ZENSAR (South Africa) Proprietary Limited
(Registration Number: 2013/194972/07)

Annual Financial Statements
For the year ended 31 March 2018

ZENSAR (SOUTH AFRICA) PROPRIETARY LIMITED
Registration Number: (2013/194972/07)

FINANCIAL STATEMENTS
For the year ended 31 March 2018

General Information

Country of incorporation and domicile	South Africa
Nature of Business	The company is primarily engaged in providing a complete range of IT Services and Solutions
Directors	Mr Ajit Tekchand Vaswani Mr Harish Lala Mr Sandeep Kishore Mr Makhuparetsa Paul Nyama Ms Daphne Ramaisela Motsepe
Business Address	Block D, Homestead Office Park, 37 Homestead Lane, Corner of 12th Avenue and Homestead Avenue, Rivonia, Gauteng, 2128
Registered Office	Block D, Homestead Office Park, 37 Homestead Lane, Corner of 12th Avenue and Homestead Avenue, Rivonia, Gauteng, 2128
Auditors	Deloitte & Touche
Holding Company	Zensar (Africa) Holdings Proprietary Limited
Level of assurance	The financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 of South Africa
Preparer	The financial statements were independently compiled under the supervision of: Sanjay Rawa, VP & Global Financial Controller

The directors are required in terms of the Companies Act 71 of 2008 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 company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the 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 company and places considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 company's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The Code of Corporate Practices and Conduct has been integrated into company strategies and operations.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 8 to 10.

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

ZENSAR (SOUTH AFRICA) PROPRIETARY LIMITED

FINANCIAL STATEMENTS
For the year ended 31 March 2018

Directors' Responsibilities and Approval

The financial statements set out on pages 5 to 33, which have been prepared on the going concern basis, were approved by the board of directors on and were signed on its behalf by:

Sd/-	Sd/-
Ajit Tekchand Vaswani	Harish Lala
Director	Director

ZENSAR (SOUTH AFRICA) PROPRIETARY LIMITED

FINANCIAL STATEMENTS
For the year ended 31 March 2018

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the financial statements of Zensar (South Africa) Proprietary Limited for the year ended 31 March 2018.

1. Incorporation and nature of business

The company was incorporated in South Africa on 18 October 2013 and obtained its certificate to commence business on the same day.

Zensar (South Africa) Proprietary Limited was incorporated in South Africa with its current principal place of business as Block D, Homestead Office Park, 37 Homestead Lane, Corner of 12th Avenue and Homestead Avenue, Rivonia, Gauteng, 2128.

The company is primarily engaged in providing a complete range of IT Services and Solutions. This is a Broad Based Black Economic Empowerment company in South Africa wherein Zensar (Africa) Holdings Proprietary Limited will be the majority shareholder of the company. Clusten 16 Proprietary Limited is the BEE Partner and minority shareholder of the company.

The company operates principally in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net profit of the company was R 39,867,873 (2017: R 29,787,951), after taxation of R 15,574,430 (2017: R 11,482,503).

Registered office	Block D, Homestead Office Park, 37 Homestead Lane, Corner of 12th Avenue and Homestead Avenue, Rivonia, Gauteng, 2128
Business address	Block D, Homestead Office Park, 37 Homestead Lane, Corner of 12th Avenue and Homestead Avenue, Rivonia, Gauteng, 2128

3. Authorised and issued share capital

There have been no changes to the authorised or issued share capital during the year under review.

4. Directors

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

Director	Nationality
Mr Ajit Tekchand Vaswani	Indian
Mr Harish Lala	Indian
Mr Makhuparetsa Paul Nyama	South African
Ms Daphne Ramaisela Motsepe	South African
Mr Sandeep Kishore	US

5. Directors' interests in contracts

No material contracts in which the directors have an interest were entered into in the current year.

6. Holding company

The company's holding company is Zensar (Africa) Holdings Proprietary Limited which holds 75% less 1 share (2017: 75% less 1 share) of the company's equity. Zensar (Africa) Holdings Proprietary Limited is incorporated in South Africa.

7. Ultimate holding company

The ultimate holding company is Zensar Technologies Ltd, a company incorporated in India.

8. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report that would have a material impact on these financial statements.

9. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

10. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008 of South Africa.

11. Auditors

Deloitte & Touche will continue in office as auditors of the company for 2019.

12. Secretary

The company had no secretary during the year.

13. Dividends

Dividend of R 16,539,707 were paid (2017: R 8,197,400) during the year.

