid to directors from date of the Annual General Meeting for their service as directors of the Company, as recommended by the Human Capital and Remuneration Committee and the Board, be and is hereby approved for the next two years, or until such time before the end of that another special resolution is adopted."

Notice of annual general meeting
continued

Type of Fee	Fees approved on 11 June 2018 Monthly	Annual	Proposed Fees from date of the Annual General Meeting Monthly	Annual	% increase
ETION Board					
Chairperson	R33 223.50	R398 682.00	R34 718.56	R416 622.72	4.5%
Non-Executive Directors	R14 502.45	R174 029.38	R15 155.06	R181 860.72	
Audit and Risk Committee					
Chairperson	R4 198.35	R50 380.18	R4 387.28	R52 647.36	4.5%
Members	R3 053.45	R36 641.38	R3 190.86	R38 290.32	
Human Capital and Remuneration Committee					4.5%
Chairperson	R2 289.80	R27 477.60	R2 392.84	R28 714.08	
Members	R1 526.15	R18 313.82	R1 594.83	R19 137.96	4.5%
Social and Ethics Committee					
Chairperson	R2 289.80	R27 477.60	R2 392.84	R28 714.08	4.5%
Members	R1 526.15	R18 313.82	R1 594.83	R19 137.96	
Investment Committee					4.5%
Chairperson	R4 198.35	R50 380.18	R4 387.28	R52 647.36	
Members	R3 053.45	R36 641.38	R3 190.86	R38 290.32	
Nomination Committee					
Chairperson*	–	–	–	–	
Members	R1 526.15	R18 313.82	R1 594.83	R19 137.96	

*Annual fee paid to the Chairperson of the Board includes payment for membership on the Nomination Committee and Human Capital and Remuneration Committee.

Reason and effect

Special resolution number 1 is proposed to comply with the provisions of sections 66(8) and (9) of the Companies Act which provide that the company may pay remuneration to its directors for their service as directors, subject to approval by special resolution. If special resolution number 1 is passed, the Company will be authorised to pay its directors the remuneration specified in the table above.

In terms of section 62(3) of the Companies Act, the percentage of voting rights that will be required for this special resolution to be approved is at least 75% of the voting rights present and exercised on the special resolution. At this general meeting sufficient persons must be present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised.

7. REMUNERATION FOR AD HOC BOARD COMMITTEES

Special resolution number 2

"RESOLVED AS A SPECIAL RESOLUTION THAT the board be and is hereby authorised in terms of sections 66 (8) and (9) of the Companies Act to remunerate members of any ad hoc board committee that might be established from date of this annual general meeting, within the below range:

- Chairperson of such ad hoc committee: R2 392.84 per month – R4 387.28 per month
- Members of such ad hoc committee: R1 594.83 per month – R3 190.86 per month

as recommended by the Human Capital and Remuneration Committee and the Board, be and is hereby approved for the next two years, or until such time before the end of that another special resolution is adopted."

Reason and effect

Special resolution number 2 is proposed to comply with the provisions of sections 66(8) and (9) of the Companies Act which provide that the company may pay remuneration to its directors for their service as directors, subject to approval by special resolution. If special resolution number 2 is passed, the Company will be authorised to pay its directors the remuneration specified in the table above.

In terms of section 62(3) of the Companies Act, the percentage of voting rights that will be required for this special resolution to be approved is at least 75% of the voting rights present and exercised on the special resolution. At this general meeting sufficient persons must be present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised.

8. INTER-COMPANY FINANCIAL ASSISTANCE

8.1 Special resolution number 3

"RESOLVED in terms of Section 45(3)(a)(ii) of the Companies Act, as a general approval, that the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in Section 45(1) of the Companies Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related will herein have the meaning attributed to it in Section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the Board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next Annual General Meeting of the Company."

The reason for and effect of special resolution number 3 is to grant the directors of the Company the authority, until the next Annual General Meeting, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

8.2 Special resolution number 4

"RESOLVED, in terms of Section 44(3)(a)(ii) of the Companies Act, as a general approval, that the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in Sections 44(1) and 44(2) of the Companies Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related to the Company ("related" or "inter-related" will herein have the meaning attributed to it in Section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the Board of the Company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next Annual General Meeting of the Company."

