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2017

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

HIGHLIGHTS

REVENUE INCREASED TO
R806 million
FROM R474 MILLION
(UP 70%)

EBITDA IMPROVED TO
R113.1 MILLION
FROM R42.8 MILLION
(UP 164%)

PROFIT AFTER TAX IMPROVED TO
R67.8 MILLION
FROM R20 MILLION
(UP 239%)

HEPS INCREASED TO
14.71 CENTS
FROM 4.86 CENTS
(UP 203%)

BASIC EARNINGS PER SHARE INCREASED TO
14.72 CENTS
FROM 4.86 CENTS
(UP 203%)

TANGIBLE NET ASSET VALUE INCREASED TO
32.6 CENTS
FROM 17.5 CENTS
(UP 86%)

Ansys Limited
("Ansys" or "the company" or "the Group")

(Incorporated in the Republic of South Africa)
(Registration Number: 1987/001222/06)
Share Code: ANS
ISIN: ZAE000097028

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	31 March 2017 (Reviewed) R'000	31 March 2016 (Audited) R'000
ASSETS			
Non-current assets		**186 616**	175 492
Property, plant and equipment	3	53 158	43 053
Intangible assets		118 692	120 418
Deferred tax asset		14 766	12 021
Current assets		**305 804**	249 489
Inventories	4	101 099	84 774
Trade and other receivables		124 404	121 682
Cash and cash equivalents		79 291	42 358
Other financial assets		1 010	675
Total assets		**492 420**	424 981
EQUITY AND LIABILITIES			
Equity		**269 022**	201 271
Share capital		212 141	212 141
Accumulated profit/(loss)		56 652	(11 224)
Minority interest		229	354
Non-current liabilities		**46 676**	48 887
Interest bearing borrowings	5	36 602	32 509
Other financial liabilities		–	6 372
Deferred tax liability		10 074	10 006
Current liabilities		**176 722**	174 823
Provisions		1 186	1 503
Interest bearing borrowings	5	5 211	2 703
Other financial liabilities		–	2 070
Trade and other payables		166 467	152 382
Current tax payable		3 802	1 460
Bank overdrafts		56	14 705
Total equity and liabilities		**492 420**	424 981

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	12 months ended 31 March 2017 (Reviewed) R'000	13 months ended 31 March 2016 (Audited) R'000
Revenue		806 019	474 066
Cost of sales		(593 887)	(351 054)
Gross profit		212 132	123 012
Other income		969	703
Operating costs		(130 304)	(88 917)
Other gains/(losses)		17 409	(2 719)
Operating profit		100 206	32 079
Finance income		3 106	1 419
Finance costs		(9 132)	(4 996)
Profit before taxation		94 180	28 502
Taxation		(26 429)	(8 529)
Net profit for the period		67 751	19 974
Total comprehensive income for the period		67 751	19 974
Attributable to:			
Equity holders of the company		67 876	20 010
Non-controlling interest		(125)	(36)
		67 751	19 974
Basic earnings per share (cents)	1	14.72	4.86
Diluted earnings per share (cents)		14.72	4.86

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Year ended 31 March 2017 (Reviewed) R'000	13 months ended 31 March 2016 (Audited) R'000
Cash flows from operating activities		
Cash receipts from customers	789 489	445 616
Cash paid to suppliers and employees	(681 699)	(468 638)
Cash generated from/(utilised in) operations	107 790	(23 022)
Interest paid	(9 132)	(4 996)
Interest received	3 106	1 419
Taxation paid	(26 763)	(7 196)
Net cash flow generated from/(utilised in) operating activities	75 001	(33 795)
Cash flows from investing activities		
Purchase of property, plant and equipment	(15 371)	(4 688)
Proceeds from disposal of property, plant and equipment	611	81
Cash payment for acquisition of subsidiary net of cash acquired	–	7 281
Investment in intangible assets	(6 482)	(1 430)
Increase in other financial assets	(335)	(330)
Net cash flow (utilised in)/generated from investing activities	(21 577)	914
Cash flows from financing activities		
Issue of share capital	–	17 200
Decrease in related party loans	–	(5 998)
Decrease in other financial liabilities	(8 442)	–
Increase in interest bearing borrowings	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	51 583	8 262
Cash, cash equivalents and bank overdrafts at beginning of year	27 652	19 390
Cash, cash equivalents and bank overdrafts at end of year	79 235	27 652

