



**+7% REVENUE**  
**+14% NORMALISED EBITDA**  
**+22% NORMALISED PBIT**

**+42% HEADLINE EARNINGS PER SHARE**  
**+120% WORKING CAPITAL IMPROVEMENT**

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
 FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Audited 2010 R'000	Restated 2009 R'000	% change
<b>CONTINUING OPERATIONS</b>			
Revenue	1 321 070	1 232 019	7,2
<b>Profit from operations before interest, amortisation, depreciation, foreign exchange differences, impairments and research and development expenditure</b>	<b>201 654</b>	170 758	18,1
Amortisation of intangible assets	(26 611)	(28 295)	(6,0)
Depreciation of property, plant and equipment (including rental equipment)	(45 211)	(40 831)	10,7
Foreign exchange differences	(8 221)	(10 605)	(22,5)
Impairment of intangible assets (including goodwill)	–	(8 027)	100,0
Profit related to Enterprise Solutions division disposed of in the prior year	12 443	–	100,0
Profit on disposal of equity interest in a subsidiary company	176	–	100,0
Research and development expenditure	(14 801)	(7 278)	103,4
<b>Profit before net finance charges and taxation</b>	<b>119 429</b>	75 722	57,7
Net finance charges	(4 670)	(18 045)	(74,1)
Finance charges	(13 835)	(22 907)	(39,6)
Investment revenues	9 165	4 862	88,5
<b>Profit before taxation</b>	<b>114 759</b>	57 677	99,0
Taxation	(43 048)	(32 216)	33,6
Current	(42 811)	(33 316)	28,5
Deferred	(237)	1 100	(121,5)
<b>Profit for the year from continuing operations</b>	<b>71 711</b>	25 461	181,7
<b>DISCONTINUED OPERATIONS</b>			
(Loss) Profit for the year from discontinued operations	(22 104)	15 110	(246,3)
Profit for the year	49 607	40 571	22,3
Attributable to:			
Owners of the Company	39 642	27 446	44,4
Non-controlling interest	9 965	13 125	(24,1)
	49 607	40 571	22,3
<b>Earnings per share (cents)</b>			
<i>From continuing and discontinued operations</i>			
Basic	13,9	9,5	46,3
Diluted	13,7	9,3	47,3
<i>From continuing operations</i>			
Basic	21,7	6,2	250,0
Diluted	21,3	6,1	249,2
<b>Dividends paid per share (cents)</b>			
Basic	9,0	9,0	–
Diluted	9,0	9,0	–
<b>Net asset value per share (cents)</b>			
Basic	170,3	165,0	3,2
<b>Additional information</b>			
<b>Headline earnings per share (cents)</b>			
<i>From continuing and discontinued operations</i>			
Basic	16,2	11,4	42,1
Diluted	16,0	11,2	42,9
<i>From continuing operations</i>			
Basic	17,7	8,6	105,8
Diluted	17,4	8,5	104,7

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Audited 2010 R'000	Restated 2009 R'000	% change
<b>Profit for the year</b>	<b>49 607</b>	40 571	22,3
<b>Other comprehensive income for the year after taxation:</b>			
Exchange differences on translation of foreign operations	4 881	1 272	283,7
<b>Other comprehensive income for the year after taxation</b>	<b>4 881</b>	1 272	283,7
<b>Total comprehensive income for the year</b>	<b>54 488</b>	41 843	30,2
Total comprehensive income attributable to:			
Owners of the Company	44 523	28 718	55,0
Non-controlling interest	9 965	13 125	(24,1)
	54 488	41 843	30,2