The reason for and effect of special resolution number 4 is to grant the Directors the authority, until the next Annual General Meeting of the Company, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation. This means that the Company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of and pursuant to the provisions of Sections 44 and 45 of the Companies Act, the Directors of the Company confirm that the Board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolution numbers 2 and 3 above:

- the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company);
- the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's memorandum of incorporation have been met.

Notice of annual general meeting
continued

9. GENERAL AUTHORITY TO REPURCHASE SHARES

Special resolution number 5

"RESOLVED, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the Listings Requirements, including, *inter alia*, that:

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the board of directors approving the purchase, that the Company has satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Company and its subsidiaries ("the Group");
- the general repurchase is authorised by the Company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five business day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements."

The reason for and effect of special resolution number 5 is to grant the directors a general authority in terms of its memorandum of incorporation and the Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 5. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2) (b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a Company. For the avoidance of doubt, a pro rata repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

10. SHARE INCENTIVE SCHEME

Special Resolution Number 6

"Resolved that the Etion Limited Long Term Share Incentive Scheme ("LTSIS") tabled at this AGM, a copy of which has been initialled by the chairman of the AGM for purposes of identification and the summarised version thereof annexed hereto as Annexure A, be and is hereby approved and that the directors of the company be and are hereby authorised to take all such steps as may be necessary for the establishment and carrying into effect of the LTSIS, the allotment and issue of shares in the capital of the company on the terms and conditions set out in the LTSIS to participants of the LTSIS, including executive directors of the company, be and is hereby approved

Reason and effect

The LTSIS will allow for the Company and satisfy shareholders that:

- executives are incentivised on a basis which aligns their interests with shareholders' requirements;
- drive long-term sustainable performance;
- retain key executives; and
- attract talent.

11. OTHER BUSINESS

To transact such other business as may be transacted at an Annual General Meeting or raised by shareholders with or without advance notice to the Company.

Information relating to the special resolutions

11.1 The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 4 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the Company and its subsidiaries ("Group") would not be compromised as to the following:

- the Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase;
- the consolidated assets of the Group will at the time of the AGM and at the time of making such determination be in excess of the consolidated liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited financial statements of the Group;
- the ordinary capital and reserves of the Group after the repurchase will remain adequate for the purpose of the business of the Company for a period of 12 months after the AGM and after the date of the share repurchase; and
- the working capital available to the Group after the repurchase will be sufficient for the Group's requirements for a period of 12 months after the date of the notice of the AGM.

General information in respect of major shareholders, material changes and the share capital of the Company is contained in the integrated report of which this notice forms part, as well as the full set of financial statements, being available on Etion's website at www.etion.co.za or which may be requested and obtained in person, at no charge, at the registered office of Etion during office hours.

11.2 The directors, whose names appear on pages 60 and 61 of the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of Annual General Meeting contains all information required by the Listings Requirements.

11.3 Special resolutions numbers 3, and 5 are renewals of resolutions taken at the previous annual general meeting held on 3 November 2017.

12. VOTING

The date on which shareholders must be recorded as such in the Share Register maintained by the transfer secretaries of the Company ("the Share Register") for purposes of being entitled to receive this notice is 31 July 2018.

The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at this Annual General Meeting is 21 September 2018, with the last day to trade being 18 September 2018.

Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the Chairman of the Annual General Meeting and must accordingly bring a copy of their identity document, passport or driver's licence to the Annual General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.

Shareholders entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the Company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the Annual General Meeting. Completion of a form of proxy will not preclude such shareholders from attending and voting (in preference to that shareholder's proxy) at the Annual General Meeting.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the Company at the address given below by not later than 10:00am on 25 September 2018, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the Annual General Meeting at any time prior to the commencement of the Annual General Meeting.