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Issued share capital R'000	Accumulated (losses)/ profit R'000	Non-controlling interest R'000	Total R'000
Balance as at 1 March 2015 (Audited)	73 668	(31 234)	–	42 434
Movements during the period				
Shares issued	26 270	–	–	26 270
Business combination	112 203	–	390	112 593
Profit for the period	–	20 010	(36)	19 974
Balance as at 31 March 2016 (Audited)	212 141	(11 224)	354	201 271
Movements during the period				
Profit for the period	–	67 876	(125)	67 751
Balance as at 31 March 2017 (Reviewed)	212 141	56 652	229	269 022

CONDENSED CONSOLIDATED SEGMENT REPORT

For the year ended 31 March 2017

	Year ended 31 March 2017 (Reviewed) R'000	13 months ended 31 March 2016 (Audited) R'000
Segment revenue		
Rail	100 240	137 016
Defence and Cyber Security	187 623	90 145
Mining and Industrial	89 320	42 548
Telecommunications	428 836	204 357
Total	806 019	474 066
Segment profit		
Rail	5 530	15 871
Defence and Cyber Security	14 721	15 997
Mining and Industrial	7 734	4 029
Telecommunications	82 248	6 130
Sub total	110 233	42 027
Corporate costs	(10 027)	(9 948)
Finance costs	(9 132)	(4 996)
Finance income	3 106	1 419
Profit before taxation	94 180	28 502
Financial position ^		
Assets	492 420	424 981
Rail	110 741	107 011^
Defence and Cyber Security	132 022	134 765^
Mining and Industrial	59 354	50 456^
Telecommunications	189 092	125 494^
Corporate assets	1 211	7 255^
Liabilities	223 398	223 710
Rail	13 537	38 112^
Defence and Cyber Security	66 595	76 252^
Mining and Industrial	25 186	14 069^
Telecommunications	114 990	92 457^
Corporate liabilities	3 090	2 820^

^ *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 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.*

CONDENSED CONSOLIDATED SEGMENT REPORT (CONTINUED)

For the year ended 31 March 2017

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

	13 months ended 31 March 2016
Assets	424 981
Rail	98 043
Defence and Cyber Security	70 700
Mining and Industrial	33 207
Telecommunications	127 308
Corporate assets	95 723
Liabilities	223 710
Rail	1 263
Defence and Cyber Security	23 995
Mining and Industrial	–
Telecommunications	94 271
Corporate liabilities	104 181

COMMENTARY

GROUP PROFILE

The Ansys group consists of a portfolio businesses that provide technology-based solutions to enterprises in sectors such as rail, mining and industrial, defence and cyber security as well as telecommunications both locally and internationally. Through leveraging our own IP, we develop, produce, distribute and integrate bespoke and standard technology products and solutions to satisfy client requirements. Our products and solutions are aimed at improving our client's safety and productivity, connectivity and security and are generally employed in harsh environments. Through constant innovation in design, development and manufacturing, we continuously improve our technology development and IP generation in all areas of our business.

Financial Results Highlights

The Group delivered excellent financial results in a tough operating environment underpinned by focussing on improving margins, cost management and strengthening our cash position. Revenue increased by 70% to R806 million (2016: R474 million) driven by growth in the defence and cyber security, mining and industrial, as well as telecommunication segments. EBITDA improved to R113.1 million (2016: R42.8 million) representing an increase of 164%. Operating profit increased by 212.4% to R100.2 million from R32.1 million in the comparative period, whilst headline earnings more than doubled to R67.8 million from a profit of R20 million, an increase of 239.7%. Headline earnings per share (HEPS) increased by 202.7%, an increase from 4.86 cents to 14.71 cents. This growth is predominantly a result of our strategy of strengthening the verticals in terms of market access and delivery capability, both organically and through historical acquisitions.