ZENSAR (SOUTH AFRICA) PROPRIETARY LIMITED

FINANCIAL STATEMENTS
For the year ended 31 March 2018

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	**2018 ZAR**	2017 ZAR
ASSETS			
Current assets			
Cash and cash equivalents	4	**42,122,791**	101,387,957
Trade and other receivables	5	**161,572,658**	128,849,906
Current income tax receivable	8	**1,793,753**	326,451
		205,489,202	230,564,314
Non-current asset			
Property, plant and equipment	10	**76,102**	-
Deferred tax asset	9	**953,466**	1,093,560
Total assets		**206,518,770**	231,657,874
LIABILITIES			
Current liabilities			
Trade and other payables	11	**131,854,681**	180,321,951
Total liabilities		**131,854,681**	180,321,951
EQUITY			
Share capital	12	**19,789,999**	19,789,999
Retained earnings		**54,874,090**	31,545,924
Total equity		**74,664,089**	51,335,923
Total equity and liabilities		**206,518,770**	231,657,874

The accounting policies on pages 15 to 21 and notes on pages 22 to 35 form an integral part of the financial statements.

ZENSAR (SOUTH AFRICA) PROPRIETARY LIMITED

FINANCIAL STATEMENTS
For the year ended 31 March 2018

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 ZAR	2017 ZAR
Revenue	13	**500,265,142**	380,715,506
Operating expenses	15	**(449,779,757)**	(342,746,083)
Gross income		**50,485,385**	37,969,423
Finance income	14	**4,956,918**	3,301,031
Profit before income tax		**55,442,303**	41,270,454
Income tax expense	8	**(15,574,430)**	(11,482,503)
Net profit for the year		**39,867,873**	29,787,951
Total comprehensive income for the year		**39,867,873**	29,787,951

Total comprehensive income attributable to:		
Owners of the parent	29,900,865	22,340,933
Non-controlling interest	9,967,008	7,447,018
Total comprehensive income for the year	**39,867,873**	29,787,951

The accounting policies on pages 15 to 21 and notes on pages 22 to 35 form an integral part of the financial statements.

ZENSAR (SOUTH AFRICA) PROPRIETARY LIMITED

FINANCIAL STATEMENTS
For the year ended 31 March 2018

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital ZAR	Retained earnings / (Accumulated loss) ZAR	Total ZAR
Balance at 01st April 2016		19,789,999	9,955,373	29,745,372
Profit for the year			29,787,951	29,787,951
Dividends paid			(8,197,400)	(8,197,400)
Balance as at 31 March 2017		**19,789,999**	**31,545,924**	**51,335,923**
Profit for the year			39,867,873	40,009,130
Dividends paid			(16,539,707)	(16,539,707)
Balance at 31 March 2018	12	**19,789,999**	**54,874,090**	**74,664,089**

The accounting policies on pages 15 to 21 and notes on pages 22 to 36 form an integral part of the financial statements.

ZENSAR (SOUTH AFRICA) PROPRIETARY LIMITED

FINANCIAL STATEMENTS
For the year ended 31 March 2018

STATEMENT OF CASH FLOWS

	Notes	2018 ZAR	2017 ZAR
Cash flows from operating activities			
Profit before taxation		**55,448,556**	41,270,454
Adjustments for:			
Interest income	14	**(4,916,414)**	(3,301,031)
		50,532,142	37,969,423
Changes in working capital:			
Trade and other receivables		**(32,722,752)**	(3,724,227)
Trade and other payables		**(48,467,270)**	52,597,962
Cash generated from operations		**(30,657,880)**	86,843,158
Income tax paid	8	**(16,901,638)**	(14,063,747)
Net cash generated by operating activities		**(47,559,518)**	72,779,411
Cash flows from investing activities			
Interest received	14	**4,916,414**	3,301,031
Purchase of Plant & Equipment		**(82,355)**	-
Net cash generated by investing activities		**4,834,059**	3,301,031
Cash flows from financing activities			
Dividends paid		**(16,539,707)**	(8,197,400)
Net cash from financing activities		**(16,539,707)**	(8,197,400)
Total cash and cash equivalents movement for the year		**(59,265,166)**	67,883,042
Cash and cash equivalents at beginning of the year		**101,387,957**	33,504,915
Total cash and cash equivalents at end of the year	4	**42,122,791**	101,387,957

The accounting policies on pages 15 to 21 and notes on pages 22 to 36 form an integral part of the financial statements.