Notice of annual general meeting
continued

Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the Annual General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

Electronic participation by shareholders

Should any shareholder (or representative or proxy for a shareholder) wish to participate in the Annual General Meeting electronically, that shareholder should apply in writing (including details on how the shareholder or representative (including proxy) can be contacted) to the transfer secretaries, at the address above, to be received by the transfer secretaries at least
seven business days prior to the Annual General Meeting (thus to be confirmed) for the transfer secretaries to arrange for the shareholder (or representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of Section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or representative or proxy) with details on how to access the Annual General Meeting by means of electronic participation. The Company reserves the right not to provide for electronic participation at the Annual General Meeting if it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to participate in this manner.

By order of the Board

Fusion Corporate Secretarial Services (Pty) Ltd
Registration number 2007/008376/07
Company Secretary

Registered office
Southdowns Office Park Block C Unit 7
Karee Street
Irene, Centurion
0157

PO Box 68528
Highveld
0169

Transfer secretaries
Computershare Investor Services (Pty) Limited
Registration number 2004/003647/07
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

PO Box 61051
Marshalltown
2107

Form of proxy

ETION LIMITED
(previously known as Ansys Limited)
(Incorporated in the Republic of South Africa)
Registration number: 1987/115237/06
JSE share code: ETO
ISIN: ZAE000257739
("Etion" or "the Company")

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH 'OWN-NAME' REGISTRATION ONLY

For completion by registered shareholders of Etion unable to attend the Annual General Meeting of shareholders of the Company to be held at 10:00am on 27 September 2018 at 85 Regency Drive, Route 21 Corporate Park, Irene, Pretoria or at any adjournment or postponement of that meeting.

A shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of the Company) to attend, participate in, speak and vote or abstain from voting in the place of that shareholder at the Annual General Meeting.

I/We (please print names in full)

of (address)

being the holder/s of shares in

the Company, do hereby appoint:

1. or, failing him/her

2. or, failing him/her

the Chairman of the Annual General Meeting, as my/our proxy to attend, participate in, speak and, on a poll, vote on my/our behalf at the Annual General Meeting of shareholders to be held at 10:00am on 27 September 2018 at 85 Regency Drive, Route 21 Corporate Park, Irene, Pretoria, or at any adjournment or postponement of that meeting, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

		Number of Shares		
		For	Against	Abstain
1.	Ordinary Resolution number 1: Re-election of Coenraad Petrus Bester who retires by rotation			
2.	Ordinary resolution number 2: Re-election of Snowy Joyce Khoza who retires by rotation			
3.	Ordinary resolution number 3: Confirmation of the appointment of Elvin de Kock as director			
4.	Ordinary resolution number 4: Confirmation of the appointment of Christi Maherry as director			
5.	Ordinary resolution number 5: Re-appointment of Nondumiso Medupe as member and Chairperson of the audit and risk committee			
6.	Ordinary resolution number 6: Re-appointment of Sizakele Pertunia Mzimela as member of the audit and risk committee			
7.	Ordinary resolution number 7: Re-appointment of Snowy Joyce Khoza as member of the audit and risk committee			
8.	Ordinary resolution number 8: Re-appointment of Coenraad Petrus Bester as member of the audit and risk committee			
9.	Ordinary resolution number 9: Re-appointment of PricewaterhouseCoopers Inc as external auditor			
11.	Ordinary resolution number 10: Non-binding endorsement of Etion Limited's remuneration policy Ordinary resolution number 11: Non-binding endorsement of Etion Limited's implementation policy			
12.	Ordinary resolution number 12: General Authority to issue shares for cash			
13.	Special resolution number 1: Remuneration of Non-Executive Directors			
14.	Special resolution number 2: Remuneration for ad hoc board committees			
15.	Special resolution number 3: Inter-company financial assistance			
16.	Special resolution number 4: Financial assistance for the subscription/or acquisition of shares in the Company or a related or inter-related company			
17.	Special resolution number 5: Authority to repurchase shares			
18.	Special resolution number 6: Approval of the Etion Long Term Share Incentive Scheme			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast.

If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at this day of 2018

Signature

Assisted by me, where applicable (name and signature)

Please read the notes overleaf.

Notes to the form of proxy

(which include, *inter alia*, a summary of the rights established by Section 58 of the Companies Act, as amended (Companies Act).

