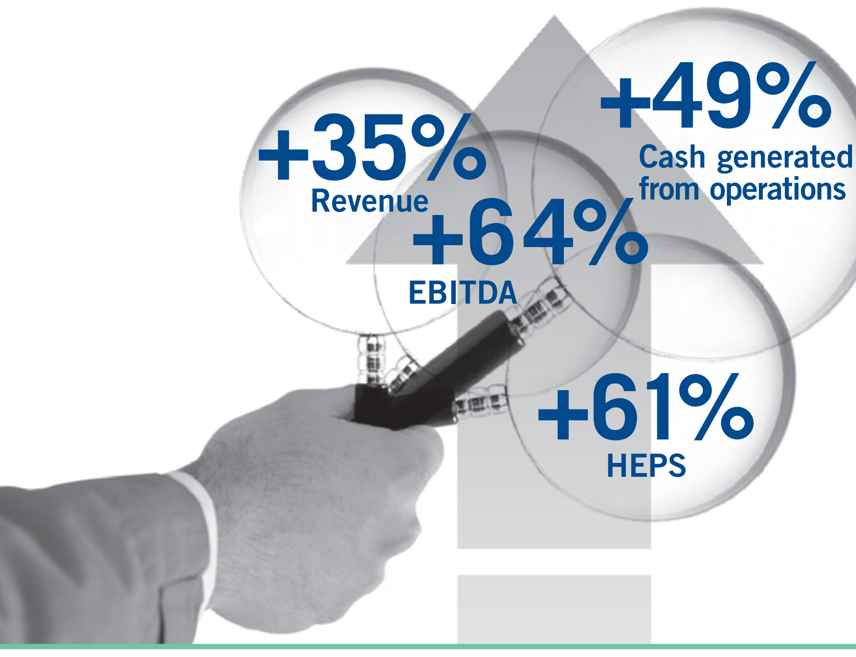
audited results

for the year ended 30 September 2007

UCS is an IT business with a primary focus on Software, Solutions and Services for selected markets.



UCS Group Limited
Incorporated in the Republic of South Africa
Reg No. 1993/002253/06
ISIN ZAE000016150 JSE code UCS

condensed income statement

for the year ended 30 September 2007

	Audited 12 months 30/9/2007 R'000	Audited 12 months 30/9/2006 R'000	% change
REVENUE	**1 070 539**	793 367	34,9
PROFIT FROM OPERATIONS BEFORE DEPRECIATION, AMORTISATION AND RESEARCH AND DEVELOPMENT EXPENDITURE	**270 613**	170 949	58,3
Amortisation of intangible assets	**(27 954)**	(19 874)	40,7
Depreciation of property, plant and equipment (including rental equipment)	**(34 124)**	(27 518)	24,0
Adjustment to goodwill	**(1 270)**	(4 344)	(70,8)
Research and development expenditure	**(21 425)**	(18 872)	13,5
PROFIT BEFORE INTEREST AND TAXATION	**185 840**	100 341	85,2
Finance charges	**(8 281)**	(9 647)	(14,2)
Investment revenues	**6 963**	4 493	55,0
PROFIT BEFORE TAXATION	**184 522**	95 187	93,9
Taxation	**(17 916)**	(5 371)	233,6
PROFIT FOR THE YEAR	**166 606**	89 816	85,5
Attributable to:			
Equity holders' of the parent	**153 254**	83 458	83,6
Minority interest	**13 352**	6 358	110,0
Earnings per share (cents)			
Basic	**57,4**	34,3	67,3
Diluted	**54,1**	32,3	67,5
Dividends paid per share (cents)	**8,0**	6,0	33,3
Net asset value per share (cents)	**136,5**	120,8	13,0
Ordinary shares in issue ('000)	**283 841**	249 108	13,9
Weighted average number of ordinary shares in issue ('000)	**267 098**	243 134	9,9
Diluted number of ordinary shares ('000)	**283 496**	258 373	9,7
Headline earnings per share (cents) restated in accordance with circular 8/2007			
Basic	**34,7**	21,6	60,6
Diluted	**32,7**	20,2	61,9