1. Presentation of annual financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act 71 of 2008 of South Africa. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables
The company 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 company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Taxation
Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.2 Financial instruments

Classification
The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

1.2 Financial instruments (continued)

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.

Initial recognition and measurement
Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company 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.

Financial instruments are measured initially at fair value.

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

Subsequent measurement
Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets
At each reporting date the company 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 company, 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.

1.2 Financial instruments (continued)

Subsequent recoveries of amounts previously written off are credited against operating expenses.

Intercompany trade receivables and payables
These include intercompany trade receivables and payables with the holding company and fellow subsidiaries and are recognised initially at fair value plus direct transaction costs.

Intercompany trade receivables are classified as loans and receivables.

Intercompany trade payables are classified as financial liabilities measured at amortised cost.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within 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 operating expenses in profit or loss.

Trade receivables 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.

Trade and other payables
Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate 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.

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 3 months or less. These are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.3 Income tax

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

Deferred tax assets and liabilities
A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Income tax expenses
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.

Current tax is 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.

1.4 Black Economic Empowerment Scheme

The Company has entered into a share subscription agreement, which is between Zensar (Africa) Holdings Proprietary Limited (Zensar), Clusten 16 Proprietary Limited (SPE) and Zensar (South Africa) Proprietary Limited (the Company) on 18th of October 2013, wherein SPE has subscribed for 49,001 ordinary shares and 201,000 "A" class shares in the issued share capital of the Company ("Subscription Shares"), which represents a 25% plus one share holding in the Company. The agreement assigned a total value of R35,750,000 to the subscription shares in terms of an independent valuation of the Company. The SPE has paid R7,000,000 in cash and the balance of R28,750,000 is funded via a notional loan structure, which will accrue interest at a rate 9% per annum and will be reduced by dividends received.

The agreement also grants Zensar a call option on the subscription shares, which can be exercised on the expiry of the lock in period of 7 years. In addition, SPE shall have the right to put its subscription shares to Zensar subject to the lock in period.

The above stated transaction is an equity settled shared based payment. In accordance with IFRS 2 all equity settled shared based payment transactions shall be measured at fair value at grant date and be recognised as an expense in the income statement. Equity instruments include shares and share options. The value of the IFRS 2 charge is equal to the difference between the fair values of the equity instruments issued by the Company to SPE, less fair value of the consideration received by the Company, that is, the Subscription price. IFRS 2 charge for this transaction is equal to the fair value of the option assets granted to SPE less the subscription price.

1.5 Share capital and equity

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

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

1.6 Property, plant and equipment

Property, plant and equipment is stated at historic purchase cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

1.6 Property, plant and equipment (continued)

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Computers and equipment	Four years
Furniture	Ten years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the income statement.

1.7 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. Contingent assets and contingent liabilities are not recognised.

1.8 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and value added tax.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. 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 future economic benefits associated with the transaction will flow to the company;
- 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 services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service 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 completion of milestones against respective estimates.

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

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments.

2. New and amended accounting standards and interpretations

International Financial Reporting Standards and amendments issued but not effective for the 31 March 2018 year-end. The impact of these amendments have not yet been assessed:

International Financial Reporting Standards and amendments issued but not effective for 31 March 2018 year-end		
Number	**Effective date**	**Executive summary**
IFRS 9 – Financial Instruments (2009 &2010) • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting	Annual periods beginning on or after 1 January 2019 (published July 2014)	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied. (published January 2016)	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2. New and amended accounting standards and interpretations (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 March 2018 year-end		
Number	**Effective date**	**Executive summary**
		IFRS 16 supersedes IAS 17, ‘Leases’, IFRIC 4, ‘Determining whether an Arrangement contains a Lease’, SIC 15, ‘Operating Leases – Incentives’ and SIC 27, ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’.
IFRIC 23, ‘Uncertainty over income tax treatments’	Annual periods beginning on or after 1 January 2019 (Published June 2017)	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.
IAS 19 - Employee Benefits	Annual periods beginning on or after 1 January 2019 (Published February 2018)	The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).
IAS 12- Income Taxes	Annual periods beginning on or after 1 January 2019	An entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

2. New and amended accounting standards and interpretations (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 March 2018 year-end		
IFRS 3 – Business Combinations	Annual periods beginning on or after 1 January 2019	When an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.
IFRS 11– Joint Arrangements	Annual periods beginning on or after 1 January 2019	When a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

There are also some amendments to References to the Conceptual Frameworks in IFRS Standards, and, these amendments would be effective from annual periods beginning on or after 1 January 2020, the impact of these amendments have not yet been assessed.