1. Etion Limited shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Etion Limited shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the Chairman of the Annual General Meeting, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
4. It is recommended that the Proxy forms should be lodged with the Transfer Secretaries of the Company, Computershare Investor Services (Pty) Limited, Rosebank Towers 15 Biermann Avenue, Rosebank, 2196 or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2107, to be received by them not later than 25 September 2018, at 10:00 provided that any form of proxy not delivered to the Transfer Secretary by this time may be handed to the chairman of the Annual General Meeting/General Meeting prior to the commencement of the Annual General Meeting/General Meeting, at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting.
   The form may also be emailed to proxy@computershare.co.za
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the Chairman of the Annual General Meeting.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- a shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder
- a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy
- irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder
- any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise
- if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company
- a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise
- if the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  – the relevant shareholder; or
  – the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

Annexure A: Summary of Etion Limited long term share incentive scheme

1. INTRODUCTION

The Etion Long Term Share Incentive Scheme ("Scheme") has to be approved by Etion Limited ("Etion") and by equity securities holders passing an ordinary resolution (requiring a 75% majority of the votes cast in favour of such resolution by all equity securities holders present or represented by proxy at the general meeting to approve such resolution) at an annual general meeting of the company to be held at Pretoria on 27 September 2018.

The salient features of the Scheme are set out below. The full Scheme as well as Rules lie for inspection at the head office of Etion until the date of the general meeting.

2. PURPOSE

The Scheme is introduced for the purpose of providing an opportunity to the Employees of Etion and its subsidiaries to acquire Shares in the capital of the Company, through the grant of options, so as to give such Employees an incentive to advance the interests of the Company, to retain key employees, to reward participants for their performance against pre-established criteria, to attract high performing talent and attract key black talent for the benefit of all of the Company's stakeholders.

3. ADMINISTRATION OF THE SCHEME

3.1 The Board shall be entitled to establish such rules and regulations as they deem necessary for the proper administration of the Scheme.
3.2 The Scheme shall be administered and represented by members of the remuneration committee of the Board ("HCRC") appointed from time to time by the Board, who may not be executive directors or employees of the Company.
3.3 There shall at all times be a minimum of two HCRC members. The Board shall be entitled at any time to revoke the appointment of any HCRC member and to appoint another HCRC member in his place.

3.4 The HCRC members shall have power in terms of the Scheme:
3.4.1 to offer Options in respect of Shares to Employees when so directed by the Board;
3.4.2 to revoke or cancel Options before acceptance thereof when so directed by the Board;
3.4.3 to cancel Options when so directed by the Board;
3.4.4 to exercise such further rights, powers and authorities as may from time to time be conferred upon them under this Scheme or by resolution of the Board;
3.4.5 to take and act upon any professional advice;
3.4.6 to do all things necessary to give effect to the intent, purpose and provisions of this Scheme;
3.4.7 to delegate to any person the performance of all or any acts or the exercise of any discretions which they are entitled to perform or exercise, subject to the Listings Requirements of the JSE Limited ("JSE").

3.5. The HCRC members shall in terms of the Scheme:
3.5.1 cause proper records and books of account to be kept by the Chief Financial Officer of the Group ("Group CFO") of the business and affairs of the Scheme and their administration thereof, which records and books shall be in the custody of the Group CFO on behalf of the HCRC;

3.5.2 ensure that the Group CFO keeps separate accounts in respect of:
3.5.2.1 all Options offered to Employees;
3.5.2.2 all Options revoked or cancelled;
3.5.2.3 all Options vested;
3.5.2.4 all Options exercised by Employees;
3.5.2.5 Shares issued in terms of the Scheme;

3.5.3 ensure that the Group CFO keeps separate accounts in respect of each Employee, which shall reflect:
3.5.3.1 the number of Options offered to and accepted by each Employee;
3.5.3.2 the number of Options vested;
3.5.3.3 the number of Options exercised by such Employee;
3.5.3.4 the number of Shares issued to an Employee;
3.5.3.5 the number of shares sold on behalf of an Employee to settle his tax obligation.

