ansys LIMITED | 30 YEARS of innovation

ANNUAL FINANCIAL STATEMENTS 2017

ANNUAL FINANCIAL STATEMENTS

CONTENTS

COMPANY INFORMATION

Directors	T Daka (Executive Chairman) NS Mjoli-Mncube SP Mzimela AR van der Watt CP Bester BC Lamprecht N Medupe Dr SJ Khoza
Registration number	1987/001222/06
Postal address	PO Box 95361 Waterkloof Pretoria
Independent auditors	PricewaterhouseCoopers Inc 2 Eglin Road Sunninghill 2157
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 BC Lamprecht CA(SA)
Published	29 September 2017

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 31 March 2017

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 financial statements and related financial information included in this report. It is their responsibility to ensure that the 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 year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The 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 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 2018 and, in the 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 auditors are responsible for independently auditing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors 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 shareholders, the Board and committees of the Board. The Board believes that all representations made to the independent auditors during their audit are valid and appropriate.

The financial statements set out on pages 3 to 51, which have been prepared on the going concern basis, were approved by the Board of Directors on 19 September 2017 and were signed on its behalf by:

T Daka | **BC Lamprecht**

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), Ansys 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 period ended 31 March 2017 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 Proprietary Limited
Company Secretary
Pretoria

19 September 2017

DIRECTORS' REPORT

for the year ended 31 March 2017

The directors present the annual report, which forms part of the financial statements of the group for the year ended 31 March 2017.

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. Ansys is active in the rail, defence and cyber security, mining and industrial, and telecommunications segments.

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 R67,751 million (2016: R19,974 million), after taxation of R26,429 million (2016: R8,529 million)

During the prior financial period, Ansys Limited concluded the acquisition of the Parsec group (refer note 30) and successfully incorporated them into the group's existing operations.

2. SHARE CAPITAL

During the prior period, various share issues took place. During April 2015, 47 778 889 shares were issued in terms of a general issue to various investors. During July 2015, another 145 718 001 ordinary shares were issued as part of the purchase consideration for the Parsec group acquisition. Lastly, the Tedaka Investments Proprietary Limited loan was repaid with the issue of 22 674 375 shares during July 2015.

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

The company's authorised share capital remained unchanged at 1 725 490 196 shares (2016: unchanged).

3. DIVIDENDS

No dividends were declared or paid to the shareholders during the year (2016: 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

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

6. DIRECTORS' INTEREST IN STATED CAPITAL AND CONTRACTS

At 31 March 2017, the directors, in aggregate, were directly or indirectly beneficially interested in 194 481 040 ordinary shares (2016: 194 481 040), equivalent to 42.18% (2016: 42.18%) of the issued ordinary shares of Ansys Limited. The directors' interest in the ordinary issued share capital of the company as at 31 March 2017, is set out in the table below:

	2017		2016	
	Direct	**Indirect**	Direct	Indirect
	Number of shares held beneficially		Number of shares held beneficially	
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**	**–**	1 000 000	–
Non-executive				
N Mjole-Mncube	**220 877**	**4 000 000**	220 877	4 000 000
CP Bester	**–**	**19 708 291**	–	19 708 291
	46 283 622	**148 197 418**	46 283 622	148 197 418

DIRECTORS' REPORT (continued)

for the year ended 31 March 2017

There has been no change 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.

7. DIRECTORS

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

Executive

- T Daka
- AR van der Watt
- BC Lamprecht (appointed 1 April 2016)

Non-executive

- NS Mjoli-Mncube
- CP Bester
- SP Mzimela
- N Medupe
- Dr SJ Khoza

Directors' remuneration

Details of directors' remuneration are set out in notes 8 and 26 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 (2016: none).

8. SECRETARY

The group's designated Company Secretary is Fusion Corporate Secretarial Services Proprietary Limited, situated at Unit 2, Corporate Corner, Marco Polo Street, Highveld, Centurion, Gauteng.

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 2018 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 and to confirm the partner's name as the designated lead audit partner for the 2018 financial year.

12. SPECIAL RESOLUTIONS

The following special resolutions were passed on 3 November 2016 at the annual general meeting:

- Authority for the company to repurchase its own shares;
- Remuneration of non-executive directors; and
- Financial assistance, as amended, in terms of section 44 and section 45 of the Companies Act.

13. COMPANY FINANCIAL STATEMENTS

The financial statements of the company Ansys Limited are available on the company website.

19 September 2017

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Ansys 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 Ansys Limited and its subsidiaries (together the group) as at 31 March 2017, 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

Ansys Limited's consolidated financial statements set out on pages 9 to 51 comprise:

- the consolidated statement of financial position as at 31 March 2017;
- 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 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

MATERIALITY

GROUP SCOPING

KEY AUDIT MATTERS

Overall group materiality

Overall group materiality: R4 709 000, which represents 5% of profit before tax.

Group audit scope

We performed a full scope audit on Ansys Limited as well as all of its subsidiaries.

Key audit matters

Risks regarding revenue recognition

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.

INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholders of Ansys Limited

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.

Overall group materiality	R4 709 000
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 three 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 4 to the consolidated financial statements for the detailed disclosures. The group's revenue accounting policy for the sale of goods recognises revenue on the transfer of risks and rewards of the product to the client. However, the significant growth during the current financial year in the revenue recognised from the resale of finished goods (R425,475k for 2017 compared to R203,884k for 2016) and from the sale of goods manufactured (R224,998k for 2017 compared to R84,268k for 2016), resulted in additional audit focus being placed on revenue recognition on the sale of goods (whether finished or manufactured), specifically regarding occurrence i.e. that transactions and events that have been recorded have occurred and pertain to the group and the recognition of revenue in the correct accounting period, and thus resulted in this matter being identified as a matter of most significance to the audit.	We assessed the control environment by obtaining an understanding of the revenue and receivables process and the controls implemented through discussions with management. We selected a sample of sale of goods transactions for testing and found no material exceptions. Our procedures included the following: • We agreed the quantities as well as the quoted price on the purchase order and production budget to the invoice issued to assess whether revenue was recognised accurately in the accounting records; • We inspected invoices for customer signatures as acknowledgement of receipt of the goods and traced invoices that have been paid during the year to the bank statement that reflected the subsequent payment; • We selected a sample of invoices before and after year-end and tested that all invoices were recognised in the appropriate financial year; and • We obtained confirmations from a sample of the group's customers of the sales made to those customers.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Ansys Limited seperate financial statements and the Integrated Annual Report 2017 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 and separate financial statements and our auditor's report 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 on the other information, 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.

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;

INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholders of Ansys Limited

- 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; and
- 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 Ansys Limited for two years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: P Pope
Registered Auditor

Sunninghill

27 September 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

	Notes	GROUP 2017 R'000	2016 R'000
ASSETS			
Non-current assets		179 010	166 297
Property, plant and equipment	12	53 158	43 053
Intangible assets	13	118 692	120 418
Deferred tax assets	14	6 150	2 826
Other financial assets	17	1 010	–
Current assets		304 794	249 489
Inventories	15	101 099	84 774
Trade and other receivables	16	124 404	121 682
Other financial assets	17	–	675
Cash and cash equivalents	18	79 291	42 358
Total assets		483 804	415 786
EQUITY AND LIABILITIES			
Capital and reserves		269 022	201 271
Share capital	19	212 141	212 141
Accumulated profit/(loss)		56 652	(11 224)
Minority interest		229	354
Non-current liabilities		38 060	39 692
Interest bearing borrowings	20	36 602	32 509
Other financial liabilities	21	–	6 372
Deferred tax liabilities	14	1 458	811
Current liabilities		176 722	174 823
Current portion of interest bearing borrowings	20	5 211	2 703
Other financial liabilities	21	–	2 070
Trade and other payables	22	166 467	152 382
Bank overdrafts	18	56	14 705
Current income tax liability	23	3 802	1 460
Provisions	24	1 186	1 503
Total equity and liabilities		483 804	415 786

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	GROUP Twelve months ended 31 March 2017 R'000	GROUP Thirteen months ended 31 March 2016 R'000
Revenue	4	806 019	474 066
Cost of sales	5, 7	(593 887)	(351 054)
Gross profit		212 132	123 012
Other income	6	969	703
Other gains/(losses)	9	17 409	(2 719)
Administrative and operating expenses	7	(130 304)	(88 917)
Operating profit		100 206	32 079
Finance income	10	3 106	1 419
Finance costs	10	(9 132)	(4 996)
Profit before tax		94 180	28 502
Taxation	11	(26 429)	(8 529)
Total comprehensive income for the year/period		67 751	19 974
Attributable to:			
Owners of the parent		67 876	20 010
Minority interest		(125)	(36)
Earnings per share (cents):			
Basic and diluted earnings	28	14.72	4.86

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

		GROUP	
	Notes	31 March 2017 R'000	31 March 2016 R'000
Ordinary shares			
Balance at beginning of the year/period		212 141	73 668
Shares issued		–	26 270
Business combination	30	–	112 203
Balance at end of the year/period	19	212 141	212 141
Accumulated profit/(loss)			
Balance at beginning of the year/period		(11 224)	(31 234)
Total comprehensive income for the year		67 876	20 010
Balance at end of the year/period		56 652	(11 224)
Minority Interest			
Balance at beginning of the year/period		354	–
Business combination	30	–	390
Total comprehensive loss for the year		(125)	(36)
Balance at end of the year/period		229	354
		269 022	201 271