In addition to the above, there have been changes in the following International Financial Reporting Standards, effective for annual periods beginning on or after 1 January 2019, but these standards are not applicable to the entity:

- IAS 28: Long term interests in associates and joint ventures.
- IFRS 17: Insurance Contracts.

3. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company'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 company consists of debt, which includes the cash and cash equivalents disclosed in note 4, and equity as disclosed in the statement of financial position.

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.

3. Risk management (continued)

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk
Cash flow forecasting is performed in the operating entities of Zensar Group and aggregated by company finance.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

The company's risk to liquidity is as a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Surplus cash held by the company over and above balances required for working capital management is invested in interest bearing current accounts or time deposits. At the reporting date, the company held short term bank deposits of R 23,000,000 (2017: R 20,000,000) and other liquid assets of R 19,122,791 (2017: R 81,387,957) that are expected to readily generate cash inflows for managing liquidity risk. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2018 **ZAR**	2017 ZAR
Trade and other payables		
Less than one year	**131,719,569**	179,545,981

Interest rate risk
The company's interest rate risk arises from significant interest-bearing assets. Interest-bearing assets expose the company to cash flow interest rate risk. The company's interest-bearing assets are denominated in South African Rands. Interest rate exposure is not analysed on a specific basis, but should the interest rates increase/(decrease) by 2% the profit after tax will increase/(decrease) by R 108,888 (2017: R 91,695).

3. Risk management (continued)

Credit risk

Credit risk is managed on a group basis. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Every customer credit rating is checked by management at the contract stage itself to assess the credit quality of the customer. If customers are independently rated on an ongoing basis, 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.

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

Financial assets exposed to credit risk at year end were as follows:

	2018 ZAR	2017 ZAR
Trade and other receivables		
Less than one year	**107,017,613**	125,641,041
Cash and bank balances		
Less than one year	**42,122,791**	101,387,957

Foreign exchange risk

The company is not exposed to foreign exchange risk.

Price risk

The company is not exposed to price risk.

4. Cash and cash equivalents

	2018 ZAR	2017 ZAR
Bank balances	**19,122,791**	81,387,957
Short-term bank deposit	**23,000,000**	20,000,000
	42,122,791	101,387,957

4. Cash & Cash Equivalents (continued)

Bank name: Standard Chartered Bank, Sandton, Johannesburg
Credit rating: Baa 3

The short-term bank deposit at the reporting date had a maturity of 8.28 days (2017: 46.64 days) from that date and has an effective interest rate of 6.76% (2017: 7.065%) per annum. At the reporting date, the carrying amounts of cash and cash equivalents approximate their fair values and are denominated in ZAR.

5. Trade and other receivables

Current		
Trade receivables	**107,628,285**	76,139,981
Impairment on trade receivables	**(2,126,860)**	(4,382,216)
	105,501,425	71,757,765
Value Added Taxation receivable	**1,040,033**	3,208,865
Accrued revenue	**54,433,916**	53,431,221
Deposits	**597,284**	452,055
	161,572,658	128,849,906

Fair value of trade and other receivables

Trade and other receivables	**161,572,658**	128,849,906

Trade receivables fully performing

As at 31 March 2018, trade receivables of ZAR 62,830,075 (2017: ZAR 50,384,431) were fully performing.

Trade receivables past due but not impaired

As at 31 March 2018, trade receivables of ZAR 44,798,210 (2017: ZAR 25,755,550) were past due but not impaired.

The aging of amounts past due but not impaired is as follows:

1 month past due	25,199,702	13,991,017
2 months past due	12,467,279	3,370,609
3 months past due	6,756,054	3,362,745
More than 3 months past due	375,175	5,031,178
	44,798,210	25,755,550

Trade receivable impaired

As of 31 March 2018, trade receivables of ZAR 2,126,860 (2017: ZAR 4,382,216) were impaired and provided for.

5. Trade and other receivables (continued)

The amount of the provision was ZAR 2,126,860 (2017: ZAR 4,382,216)

Reconciliation of provision for impairment of trade receivables

	ZAR 2018	ZAR 2017
Opening balance	4,382,216	375,427
Provision for impairment	(2,255,356)	4,006,789
Closing balance	**2,126,860**	4,382,216

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss. 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.