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** | FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Ordinary share capital R'000	Preference share capital R'000	Share premium R'000	Treasury share reserve R'000	Equity-settled employee benefit reserve R'000	Foreign currency translation reserve R'000	Change in subsidiary share-holding reserve R'000	Retained earnings R'000	Attributable to owners of the Company R'000	Non-controlling interest R'000	Total equity R'000
<b>Balance at 1 October 2008</b>	1 448	10	43 255	(1 471)	17 026	(68)	–	418 727	478 927	27 662	506 589
Profit for the year	–	–	–	–	–	–	–	27 446	27 446	13 125	40 571
Other comprehensive income for the year	–	–	–	–	–	1 272	–	1 272	1 272	–	1 272
Total comprehensive income for the year	–	–	–	–	–	1 272	–	27 446	28 718	13 125	41 843
Payment of dividends	–	–	–	–	–	–	–	(25 956)	(25 956)	(3 882)	(29 838)
Ordinary shares issued at a premium net of share issue costs	3	–	339	–	–	–	–	342	342	–	342
Ordinary shares repurchased and cancelled	(24)	–	(8 684)	–	–	–	–	(8 708)	(8 708)	–	(8 708)
Preference shares converted to ordinary shares	9	(9)	–	–	–	–	–	–	–	–	–
Preference shares repurchased	–	(1)	(13)	–	–	–	–	(14)	(14)	–	(14)
Net increase in treasury shares	(14)	–	(4 556)	(457)	–	–	–	(5 027)	(5 027)	–	(5 027)
Increase in equity-settled employee benefits reserve	–	–	–	–	1 672	–	–	1 672	1 672	–	1 672
Decrease in non-controlling interest on disposal of subsidiary	–	–	–	–	–	–	–	–	–	(6 392)	(6 392)
Decrease in non-controlling interest on increase of interest in subsidiary	–	–	–	–	–	–	(652)	–	(652)	(2 176)	(2 828)
<b>Balance at 30 September 2009</b>	1 422	–	30 341	(1 928)	18 698	1 204	(652)	420 217	469 302	28 337	497 639
Profit for the year	–	–	–	–	–	–	–	39 642	39 642	9 965	49 607
Other comprehensive income for the year	–	–	–	–	–	4 881	–	4 881	4 881	–	4 881
Total comprehensive income for the year	–	–	–	–	–	4 881	–	39 642	44 523	9 965	54 488
Payment of dividends	–	–	–	–	–	–	–	(25 565)	(25 565)	(7 598)	(33 163)
Fair value adjustments on treasury shares held	–	–	–	938	–	–	–	938	938	–	938
Net decrease in treasury shares held	5	–	1 685	(2 401)	–	–	–	(711)	(711)	–	(711)
Increase in equity-settled employee benefits reserve	–	–	–	–	418	–	–	418	418	–	418
Increase in non-controlling interest on acquisition of interest in subsidiary	–	–	–	–	–	–	–	–	–	6 404	6 404
Increase in non-controlling interest on decrease of interest in subsidiaries	–	–	–	–	–	–	(984)	(984)	(984)	3 234	2 250
Decrease in non-controlling interest on disposal of subsidiary	–	–	–	–	–	–	652	652	652	(14 506)	(13 854)
Decrease in non-controlling interest on increase of interest in subsidiary	–	–	–	–	–	–	(2 470)	(2 470)	(2 470)	1 873	(597)
<b>Balance at 30 September 2010</b>	1 427	–	32 026	(3 391)	19 116	6 085	(3 454)	434 294	486 103	27 709	513 812

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 AT 30 SEPTEMBER 2010

	Audited 2010 R'000	Audited 2009 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment (including rental equipment)	86 413	89 775
Intangible assets	156 817	79 479
Goodwill	238 615	237 974
Investments and loans receivable	41 888	9 989
Finance lease receivables	6 645	3 422
Deferred taxation assets	32 936	36 141
<b>Current assets</b>	<b>369 841</b>	<b>413 312</b>
Inventories	47 249	47 660
Trade and other receivables	179 463	181 962
Finance lease receivables	3 998	2 723
Current taxation assets	7 246	3 203
Cash and cash equivalents	131 885	177 764
Assets classified as held for sale	–	109 222
<b>Total assets</b>	<b>933 155</b>	<b>979 314</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Issued capital	33 453	31 763
Reserves	18 356	17 322
Retained earnings	434 294	420 217
Equity attributable to owners of the Company	486 103	469 302
Non-controlling interest	27 709	28 337
<b>Non-current liabilities</b>	<b>114 583</b>	<b>136 102</b>
Borrowings	88 227	104 530
Deferred taxation liabilities	15 356	9 572
Deferred revenue	11 000	22 000
<b>Current liabilities</b>	<b>304 760</b>	<b>310 364</b>
Trade and other payables	230 144	215 742
Borrowings	50 670	75 008
Current taxation liabilities	6 390	2 317
Deferred revenue	17 556	17 297
Liabilities directly associated with assets classified as held for sale	–	35 209
<b>Total equity and liabilities</b>	<b>933 155</b>	<b>979 314</b>