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	GROUP Twelve months ended 31 March 2017 R'000	Thirteen months ended 31 March 2016 R'000
Cash flows from operating activities			
Cash receipts from customers		787 654	445 616
Cash paid to suppliers and employees		(679 864)	(468 638)
Cash generated from/(utilised in) operations	25	107 790	(23 022)
Interest paid	10	(9 132)	(4 996)
Interest received	10	3 106	1 419
Taxation paid	23	(26 765)	(7 196)
Net cash flow generated from/(utilised in) operating activities		74 999	(33 795)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(15 371)	(4 688)
Proceeds from disposal of property, plant and equipment		612	81
Cash payment for acquisition of subsidiary net of cash acquired	30	–	7 281
Purchases of intangible assets	13	(6 482)	(1 430)
Increase in other financial assets	17	(335)	(330)
Net cash flow (utilised in)/generated from investing activities		(21 576)	914
Cash flows from financing activities			
Issue of share capital	19	–	17 200
Settlement of related party loans		–	(5 998)
Settlement of other financial liabilities		(8 442)	–
Proceeds from interest bearing borrowings	20	6 601	29 940
Net cash flow (utilised in)/generated from financing activities		(1 841)	41 143
Net increase in cash, cash equivalents and bank overdrafts		51 582	8 262
Cash, cash equivalents and bank overdrafts at beginning of the year/period		27 653	19 391
Cash, cash equivalents and bank overdrafts at end of the year/period	18	79 235	27 653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. 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.

1.1.1 New and amended standards adopted by the group

	Effective date
Amendments to IAS 1 "Presentation of financial statements" disclosure initiative	1 January 2016
Amendments to IAS 16 and IAS 38 "Property, plant and equipment" and "Intangible assets", on depreciation and amortisation	1 January 2016
Amendment to IAS 27 – "Separate financial statements"	1 January 2016
Amendment to IFRS 7 – "Financial instruments: disclosures"	1 January 2016
Amendment to IAS 34 – "Interim financial reporting"	1 January 2016

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

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

	Effective date
Amendment to IAS 12 – "Income taxes"	1 January 2017
Amendment to IAS 7 – "Cash flow statements"	1 January 2017
IFRS 15 – "Revenue from contracts with customers"	1 January 2018
IFRS 9 – "Financial Instruments (2009 &2010) • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting"	1 January 2018
Amendment to IFRS 9 – "Financial instruments on general hedge accounting"	1 January 2018
IFRS 16 – "Leases"	1 January 2019
Amendment to IAS 10 – "Consolidated annual financial statements"	1 January 2016 (effective date postponed)

Management is in the process of assessing the potential impact of IFRS 9 and IFRS 15 on the group and the current expectation is that the impact will not be significant. Management is also investigating the impact and effect of the other new and amended standards mentioned above.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.2 Property, plant and equipment (continued)

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:

• Office equipment	4 – 7 years
• Computer equipment	3 years
• Furniture and fittings	6 years
• Buildings	20 years
• Plant and machinery	5 – 10 years
• Manufacturing equipment	4 – 17 years
• Tools and laboratory equipment	3 – 18 years
• Motor vehicles	5 – 7 years
• Leasehold improvements	3 – 16 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. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss when the item is derecognised.

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 al the risk and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease/group's incremental borrowing rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

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 and work in progress

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 amounts 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 is 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

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.

1.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings;
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

1.12 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.12 Current and deferred income tax (continued)

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 substantially 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.

1.13 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

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 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.

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 assets at fair value through profit or loss' category are presented in the income statement within "other (losses)/gains – net" 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.

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.

1.14 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.

1.15 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.

1.16 Earnings in excess of billings/billings in excess of earnings

The value of earnings in excess of billings 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.17 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.

1.18 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.

1.19 Employee benefits

Defined contribution plan

The group has 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.

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.

1.20 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.

1.21 Dividend distribution

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

1.22 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.23 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).

1.24 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.

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

1.25 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 four operating segments and its principal activities are:
(a) Rail
(b) Mining and Industrial
(c) Defence and Cyber Security
(d) Telecoms.

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

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.

(a) Market risk

(i) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2. FINANCIAL RISK MANAGEMENT (continued)

2.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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 2017, if the Rand had strengthened/weakened by 1% against the US Dollar, and European Euro with all other variables held constant, pre-tax profit would have been R882 867 higher/lower (March 2016: if Rand weakened by 6% pre-tax profit would be R4 663 779 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:

	GROUP	
	2017	2016
Current assets		
Trade debtors (USD debtors)	**$1 314 681**	$223 211
Cash (USD bank accounts)	**$189 445**	$296 967
Current liabilities		
Trade creditors (USD creditors)	**$511 856**	$985 921
Trade creditors (EUR creditors)	**€7 058 999**	€4 191 570
Exchange rates used for conversion of foreign items above were:		
USD	**13.46**	14.88
EUR	**14.39**	16.89

Open foreign exchange contracts which relate to future commitments are as follows:

Amount in foreign currency	Value of contracts	Number of contracts	Future contract rate	Fair value translation rate	Contract maturity date
2016					
Future contracts					
EUR contracts	€451 000	451	18.398	17.045	30 June 2016
	€226 000	226	17.455	17.045	30 June 2016
	€200 000	200	18.006	17.435	30 September 2016
	€150 000	150	17.438	17.435	30 September 2016
	€150 000	50	17.438	17.435	30 September 2016
USD contracts	$18 000	18	16.450	14.928	30 June 2016
	$100 000	100	16.254	14.928	30 June 2016
	$285 000	285	15.660	14.928	30 June 2016
Option contracts					
EUR contracts	€300 000		18.500		4 April 2016
	€500 000		18.545		15 April 2016
	€315 643		18.634		6 May 2016
	€700 000		18.295		20 May 2016
	€714 762		18.380		10 June 2016

Amount in foreign currency	Value of contracts	Number of contracts	Future contract rate	Fair value translation rate	Contract maturity date
2017					
Future contracts					
EUR contracts	€100 000	100	15.380	14.572	30 June 2017
	€200 000	200	15.420	14.572	30 June 2017
	€100 000	100	15.260	14.572	30 June 2017
	€100 000	100	15.360	14.572	30 June 2017
	€100 000	100	15.280	14.572	30 June 2017
	€100 000	100	14.700	14.572	30 June 2017
USD contracts	$150 000	150	14.608	13.584	30 June 2017
	$300 000	300	13.345	13.584	30 June 2017
	$1 238 000	1 238	13.329	13.584	30 June 2017
	$300 000	300	12.920	13.584	30 June 2017
	$300 000	300	13.420	13.584	30 June 2017
	$510 000	510	13.765	14.007	30 Dec 2017
GBP contracts	€146 000	146	16.395	16.999	30 June 2017
Option contracts					
EUR contracts	€1 900 000		14.390		30 April 2017
	€1 930 000		14.500		31 May 2017
	€1 320 000		14.530		30 June 2017
	€1 050 000		14.170		31 July 2017
	€1 050 000		14.270		30 August 2017
	€1 050 000		14.280		30 September 2017
USD contracts	$600 000		13.160		31 October 2017
	$600 000		13.240		30 November 2017
	$600 000		13.280		30 December 2017

(ii) Price risk

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

(iii) 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. During March 2017 and 2016, 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 2017, if interest rates on South African Rand-denominated borrowings at that date had been 100 basis points higher with all other variables held constant, pre-tax profit would have been R869 408 lower due to the net increase in interest earned on bank deposits and paid on borrowings. In March 2016 the pre-tax profit would have been R363 147 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2. FINANCIAL RISK MANAGEMENT (continued)

2.1 Financial risk factors (continued)

(b) 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 B-BBEE 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% (2016: 0%) . The historical default rate is calculated by dividing the actual bad debt write-off by revenue for the year. Refer to note 16 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 counter-parties.

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:

	GROUP	
	2017 R'000	2016 R'000
Credit rating		
BAA2	79 259	42 333

(c) 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 month	Between 1 and 12 months	Between 1 and 5 years	Later than 5 years
GROUP				
At 31 March 2017				
Bank borrowings	56	–	–	–
Trade payables	131 729	–	–	–
Interest bearing borrowings	464	5 770	22 667	18 445
Other payables	16 394	–	–	

	Less than 1 month	Between 1 and 12 months	Between 1 and 5 years	Later than 5 years
GROUP				
At 31 March 2016				
Bank borrowings	14 705	–	–	–
Trade payables	118 451	–	–	–
Interest bearing borrowings	575	5 738	25 244	22 381
Other financial liabilities	–	2 528	9 686	–
Other payables	8 136	–	–	–

(d) 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 notes 20 and 21, cash and cash equivalents disclosed in note 18, 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.

	2017 R'000	2016 R'000
The gearing ratios at 2017 and 2016 were as follows for the group:		
Total borrowings		
Interest bearing borrowings	**41 813**	35 212
Plus: other financial liabilities	**–**	8 442
Less: cash and cash equivalents	**(79 236)**	(27 653)
Net debt	**(37 423)**	16 001
Total equity	**269 022**	201 271
Total capital	**231 599**	217 272
Gearing ratio	**(16%)**	7%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

2. FINANCIAL RISK MANAGEMENT (continued)

2.2 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 35 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.

