2014

ANSYS LIMITED

Reviewed Condensed Consolidated Interim Financial Statements

KEY FEATURES

- Revenue up by 193% to R80 million
- Telecommunications contributed R48 million to revenue
- EBITDA improved by 165%
- Basic loss per share reduced by 95%
- Order book up by 110% to R400 million from 29 May 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**6 months ended 31 August 2014 (Reviewed) R'000**	6 months ended 31 August 2013 (Reviewed) R'000	Year ended 28 February 2014 (Audited) R'000
Assets				
Non-current assets		**32 362**	**31 347**	**33 974**
Plant and equipment		1 435	359	1 584
Goodwill		15 059	15 059	15 059
Intangible assets		4 003	5 779	4 170
Deferred tax asset		11 865	10 150	13 161
Current assets		**60 945**	**20 201**	**53 837**
Inventories		26 235	8 671	29 218
Trade and other receivables		32 657	11 470	24 031
Cash and cash equivalents		2 053	60	508
Derivative financial assets		–	–	80
Total assets		**93 307**	**51 548**	**87 811**
Equity and liabilities				
Equity		**32 199**	**34 719**	**32 408**
Capital and reserves		32 199	34 719	32 408
Non-current liabilities		**16 023**	**1 974**	**12 011**
Instalment sale agreements		297	–	436
Loans from related parties	3	14 436	–	9 993
Deferred tax liability		1 290	1 974	1 582
Current liabilities		**45 085**	**14 855**	**43 392**
Instalment sale agreements		231	–	179
Provisions		614	962	209
Loans from related parties	3	1 000	–	–
Trade and other payables		36 566	9 012	35 282
Cash and cash equivalents		6 674	4 881	7 722
Total liabilities		**61 108**	**16 815**	**55 403**
Total equity and liabilities		**93 307**	**51 548**	**87 811**
Number of shares in issue		244 867 056	164 867 056	244 867 056
Net asset value per share (cents)		13.2	21.1	13.2
Tangible net asset value per share (cents)		5.2	8.4	5.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**6 months ended 31 August 2014 (Reviewed) R'000**	6 months ended 31 August 2013 (Reviewed) R'000	Year ended 28 February 2014 (Audited) R'000
Revenue		80 529	27 539	65 803
Cost of sales		(59 337)	(15 161)	(42 678)
Gross profit		**21 192**	**12 378**	**23 125**
Other income		196	106	654
Operating costs		(19 244)	(15 810)	(29 172)
EBITDA		**2 144**	**(3 324)**	**(5 916)**
Depreciation and amortisation		(1 027)	–	(1 949)
Development cost reversal/(impairment)		253	–	(868)
Operating profit/(loss)		**1 370**	**(3 324)**	**(8 210)**
Finance income		8	–	3
Finance cost		(584)	(231)	(903)
Profit/(loss) before taxation		**794**	**(3 555)**	**(9 110)**
Taxation		(1 003)	839	2 085
Loss for the period/year		**(209)**	**(2 716)**	**(7 025)**
Other comprehensive income, net of tax		–	–	–
Total comprehensive loss for the period/year		**(209)**	**(2 716)**	**(7 025)**
Basic loss per share (cents)		(0.09)	(1.65)	(3.85)
Diluted loss per share (cents)		(0.09)	(1.65)	(3.85)
Weighted average number of shares in issue		244 867 056	164 867 056	182 620 480
Diluted average number of shares in issue		244 867 056	164 867 056	182 620 480

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Issued share capital R'000	Retained income/ (accumulated loss) R'000	Total equity R'000
Balance as at 1 March 2013		**47 268**	**(9 833)**	**37 435**
Movements during the period				
Total comprehensive loss for the period		–	(2 716)	(2 716)
Balance as at 31 August 2013 (Reviewed)		**47 268**	**(12 549)**	**34 719**
Movements during the period				
Share issue		26 400		26 400
Common control business combination	2	–	(24 402)	(24 402)
Total comprehensive loss for the period		–	(4 309)	(4 309)
Balance as at 28 February 2014 (Audited)		**73 668**	**(41 260)**	**32 408**
Movements during the period				
Total comprehensive loss for the period		–	(209)	(209)
Balance as at 31 August 2014 (Reviewed)		**73 668**	**(41 469)**	**32 199**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended		Year ended
	31 August 2014 (Reviewed) R'000	31 August 2013 (Reviewed) R'000	28 February 2014 (Audited) R'000
Cash flows from operating activities before working capital	1 650	(3 165)	(6 891)
Changes in working capital	(3 951)	8 543	10 436
Cash flows from operating activities	(2 301)	5 378	3 545
Cash flows from investing activities	(462)	525	(329)
Cash flows from financing activities	5 356	(2 133)	(1 839)
Cash flows for the period/year	2 593	3 770	1 377
Cash and cash equivalents at beginning of period/year	(7 214)	(8 591)	(8 591)
Cash and cash equivalents at end of the period/year	**(4 621)**	**(4 821)**	**(7 214)**