OUR OPERATIONS

During the period under review, we continued to invest in and leverage our core competencies in innovation, design and production in the group. Further investments were made in plant and equipment. We streamlined our supply management operation, and implemented a phased ERP system, resulting in overall improvements in operational performance, mainly from synergies derived from the integration of our companies.

Rail

The recent decline in general economic growth and impact of lower commodity prices, has significantly reduced transport volumes from major clients, which has resulted in the reduction of infrastructure development programmes over the short term. This has had a negative impact on the revenue of the business dropping 26.8% from R137 million to R100.2 million. Margins were also under pressure and this saw profits reduce from R15.8 million to R5.5 million, a 65.2% reduction. These difficult market conditions necessitated a review of the operating model, the positive effects of which is anticipated to be realised in the next financial-year.

Defence & Cyber Security

The South African defence and security budgets and the global demand for defence and security-related products, particularly in the Middle East markets, saw revenues increase by 108.1% to R187.6 million from R90.1 million. However, the combination of margin pressure and product mix saw margins coming under pressure in the defence part of our business. The group also invested heavily into product development in the cyber security part of our business, and as such this segment's profits slightly declined by 8% from R15.9 million to R14.7 million.

Mining & Industrial
Local and global commodity cycles have an impact on the demand for mining-related products and developments. The recent low commodity price cycle has required many companies to reassess its capital expenditure programmes to focus on productivity improvements along its value chain. This translated into a higher demand of our digital solutions resulting in growth of our business in this sector. Revenue for the period increased by 109.9% to R89.3 million from R42.5 million while segment profit grew from R4 million to R7.7 million.

Telecommunications
The global telecoms sector is experiencing some significant shifts, both in the composition of its customer base and the nature of consumer expectations. Across all markets, the fastest growth area is in data, driven by increasing penetration of smart devices, improved networks and an increased availability of data content. This encouraged segment revenue growth of 109.8%, to R428.8 million compared to R204.3 million from the previous year. This growth was driven by accelerated growth in the FTTX (fibre to the premises) rollouts of all the major telecommunications operators. Efforts to optimise the supply chain management operations together with a more effective foreign exchange hedging strategy enabled overall profitability to increase from R6.1 million to R82.2 million.

OUTLOOK
The recent sovereign credit downgrade in South Africa is anticipated to negatively impact economic growth opportunities over the next couple of years. Financial market and exchange rate volatility is expected to continue. It is anticipated that increased fiscal pressure may require reassessment of government budget priorities. Higher interest charges will impact the company adversely. The growth rate outlook outside South Africa is more favourable and provides opportunities for diversification.

Recognising this, the company has sought to continue to position the company as a customer-centric organisation, being an IP-led entity which provides digital solutions in our fields of expertise.

Rail
We anticipate the challenging trading conditions in the sector to continue particularly in the first half of the new year. Our investments in current and new IP products are expected to contribute positively as we take advantage of the digital transformation in the railways sector.

Defence & Cyber Security
The longer-term growth outlook for the segments is favourable. International growth is envisaged, particularly in the Middle East, where the current spending cycle is anticipated to continue into the foreseeable future, with benefits to the local industry.

We anticipate moderate growth in the short-to-medium term in the local defence industry owing to the substantial order books of our major clients, who rely on companies such as ours to meet delivery commitments. Over the medium-to-longer term, the South African Defence Force' spending on revitalising its defence capabilities is expected to boost the local defence market.

The threat of cyber-attacks continues to increase. From 2010 to 2014 the average global vulnerability to cyber-attacks increased by 43% and the global cyber security solutions market is projected to exceed $140 billion by 2020. Locally it is anticipated that investment in cyber security solutions will increase to 0.35% of the country's GDP by 2030. Ansys is well positioned to capitalise on this growth and will continue to invest in innovative technologies.

Mining & Industrial
The continued focus on mine safety by regulators, labour and other stakeholders as well as stricter safety legislation, is anticipated to increase demand for the mine safety products that we develop and manufacture. Furthermore, the recent trend of mine mechanisation and automation to make local mining operations more competitive will create opportunities for our service offering.