3. 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.

3.1 Critical accounting estimates and assumptions

(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 stock

An allowance for stock to write stock 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.

		GROUP	
		Twelve months ended 31 March 2017 R'000	Thirteen months ended 31 March 2016 R'000
4.	REVENUE		
	Resale of finished goods	425 475	203 884
	Sale of goods manufactured	224 998	84 268
	Sale of design, development and project services	137 704	166 285
	Sale of network installation services	17 842	19 629
		806 019	474 066
5.	COST OF SALES		
	Cost of sales	585 240	346 636
	– Resale of finished goods	303 888	163 769
	– Sale of goods manufactured	172 931	58 950
	– Sale of design, development and project services	101 937	114 421
	– Sale of network installation services	6 484	9 496
	Write-down of inventories to net realisable value	8 647	4 418
		593 887	351 054
6.	OTHER INCOME		
	Sundry income	858	682
	Profit on sale of property, plant and equipment	111	21
		969	703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

		GROUP	
		Twelve months ended 31 March 2017 R'000	Thirteen months ended 31 March 2016 R'000
7.	**EXPENSES BY NATURE**		
	Employee benefit expense (note 8)	130 521	102 346
	Purchases of raw materials and consumables used	487 319	238 306
	Movement in inventory	16 325	44 241
	Professional services	6 154	5 122
	Hedging cost	15 213	2 872
	Advertising and marketing	3 599	3 087
	B-BBEE related expenses	7 114	–
	Entertainment	1 526	619
	Travel and accommodation – overseas	683	625
	Personnel cost – training	2 628	1 387
	Skills Development Levy	859	816
	Depreciation (note 12)	5 035	4 184
	Amortisation (note 13)	7 940	6 574
	Rent buildings	1 870	3 600
	Repairs and maintenance expenditure	2 377	1 793
	Travel and accommodation – local	743	661
	Research cost	697	646
	Insurance	1 263	2 486
	Installation costs	16 227	14 833
	Project related travel	1 143	1 927
	Provision for impairment of trade receivables	1 033	12
	Operating lease rentals	2 873	1 877
	Subscriptions	1 895	691
	Fines and penalties	1 249	6
	Other expenses	7 905	1 260
	Total cost of sales and administrative and operating expenses	724 191	439 971
8.	**EMPLOYEE BENEFIT EXPENSE**		
	Salaries and wages	111 016	87 187
	Directors' remuneration (note 26)	19 505	15 159
	Total employee benefit expense	130 521	102 346
	Retirement benefit: defined contribution plan (included in employee benefits above)	7 509	5 845
	Number of employees at the end of the period/year	283	243
9.	**OTHER GAINS/(LOSSES)**		
	Financial assets at fair value through profit and loss – held-for-trading:		
	– Fair value gains: unrealised	210	718
	– Fair value losses: unrealised	(177)	–
	Foreign exchange gains and losses:		
	– Fair value gains: realised	14 270	3 244
	– Fair value gains: unrealised	4 270	–
	– Fair value losses: realised	(820)	(3 871)
	– Fair value losses: unrealised	(344)	(2 810)
		17 409	(2 719)

		GROUP	
		Twelve months ended 31 March 2017 R'000	Thirteen months ended 31 March 2016 R'000
10.	**NET FINANCE (COSTS)/INCOME**		
	Interest cost		
	Interest bearing borrowings	(1 473)	(2 989)
	Bank loans and overdrafts	(5 191)	(1 676)
	Related party loans	(1 610)	(247)
	Other	(858)	(84)
		(9 132)	(4 996)
	Interest income		
	Bank	3 106	1 419
		3 106	1 419
		(6 026)	(3 577)
11.	**TAXATION**		
	Current tax current year	29 105	8 513
	Deferred tax current year	(2 676)	(42)
	Securities transfer tax	–	58
		26 429	8 529
	Assessed tax losses available for set-off against future taxable income	26 798	20 796
	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:		
	Profit before tax	94 180	28 502
	Tax calculated at a rate of 28% (2016: 28%)	26 370	7 981
	Expenses not deductible for tax purposes	626	149
	– Donations, fines and penalties	584	52
	– Other expenses not deductible	42	97
	Other permanent differences	(567)	342
	– Tax incentive benefits	(567)	(169)
	– Other difference	–	511
	Securities transfer tax	–	57
	Tax charge	26 429	8 529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

12. PROPERTY, PLANT AND EQUIPMENT

	Tools and lab equipment R'000	Office equipment R'000	Motor vehicles R'000	Computer equipment R'000
GROUP				
Year ended 31 March 2017				
Opening carrying amount	681	3 167	2 520	1 118
Additions	1 891	139	1 509	1 870
Disposals	–	–	(159)	(70)
Depreciation charge	(391)	(489)	(878)	(1 124)
Closing carrying amount	2 181	2 817	2 992	1 794
At 31 March 2017				
Cost	5 966	4 541	4 607	6 692
Accumulated depreciation	(3 785)	(1 724)	(1 615)	(4 898)
Carrying amount	2 181	2 817	2 992	1 794
Period ended 31 March 2016				
Opening carrying amount	222	6	303	343
Additions	125	167	1 838	987
Disposals	–	–	–	(42)
Depreciation charge	(397)	(397)	(492)	(624)
Business combination (note 30)	731	3 391	871	455
Closing carrying amount	681	3 167	2 520	1 118
At 31 March 2016				
Cost	4 097	4 411	4 212	5 415
Accumulated depreciation	(3 416)	(1 244)	(1 692)	(4 297)
Carrying amount	681	3 167	2 520	1 118

Manufacturing equipment, plant and machinery and motor vehicles with a book value of R13 989 289 (2016: R6 134 769) serve as security for instalment sale agreements (note 20).

Details of property

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 Proprietary Limited. The property serves as security for the borrowings as per note 20.

Management performed their annual residual value assessment and concluded that the residual value of the building is above cost. In doing the assessment, management took into consideration that Route 21 Corporate Park is seen to be situated in an established commercial node and taking cognisance of the current use and location of the building and based on the assumption that development policy remains fairly consistent for the foreseeable future, it is expected that the residual value of the property will be at least cost price.

	Electronic equipment R'000	Furniture and fittings R'000	Manufacturing equipment R'000	Leasehold improvements R'000	Plant and machinery R'000	Land and buildings R'000	Total R'000
	24	414	3 828	148	628	30 525	43 053
	–	302	9 659	–	–	–	15 370
	–	(1)	–	–	–	–	(230)
	(16)	(277)	(1 547)	(148)	(165)	–	(5 035)
	8	438	11 940	–	463	30 525	53 158
	142	3 200	20 644	886	991	30 525	78 194
	(134)	(2 762)	(8 704)	(886)	(528)	–	(25 036)
	8	438	11 940	–	463	30 525	53 158
	36	259	–	113	434	–	1 716
	14	655	170	46	350	382	4 734
	–	(3)	–	–	–	–	(45)
	(26)	(698)	(1 018)	(376)	(156)	–	(4 184)
	–	201	4 676	364	–	30 143	40 832
	24	414	3 828	148	628	30 525	43 053
	227	3 167	10 986	886	1 256	30 525	65 182
	(203)	(2 753)	(7 158)	(738)	(628)	–	(22 129)
	24	414	3 828	148	628	30 525	43 053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

13. INTANGIBLE ASSETS

	Customer relationships and brands R'000	Computer software R'000	Goodwill R'000	Developed products R'000	Total R'000
GROUP					
Year ended 31 March 2017					
Opening net book value	19 683	121	93 072	7 542	120 418
Additions	–	1 015	–	5 467	6 482
Amortisation charge	(4 724)	(482)	–	(2 734)	(7 940)
Disposals	–	–	–	(268)	(268)
Closing net book value	14 959	654	93 072	10 007	118 692
At 31 March 2017					
Cost	23 620	6 368	93 072	25 809	148 869
Accumulated amortisation	(8 661)	(5 714)	–	(15 802)	(30 177)
Net book value	14 959	654	93 072	10 007	118 692
Period ended 31 March 2016					
Opening net book value	–	175	15 059	1 635	16 869
Additions	–	247	–	1 183	1 430
Amortisation charge	(3 937)	(450)	–	(2 187)	(6 574)
Business combination (note 30)	23 620	149	78 013	6 911	108 693
Closing net book value	19 683	121	93 072	7 542	120 418
At 31 March 2016					
Cost	23 620	5 412	93 072	19 976	142 080
Accumulated amortisation	(3 937)	(5 291)	–	(12 434)	(21 662)
Net book value	19 683	121	93 072	7 542	120 418

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. Pre-tax discount rate of 30% was used to take into account the time value of money and other variables.