Currencies

The carrying amount of trade and other receivables are denominated in the following currencies:

	2018	2017
ZAR	**161,485,764**	128,849,906

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

6. Financial assets by category

	2018 ZAR	2017 ZAR

The aggregate carrying amounts of financial assets at amortised cost are as follows:

Loans and receivables

	2018 ZAR	2017 ZAR
Trade and other receivables	**159,935,342**	125,641,041
Cash and cash equivalents	**42,122,791**	101,387,957
Total	**202,058,133**	227,028,998

7. Financial liabilities by category

The aggregate carrying amounts of financial liabilities at amortised cost are as follows:

	2018 ZAR	2017 ZAR
Trade and other payables	**131,854,681**	179,545,981
Total	**131,854,681**	179,545,981

8. Income tax

Income tax expense

	2018 ZAR	2017 ZAR
Tax expense attributable to profit is made up of:		
- Current income tax – South Africa	**15,460,355**	12,209,934
- Deferred Income tax	**114,075**	(727,431)
	15,574,430	11,482,503

Reconciliation of the tax expense

	2018 ZAR	2017 ZAR
Accounting profit	**55,442,303**	41,270,454
Tax at the applicable tax rate of 28% (2017: 28%)	**15,574,530**	11,555,727
Tax effect of adjustments on taxable income		
(Non-taxable) / non-deductible expenses	**-**	(73,224)
Tax expense	**15,574,530**	11,482,503

Movements in current income tax asset / (liability)

	2018 ZAR	2017 ZAR
Beginning of year	**326,451**	**(1,527,362)**
Income tax paid	**16,901,638**	**14,063,747**
Tax charged to statement of comprehensive income	**(15,434,336)**	**(12,209,934)**
End of year	**1,793,753**	**326,451**

9. Deferred tax asset	**2018 ZAR**	**2017 ZAR**
The balance comprises temporary differences attributable to:		
Deferred income	**37,831**	37,068
Allowance for doubtful debts - Trade Receivable	**595,521**	920,265
Other provisions	**320,114**	136,227
Net deferred tax assets	**953,466**	1,093,560

Movements in deferred income tax (liability) / asset

Beginning of year	**1,093,560**	366,129
Tax charged to statement of comprehensive income	**(140,094)**	727,431
End of year	**953,466**	1,093,560

10. Property, plant and equipment

	Computers and Equipment ZAR	**Furniture ZAR**	**Total ZAR**
Cost			
At 1 April 2017	-	-	-
Additions	7,222	75,133	82,355
At 31 March 2018	**7,222**	**75,133**	**82,355**
Accumulated depreciation			
At 1 April 2017	-	-	-
Charge for year	1,100	5,153	6,253
At 31 March 2018	**1,100**	**5,153**	**6,253**
Net book amount			
At 31 March 2017	-	-	-
At 31 March 2018	**6,122**	**69,980**	**76,102**

11. Trade and other payables

Trade payables		
- third parties	**5,897,229**	2,248,249
Audit fees	**530,000**	280,000
Payroll liabilities	**2,081,979**	736,510
Deferred income	**135,112**	39,460
Sundry creditors	**3,150,138**	1,192,279
- holding company	**125,957,452**	178,073,702
	131,854,681	180,321,951

The balance to the holding company is unsecured, interest-free and repayable on demand.

At the reporting date, the carrying amounts of trade and other payables approximate their fair values and are denominated in ZAR.

12. Share capital

Rights attached to shares

The Company has two classes of shares, having no par value, namely, Ordinary and A Class shares. Each holder of shares is entitled to one vote per share.

In the event of liquidation of company, the holders of shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the value of shares held by the shareholders.

Authorised and issued shares	**2018**	2017
	ZAR	ZAR
798,951 Ordinary shares of no par value	**7,748,999**	7,748,999
201,049 Class A shares of no par value	**1,000**	1,000
Share based payment expense	**12,040,000**	12,040,000
	19,789,999	19,789,999

BEE Disclosure

The company has entered share subscription agreement between Zensar (Africa) Holdings Proprietary Limited (Zensar), Clusten 16 Proprietary Limited (“SPE”) and Zensar (South Africa) Proprietary Limited (the “Company”) on 18 of October 2013, wherein SPE has subscribed for 49,001 ordinary shares and 201,000 "A" class shares in the issued share capital of the Company ("Subscription Shares"), which represents a 25% plus one share holding in the Company.