**CONDENSED SEGMENTAL ANALYSIS**  
 FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Audited 2010 R'000	Restated 2009 R'000	% change
<b>Revenue and results from continuing operations by reportable segment</b>			
<b>Revenue</b>	<b>1 321 070</b>	1 232 019	7,2
Retail Solutions	765 871	691 138	10,8
Software	181 589	203 281	(10,7)
Investments	371 885	335 091	11,0
Corporate	1 725	2 509	(31,2)
<b>Profit from operations before interest, amortisation, depreciation, foreign exchange differences and impairments ("EBITDA")</b>	<b>186 853</b>	163 480	14,3
Retail Solutions	92 715	64 666	43,4
Software	17 544	28 273	(37,9)
Investments	90 654	80 191	13,0
Corporate and consolidation adjustments	(14 060)	(9 650)	45,7
<b>Profit before net finance charges, disposal profits, impairments, foreign exchange differences and taxation</b>	<b>115 031</b>	94 354	21,9
Retail Solutions	61 009	28 643	113,0
Software	3 651	17 036	(78,6)
Investments	65 348	59 681	9,5
Corporate and consolidation adjustments	(14 977)	(11 006)	36,1
<b>Depreciation and amortisation</b>	<b>71 822</b>	69 126	3,9
Retail Solutions	31 706	36 023	(12,0)
Software	13 893	11 237	23,6
Investments	25 306	20 510	23,4
Corporate and consolidation adjustments	917	1 356	(32,4)

Note: Comparative figures are reclassified, where necessary, in accordance with current year classifications.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Audited 2010 R'000	Audited 2009 R'000	% change
<b>Cash flows from operating activities</b>			
Cash generated from operations before working capital changes	172 425	233 457	(26,1)
Working capital changes	18 716	8 503	120,1
Cash generated from operations	191 141	241 960	(21,0)
Net finance cost	(6 036)	(15 282)	(60,5)
Taxation paid	(42 781)	(58 560)	(27,0)
<b>Cash flows from investing activities</b>	<b>(78 173)</b>	(66 616)	17,3
<b>Cash flows from financing activities</b>	<b>(110 030)</b>	(66 393)	65,7
<b>Cash and cash equivalents</b>			
– Net (decrease) increase	(45 879)	35 109	
– At beginning of the period	177 764	142 655	
– At end of the period	131 885	177 764	(25,8)

**NOTES TO THE CONDENSED FINANCIAL INFORMATION**

**1 BASIS OF PREPARATION**

This abridged report complies with International Accounting Standard 34 – Interim Financial Reporting as well as with Schedule 4 of the South African Companies Act and the disclosure requirements of the JSE Limited's Listings Requirements. The abridged report has been prepared using accounting policies that comply with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") in issue and effective for the group at 30 September 2010 and the AC500 Standards issued by the accounting practice board and its successor. The accounting policies are consistent with those applied in the financial statements for the year ended 30 September 2009, except as noted below.

In the current period, the Group has complied with the requirements of the revised IFRS 3: Business Combinations and IAS27: Consolidated and Separate Financial Statements which was issued in January 2008 and is effective for reporting periods beginning on or after 1 July 2009. The adoption of the interpretations as issued by the International Financial Reporting Interpretations Committee, which are effective for the current period, has not led to any changes in the Group's accounting policies.

The 2009 income statement has been restated to account for the Group's disposal of UCS Solutions Inc. under the provisions of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations. The change has not impacted the 30 September 2008 statement of financial position and has thus not been re-presented.

	Audited 2010 R'000	Audited 2009 R'000	% change
<b>2 RECONCILIATION OF EARNINGS TO HEADLINE EARNINGS</b>			
Earnings attributable to owners of the Company Adjusted for (net of taxation and non-controlling interest):	39 642	27 446	44,4
goodwill impairments	–	6 179	
– continuing operations	–	6 179	
– discontinued operations	10 402	19 649	
intangible asset impairments	–	1 330	
profit on disposal of division	(10 701)	(26 007)	
loss on disposal of equity in subsidiaries	7 155	4 930	
profit on disposal of property, plant and equipment	(249)	(384)	
Basic headline earnings	46 249	33 143	39,5

	Audited 2010 R'000	Restated 2009 R'000	% change
<b>3 RECONCILIATION OF EARNINGS TO HEADLINE EARNINGS – CONTINUING OPERATIONS</b>			
Earnings attributable to owners of the Company Adjusted for (net of taxation and non-controlling interest):	61 746	17 914	244,7
goodwill impairments	–	6 179	
intangible asset impairments	–	1 330	
profit on disposal of division	(10 701)	–	
profit on disposal of equity in subsidiaries	(312)	–	
profit on disposal of property, plant and equipment	(249)	(384)	
Basic headline earnings	50 484	25 039	101,6