CONDENSED SEGMENT REPORT

	Notes	6 months ended 31 August 2014 (Reviewed) R'000	6 months ended 31 August 2013 (Reviewed) R'000	Year ended 28 February 2014 (Audited) R'000
Segment revenue				
Rail		20 921	19 085	37 118
Defence		9 089	7 922	15 031
Mining*		2 112	532	543
Telecommunications**	2	48 407	–	13 111
Total		**80 529**	**27 539**	**65 803**
Segment profit/(loss)				
Rail		5 690	5 603	9 843
Defence		3 564	3 882	8 256
Mining*		(334)	(1 716)	(4 324)
Telecommunications**	2	643	–	(2 308)
Sub total		**9 563**	**7 769**	**11 467**
Corporate unallocated		(8 193)	(11 093)	(19 677)
Finance cost		(584)	(231)	(903)
Finance income		8	–	3
Profit/(loss) before taxation		**794**	**(3 555)**	**(9 110)**
Financial position				
Assets		**93 307**	**51 548**	**87 811**
Rail		27 848	21 169	22 125
Defence		2 963	2 393	1 677
Mining*		8 246	7 850	6 212
Telecommunications**	2	40 620	–	37 698
Unallocated		13 630	20 136	20 099
Liabilities		**61 108**	**16 815**	**55 403**
Rail		70	2 493	72
Defence		480	2 211	1 347
Mining*		64	–	17
Telecommunications**	2	48 539	–	45 391
Unallocated		11 955	12 111	8 576

The segment report has changed from the prior year as follows:

*The segment name has been changed from ‘Mining and Industrial’ to ‘Mining’, as the current and prior year revenue generated from this sector was only from mining customers.

**Tedaka, a telecommunication specialist, is included into a new operating segment named “Telecommunications”

COMMENTARY

Introduction

Ansys has delivered a solid performance for the period reflecting the group's successful turnaround, with the major divisions returning to profitability. The order book, including major new contract awards, totals R400 million at the date of this announcement compared to R190 million as reported on 29 May 2014.

Group profile

The group designs, develops and supplies niche technology-driven engineering solutions in four key sectors: Rail, Mining, Defence and Telecommunications. Ansys' range of standard and bespoke solutions is aimed at improving clients' productivity, safety and security.

The group intends to be a centre of engineering excellence and is focussed on research and development in order to remain at the forefront of innovation in its areas of operation.

Headquartered in Centurion, Tshwane, its customer base extends throughout South Africa and into Botswana with the strategic intent to expand further across Africa and internationally.

Financial results highlights

Revenue was up 193% to R80.5 million from R27.5 million, as this now includes the telecommunication segment for this interim period. The loss of R2.7 million in the comparative period was significantly reduced by 92% to a loss of R0.3 million. EBITDA of R2.1 million improved 165% which contrasted favourably with the R3.3 million loss at 31 August 2013.

The group's performance reflects aggressive growth across the board, boosted by the inclusion of Tedaka Technologies Proprietary Limited ("Tedaka") in the Telecoms business unit for the full period for the first time. Headline loss at the end of the period improved to a loss of R0.4 million compared to a R3 million loss in the comparative period. This translated to headline loss per share of 0.16 cents (August 2013: headline loss per share of 1.87 cents).

Operations

Rail

Performance in the first half of the year showed a notable improvement in line with expectations, with revenue of R20.9 million (August 2013: R19.1 million) driving an increase in profit to R5.7 million (August 2013: R5.6 million).

The R188 million contract for the supply of an integrated system display ("ISD") to Transnet's full fleet of locomotives, as previously announced, got underway. The initial phase was largely research and development, which is cost intensive. Going forward the group will benefit from the start of production and delivery.