Impairment tests for goodwill

On-board system products

The recoverable amount of the goodwill of R15.059 million in the Rail CGU (on-board system products) is determined based on a value-in-use calculation. 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:

	GROUP	
	Twelve months ended 31 March 2017 %	Thirteen months ended 31 March 2016 %
Key assumptions used for value-in-use calculations		
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 calculation. The goodwill amount was apportioned as follows:

- Defence and cyber security: R40.3 million
- Mining and industrial: R12.5 million
- Telecoms: R25.2 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:

	GROUP	
	Twelve months ended 31 March 2017 %	Thirteen months ended 31 March 2016 %
Key assumptions used for value-in-use calculations		
Gross margin	33	33
Growth rate	10	10
Discount rate	18	18

Sensitivity analysis

The various sensitivity analyses performed by changing key variables by 10% in the calculation resulted in the recoverable amount exceeding the carrying amount in all instances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

		GROUP	
		2017 R'000	2016 R'000
14.	**DEFERRED TAX ASSETS/(LIABILITIES)**		
	Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 28% (2016: 28%).		
	The gross movement on the deferred income tax account is as follows:		
	At beginning of the year	2 015	7 612
	Statement of comprehensive income charge	2 676	42
	Net deferred tax asset acquired (note 30)	–	(5 639)
	At end of the year	4 692	2 015
	Deferred tax assets and liabilities and deferred tax charge in the statement of comprehensive income are attributable to the following items:		
	Deferred income tax assets	14 766	12 021
	Provision for impairment of trade receivables	337	128
	Leave accrual	937	686
	Interest accrual	433	161
	Provision for slow moving stock	1 462	1 292
	Provision for bonuses	2 890	1 458
	Warranty provision	332	421
	Billings in excess of earnings and prepayments	870	2 052
	Calculated tax loss	7 505	5 823
	Deferred income tax liabilities	(10 074)	(10 006)
	Prepayments	(391)	(42)
	Retention debtors	(97)	(114)
	Deferred revenue	(501)	(1 142)
	Leases	–	(25)
	Intangible assets	(6 784)	(7 120)
	Property, plant and equipment	(2 301)	(1 563)
	Net deferred income tax asset	4 692	2 015
	The amounts are expected to be recovered and settled as follows:		
	Deferred tax asset		
	– No more than 12 months after the reporting period	7 263	6 198
	– More than 12 months after the reporting period	7 503	5 823
		14 766	12 021
	Deferred tax liabilities		
	– No more than 12 months after the reporting period	(988)	(1 323)
	– More than 12 months after the reporting period	(9 086)	(8 683)
		(10 074)	(10 006)
	For the purpose of the statement of financial position, the net deferred tax assets and liabilities comprise the following:		
	Non-current assets		
	Deferred tax assets	6 150	2 826
	Non-current liabilities		
	Deferred tax liabilities	(1 458)	(811)
	Net deferred tax assets	4 692	2 015

		GROUP	
		2017 R'000	2016 R'000
15.	**INVENTORIES**		
	Finished goods	87 257	66 997
	Provision for slow moving stock	(5 221)	(4 616)
		82 036	62 381
	Work-in-progress	19 063	22 393
		101 099	84 774

The cost of inventories recognised as expense and included in cost of sales amounted to R496.7 million (2016: R272.1 million).

		GROUP	
		2017 R'000	2016 R'000
16.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	111 991	102 201
	Total	113 597	102 811
	Provision for impairment	(1 606)	(610)
	Deposits	637	663
	Project receivables (work-in-progress)	1 789	4 949
	Prepayments	1 456	9 239
	Staff loans	109	154
	Sundry debtors	272	413
	Retention debtors	348	407
	Receiver of Revenue (VAT)	7 802	3 656
		124 404	121 682

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 2017, trade receivables of R1.6 million (2016: R0.610 million) were provided for at group level. The ageing of these receivables is as follows:

	2017 R'000	2016 R'000
More than six months	1 606	610
	1 606	610

As of 31 March 2017, trade receivables of R36.757 million (2016: R13.522 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:

	2017 R'000	2016 R'000
Up to three months	30 375	8 171
Between three and six months	4 915	5 170
More than six months	1 467	181
	36 757	13 522

Movements on the provision for impairment of trade receivables are as follows:

	2017 R'000	2016 R'000
At start of the year	610	684
Increase in provision/(unused amounts reversed)	996	(74)
At end of the year	1 606	610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

16. TRADE AND OTHER RECEIVABLES (continued)

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 2.1 for trade receivables denominated in foreign currencies.

Debtors serve as security for the group's invoice discounting facility (note 18).

	GROUP	
	2017 R'000	2016 R'000
17. OTHER FINANCIAL ASSETS		
Interest-free borrowings		
Meridict Proprietary Limited	–	265
Tau Di A Rora Technologies CC	1 010	410
	1 010	675

These loans are unsecured, bear no interest and have no fixed term of repayment.

These loans were made as part of the group's B-BBEE enterprise and supplier development programmes and are intended to assist in building sustainable and profitable suppliers that would be in a position to repay the loan at a later stage. In the 2016 financial year, the loans were classified as current assets. At the end of the 2017 financial year, it is anticipated that the repayment of the loans outstanding will not materialise within the next 12-month period and hence the loans are classified as non-current in the 2017 financial year.

	2017 R'000	2016 R'000
18. CASH AND CASH EQUIVALENTS		
Cash at bank	79 259	42 333
Cash on hand	32	25
	79 291	42 358
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	79 291	42 358
Bank overdrafts	(56)	(14 705)
	79 235	27 653

Refer to note 2.1 for bank accounts denominated in foreign currencies

At 31 March 2017, 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 (2016: R22 million). The facilities are secured by the debtors of the individual companies making use of the facilities.

The invoice discounting facility comprises 80% (2016: 80%) of the debtors book within the company where the facility is utilised, at any given point capped at R10 million (2016: R10 million). The facility is secured by a cession of debtors of this particular company (note 16).

The extent of the group's facilities with its bankers can be summarised as follows:	2017 R'000	2016 R'000
– Overdraft facility	20 000	22 000
– 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	12 307
– Invoice discounting facility	10 000	10 000
– Issued letter of performance guarantee	2 949	2 949

	2017 Number of shares	2017 R'000	2016 Number of shares	2016 R'000
19. SHARE CAPITAL				
Ordinary shares				
Authorised				
Authorised no par value ordinary shares	1 725 490 496		1 725 490 496	
Issued				
Opening balance	461 038 321	212 141	244 867 056	73 668
Number of shares issued during the period				
– April 2015	–	–	47 778 889	17 200
– July 2015	–	–	22 674 375	9 070
– July 2015	–	–	145 718 001	112 203
Closing balance	461 038 321	212 141	461 038 321	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 2016, an ordinary resolution was passed by way of general authority, to issue all or any of the authorised but un-issued 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 Listings Requirements, when applicable.

	GROUP 2017 R'000	GROUP 2016 R'000
20. INTEREST BEARING BORROWINGS		
Instalment sale agreements		
Minimum lease payments due		
– No later than one year	5 241	2 255
– Later than one year and no later than five years	10 398	3 943
Less: future finance charges	(2 914)	(942)
Present value of minimum lease payments	12 725	5 256
Present value of minimum lease payments due		
– No later than one year	3 963	1 836
– Later than one year and no later than five years	8 762	3 420
	12 725	5 256
Total instalment sale agreements:		
Current liabilities	3 963	1 836
Non-current liabilities	8 762	3 420
	12 725	5 256
The loans bear interest at prime and are repayable in monthly instalments of R374 230 (2016: R201 444) over an average period of 60 months.		
Secured by: Manufacturing equipment, plant and equipment and motor vehicles with a book value of:	13 989	6 135
The interest rate exposure of borrowings of the group is as follows:		
Instalment sale agreement		
At floating rates (average %)	10.5%	10.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

	GROUP 2017 R'000	GROUP 2016 R'000
20. INTEREST BEARING BORROWINGS (continued)		
Property loan		
Senior Debt		
Minimum payments due		
– No later than one year	3 707	3 434
– Later than one year and no later than five years	15 696	15 468
– Later than five years	18 445	22 381
Less: future finance charges	(13 760)	(16 327)
Present value of minimum lease payments	24 088	24 956
Present value of minimum payments due		
– No later than one year	1 248	867
– Later than one year and no later than five years	7 941	6 873
– Later than five years	14 899	17 216
	24 088	24 956
The loan bears interest at prime and is repayable in monthly instalments of R324 623 (2016: R320 601) 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 floating rates (%)	10.4%	10.4%
The interest rate is fixed at 10.43% for the first three years and thereafter 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%	12.5%	12.5%
The mezzanine finance of R5 million, with interest payable monthly at a rate of prime plus 2%, is repayable in July 2018. Also payable after this period is a profit share amount of R3 million, payable to Nedbank Limited. Included in these financial results is an accrual to reflect this profit share amount as an interest expense over the three-year period. The liability is included under accruals in note 22. Fair value approximates cost.		
Total property loan:		
Current liabilities	1 248	867
Non-current liabilities	27 840	29 089
	29 088	29 956
Total interest bearing borrowings:		
Total current liabilities	5 211	2 703
Total non-current liabilities	36 602	32 509
	41 813	35 212

	GROUP	
	2017 R'000	2016 R'000

21. OTHER FINANCIAL LIABILITIES

	2017 R'000	2016 R'000
Current liabilities		
Previous Parsec Holdings Proprietary Limited shareholders	–	1 995
Previous Redline Telecommunications SA Proprietary Limited shareholders	–	75
	–	2 070
Non-current liabilities		
Previous Parsec Holdings Proprietary Limited shareholders	–	6 141
Previous Redline Telecommunications SA Proprietary Limited shareholders	–	232
	–	6 372
Total liability	–	8 442

The other financial liabilities represented the future payments payable in cash to the previous Parsec Holdings Proprietary Limited and Redline Telecommunications SA Proprietary Limited shareholders as part of the Parsec Holdings business combination transaction during the financial period.