condensed balance sheet

at 30 September 2007

	Audited 30/09/2007 R'000	Audited 30/09/2006 R'000
ASSETS		
NON-CURRENT ASSETS	**430 733**	343 547
Property, plant and equipment (including rental equipment)	**72 754**	52 502
Intangible assets	**65 775**	122 037
Goodwill	**250 522**	135 849
Investments and loans receivable	**7 028**	7 264
Deferred tax assets	**34 654**	25 895
CURRENT ASSETS	**371 582**	269 833
Inventory	**28 034**	23 148
Trade and other receivables	**182 048**	148 783
Loans receivable	**15 915**	–
Taxation	**762**	1 070
Cash and cash equivalents	**144 823**	96 832
TOTAL ASSETS	**802 315**	613 380
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES	**410 769**	339 444
Equity attributable to equity holders' of the parent	**387 402**	300 996
Minority interest	**23 367**	38 448
NON-CURRENT LIABILITIES	**65 406**	76 842
Long and medium term loans	**55 277**	57 325
Revenue received in advance	**–**	7 048
Deferred tax liabilities	**10 129**	12 469
CURRENT LIABILITIES	**326 140**	197 094
Trade and other payables	**205 980**	158 813
Current portion of long and medium term loans	**93 543**	23 896
Revenue received in advance	**7 408**	9 313
Taxation	**19 209**	5 072
TOTAL EQUITY AND LIABILITIES	**802 315**	613 380

condensed statement of changes in equity

for the year ended 30 September 2007

	Share capital R'000	**Preference share capital R'000**	**Share premium R'000**	**Share based payment reserve R'000**	**Foreign currency translation reserve R'000**	**Accumulated profit R'000**	**Attributable to equity holders of the parent R'000**	**Minority interest R'000**	**Total equity R'000**
BALANCE AT 1 OCTOBER 2005	1 209	35	62 831	6 059	205	153 614	223 953	1 394	225 347
Exchange differences arising on translation of foreign operations					(545)		(545)		(545)
Net loss recognised directly in equity					(545)		(545)		(545)
Net profit for the period						83 458	83 458	6 358	89 816
Total recognised income and expense for the year					(545)	83 458	82 913	6 358	89 271
Ordinary shares issued at a premium	31		7 059				7 090		7 090
Preference shares converted to ordinary shares	6	(6)					–		–
Preference shares repurchased		(4)	(123)				(127)		(127)
Increase in share based payment reserve				2 034			2 034	156	2 190
Minority acquired share of equity in subsidiaries							–	32 412	32 412
Dividend paid						(14 867)	(14 867)	(1 872)	(16 739)
BALANCE AT 30 SEPTEMBER 2006	**1 246**	**25**	**69 767**	**8 093**	**(340)**	**222 205**	**300 996**	**38 448**	**339 444**
Exchange differences arising on translation of foreign operations					99		99		99
Net loss recognised directly in equity					99		99		99
Net profit for the period						153 254	153 254	13 352	166 606
Total recognised income and expense for the year					99	153 254	153 353	13 352	166 705
Ordinary shares issued at a premium net of share issue costs	167		84 457				84 624		84 624
Fair value adjustments for equity instruments issued or to be issued			37 337				37 337		37 337
Preference shares converted to ordinary shares	6	(6)					–		–
Preference shares repurchased		(1)	(35)				(36)		(36)
Treasury shares held	(9)		(8 076)				(8 085)		(8 085)
Increase in share based payment reserve				4 246			4 246	224	4 470
Argility Limited unbundling dividend in specie			(158 448)			(5 224)	(163 672)		(163 672)
Dividend paid						(21 361)	(21 361)	(3 292)	(24 653)
Minority acquired share of equity in subsidiaries							–	3 067	3 067
Minorities share of equity acquired							–	(28 432)	(28 432)
BALANCE AT 30 SEPTEMBER 2007	**1 410**	**18**	**25 002**	**12 339**	**(241)**	**348 874**	**387 402**	**23 367**	**410 769**