	Continuing Operations R'000	Discontinued operations R'000	Total
<b>4 RECONCILIATION OF DISCONTINUED OPERATIONS 2010</b>			
Revenue	1 321 070	19 305	1 340 375
Normalised EBITDA	186 853	(4 848)	182 005
Profit (loss) for the year	71 711	(22 104)	49 607
<b>2009 (Restated)</b>			
Revenue	1 232 019	266 768	1 498 787
Normalised EBITDA	163 480	32 263	195 743
Profit for the year	25 461	15 110	40 571

	Audited 2010 R'000	Audited 2009 R'000	% change
<b>5 BORROWINGS</b>			
Interest bearing borrowings	129 139	173 202	(25,4)

**UCS GROUP LIMITED**

Incorporated in the Republic of South Africa

Registration number 1993/002253/06

ISIN ZAE00016150 JSE code UCS

**COMMENTARY**

UCS Group is an investment holding company for IT businesses with a primary focus on Software, Solutions and Services for selected markets.

The results for the year reflect a gradual improvement in the challenging market and trading conditions experienced in the previous financial year. Certain historical disposals aimed at making the Group's businesses more predictable led to a reduction in the Group's exposure to large-scale projects of a once-off nature. These factors, together with strong management focus on cost containment, contributed positively to improved earnings for the period.

With effect from 31 August 2010, the Group also disposed of its interest in UCS Solutions Incorporated ("UCS Solutions Inc") in Philadelphia to the management team. This business did not demonstrate the potential to evolve from a pure project focused operation into a strong ongoing outsourced application hosting and support relationship. We therefore, decided to reposition our interests in the USA market through a channel partner relationship versus a direct interest. This was achieved through entering into a management buyout and implementing a reseller and a resource sharing arrangement. This has the effect of further reducing the Groups exposure to high-cost overhead structures associated with non-predictable revenue streams.

In accordance with IFRS reporting standards, the results of this disposed investment are accounted as discontinued operations and comparative figures have been restated accordingly.

Following the acquisition of Argility Limited finalised in May 2010 and the ensuing internal restructuring to consolidate the Group's ownership, management and development within an enlarged Argility, the Group has created a third reporting division named the 'Software Division' which also includes the Aquitec operations and Cquential, which were previously reported under the Retail Solutions Division. The comparative year has been restated for current year classifications.

Overall, the results for the year reflect a gradual improvement in market and trading conditions for the Group, although the strengthening of the Rand had a negative impact on the consolidation of the Group's international operations as well as its domestic revenues associated with the sale of imported products. Revenue growth for the year was 7,2% (organic 7,0%) whilst EBITDA grew by 14,3%, reflecting a trading margin of 14,1% (2009: 13,3%).

**DIVISIONAL REVIEW****Retail Solutions Division**

The core Retail Solutions Division reported a strong performance, with a 10,8% growth in revenue converting to a 43,4% improvement in EBITDA excluding the effect of the disposed UCS Solutions Inc operation. The Division secured a further 4 strategic partnerships in Africa and UCS products are now installed in 8 African countries. The projects pipeline as well as projects delivered showed good improvement in the last quarter of the 2010 financial year.

**Software Division**

The newly constituted Software Division reported almost opposite results, with a 10,7% decline in revenues converting to a 37,9% decline in EBITDA following the acquisition of the start-up Cquential software as a service (SaaS) business from May and the acquisition of the Argility business from June.

Since then, the Group has made good progress in the consolidation of the ownership, management, development and commercial exploitation of the Group's other retail software assets within an enlarged Argility business. The cost and efficiency benefits of this consolidation exercise are expected to flow in the medium term through the elimination of duplicate R&D expenditure across different products, with the main benefits expected to materialise in the next generation platforms which will be expedited through this consolidation of talent and IP resources.

The collaboration agreement entered into between the Group and Cordys in the Netherlands during February has required a significant investment in education and training of the software engineering and support teams to build competence and expertise in the Cordys software product range. The Argility business is now well set to incorporate the Cordys technologies within the next generation product offerings which are planned to be piloted in the furniture retail sector by April 2011.