Telecommunications
We envisage the telecommunication sector to continue investing in network upgrades and expansion over the medium-term.

During the 2016 calendar year, operators invested around R26 billion in broadband infrastructure. Currently mobile broadband 4G/LTE coverage stands between 35% and 53% in South Africa and operators target to connect 80% of the population to mobile broadband by 2019. Similarly, investment in fibre infrastructure, particularly in the deployment of fibre-to-premises, is expected to continue.

Margin management and continuing our optimisation efforts will remain an important focus, as increased competition in the supply of telecommunication solutions is anticipated.

Positioning for growth
As a technology and IP based company, the ability to adapt, develop or gain access to new and improved technology is critical to the long-term success of the business. Technology innovation and enhancements, customer expectations and market shifts in technology, including digitalisation, technology convergence, product-agnostic and disruptive technologies and system life cycles all play a role in demand (affecting volume and margin). Technology and access to IP impacts the competitive position in the market.

Over the past few years, the company has developed core capabilities in four vertical business segments, namely: defence and cyber security, mining and industrial, rail and telecommunications. Going forward we will reposition the entity as a digital technology solutions provider along the following four broad capabilities: safety and productivity, digital network connectivity, cyber security and lastly original design manufacturing. This will enable us to leverage existing technologies, capabilities and processes and offer solutions beyond the existing business segments providing opportunities to broaden our revenue base and provide economies of scale.

We also intend to continue to grow, both organically and through the acquisition of companies aligned to our core business. We are deeply committed to ensuring that our locally developed and manufactured products meet world class standards and are of the quality required for global distribution.

Looking at 2018, we anticipate a moderation to the exceptional growth experienced in 2017. The challenging economic environment is expected to increase margin pressure within most of our local businesses. Internationally the outlook appears more favourable but is only expected to contribute meaningfully over the medium-term.

FINANCIAL RESULTS COMMENTARY
During the year under review, the Ansys group has experienced a second consecutive year of significant growth in revenue, profits and cash.

The improved profitability was mainly attributable to robust growth in our telecommunications as well as mining and industrial segments but was offset by the impact of tougher economic conditions on our local defence and rail segments.

These financial results also incorporated the 12 months performance of the Parsec Holdings Group, as compared to the 10 months of performance included in the 2016 financial year results.

COMMENTARY (CONTINUED)

Significant movement other than noted above, comparing the period ended 31 March 2017 with the period ended 31 March 2016, include the following:

CASH FLOW STATEMENT

The cash balance has grown by R 51.6 million for the period under review.

As a result of the high growth experienced, the group managed to create positive cash flow from operating activities which increased to R75 million from an outflow of R33.8 million in the previous reporting period. This positive result was also aided by active management of the group's inventory, as well as payment terms with key customers and suppliers.

STATEMENT OF COMPREHENSIVE INCOME

The taxation expense of R26.4 million comprises deferred tax credit of R2.7 million and current taxation of R29.1 million.

STATEMENT OF FINANCIAL POSITION

Some of the line items on the statement of financial position that have shown significant changes when compared to March 2016 have been included in the notes to the financial information to give some context and explanation to these movements.

Other financial liabilities related to the outstanding balance of the cash consideration payable for the Parsec Holdings acquisition. The total outstanding balance was repaid during the past financial-year.

NOTES TO THE FINANCIAL INFORMATION

STATEMENT OF COMPLIANCE, BASIS OF PREPARATION

The reviewed provisional condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the Listing Requirements of the JSE Limited. The accounting policies applied in the preparation of these financial statements are in terms of International Financial Reporting Standards and are consistent with those used in the annual financial statements for the period ended 31 March 2016. The directors take full responsibility for the preparation of the reviewed provisional condensed consolidated financial statements.