3.6 The duties of the HCRC members in relation to the Scheme shall be such as may from time to time be prescribed by resolution of the Board.
3.7 A quorum for a meeting of HCRC members shall be the majority of members present at the meeting.
3.8 The HCRC members shall not be entitled to any additional remuneration for their services from time to time in respect of the Scheme.

Annexure A: Summary of Etion Limited long term share incentive scheme
continued

4. OPTIONS

4.1 The HCRC members shall from time to time, as and when so directed in writing by the Board, offer Options in respect of Shares to such Employees as the Board may direct.

4.2 The HCRC members shall act on the Board resolution authorising an offer of Options to specific Employees. The HCRC members shall offer Options in respect of the number of Shares determined in accordance with the directives contained in such resolution to the offeree or offerees named to in such resolution. Every director to whom the board of directors wishes to have Options offered by the HCRC members, shall recuse himself from the decision making by the board involving such director. Further detail in respect of the process are set out in the rules of the Scheme.

4.3 The Shares referred to shall rank pari passu in all respects with the existing ordinary shares in the capital of the Company.

4.4 The number of Shares covered by the Scheme shall not at any time exceed 46 103 832 (forty six million one hundred and three thousand eight hundred and thirty two) Shares or such number of Shares as may from time to time be approved by ordinary resolution of shareholders of the Company requiring a 75% majority of votes. The rules of the Scheme contain proposed multiples of options for different task grades.

4.5 More than one offer may be made from time to time to any offeree, provided that the maximum number of Shares to which any one offeree is entitled in terms of the Scheme shall not exceed 4 610 383 (four million six hundred and ten thousand three hundred and eighty three) Shares or such number as may be authorised by the Company from time to time by ordinary resolution of the members of the Company, provided that no such maximum imposed shall be less, in respect of any beneficiary, than the number of Shares in respect of which such beneficiary has already accepted offers prior to that date.

4.6 An option shall:

4.6.1 confer on an Employee the right upon exercise to acquire the relevant number of Shares in the Company to which he may be entitled in terms of the Scheme and its rules;
4.6.2 be personal to the offeree and not capable of assignment;
4.6.3 be available for acceptance in full by written notice to the HCRC;
4.6.4 be made at the market value thereof determined with reference to the Volume Weighted Average Price (VWAP) of the Shares on the JSE over the 30 (thirty) trading days immediately preceding the date on which the option is offered.

4.7 Options shall only vest if certain performance vesting criteria had been met:

4.7.1 The measurement period for performance vesting criteria will be based upon the Company's financial year.
4.7.2 The nature of the criteria will be long term.
4.7.3 Each tranche of awards will have performance vesting criteria such as headline earnings per share and share price, which will be approved by the Board and notified to the Employee in his/her Option allocation letter.
4.7.4 The share price will be based upon the 30 day VWAP at vesting compared to the 30 day VWAP at offer date.
4.7.5 No more than two criteria will apply to an allocation. These measures are applicable regardless of the strike price.
4.7.6 Furthermore, the Employee must be in the employ of the Group on the vesting date and not be subject to a disciplinary proceeding that may result in his/her dismissal.
4.7.7 The Options will vest on the date after the third anniversary of the date of offering of the Option that the auditors certify that the performance criteria had been achieved.
4.7.8 If the performance criteria had not been achieved, the Options will lapse.

4.8 An Employee may exercise the Option within 365 calendar days of vesting and shall, subject to the payment of the necessary tax, be entitled to release and transfer of the Shares concerned.

5. ISSUING OF SHARES

5.1 The auditors will be asked to certify, within 30 days of the financial statements being approved by them, whether the performance criteria had been met.

5.2 If the criteria had been met, the Group CFO will notify Employees in writing of the vested Options capable of being exercised.

5.3 The Group CFO shall determine the benefit in respect of Options exercised by using the following formula:

Benefit = A* (B-C) where:
A = number of Options that have been exercised
B = share price at vesting
C = strike price (30 day VWAP)

5.4 The Employee will be responsible for payment of the income tax on the benefit. The Employee may request the Group CFO to sell a sufficient number of his Shares to settle his tax liability.