**Investments Division**

The investments division reported another set of solid results for the year, with revenues up by 11% and EBITDA up by 13%. These results were achieved during a period when the Group continued to invest in the extension of its service and product lines into the domestic retail market with good progress achieved in building of the Value Added Service ("VAS") initiative.

During the year, the Group exercised its right to increase its 10% stake in wiWallet Mobile Payments to a 51% stake. Further, the Group acquired the Radical Business Unit from Dynamic Visual Technologies to ensure ownership of the software for treasury management for retail loyalty systems and then acquired a 51% stake Volume & Affinity Risk Management, a business providing insurance products for resale through retail channels. These acquisitions, although relatively small in terms of cost and size, are strategic in nature and greatly increase the potential scope of the Group's future VAS offerings to the retail sector.

**FINANCIAL REVIEW**

Prior year income statement figures have been restated to exclude the earnings result of the disposed operation of UCS Solutions Inc, the SAP All-in-One practice in which Universal Computer Software UK Limited ("UCS UK"), a wholly owned subsidiary of UCS Group Limited ("UCS Group" or the "Group") disposed of its 92,5% equity interest to the remaining management shareholders, effective 31 August 2010. On this basis and in accordance with IFRS, the results of UCS Solutions Inc are disclosed, net of tax, as 'profit from discontinued operations' in the statement of comprehensive income for the current and comparable period.

Revenues from continuing operations were up 7,2% to R1,3 billion (2009: R1,2 billion). Revenue growth is mainly organic with less than 0,2% attributable to acquisitions. Annuity revenues showed growth of 5% to R726 million (2009: R691 million) representing 55% (2009: 55,4%) of total revenues.

Normalised profit from operations before interest, depreciation, amortisation, impairments and foreign exchange differences (EBITDA) increased by 14,3% to R186,9 million (2009: R163,5 million) reflecting a margin of 14,1% (2009: 13,3%).

UCS Solutions (Proprietary) Limited ("UCS Solutions"), an indirectly held wholly owned subsidiary company of UCS Group, earned a net R12,4 million upside payment on the achievement of the first year's revenue target for the annual period ended 31 July 2010 applicable to the disposal of the Enterprise Solutions division ("ES division") of UCS Solutions to HCL Axon (Proprietary) Limited in the prior year.

Together with the foreign exchange losses, which are mainly unrealised on the translation of foreign loan accounts with subsidiary companies, totalling R8,2 million (2009: R10,6 million), the upside profit related to the ES division have been excluded from normalised EBITDA and PBIT. Normalisation adjustments in the prior year relate to the impairment of intangible assets and goodwill of R8 million and foreign exchange losses.

Normalised PBIT increased by 21,9% to R115 million (2009: R94,4 million) reflecting a margin of 8,7% of revenues versus a comparable 7,7% in the previous year.

Finance charges, net of interest and investment revenues, decreased by 74,1% to R4,7 million (2009: R18 million). The substantial decrease is due to the Group's reducing interest bearing debt as well as the R3 million dividend earned on the preference shares issued to UCS Solutions Holdings (Proprietary) Limited, a wholly owned subsidiary of UCS Group, as part consideration for the entire 60% equity interest in TSS Managed Services (Proprietary) Limited ("TSSMS"), disposed of effective 1 October 2009.

Taxation charges (including capital gains tax, STC and withholding taxes) increased by 33,6% to R43 million (2009: R32,2 million) comprising normal taxation of R42,8 million (2009: R33,3 million) and deferred tax of R0,2 million (2009: credit R1,1 million), representing an effective tax rate of 37,5% (2009: 55,9%) for the year. Excluding losses included in profit before tax for which no tax benefit has been accrued as well as other once-off related tax charges the normalised effective tax rate is calculated at 29% (2008: 30,1%).

The current year loss from discontinued operations relates entirely to the operating and disposal result of UCS Solutions Inc whilst the prior year profit from discontinued operations, restated for the operating result of UCS Solutions Inc, includes the after tax income of DiverselT, the ES division and TSSMS.

Profit attributable to UCS shareholders of R39,6 million, after minority interest, represents an increase of 44,4% from the comparable prior period.

Earnings per share, including discontinued operations in the current and prior years, increased by 46,3% to 13,9 cents (2009: 9,5 cents). The difference between earnings per share and headline earnings per share relates mainly to the aforementioned upside payment associated with the ES division, net of taxation effects, equating to 3,8 cents and the impairment and equity losses recognised associated with the disposals effective in the year equating to 6,2 cents. Headline earnings per share increased 42,1% to 16,2 cents (2009: 11,4 cents).