The initial terms of the repayments of these loans are described in the business combination note (note 30) but these loans were repaid in full in the past financial year.

22. TRADE AND OTHER PAYABLES

	2017 R'000	2016 R'000
Trade payables	131 729	118 451
Other payables		
– Accrued expenses	16 110	8 124
– Billings in excess of earnings and prepayments received	13 852	22 570
– Receiver of Revenue – VAT	1 146	774
– Leave accrual	3 346	2 451
– Sundry creditors	284	12
	166 467	152 382

Trade and other payables are settled in South African Rand except where the payable is denominated in a foreign currency. Refer to note 2.1 for the outstanding liabilities denominated in foreign currencies at year-end.

23. CURRENT INCOME TAX LIABILITY

	2017 R'000	2016 R'000
Balance at beginning of the year	1 460	335
Business combination (note 30)	–	(308)
Charge to statement of comprehensive income (note 11)	29 105	8 513
Taxation received during the year	10	465
Taxation paid during the year	(26 775)	(7 545)
Balance at end of the year	3 802	1 460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

	GROUP 2017 R'000	GROUP 2016 R'000
24. PROVISIONS		
Provision for warranty		
Balance at beginning of the year	1 503	2 280
Movement for the period	(317)	(777)
Balance at end of the year	1 186	1 503

The provision for warranty claims on products sold and delivered was calculated on a project-specific basis as the revenue on the product is 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 historical information.

	GROUP 2017 R'000	GROUP 2016 R'000
25. CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Profit before tax	94 180	28 502
Adjustments for:		
Net finance costs	6 026	3 577
Depreciation	5 035	4 184
Amortisation	7 940	6 574
Profit on sale of property, plant and equipment	(111)	(21)
Increase/(decrease) in provision for slow moving and obsolete raw materials (note 15)	605	(868)
Increase/(decrease) in provision for impairment of trade receivables	996	(74)
Unrealised foreign exchange differences	(3 959)	2 092
Balance before working capital changes	110 712	43 967
Changes in working capital		
Increase in inventories	(16 930)	(27 872)
Increase in receivables and prepayments	(3 718)	(20 470)
Increase/(decrease) in trade and other payables	18 043	(17 870)
Decrease in provisions	(317)	(777)
	107 790	(23 022)
26. RELATED PARTY TRANSACTIONS		
Directors' and prescribed officers remuneration (note 8)	19 505	15 159

	Basic salary R'000	Medical aid R'000	Retirement contribution R'000	Fees paid to directors for services R'000	Bonus and performance related payments R'000	Total R'000
GROUP						
2017						
Executive directors – paid by Ansys Limited						
T Daka	1 968	108	82	–	1 988	4 146
AR van der Watt	630	47	83	–	703	1 463
Non-executive directors – paid by Ansys Limited						
N Mjole-Mncube	–	–	–	364	–	364
S Mzimela	–	–	–	212	–	212
N Medupe	–	–	–	239	–	239
SJ Khoza	–	–	–	294	–	294
C Bester	–	–	–	226	–	226
Total paid by Ansys	2 598	155	165	1 335	2 691	6 944
Executive directors – paid by subsidiaries						
AR van der Watt	667	82	263	24	–	1 036
PC Pelser	1 269	107	143	36	519	2 074
R Fullard	1 163	–	105	18	254	1 540
EAF Bielich	898	50	124	18	214	1 304
DT van Loggerenberg	987	100	181	18	254	1 540
F de Wet	1 121	38	104	18	253	1 534
WL Joubert	354	–	–	–	–	354
BC Lamprecht	1 203	75	113	18	293	1 702
M Massyn-Loubser	1 048	–	30	–	399	1 477
Total paid by subsidiaries	8 710	452	1 063	150	2 186	12 561
Total directors' remuneration	11 976	689	1 491	1 485	4 877	19 505
GROUP						
2016						
Executive directors – paid by Ansys Limited						
T Daka	1 782	111	96	–	–	1 989
R Grobbelaar	1 274	–	58	–	–	1 332
Non-executive directors – paid by Ansys Limited						
N Mjole-Mncube	–	–	–	390	–	390
S Mzimela	–	–	–	220	–	220
N Medupe	–	–	–	100	–	100
F Dantile	–	–	–	98	–	98
C Bester	–	–	–	104	–	104
Total paid by Ansys	3 056	111	154	912	–	4 233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

	Basic salary R'000	Medical aid R'000	Retirement contribution R'000	Fees paid to directors for services R'000	Bonus and performance related payments R'000	Total R'000
26. RELATED PARTY TRANSACTIONS (continued)						
Non-executive directors – paid by subsidiaries						
C Bester	–	–	–	104	–	104
Executive directors – paid by subsidiaries						
AR van der Watt	914	97	170	30	420	1 631
PC Pelser	1 038	81	62	30	420	1 631
R Fullard	905	–	81	15	210	1 211
EAF Bielich	677	38	62	15	120	912
DT van Loggerenberg	779	66	142	15	210	1 212
F de Wet	813	30	141	15	210	1 209
WL Masekela	468	21	56	9	–	554
PC van der Merwe	609	–	–	15	–	624
WL Joubert	663	–	–	–	–	663
BC Lamprecht	822	58	71	15	210	1 176
Total paid by subsidiaries	7 687	391	785	263	1 800	10 926
Total directors' remuneration	10 743	502	939	1 175	1 800	15 159

	GROUP	
	2017 R'000	2016 R'000
Intercompany and related party charges		
T Daka		
– Finance costs	–	63
Bearing Management Consultants Proprietary Limited		
– Finance costs	–	18
Parsec Holdings shareholders (note 21)		
– Finance costs	1 610	166

27. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables 2017 R'000	Financial liabilities at amortised cost 2017 R'000	Loans and receivables 2016 R'000	Financial liabilities at amortised cost 2016 R'000
GROUP				
Assets as per statement of financial position				
Trade and other receivables	113 357	–	103 838	–
Cash and cash equivalents	79 291	–	42 358	–
Other financial assets	1 010	–	675	–
Liabilities as per statement of financial position				
Trade and other payables	–	148 122	–	126 587
Interest bearing borrowings	–	41 813	–	35 212
Bank overdrafts	–	56	–	14 705
Other financial liabilities	–	–	–	8 442
	196 904	203 843	161 059	207 516

28. EARNINGS PER SHARE

	Total shares 2017 Number	Weighted shares 2017 Number	Total shares 2016 Number	Weighted shares 2016 Number
Total and weighted shares				
Number of shares in issue:				
Opening balance	461 038 321	461 038 321	244 867 056	244 867 056
Shares issued during the year	–	–	216 171 265	165 930 014
Closing balance	461 038 321	461 038 321	461 038 321	410 797 070

	2017 12 months R'000	2016 13 months R'000
Basic and diluted earnings per share attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders	67 876	19 974
Weighted average number of shares in issue	461 038 321	410 797 070
Basic and diluted earnings per share attributable to ordinary shareholders (cents)	14.72	4.86
Headline and diluted headline earnings per share attributable to ordinary shareholders		
Net profit attributable to ordinary shareholders	67 876	19 974
Non-headline items after tax:		
Profit on the sale of property, plant and equipment	(111)	(21)
Total tax effect of adjustments	31	6
Headline and diluted headline earnings per share attributable to ordinary shareholders	67 796	19 958
Weighted average number of shares in issue	461 038 321	410 797 070
Headline and diluted headline earnings per share attributable to ordinary shareholders (cents)	14.71	4.86

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

29. SEGMENTAL INFORMATION

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

Identification of reportable segments

The group discloses its reportable segments according to the group's components that management monitors regularly in making decisions about the operating matters. The reportable segments comprise various operating segments primarily located in South Africa based on the group's lines of business. The reportable segments are aggregated in terms of the market segments in which the group's clients operate.

During the year the group conducted operations in four main business areas: Rail, Defence and cyber security, Mining and Industrial and Telecoms. Transactions between the business segments are on normal commercial terms and conditions.

Management reviewed the segment report in the prior financial period due to the Parsec acquisition. The segment names were accordingly changed from "Mining" to "Mining and Industrial" as well as "Defence" to "Defence and cyber security" to include new segments from the Parsec acquisition.

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, except for the following:

In the current reporting period, the 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 to which they relate and the remaining assets and liabilities in the entities apportioned to segments based on the gross profit contribution of each segment. The March 2016 periods have been restated to align to these new allocation principles.

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.

Information about geographical areas

No geographical area segment information is disclosed, as the group's business for the year ended 31 March 2017 was mostly conducted within the Republic of South Africa. The risk and rewards are not considered to be different within the regions of the Republic of South Africa. All revenue from external customers can be attributed to the entity's country of domicile, and no assets of the group are located in any foreign countries.