12. Share capital (continued)

The agreement assigned a total value of R35,750,000 to the subscription shares in terms of an independent valuation of the company. SPE has paid R7,000,000 in cash and the balance of R28,750,000 funded via a notional loan structure, which will accrue interest at a rate 9% per annum and will be reduced by dividends received.

The agreement grants a call option on the subscription shares, which can be exercised on the expiry of the lock in period of 7 years. In addition, SPE shall have the right to put its subscription shares to Zensar on expiry of the lock in period.

The above stated transaction is an equity settled shared based payment. In accordance with IFRS 2 all equity settled shared based payment transactions must be measured at fair value at grant date and be recognised as an expense in the statement of comprehensive income. The value of IFRS 2 charge is equal to the difference between the fair value of the equity instruments granted by the company to the SPE, less the fair value of the consideration received by the company, that is, the subscription price.

The Black-Scholes model was used to establish the IFRS 2 charge for the transaction. The following assumptions were used in the valuation:

The inputs into the option pricing models are as follows:
· Term of the options
· Current / spot price
· Exercise / strike price
· Risk-free rate
· Volatility
· Dividend yield

Spot price
The spot price is represented by the current value of the 25% plus one share interest in Zensar (South Africa) Pty Ltd of R 55,925,000.

Strike price
The strike price at the expiry date will be influenced both by the interest accruing on the outstanding debt and by dividends received by the subscription shares. This is done on the basis of forecasts made by management regarding the interest and dividends over the term of agreement strike price of R 27,374,000 as at 31 March 2018 (R 24,892,952 as at 31 March 2017).

Option term
The period for the final redemption of the notional funding is seven years after the date of implementation.

Risk-free rate
The zero-coupon swap rate curve as at 31 August 2013 was used to determine a risk-free rate.

12. Share capital (continued)

Expected volatility
Expected volatility was determined as 30% as the company is a private company and according to the sector to which Zensar (South Africa) Proprietary Limited is exposed.

The dividend yield
A dividend yield of 0.0% was applied for the option valuation. The company recognised total expenses of R 12,040,000 related to equity-settled share-based payment transactions in 2013/14.

The Company did not enter into any share-based payment transactions with parties other than the above during the current or previous period.

	2018 ZAR	2017 ZAR
13. Revenue		
Income from software consultancy services	**500,265,142**	380,715,506

	2018 ZAR	2017 ZAR
14. Finance income		
Interest income	**4,956,918**	3,301,031

	2018 ZAR	2017 ZAR
15. Expenses by nature		
Audit fees	**270,000**	250,000
Purchases of licenses for software applications	**1,966,008**	2,078,559
Lease rentals	**3,271,508**	916,492
Procurement charges	**383,189,557**	298,643,042
Employee benefits expenses	**24,213,587**	11,328,358
Subcontractor charges	**12,914,186**	3,718,785
Corporate overhead expense	**20,244,355**	18,913,288
Insurance	**8,542**	77,286
Legal fees	**903,525**	488,434
BBBEE expenses	**2,638,334**	1,901,407
Provision for doubtful debts	**(1,489,184)**	4,006,789
Other expenses	**1,649,339**	423,643
	449,779,757	342,746,083

16. Related parties

List of Related Parties

Ultimate holding company

Zensar Technologies Limited, Incorporated in India

Holding corporation

Zensar (Africa) Holdings (Pty) Ltd

Key Management Personnel

Mr. Sandeep Kishore
Mr. Harish Lala
Mr. Ajit Tekchand Vaswani
Makhuparetsa Paul Nyama
Daphne Ramaisela Motsepe

The following transactions took place between the company and related parties at terms agreed by the parties concerned:

	2018 ZAR	2017 ZAR
Expenses		
Expenses recharged by the holding company	**-**	77,286
Corporate overhead expenses charged by the holding company	**20,244,355**	18,913,288
Procurement charges to holding company	**383,189,557**	298,643,042
	403,433,912	317,633,616

No emoluments were paid to the directors or prescribed officers during the year under review by the company. The following represents remuneration received by other companies within the group relating to the services rendered to Zensar (South Africa) Proprietary Limited.

Directors emoluments		
Harish Lala	**2,223,804**	2,158,852
Sandeep Kishore	**19,303,112**	17,539,466
Ajit Tekchand Vaswani	**326,900**	402,010
	21,853,816	20,100,328

Balances with related parties
Amounts owing to group companies included in trade payables

Zensar Technologies Limited	**126,017,462**	178,073,702

17. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

18. Events after the reporting period

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report that would have a material impact on these annual financial statements.