In the current year the capital expenditure of R49,4 million, largely driven by infrastructure and hardware related investments backed by customer utilisation and contracted requirements, is congruent with the annual depreciation for the year of R45,2 million as well as disposals of R7,9 million.

The increase in goodwill of R11,2 million, associated with the acquisitions detailed below, was offset by the goodwill associated with UCS Solutions Inc written off on disposal of R10,4 million.

The substantial increase in intangible assets, after amortisation of R26,6 million, relates predominantly to computer software and associated capitalised development costs acquired on the acquisition of Argility Limited and Cquential Solutions of R81 million as well as to approved capital expenditure R24 million, of which R8,4 million relates to development costs capitalised.

The increase in investments and loans receivable is attributable to redeemable preference shares in TSS of R30 million on which a dividend is earned

annually, for the period the shares are in issue, based on pre-determined annual performance thresholds.

Total borrowings decreased by 22,6% from R180 million to R139 million of which R110 million (2009: R141 million) represents external financial institution debt contributing to the 25% improvement in the Group's debt/equity ratio from 36% to 27%.

Excluding receivables held for sale in the prior year, trade receivables decreased by 5% due to improved collections supported by the improvement in debtors' days from 52,2 days to 49,9 days.

Cash generated from operations, which includes discontinued operations, is down 26,1% to R172,4 million (2009: R233,5 million). Excluding the contribution of discontinued operations in the prior year for comparative purposes, as well as the cash effect of an upfront three year licence deal of R33 million included in cash generated from operations in the previous year, of which one third is included in EBITDA in the current year, cash generated from operations would be 2,3% improved on the previous year.

A net R32,5 million was realised by the Group in the year on the disposal of TSSMS while R73,3 million was invested in capital expenditure for the same period. R49,4 million was applied to funding acquisitions of which Argility Limited comprised R44,2 million.

The Group applied R110 million (2009: R66,4 million) to financing activities reducing bank borrowings as well as settling vendor obligations of R21,7 million following the achievement of warranted profit targets.

Staff complement at the end of September 2010 was 2 315 (2009: 2 270 – restated to exclude TSSMS and UCS Solutions Inc).

**AQUISITIONS**

- In respect of the loan facility entered into with wiWallet Mobile Payments (Proprietary) Limited ("wiWallet"), UCS exercised its rights in terms of the option agreement whereby the agreed total start-up facility of R1,76 million was converted into 40% in wiWallet, taking its total equity ownership to 50% with effect from 27 October 2009. In August 2010, UCS acquired a further 1% for a consideration of R1,2 million resulting in a 51% equity ownership in wiWallet.
- With effect from 30 November 2009, UCS entered into a Sale of Shares Agreement whereby it increased its 51% interest in Lifeworld Group (Proprietary) Limited ("Lifeworld") to 100%, for a nominal consideration. The company subsequently changed its name to Innervation Value Added Services (Proprietary) Limited.
- With effect from 1 December 2009, Lifeworld acquired the going concern business referred to as the Radical Business Unit from Dynamic Visual Technologies (Gauteng) (Proprietary) Limited for a total cash consideration of R1,5 million, net of working capital requirements.
- On 9 April 2010, UCS entered into a Sale of Shares Agreement for the acquisition of 51% of the issued share capital of Volume and Affinity Risk Management (Proprietary) Limited for a purchase consideration of R1 million, with a further potential upside payment limited to a maximum of R5 million.
- Effective 30 April 2010, UCS entered into a Sale of Shares and Claims Agreement with the Industrial Development Corporation of South Africa Limited ("IDC") to acquire 49% of the issued share capital of Cquential Solutions (Proprietary) Limited ("Cquential") and all claims which the IDC may have against Cquential, for a purchase consideration of R12 million with a further potential upside payment capped at R10 million. UCS further entered into a Sale of Shares Agreement with the remaining shareholders of Cquential being predominantly management, to acquire a further 7% equity interest in Cquential for a nominal purchase consideration of R28. In addition, UCS would provide working capital funding limited to a maximum of R15 million.
- On 15 March 2010, UCS announced it had formally submitted to the Argility (Proprietary) Limited ("Argility") board of directors a notice of its firm intention to make an offer to the Argility shareholders to acquire the issued ordinary share capital in Argility held by them by way of a scheme of arrangement in terms of Section 311 of the Companies Act No 61 of 1973, as amended ("Companies Act"). Following approval by in excess of 90% of the UCS shareholders who were entitled to vote at the UCS general meeting held on 12 April 2010 and the 100% approval of the scheme by Argility shareholders present or represented by proxy at the general meeting held on 11 May 2010, the court granted an order sanctioning the scheme in terms of Section 311 of the Companies Act on 18 May 2010. Accordingly with effect from 1 June 2010, UCS acquired the entire issued share capital of Argility, which shares were acquired in terms of the scheme, for a cash purchase consideration of R1,55 per Argility share being R44,2 million in aggregate.