	Rail R'000	Defence and cyber security R'000	Mining and industrial R'000	Telecoms R'000	Corporate R'000	Total R'000
GROUP						
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	1 211	483 804
Liabilities	12 090	61 872	22753	114 977	3 090	214 782
2016						
Revenue						
– Segment sales	137 016	90 145	42 548	204 357	–	474 066
– Segment expenses	(119 202)	(77 201)	(38 519)	(194 397)	–	(429 320)
– Segment forex profit/(loss)	(1 943)	3 054	–	(3 830)	–	(2 719)
Results						
– Segment profit	15 871	15 997	4 029	6 130	–	42 027
– Corporate expenses					(9 947)	(9 947)
Operating profit						32 079
Finance income	–	–	–	–	1 419	1 419
Finance costs	–	–	–	–	(4 996)	(4 996)
Profit before tax						28 502
Taxation						(8 529)
Profit for the year						19 974
Financial position*						
Assets	76 906	143 599	53 379	134 648	7 255	415 786
Liabilities	36 553	70 340	12 402	92 400	2 820	214 515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

*In the prior period the segment assets/liabilities were stated as follows:

	Rail R'000	Defence and cyber security R'000	Mining and industrial R'000	Telecoms R'000	Corporate R'000	Total R'000
Financial position						
Assets	98 043	70 700	33 207	127 308	95 723	424 981
Liabilities	1 263	23 995	–	94 271	104 181	223 710

30. BUSINESS COMBINATION

Business acquisition of Parsec

On 1 June 2015, Ansys acquired the shares and all the shareholders' claims against Parsec Holdings Proprietary Limited (Parsec Holdings), Parsec Proprietary Limited (Parsec) and Redline Telecommunications SA Proprietary Limited (Redline).

The acquisition is another significant step for Ansys to become an intellectual property-led provider of technology-driven engineering solutions, producing world class products for global distribution. Although Ansys and Parsec in general target the same markets, there is very little overlap in terms of product and service offerings between the operations of these companies, and the acquisition provided with access to:

- intellectual property and the scarce skill sets of a sought after professional team of engineers;
- an opportunity to diversify Ansys' income streams by enhancing its mining and industrial, defence and cyber security and telecommunications segments, as well as entry into the international defence market;
- new products for Ansys' existing clients and markets;
- a modern production facility also utilised for third party contract manufacturing purposes; and
- general economies of scale benefits.

The initial purchase consideration was made up as follows:

- R63 583 492, of which R6 700 000 relates to the property and was only payable once the property was transferred into the name of Parsec Properties Proprietary Limited, payable to Parsec Holdings sellers, by the issue of 102 475 593 Ansys shares at 40 cents per share and R22 593 255 in cash;
- R15 750 002, which relates to the 25% shareholding in Parsec, not owned by Parsec Holdings, payable to the Parsec seller, by the issue of 39 375 004 Ansys shares at 40 cents per share; and
- R2 399 626, which relates to the 20% shareholding in Redline, not owned by Parsec Holdings, payable to the Redline seller by the issue of 3 867 404 Ansys shares at 40 cents per share and R852 664 in cash.

Prior to the effective date, Parsec Holdings distributed R10 000 000 and R9 779 203 to the Parsec Holdings' sellers.

The cash consideration payable (undiscounted) to the sellers will be settled in three tranches as follows:

- The first tranche of R10 000 000 was paid in cash on the closing date, R9 636 327 was paid to the Parsec Holdings' sellers and R363 673 was paid to the Redline sellers. This payment was subject to Parsec Holdings achieving a minimum NTAV of R25 million on the effective date, which was achieved;
- The second tranche of R3 500 000 was paid in cash on 1 December 2015. R3 372 715 was paid to the Parsec Holding sellers and R127 285 was paid to the Redline sellers; and
- The third tranche of R9 945 919 is payable in cash to the sellers as follows:
  - The first instalment of R2 300 000 is payable on 1 June 2016, R2 216 255 to the Parsec Holding' sellers and R83 645 to the Redline sellers;
  - The subsequent instalments of R2 500 000 each are payable in quarterly instalments commencing 1 June 2017 and accruing interest at the prime interest rate. R7 367 858 is payable to Parsec Holdings and R278 061 to the Redline sellers;
  - These are payable subject to Parsec having sufficient free cash flow. In the event that Parsec does not have sufficient free cash flow, the quarterly instalments of R2 500 000 each shall be increased by the amount of the shortfall in free cash flow; and
  - In the event that any tranche and/or tranche shortfall is not paid after 36 months from 1 June 2015, due to a shortfall in free cash flows, all the said amounts shall be forfeited.

The transaction cost of the business combination approximated to R2.4 million.

The issue price of 40 cents per share, as reported in the circular, was determined by the Board on 8 October 2014 and was at a premium of 1.37% to the 30 day VWAP of Ansys for the 30 days preceding 8 October 2014. The fair value of the shares issued was based on the published share price as at 1 June 2015, which was 77 cents. As a result of an increase in the market price and recognising the issue of the shares in the financial statements at fair value, the purchase consideration increased by R30.5 million.

	2016 R'000
Accounting for business combination	
The net assets acquired and method of settlement was as follows:	
Fair value of the purchase consideration	
– Shares issued	112 203
– Cash consideration	15 570
– Contingent cash consideration	6 373
Total purchase consideration	134 146
The fair value of assets and liabilities acquired comprises:	
Property, plant and equipment	40 832
Intangible assets	7 060
Deferred tax	975
Other financial assets	345
Inventory	15 504
Trade and other receivables	36 322
Cash and cash equivalents	20 781
Current tax receivable	308
Minority interest	(390)
Interest bearing borrowings	(4 387)
Trade and other payables	(78 223)
Total fair value of assets acquired	39 127
Customer relationships	19 930
Brands	3 690
Goodwill	78 013
Deferred tax	(6 614)
Total purchase consideration	134 146

Of the R15.57 million disclosed as cash consideration above, R13.5 million was paid to the sellers in the 2016 financial year. The difference of R2.07 million was disclosed as current liabilities per note 21 and the contingent cash consideration of R6.37 million was disclosed as non-current liabilities per note 21.

The acquired business contributed revenues of R285,1 million (2016: R145.8 million) and net profit of R18 million (2016: R14.8 million) to the group for the past financial year. The acquired business would have contributed revenue of R177.7 million and a net profit of R13.2 million for the full 2016 financial period, had it been part of the group for the 12 months since 1 April 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2017

		GROUP	
		2017 R'000	2016 R'000
31.	**COMMITMENTS UNDER OPERATING LEASES**		
	The group has outstanding commitments under non-cancellable operating leases that fall due as follows:		
	Leased property		
	Minimum lease payments under operating leases recognised as an expense during the year	1 870	3 600
	Within one year	483	2 050
		483	2 050
	Motor vehicles		
	Minimum lease payments under operating leases recognised as an expense during the year	1 077	945
	Within one year	735	954
	Later than one year but within five years	65	736
		801	1 690
	Office equipment		
	Minimum lease payments under operating leases recognised as an expense during the year	213	158
	Within one year	180	197
	Later than one year but within five years	642	917
		822	1 114

32. 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 2018 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.

33. MATERIAL EVENTS AFTER YEAR-END

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.

34. COMPANY FINANCIAL STATEMENTS

The financial statements of the company Ansys Limited are available on the company website.

35. FAIR VALUE HIERARCHY

Assets and liabilities measured or disclosed at fair value in the statement of financial position are categorised in their 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 recurring fair value measurement hierarchy.

The carrying values 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.

ANALYSIS OF SHAREHOLDERS

Company: Ansys Limited
Register date: 31 March 2017
Issued share capital: 461 038 321

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	465	22,66	185 961	0,04
1 001 – 10 000 shares	675	32,89	3 301 778	0,72
10 001 – 100 000 shares	688	33,53	26 141 048	5,67
100 001 – 1000 000 shares	182	8,87	47 518 319	10,31
1000 001 shares and over	42	2,05	383 891 215	83,27
Total	2 052	100,00	461 038 321	100,00

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/brokers	6	0,29	4 735 009	1,03
Close corporations	23	1,12	3 334 670	0,72
Endowment funds	2	0,10	4 902	0,00
Individuals	1 790	87,23	136 856 311	29,68
Insurance companies	2	0,10	5 696 750	1,24
Mutual funds	6	0,29	15 587 220	3,38
Other corporations	11	0,54	780 180	0,17
Private companies	69	3,36	143 106 191	31,04
Public companies	1	0,05	603 100	0,13
Retirement funds	4	0,19	628 803	0,14
Trusts	138	6,73	149 705 185	32,47
Total	2 052	100,00	461 038 321	100,00

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	7	0,16	194 481 040	42,18
Directors and associates of the company	7	0,16	194 481 040	42,18
Public shareholders	2 045	99,84	266 557 281	57,82
Total	2 052	100,00	461 038 321	100,00

Beneficial shareholders holding 3% or more	Number of shares	%
T Daka	147 737 120	32,04
Montshepetsa Boshego Family Trust	39 375 004	8,54
P & V Trust	21 814 752	4,73
CNR Trust	21 814 752	4,73
Coen Bester Trust	19 708 291	4,27
Total	250 449 919	54,32

NOTICE OF ANNUAL GENERAL MEETING

ANSYS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1987/001222/06)
(Ansys or the company)
ISIN code: ZAE 000097028
Share code: ANS

Notice is hereby given of the Annual General Meeting of shareholders of Ansys Limited to be held on Friday, 3 November 2017 at 10h00 at Equinox Board Room, Parsec, 76 Regency Drive, Route 21 Corporate Park, Irene (the Annual General Meeting).

PURPOSE

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

If you are in doubt as to what action to take in regard to this notice, please consult your Central Securities Depository Participant (CSDP), broker, banker, accountant, attorney or other professional adviser immediately and refer to the instructions set out in the conclusion of this notice.