In addition, Ansys secured a further R120 million contract to supply its refined vehicle identification system ("VIS II") to Transnet. Ansys will supply 400 track-side readers for Transnet's 36 rail yards across the country over the next two years. The VIS II enables a train network operator to identify trains and their location remotely. Ansys supplied the original system – VIS I – to Transnet 15 years ago.

Defence

Defence delivered some growth with revenue up 14% to R9.1 million (August 2013: R7.9 million) and profit maintained at R3.6 million (August 2013: R3.8 million). The group is actively driving growth in this sector through intensive marketing initiatives, which are expected to yield results in the foreseeable future.

Mining

Revenue increased to R2.1 million (August 2013: R0.5 million). The loss of R0.4 million for the period improved from the loss of R1.7 million in the comparative period. Growth was driven by demand for Ansys' rope monitoring system, which also triggered the partial reversal of the impairment in previous years.

Telecommunications

With Tedaka included for the full interim period for the first time, this segment contributed revenue of R48.4 million and an operating profit of R0.6 million. The business operates in a highly competitive market characterised by extreme price sensitivity. The high growth sector nonetheless offers promising opportunities for the group.

Outlook

Tangible benefits are evident following the group's restructuring programme concluded in the previous period and Ansys is well positioned for growth. The group expects continued performance in the second half of the year, buoyed by strong prospects in some sectors.

The interim performance of Rail bodes well, with the ISD and VIS II contracts expected to escalate revenue substantially. Further the smaller contracts and spares offering are expected to continue augmenting the major projects. The design of both systems in-house is in line with the group's reinforced focus on building intellectual property. The Transnet contracts also reflect the group's new strategy of securing longer-term contracts with the potential of annuity income in the maintenance phase. Both systems will be manufactured and assembled locally in line with the group's commitment to localisation.

Our major customer Denel, is sitting with an order book of R31 billion and they require companies such as Ansys to assist in executing it. In addition, the Defence Review 2014 recommends increasing defence spend from 1.1% GDP to 1.6% in 2015 and 2.0% in 2016 and 2.4% in 2017 which will auger our business.

Mining is expected to remain constant, with the challenging market conditions in the local mining sector continuing to restrict demand. Where necessary, the group's skilled resources in this segment will continue to be redeployed to segments of the business where demand is stronger, given the synergy of skills.

Telecommunications – the acquisition of Tedaka has exposed Ansys to the robust telecoms market and has balanced the group's revenue model with faster turnaround projects. This has significantly contributed to the group's order book and to monthly revenue. To address pricing pressure and boost the bottom line, Ansys has implemented cost improvement measures which should start to yield benefits in the second half of the year.

Financial results commentary

The Tedaka acquisition was not included in the comparative interim period. The acquisition was effective 9 December 2013 and has been included for the full six months ended August 2014. As a result the majority of the movement in the statement of comprehensive income and statement of financial position is due to the Tedaka business combination.

Statement of financial position

Significant movement for the period ended August 2014 compared to the year ended February 2014 was as follows:

- Trade and other receivables increased by R8.6 million as a direct result of the execution of an increased order book
- Loans from related parties increased by R4.4 million due to additional loan funding secured from the current shareholders, for the excess working capital requirements for the significant contracts obtained
- Decrease in inventory of R3 million relates mainly to the decrease in work-in-progress and finished products for current projects being executed

COMMENTARY CONTINUED

Cash flow statement

- Cash outflow from operating activities for the period decreased by R6.1 million for the period compared to the year ended February 2014 due to the additional working capital required for the execution of the increased order book
- Cash inflow from financing activities of R7.2 million at period end is a direct result of funding received for the increased working capital requirements

Directorate

David Keebine resigned with effect from 28 August 2014. The board would like to thank David for his valuable contribution during his term of office. Sizakele Mzimela was appointed as the Chair of the Audit and Risk Committee in his stead.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Headline loss

	Notes	**6 months ended 31 August 2014 (Reviewed) R'000**	6 months ended 31 August 2013 (Reviewed) R'000	Year ended 28 February 2014 (Audited) R'000
Reconciliation of headline loss:				
Loss attributable to ordinary shareholders		(209)	(2 716)	(7 025)
Development cost (reversal)/impairment		(253)	–	868
Profit on disposal of plant and equipment		–	(516)	(522)
Total tax effects of adjustments		71	144	146
Headline loss attributable to ordinary shareholders		**(391)**	**(3 088)**	**(6 533)**
Headline loss per share (cents)		(0.16)	(1.87)	(3.58)
Diluted headline loss per share (cents)		(0.16)	(1.87)	(3.58)