**DISPOSALS**

- Prior to the 2009 financial year end, UCS Solutions Holdings (Proprietary) Limited concluded a Share Purchase and Repurchase Agreement with Tactical Software Systems (Proprietary) Limited and TSS Managed Services (Proprietary) Limited ("TSSMS") whereby UCS Solutions Holdings agreed to dispose of its entire 60% shareholding in TSSMS by way of the repurchase and the share sale, in one composite transaction. The total potential transaction consideration (inclusive of a potential upside capped at a maximum further R45 million) could be R125 million (excluding interest and dividends). The transaction was approved by shareholders at a general meeting held on 3 November 2009 which represented the final suspensive condition to concluding the transaction.
- With effect from 31 August 2010, Universal Computer Software UK ("UCS UK"), a wholly owned subsidiary of UCS Group, disposed of its entire 92,5% equity interest in UCS Solutions Inc to the management shareholders who held the remaining 7,5% for a nominal consideration of \$1.
- Effective 30 September 2010, UCS disposed of 30% equity interest to the management members of UCS Dynamics Software Solutions (Proprietary) Limited for a consideration of R2 250 million reducing UCS Group's interest in UCS Dynamics to 70%.

**CONTINGENT LIABILITY**

As disclosed in the Group's 2009 Annual Report, a claim for repudiation of contract and damages against a subsidiary company remains unresolved.

**PROSPECTS**

The outlook for the domestic retail market is favourable, with retail business confidence improving and consumer spending forecast to show another year of positive growth in 2011, albeit at a possibly slower rate than in 2010.

Internationally, the outlook is highly variable and dependant on particular markets. European retail sales are expected to show very marginal growth which will be coming under further pressure due to various austerity measures. The US retail market is also forecast to be sluggish, due to consumer cautiousness and a shift to higher saving patterns whilst further retail consolidation is likely. The BRIC countries are forecast to continue recovering strongly but there are significant challenges in accessing the retail sectors in India and China.

The Group's core solutions and services businesses are all well placed (strategically and operationally), well managed and have good foundations for further growth in the year ahead.

The management team's biggest immediate focus will be on getting the new enlarged, consolidated Argility software business to achieve monthly profitability within this new financial year whilst achieving aggressive delivery targets for new product releases built on the Cordys business operations platform. In addition, the start-up Cquential SaaS business is wholly based on annuity revenue models and is currently planned to achieve monthly profitability by third quarter 2011.

A similar focus will be applied to certain VAS businesses to achieve monthly profitability this year although the risk profile is very different to the Software Division's with downside risk relatively limited compared to upside potential.

Overall, whilst retail market conditions look promising to neutral, trading conditions can change very quickly as seen in recent times. In addition, currency fluctuations make planning very challenging.

Based on current visibility, budgets and business plans management is cautiously optimistic that UCS Group will generate good growth in all main criteria of sales, earnings and cash flows for the year to September 2011.

The prospects information has not been reviewed and reported on by UCS Group's auditors.

**DIVIDEND DECLARATION**

Notice is hereby given that the board of directors has declared a final dividend of 5 cents per ordinary share in respect of the financial year ended 30 September 2010. The dividend will be paid on Monday 14 February 2011.

To comply with the procedures of Strate Limited, the last day to trade in the shares for the purpose of entitlement to the final dividend is Friday 4 February 2011. The shares will commence trading ex dividend on Monday 7 February 2011 and the record date will be Friday 11 February 2011.

Share certificates may not be dematerialised or rematerialised between Monday 7 February 2011 and Friday 11 February 2011, both days inclusive.

**DF Coles**

(Chairman)

23 November 2010

**JD Bright**

(Chief Executive Officer)