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 2017. 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 Ansys Limited's website at www.ansys.com, or may be requested and obtained in person, at no charge, at the registered office of Ansys Limited during office hours.
- To consider and, if deemed fit, approve, with or without modification, the following ordinary and special resolutions as noted below:
- The record date on which members must be recorded as such in the register maintained by the transfer secretaries of the company for the purpose of being entitled to attend and vote at the annual general meeting is 20 October 2017.
- Meeting participants (including shareholders and proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The company's Social and Ethics Committee Report, included on page 58 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 Committee may be sent to the Company Secretary prior to the Annual General Meeting.

Note:
For any of the ordinary resolutions numbers 1 to 9 and 11 (inclusive) listed below 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 number 10 to be adopted, at least 75% of the voting rights exercised on such ordinary 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 Nonhlanhla Sylvia Mjoli-Mncube, 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."

NOTICE OF ANNUAL GENERAL MEETING (continued)

1.2 Ordinary resolution number 2

"Resolved that Sizakele Petunia Mzimela, 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 and 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.

Brief biographies in respect of each director offering herself for re-election are contained on pages 12 and 13 of the Integrated Annual Report.

1.3 Ordinary resolution number 3

"Resolved that Teddy Daka's appointment as Chief Executive Officer on 6 June 2017 be and is hereby ratified."

The reason for ordinary resolution number 1.3 is that the Memorandum of Incorporation and more specifically paragraph 26.3.6.1 requires shareholders to ratify the appointment of the Chief Executive Officer.

2. RE-APPOINTMENT OF EXTERNAL AUDITOR

2.1 Ordinary resolution number 4

"Resolved that shareholders authorise the Board to re-appoint PricewaterhouseCoopers (PwC) Sunninghill, 2 Eglin Road, Sunninghill, South Africa, 2157 as the independent external auditors and Peta-Lynn Pope as the individual designated auditor of the company for the ensuing year and to determine the remuneration of the auditors."

The reason for ordinary resolution number 4 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.

3. APPOINTMENT AND RE-APPOINTMENT OF 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.

3.1 Ordinary resolution number 5

"Resolved that Nondumiso Medupe, being eligible, be and is 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."

3.2 Ordinary resolution number 6

"Resolved that Sizakele Petunia Mzimela, being eligible, be and is 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."

3.3 Ordinary resolution number 7

"Resolved that Snowy Joyce Khoza, being eligible, be and is 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."

3.4 Ordinary resolution number 8

"Resolved that Coenraad Petrus Bester, being eligible, be and is 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 pages 12 and 13 of the Integrated Annual Report.

4. ENDORSEMENT OF ANSYS REMUNERATION POLICY

4.1 Ordinary resolution number 9

"Resolved that shareholders endorse, by way of a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees), as set out in the Integrated Annual Report on pages 66 to 69."

The reason for ordinary resolution number 9 is that King III recommends that the remuneration policy of the company be endorsed through a non-binding advisory vote by shareholders.

5. GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

5.1 Ordinary resolution number 10

"Resolved that the directors are hereby authorised as a general authority to allot and issue the authorised but unissued shares in the capital of the company, for cash, subject to the Companies Act, the MOI of the company, the JSE Listings Requirements, provided that:

(a) the equity securities 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 JSE Listing Requirements, and not to related parties;

(c) the equity securities which are the subject of a general issue for cash:

   (1) may not exceed 50% of the company's listed equity securities as at the date of the passing of the notice of the annual general meeting limited to 230 519 160 * shares seeking the general issue for cash authority, provided that:

      (i) the authority shall be valid until Ansys' next annual general meeting, or for 15 months from the date on which the general issue for cash ordinary resolution was passed, whichever period is shorter, subject to the requirements of the JSE and to any other restrictions set out in this authority;

      (ii) the calculation of the company's listed equity securities must be a factual assessment of the company's listed equity securities as at the date of this annual general meeting, excluding treasury shares;

      (iii) any equity securities issued under the authority during the period contemplated in(c)(1)(i) above must be deducted from such number in (1) above; and

      (iv) in the event of a sub-division or consolidation of issued equity securities during the period contemplated in (c)(1)(i), the existing authority must be adjusted accordingly to represent the same allocation ratio;

(d) 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 securities. The JSE should be consulted for a ruling if the applicant's securities have not traded in such 30-business day period;

(e) a Securities Exchange News Service (SENS) 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 issue; and

(f) this authority includes any options/convertible securities that are convertible into an existing class of equity securities."

Note*
Shareholders are referred to the Chief Financial Officer's report on page 45 regarding the Profitek transaction. Should the transaction become effective before the date of the Annual General Meeting, the number of shares in paragraph 5.1(c)(1) will reduce accordingly.

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 JSE Listings Requirements and the MOI of the company. Accordingly, the reason for ordinary resolution number 10 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements.

In terms of the JSE Listings Requirements, the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at this annual general meeting will be required for this general authority to become effective.

NOTICE OF ANNUAL GENERAL MEETING (continued)

6. AUTHORITY TO SIGN ALL REQUIRED DOCUMENTS

6.1 Ordinary resolution number 11

"Resolved that, subject to the passing of the ordinary and special resolutions at the meeting, any director of the company or the Company Secretary shall be and is hereby authorised to sign all documents and perform all acts which may be required to give effect to such ordinary and special resolutions."

The reason for ordinary resolution number 11 is to request that authority be given to a director or the Company Secretary to sign such documents and execute such actions as will be required to register and give effect to the resolutions passed.

7. GENERAL AUTHORITY TO ACQUIRE (REPURCHASE) SHARES

7.1 Special resolution number 1

"Resolved that the company be and is hereby authorised by way of a specific approval as contemplated in section 48 of the Companies Act, to acquire from time to time any or all of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the MOI of the company and the provisions of the Companies Act, when applicable and provided:

That the company and/or any subsidiary of the company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary shares in the share capital of the company, provided that:

- Any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement with the counterparty;
- This general authority shall be valid until the earlier of the company's next annual general meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1;
- An announcement will be published as soon as the company or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with paragraph 11.27 of the JSE Listings Requirements;
- Acquisitions of shares in aggregate in any one financial year may not exceed 20% of the company's ordinary issued share capital, as the case may be, as at the date of passing of this special resolution number 1;
- Ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares traded for the five business days immediately preceding the date the transaction is effected. The JSE should be consulted for a ruling if the company's securities have not traded in such five business day period;
- The Board of Directors authorises the acquisition, the company passes the solvency and liquidity test and that from the time that the test is done, there are no material changes to the financial position of the company;
- The company has been given authority by its MOI;
- At any point in time, the company and/or its subsidiaries may only appoint one agent to effect any such acquisition;
- The company and/or its subsidiaries undertaking that they will not enter the market to so acquire the company's shares until the company's Designated Advisor has provided written confirmation to the JSE regarding the adequacy of the company's working capital in accordance with Schedule 12 of the JSE Listings Requirements;
- A resolution has been passed by the Board of Directors confirming that the Board has authorised the general repurchase, that the company passed the solvency and liquidity test and that since the test was done, there have been no material changes to the financial position of the group; and
- The company and/or its subsidiaries not acquiring any shares during a prohibited period, as defined in the JSE Listings Requirements, unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period."

Although no such repurchases are currently in contemplation, the directors undertake that they will not effect a general repurchase of shares as contemplated above unless the following can be met:

- The company and the group would in the ordinary course of their business be able to pay their debts;
- The consolidated assets of the company and the group would exceed the consolidated liabilities of the company and the group respectively, such assets and liabilities being fairly valued and recognised and measured in accordance with the accounting policies used in the financial statements contained in the Integrated Annual Report;
- The issued capital and reserves of the company and the group would be adequate for the purposes of the company and the group's business; and
- The company and the group's working capital would be sufficient for their requirements.

The percentage of voting rights that will be required for this resolution to be adopted is more than 75% of the votes exercised on the resolution.

The reason for and effect of special resolution number 1 is to grant the company general approval to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the company by the limitations set out above.

Pursuant to and in terms of the JSE Listings Requirements, the directors of the company hereby state:

- The directors of the company have no specific intention to effect the provisions of special resolution number 1 but will, however, continually review this position having regard to prevailing circumstances;
- The intention of the company and/or its subsidiaries is to utilise the general authority to repurchase; if at some future date the cash resources of the company are in excess of its requirements; and
- The method by which the company and any of its subsidiaries intends to repurchase its securities and the date on which such repurchase will take place, has not yet been determined.

The JSE Listings Requirements require, the following disclosures, which appear in the Integrated Annual Report:

- Directors and management – refer to pages 12 to 14 of the Integrated Annual Report.
- Major shareholders – refer to page 52 of the Integrated Annual Report.
- Directors' interests in securities – refer to page 3 of the Integrated Annual Report.
- Share capital of the company – refer to page 39 of the Integrated Annual Report.

Litigation statement

The directors, whose names appear on pages 12 to 13 of the Integrated Annual Report of which the notice of annual general meeting forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 months, a material effect on the Ansys group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages 12 to 13 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the Integrated Annual Report, there have been no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of the audit report and up to the date of the notice of annual general meeting.

The directors have no specific intention, at present, for the company or its subsidiaries to acquire any of the company's shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the company and its shareholders.

The directors are of the opinion that it would be in the best interests of the company to extend such general authority and thereby allow the company or any of its subsidiaries to be in a position to acquire the shares issued by the company through the order book of the JSE, should the market conditions, tax dispensation and price justify such an action.