5.5 The net benefit after tax will be paid to the Employee in the form of Shares.

5.6 The Company will either issue Shares or purchase Shares in the open market.

6. RECONSTRUCTION

6.1 If the Company at any time before all Options offered had been exercised or had lapsed:

6.1.1 is put into liquidation for the purposes of reorganisation; or
6.1.2 is a party to a scheme of arrangement affecting the structure of its share capital; or
6.1.3 reduces its share capital; or
6.1.4 splits or consolidates its Shares; or
6.1.5 is a party to a reorganisation; or
6.1.6 repurchases its own Shares, such adjustments shall be made to the number of Shares in respect of which Options had been granted but not yet exercised in respect of those Shares, as the auditors acting as experts, and not as arbitrators, certify to be fair and reasonable in the circumstances and subject (where necessary) to the sanction of the court. Such adjustment should give a beneficiary entitlement to the same proportion of the Shares as that to which he was previously entitled.

6.2 The issue of Shares as consideration for an acquisition, the issue of shares for cash and the issue of shares or a vendor consideration placing will not be regarded as a circumstance requiring adjustment in terms of 6.1.

6.3 The auditors must, at the time that an adjustment is finalised, confirm to the JSE in writing that any adjustments made are in accordance with the provisions of the Scheme.

6.4 Any adjustment made must be reported on in the Company's annual financial statements in the year during which the adjustment is made.

7. TAKEOVER

Should control of the Company pass to another person or company as a result of a takeover, reconstruction or amalgamation which makes provision for the Employees to receive equity instruments allotted and issued by such other persons or in such other company in substitution of their Shares on terms in the opinion of the auditors (such opinion being given by them as experts and not as arbitrators or quasi arbitrators) not less favourable than those on which those Employees are entitled to their Shares, they shall be obliged to accept such equity instruments in such other company on such terms.

8. CESSION AND ASSIGNMENT

It shall not be competent for any Employee to cede any of his rights or assign any of his obligations pursuant to the acquisition of Shares or the allotment of any capitalisation Shares except to the Company.

9. AMENDMENTS

It shall be competent for the Board and the HCRC members to amend any of the provisions of the Scheme, subject to certain proviso's required by the JSE.

10. DUTY TO REPORT

The Company shall in its annual financial statements provide particulars of:

10.1 the number of Shares available in terms of the Scheme at the beginning of its financial year;
10.2 the number of Shares which have been issued to Employees in terms of offers made to them and which Shares are subject to the Scheme;
10.3 any changes in the number of Shares which have been issued to Employees during the year;
10.4 the prices at which Shares were issued to Employees during the year and the total number of Shares issued to Employees at such prices; and
10.5 the total number of Shares still available to be issued to Employees in terms of the Scheme.

11. MISCELLANEOUS

11.1 The Company shall appoint the Group CFO as compliance officer as contemplated in section 97 of the Companies Act, Act 71 of 2008, who shall have the responsibilities and perform the duties as set out in that section.

11.2 The Scheme shall terminate when the Board resolves to do so.

11.3 With regards to the trading of Shares on behalf of the Scheme, the following requirements imposed by the JSE will apply:

11.3.1 Shares may only be issued to or purchased by the Scheme once a beneficiary or group of beneficiaries to whom they will be allocated, has been formally identified (e.g. applicants to whom Shares will be issued in terms of settling the benefit created by the Scheme);

11.3.2. Shares held in trust (if any) may only be sold:
11.3.2.1 once the employment of a beneficiary has been terminated or a beneficiary is deceased; or
11.3.2.2 on behalf of a beneficiary, once the rights of ownership have vested.

11.3.3 the Scheme shall be allowed to purchase Shares through the market in order to satisfy the obligations of the Scheme. Any Shares thus purchased will not be taken into account when calculating the number of Shares utilised by the Scheme;
11.3.4 the provisions of paragraphs 3.63 to 3.74 of the JSE Listings Requirements apply mutates mutandis to any dealings by the Company or the Scheme involving Shares relating to the Scheme;
11.3.5. "rolling over" of Shares, i.e. the topping up of the total number of Shares allotted in terms of the Scheme after a number of years, based on the Shares which had already vested and which have been issued in terms of the Scheme, is prohibited; and
11.3.6. "backdating" of options, i.e. the issuing of options retrospectively, is prohibited.