2. Common control business combination

Carrying value of assets acquired	**R'000**
Plant and equipment	1 422
Intangible assets	26
Loans receivable	112
Inventories	19 560
Trade and other receivables	14 960
Trade and other payables	(25 149)
Other financial liabilities	(17 666)
Deferred tax asset	2 156
Bank overdraft	(780)
Borrowings	(643)
Total net assets acquired	**(6 002)**
Cash consideration paid	–
Less: overdraft assumed	780
Net cash outflow on acquisition	**(780)**

3. Related party balances

	Relationship	6 months ended 31 August 2014 (Reviewed) R'000	6 months ended 31 August 2013 (Reviewed) R'000	Year ended 28 February 2014 (Audited) R'000
Other financial liabilities				
Bearing Management Consulting (Pty) Ltd	Same director (T Daka)	966	–	923
Tedaka Investment (Pty) Ltd	Same director (T Daka)	9 070	–	9 070
TDK Trust	Same director (T Daka)	1 000	–	–
Teddy Daka	Same director (T Daka)	3 400	–	–
		15 436	**–**	**9 993**

Statement of compliance, basis of preparation and review opinion

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements. The directors take full responsibility for the preparation of the condensed interim financial statements.

These interim condensed consolidated financial statements for the period ended 31 August 2014 have been reviewed by BDO South Africa Incorporated, who expressed an unqualified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report.

The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding fo 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 Rachelle Grobbelaar (CA) SA, the Chief Financial Officer.

Going concern

The directors have reviewed the group's budget and cash flow forecast for the year to August 2015. 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 interim financial results.

Events subsequent to period end

Business combination

As announced on 3 November 2014, Ansys made an offer to the shareholders of Parsec Holdings (Pty) Ltd ("Parsec"), Parsec (Pty) Ltd and Redline Telecommunications SA (Pty) Ltd ("the sellers") on 31 October 2014 to purchase the shares and shareholder claims for R86,5 million plus the net consideration for the property of approximately R6,7 million. The offer to purchase was accepted by the sellers, subject to certain conditional and statutory requirements.

The acquisition is another significant step for Ansys in becoming an intellectual property-led provider of technology-driven engineering solutions, producing world-class products for global distribution. Although Ansys and Parsec serve the same markets, there is currently minimal overlap in terms of products and services. The acquisitions will provide Ansys with:

- intellectual property and the scarce skill sets of a sought after professional team including 45 engineers;
- an opportunity to diversify Ansys' income streams by enhancing its mining, defence and telecommunications divisions;
- 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.

Appreciation

We would like to thank all management and staff for their tenacity and effort during the period. Your talent and commitment have ensured a strong foundation for growth and it is evident that your hard work is bearing fruit. We would also like to extend our appreciation to our fellow directors for their valuable contribution. We finally thank our business partners, suppliers, advisors and valued clients and shareholders for their continued confidence in the group.

By order of the board

Teddy Daka
Chief Executive Officer

Rachelle Grobbelaar
Chief Financial Officer

27 November 2014

CORPORATE INFORMATION

Directors	T Daka (CEO) | R Grobbelaar (CFO) | NS Mjoli-Mncube* (Chair)
	FF Dantile* | MD Keebine*• | SP Mzimela*#
	**Independent non-executive*
	•Resigned 28 August 2014
	#Appointed Chair of Audit and Risk committee 28 August 2014
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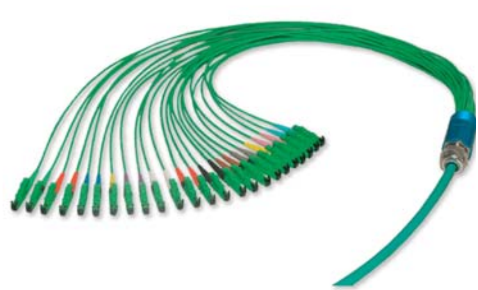
Company secretary	Fusion Corporate Secretarial Services Proprietary Limited
Designated advisor	Exchange Sponsors 2008 Proprietary Limited
Transfer secretaries	Computershare Investor Services Proprietary Limited



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