NOTICE OF ANNUAL GENERAL MEETING (continued)

8. REMUNERATION OF NON-EXECUTIVE DIRECTORS

8.1 Special resolution number 2

"Resolved that the Board and committee fees for non-executive directors for the financial year ended 31 March 2018, as set out in the note below, be and are hereby authorised, in accordance with section 66 (8) – (9) of the Companies Act and that the company may continue to pay directors' fees at the annual rates specified in the note below, for the period from 31 March 2017 until the company's 2018 annual general meeting."

	2017		2018		%
	Monthly	Annual	Monthly	Annual	Increase
Nhlanhla Mjoli-Ncube					
Deputy Chairperson	R31 050,00	R372 600,00			
Chairperson (including Committees)			R33 223,50	R398 682	
	R31 050,00	R372 600,00	R33 223,50	R398 682,00	7%
Siza Mzimela					
Board member	R13 553,69	R162 644,28	R14 502,45	R174 029,38	
Audit and Risk Committee (member)	R2 853,69	R34 244,28	R3 053,45	R36 641,38	
Human Capital and Remuneration Committee (member)	R1 426,31	R17 115,72	R1 526,15	R18 313,82	
	R17 833,69	R214 004,28	R19 082,05	R228 984,58	7%
Ndumi Medupe					
Board member	R13 553,69	R162 644,28	R14 502,45	R174 029,38	
Audit and Risk Committee (Chair)	R3 923,69	R47 084,28	R4 198,35	R50 380,18	
Social and Ethics Committee (member)	R1 426,31	R17 115,72	R1 526,15	R18 313,82	
	R18 903,69	R226 844,28	R20 226,95	R242 723,38	7%
Coen Bester					
Board member	R13 553,69	R162 644,28	R14 502,45	R174 029,38	
Human Capital and Remuneration Committee (chair)	R2 140,00	R25 680	R2 289,80	R27 477,60	
Audit and Risk Committee (member)	R2 853,69	R34 244,28	R3 053,45	R36 641,38	
	R18 547,38	222568,56	R19 845,70	R238 148,36	7%
Dr Snowy Khoza					
Board member	R13 553,69	R162 644,28	R14 502,45	R174 029,38	
Social and Ethics Committee (Chair)	R2 140,00	R25 680,00	R2 289,80	R27 477,60	
Audit and Risk Committee (member)	R2 853,69	R34 244,28	R3 053,45	R36 641,38	
	R18 547,38	R222 568,56	R19 845,70	R238 148,36	7%

The Human Capital and Remuneration Committee (HCRC) relied on a salary benchmark and survey from 21st Century, an independent third party, to determine whether the Non-executive Directors (NED) fees presented to shareholders for approval were in line with market trends. Further to the aforementioned, the HC&R was desirous of determining whether the NED fees were aligned with the Remuneration Philosophy and Policy of the company. In this regard, shareholders are reminded that part of the philosophy is to remunerate employees and directors fairly and market related in order to retain the necessary skill and expertise required.

The percentage of voting rights that will be required for this resolution to be adopted is more than 75% of the votes exercised on the resolution.

Reason and effect of special resolution number 2

The reason for special resolution number 2 is for the company to obtain the approval of shareholders, by way of a special resolution, for the payment of remuneration to its Non-executive Directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 2 is that the company will be able to pay its Non-executive Directors for the services they render to the company as Directors without requiring further shareholder approval until the next annual general meeting of the company.

9. INTER-COMPANY FINANCIAL ASSISTANCE

9.1 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 ("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, if adopted, will be to confer authority on the Board of Directors of the company to authorise financial assistance to companies related or inter-related to the company, or to any juristic person who is a member of or related to any such companies generally as the Board of Directors of the company may deem fit, on the terms and conditions, and for the amounts that the Board of Directors may determine from time to time, for a period of two years after this general meeting of the company.

The granting of the general authority would obviate the need to refer each instance of provision of financial assistance in the circumstances contemplated in this special resolution for ordinary shareholder approval.

This general authority would assist the company with, inter alia, making inter-company loans to subsidiaries of the company, or inter-related companies, as well as granting letters of support and guarantees in appropriate circumstances. This would avoid undue delays and attendant adverse financial impact on subsidiaries, or inter-related companies, as it would facilitate the expeditious conclusion of negotiations.

In the event that this special resolution is adopted by the ordinary shareholders of the company, thereby conferring general authority on the Board of Directors of the company to authorise financial assistance to companies related or inter-related to the company or to any juristic person who is a member of or related to any such companies, then the Board of Directors of the company shall not authorise any financial assistance contemplated in such special resolution unless the Board:

1. is satisfied that immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test contemplated in section 4 of the Companies Act (section 45(3)(b)(i)); and
2. is satisfied that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company (section 45(3)(b)(ii)); and
3. has ensured that any conditions or restrictions in respect of the granting of financial assistance set out in the company's Memorandum of Incorporation have been satisfied (section 45(4)).

This special resolution does not authorise the provision of financial assistance to a director or prescribed officer of the company.

NOTICE OF ANNUAL GENERAL MEETING (continued)

VOTING INSTRUCTIONS

In terms of the Companies Act, any member entitled to attend and vote at the above meeting may appoint one or more persons as proxy, to attend and speak and vote in his stead. A proxy need not be a member of the company. Forms of proxy must be deposited at the office of the transfer secretaries not later than 1 November 2017 before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

If your Ansys shares have been dematerialised and are held in a nominee account, then your Central Securities Depository Participant (CSDP) or broker, as the case may be, should contact you to ascertain how you wish to cast your vote at the Annual General Meeting and thereafter cast your vote in accordance with your instructions.

If you have not been contacted it would be advisable for you to contact your CSDP or broker, as the case may be, and furnish them with your instructions. If your CSDP or broker, as the case may be, does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them, or if the mandate is silent in this regard to abstain from voting.

Dematerialised shareholders whose shares are held in a nominee account must not complete the attached form of proxy.

Unless you advise your CSDP or broker timeously in terms of the agreement between yourself and your CSDP or broker by the cut-off time advised by them that you wish to attend the Annual General Meeting or send a proxy to represent you at the Annual General Meeting, your CSDP or broker will assume you do not wish to attend the Annual General Meeting or send a proxy. If you wish to attend the Annual General Meeting, your CSDP or broker will issue the necessary letter of representation to you to attend the Annual General Meeting.

Shareholders who have dematerialised their shares through a CSDP or broker, other than "own name" registered dematerialised shareholders, who wish to attend the Annual General Meeting, must request their CSDP or broker to issue them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/ mandate entered into between them and the CSDP or broker.

SHAREHOLDER RIGHTS

It is requested that forms of proxy should be forwarded to reach the company's transfer secretaries at the address given below by no later than Wednesday, 1 November 2017, at 10h00.

In terms of section 63 (2) and 63 (3) of the Companies Act, shareholders or their proxies may participate in the meeting by way of telephone conference call and, if they wish to do so:

- must contact the Company Secretary (by email at the address melinda@fusioncorp.co.za) by no later than Wednesday, 1 November 2017 at 10h00 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

By order of the Board

Melinda Gous
Representative of: Fusion Corporate Secretarial Services Proprietary Limited

FORM OF PROXY

Ansys Limited
(Incorporated in the Republic of South Africa)
Registration number: 1987/001222/06
(Ansys or the company)
ISIN code: ZAE 000097028
Share code: ANS

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

For completion by registered shareholders of Ansys Limited unable to attend the Annual General Meeting of shareholders of the company to be held at 10h00 on Friday, 3 November 2017 at Equinox Board Room, Parsec, 76 Regency Drive, Route 21 Corporate Park, Irene 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 on Friday, 3 November 2017 at Equinox Board Room, Parsec, 76 Regency Drive, Route 21 Corporate Park, Irene 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
Ordinary resolution number 1: Re-election of Nonhlanhla Silvia Mjoli-Mncube who retires by rotation			
Ordinary resolution number 2: Re-election of Sizakele Petunia Mzimela who retires by rotation			
Ordinary resolution number 3: Appointment of Chief Executive Officer			
Ordinary resolution number 4: Re-appointment of PricewaterhouseCoopers Inc as external Auditor			
Ordinary Resolution number 5: Re-appointment of Nondumiso Medupe as a member and Chairperson of the Audit and Risk Committee			
Ordinary resolution number 6: Re-appointment of Sizakele Petunia Mzimela as member of the Audit and Risk Committee			
Ordinary Resolution number 7: Re-appointment of Snowy Joyce Khoza as a member of the Audit and Risk Committee			
Ordinary resolution number 8: Appointment of Coenraad Petrus Bester as member of the Audit and Risk Committee			
Ordinary resolution number 9: Endorsement of Ansys remuneration policy			
Ordinary resolution number 10: General authority to issue shares for cash			
Ordinary resolution number 11: Authority to sign all required documents			
Special resolution number 1: General authority to acquire (repurchase) shares			
Special resolution number 2: Remuneration of Non-executive Directors			
Special resolution number 3: Inter-company financial assistance			

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 on this day of 2017

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. An Ansys 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. An Ansys 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 Proprietary 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 Wednesday, 1 November 2017, at 10h00 provided that any form of proxy not delivered to the transfer secretaries 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.

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