Annexure B: Profiles of directors

ELVIN DE KOCK
Executive Director: Group Chief Financial Officer (60)
Appointed 8 January 2018

FCMA, CGMA, MBA

Elvin has extensive executive and strong consulting experience both at board and at senior executive levels across various industries including telecommunications, information technology and financial services. He is highly skilled in finance, risk management, corporate governance and compliance, strategic planning and change management. He is also currently serving as a non-executive director at Bryte Insurance and chairman of Bryte Life Company Limited.

He is a Fellow of the Chartered Institute of Management Accountants (UK), a Chartered Global Management Accountant and an Associate Member of the Chartered Institute of Company Secretaries.

DR SNOWY KHOZA
Independent Non-executive Director (59)
Appointed 21 October 2015

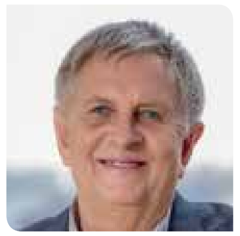
BA (Social Work); BA Honours (Social Work); MA (Social Science); PhD (Social Policy); MBA; Executive Programmes: Global Programme for Management Development; Utility Regulation and Strategy; Finance for Executives

Dr Khoza is a seasoned executive, acknowledged development activist and strategist with business acumen honed from more than 25 years of management and directorship experience in the South African public and private sector. She has been recognised for her business acumen on the continent, receiving awards such as Top Business Leader in SA; One of the Most Influential Women in Africa; Country and Continental Lifetime Achiever; Ethical Business Leader and Most Empowering Woman Leader in the Infrastructure development sector.

She currently holds the office of Executive Chairperson of the Bigen Group and sits on the advisory boards of the University of Pretoria – Water Institute and Kectil Program (Atlanta). Her former chairperson and/or directorships include, amongst others: Trans Caledon Tunnel Authority; Water Research Commission; Centre for Social Development in South Africa at the University of Johannesburg; Family and Marriage Society of South Africa; Women's Development Business Trust; Statistics South Africa; Freights Dynamics (Transnet); National Housing Financing Corporation and National Lotteries Commission.

Skills, expertise and experience: Leadership, commercial and business acumen, governance, research and policy

Member: ARC, SEC, NC



COENRAAD BESTER
Non-executive Director (61)
Appointed 1 June 2015

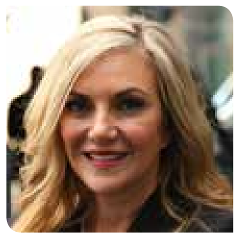
BSc Electronic Engineering; BSc Electronic Engineering (Hons); MBA; OPM

Coen has 40 years of experience in the technology industry, and had the privilege of successfully starting, growing and exciting a high-tech company.

Currently he serves on the boards of several technology companies. The author of Live & Lead: Discover Your Personal and Organisational Guidance System (2012). His passion is leadership coaching and strategy. Coen is the CEO and owner of BrainWorks, a management consulting company.

Skills, expertise and experience: Technology strategy, systems thinking, corporate culture and future studies.

Member: ARC, NC, REMCO



CHRISTI MAHERRY (49)
CEO of Etion Secure (LAWtrust)[2]
Appointed 20 June 2018

BCom (Strategic business management), MAP; Stanford Executive Leadership program for Female Leaders

Christi is the co-founder and CEO of LawTrust Information Security Solutions. Before committing her energy to the private sector Christi worked in state security and intelligence for nearly a decade. The experience gained there has been very applicable in the digital era of cyber threats, crime and warfare.

She is passionate about female empowerment and youth education and is a Board member of Junior Achievement Africa. Christi has been the winner of the EY World Entrepreneur Awards for Southern Africa in the emerging category.