1. Headline earnings per share

for the year ended 31 March 2017

	Year ended 31 March 2017 (Reviewed) R'000	13 months ended 31 March 2016 (Audited) R'000
Profit attributable to ordinary shareholders	67 876	19 974
Basic earnings per share (cents)	14.72	4.86
Diluted earnings per share (cents)	14.72	4.86
Reconciliation of headline earnings:		
Profit attributable to ordinary shareholders	67 876	19 974
Profit on disposal of property, plant and equipment	(111)	(21)
Total tax effect of adjustments	31	6
Headline earnings attributable to ordinary shareholders	67 796	19 958
Headline earnings per share (cents)	14.71	4.86
Diluted headline earnings per share (cents)	14.71	4.86
Weighted average number of shares in issue	461 038 321	410 797 070
Net asset value per share (cents)	58.4	43.7
Tangible net asset value per share (cents)	32.6	17.5

2. Earnings before interest, taxation, depreciation and amortisation (EBITDA)

for the year ended 31 March 2017

	Year ended 31 March 2017 (Reviewed) R'000	13 months ended 31 March 2016 (Audited) R'000
Operating profit	100 206	32 079
Depreciation and amortisation	12 876	10 759
EBITDA	113 082	42 838

NOTES TO THE FINANCIAL INFORMATION (CONTINUED)

3. Property, plant and equipment

	31 March 2017 (Reviewed) R'000	31 March 2016 (Audited) R'000
Total property, plant and equipment at book value	53 158	43 053

To cater for the growth experienced within the group, we have invested, in numerous plant and manufacturing equipment in this reporting period to increase our delivery capacity. This was the main contributor to the increase in property, plant and equipment in the past financial year.

4. Inventories

	31 March 2017 (Reviewed) R'000	31 March 2016 (Audited) R'000
Inventories comprise:		
– Raw materials and finished goods	82 036	62 381
– Work in progress	19 063	22 393
	101 099	84 774

The current level of inventory is in line with the increase in business activities.

5. Interest bearing borrowings

	31 March 2017 (Reviewed) R'000	31 March 2016 (Audited) R'000
Non-current liabilities		
Instalment sale agreements	8 762	3 420
Interest bearing borrowings	27 840	29 089
	36 602	32 509
Current liabilities		
Instalment sale agreements	3 963	1 836
Interest bearing borrowings	1 248	867
	5 211	2 703

The increase in instalment sale agreements correlates roughly to the increase in property plant and equipment (refer note 3) as most of the manufacturing equipment bought in this period was financed via instalment sale agreements.

AUDIT REPORT

These provisional condensed consolidated financial statements for the year ended 31 March 2017 have been reviewed by PricewaterhouseCoopers Incorporated, which expressed an unqualified review conclusion. A copy of the auditor's report is available for inspection at the company's registered office.

The auditor's report does not necessarily report on all the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuers registered office.

PREPARER

These results were prepared under the supervision of Burt Lamprecht CA (SA), the Chief Financial Officer.

GOING CONCERN

The directors have reviewed the group's budget and cash flow forecast for the year to March 2018. 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 adopted the going concern basis in preparing these reviewed provisional financial results.

DIRECTORATE

The following changes were made to the board of directors with effect from 6 June 2017:

- Teddy Daka, the Executive Chairperson of the Board, has been appointed as the Chief Executive Officer of Ansys whilst Rynier van der Watt, an executive director of the Board, will forthwith focus on the merger and acquisition opportunities in support of the growth strategy of the Company.
- Nhlanhla Mjoli-Mncube, the Lead Independent Non-Executive Director, has been appointed as the Independent Non-executive Chairperson of the Board

EVENTS SUBSEQUENT TO YEAR END

The directors are not aware of any significant events, other than noted above, that have occurred between the year ended 31 March 2017 and the date of this report that may materially affect the results of the Group for the year or its financial position as at 31 March 2017.

APPRECIATION STATEMENT

The directors would like to thank our clients, suppliers, business partners and all other stakeholders for their continued support and for the confidence they have shown in us in the past year. Without your support we would not have been able to make such a huge success of the past financial year.

By order of the board

Teddy Daka
Chief Executive Officer

Burt Lamprecht
Chief Financial Officer

21 June 2017

Directors
CP Bester; T Daka (CEO)*; Dr. SJ Khoza; BC Lamprecht (CFO)*; N Medupe; NS Mjoli-Mncube; SP Mzimela, AR van der Watt*

**Executive*

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Transfer secretaries: Computershare Investor Services (Pty) Ltd