[2] *With effect from 20 June 2018, Christi Maherry was appointed as the executive for Etion Secure and executive director to the board. She replaced Rynier van der Walt on the board, who took up the position of Chief Technology Officer in the group's digital network solutions business.*

Shareholder analysis

Shareholder spread	No of Shareholdings	%	No of Shares	%
1 – 1 000 shares	461	24.42	171 126	0.04
1 001 – 10 000 shares	584	30.93	2 842 350	0.62
10 001 – 100 000 shares	600	31.78	22 864 840	4.96
100 001 – 1 000 000 shares	200	10.59	57 576 772	12.49
1 000 001 shares & over	43	2.28	377 583 233	81.90
Totals	**1 888**	**100.00**	**461 038 321**	**100.00**
Distribution of shareholders				
Banks/Brokers	9	0.48	7 351 908	1.59
Close Corporations	19	1.01	4 340 053	0.94
Endowment Funds	5	0.26	3 300 000	0.72
Individuals	1 678	88.88	139 974 054	30.36
Insurance Companies	1	0.05	1 831 778	0.40
Mutual Funds	5	0.26	22 521 027	4.88
Other Corporations	8	0.42	589 551	0.13
Private Companies	66	3.50	137 480 904	29.82
Retirement Funds	2	0.11	293 715	0.06
Trusts	95	5.03	143 355 331	31.09
Totals	**1 888**	**100.00**	**461 038 321**	**100.00**
Public/non-public shareholders				
Non-Public Shareholders	**11**	**0.58**	**228 089 935**	**49.47**
– Directors & Associates of the Company	6	0.32	193 481 040	41.97
– Directors & Associates of the Subsidiary Companies	5	0.26	34 608 895	7.51
Public Shareholders	**1 877**	**99.42**	**232 948 386**	**50.53**
Totals	**1 888**	**100.00**	**461 038 321**	**100.00**
Beneficial shareholders holding 3% or more				
Daka, T			147 737 120	32.04
Montshepetsa Boshego Family Trust			36 140 712	7.84
CNR Trust (Van Der Watt, AR)			21 814 752	4.73
P & V Trust (Pelser, P)			21 814 752	4.73
Coen Bester Trust (Bester, CP)			19 708 291	4.27
Totals			**247 215 627**	**53.62**

Shareholder analysis
continued

BREAKDOWN OF NON-PUBLIC HOLDINGS

	No of Shares	%
Directors		
Daka, T	**147 737 120**	**32.04**
Tedaka Investments (Pty) Ltd	102 674 375	22.27
Daka, T	45 062 745	9.77
Van Der Watt, AR	**21 814 752**	**4.73**
CNR Trust	21 814 752	4.73
Bester, CP	**19 708 291**	**4.27**
Coen Bester Trust	19 708 291	4.27
Mjoli-Mncube, N	**4 220 877**	**0.92**
Eziko Investments	4 000 000	0.87
Mjoli-Mncube, N	220 877	0.05
Totals	193 481 040	41.97
Subsidiary Directors & Management		
Pelser, P	**21 814 752**	**4.73**
P&V Trust	21 814 752	4.73
Bielich, EAF	**6 648 450**	**1.44**
Katom Trust	6 648 450	1.44
Van Loggerenberg, DT	**4 645 693**	**1.01**
Tvanlog Trust	4 645 693	1.01
Lamprecht, BC	**1 000 000**	**0.22**
Burt Christiaan Lamprecht	1 000 000	0.22
De Wet, F	**500 000**	**0.11**
Francois De Wet Familietrust	500 000	0.11
Totals	34 608 895	7.51

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	No of Shares	%
Beneficial Shareholders		
Daka, T	**147 737 120**	**32.04**
Tedaka Investments (Pty) Ltd	102 674 375	22.27
Daka, T	45 062 745	9.77
Montshepetsa Boshego Family Trust	**36 140 712**	**7.84**
Montshepetsa Boshego Family Trust	30 375 004	6.59
Montshepetsa Boshego Family Trust	5 765 708	1.25
CNR Trust	**21 814 752**	**4.73**
CNR Trust	21 814 752	4.73
P&V Trust	**21 814 752**	**4.73**
P&V Trust	21 814 752	4.73
Coen Bester Trust	**19 708 291**	**4.27**
Coen Bester Trust	19 708 291	4.27
Totals	247 215 627	53.62