condensed cash flow statement

for the year ended 30 September 2007

	Audited 12 months 30/9/2007 R'000	Audited 12 months 30/9/2006 R'000	% change
CASH FLOW FROM OPERATING ACTIVITIES	**118 850**	86 982	36,6
Cash generated from operations	**178 720**	120 330	48,5
Working capital changes	**(18 533)**	(1 121)	
Cash generated from operating activities	**160 187**	119 209	34,4
Net investment income and finance costs	**433**	(2 756)	
Dividend paid	**(24 307)**	(16 739)	
Taxation	**(17 463)**	(12 732)	
CASH APPLIED TO INVESTING ACTIVITIES	**(69 055)**	(65 334)	5,7
CASH (APPLIED TO) RECEIVED FROM FINANCING ACTIVITIES	**(1 804)**	34 078	(105,3)
Cash and cash equivalents			
– Net increase	**47 991**	55 726	
– At beginning of the year	**96 832**	41 106	
– At end of the year	**144 823**	96 832	49,6

condensed segmental analysis

for the year ended 30 September 2007

	Audited 12 months 30/9/2007 R'000	Audited 12 months 30/9/2006 R'000	% change
REVENUE	**1 070 539**	793 367	34,9
Software	**380 386**	327 752	16,1
Solutions & Services	**690 153**	465 615	48,2
PROFIT FROM OPERATIONS BEFORE INTEREST AND DEPRECIATION AND AMORTISATION (EBITDA)	**249 188**	152 077	63,9
Software	**128 384**	47 554	170,0
Solutions & Services	**129 846**	81 516	59,3
Corporate and eliminations	**(9 042)**	23 007	
PROFIT BEFORE INTEREST AND TAXATION	**185 840**	100 341	85,2
Software	**101 066**	25 348	298,7
Solutions & Services	**95 560**	57 211	67,0
Corporate and eliminations	**(10 786)**	17 782	
DEPRECIATION, AMORTISATION AND GOODWILL ADJUSTMENT	**63 348**	51 736	22,4
Software	**27 318**	22 206	23,0
Solutions & Services	**34 286**	24 305	41,1
Corporate and eliminations	**1 744**	5 225	
RESEARCH AND DEVELOPMENT EXPENDITURE	**21 425**	18 872	13,5
Software	**17 707**	15 069	17,5
Solutions & Services	**3 718**	3 803	(2,2)

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

notes to the financial statements

1 BASIS OF PREPARATION

The condensed group annual financial statements have been prepared using accounting policies compliant with International Financial Reporting Standards (IFRS), IAS34 Interim Financial Reporting, the JSE Limited listing requirements and the South African Companies Act, 1973. For a better understanding of the Group's financial position, the results of its operations and cash flows for the year, this summarised preliminary report of annual results should be read in conjunction with the annual financial statements from which this announcement was derived.

The accounting policies and method of computation used are consistent with those applied in the preparation of the annual financial statements for the year ended 30 September 2007.

2 RECONCILIATION OF EARNINGS PER SHARE TO HEADLINE EARNINGS PER SHARE

	Audited 12 months 30/9/2007 cents	Audited 12 months 30/9/2006 cents	% change
Basic earnings per share	**57,4**	34,3	67,3
Adjusted for:			
Goodwill adjustment	**0,5**	1,8	
Permanent dimunition in proceeds from sale of business	**–**	0,3	
Profit on dilution of interest in business	**–**	(11,7)	
Profit on sale of interest in business	**(2,0)**	(0,9)	
Profit on sale of Intellectual Property and Software Products to Argility Limited (Product Co)	**(20,5)**		
Profit on disposal of property, plant & equipment	**(0,2)**	(0,4)	
Basic headline earnings per share as previously calculated	**35,2**	23,4	50,4
Exclusion of assessed losses not previously recognised relating to the goodwill adjustment excluded	**(0,5)**	(1,8)	
Basic headline earnings per share in accordance with circular 8/2007	**34,7**	21,6	60,6

	R'000	R'000
3 COMMITMENTS		
Capital	**13 642**	8 786
Operating leases	**57 051**	64 583
4 BORROWINGS		
Interest bearing borrowings	**126 942**	79 613
Non-interest bearing borrowings	**21 799**	1 608
	148 741	81 221
5 CAPITAL EXPENDITURE		
Tangible assets	**62 254**	31 239
Intangible assets	**19 593**	76 277
	81 847	107 516
6 OPERATING LEASE CHARGES		
Premises	**21 242**	19 237
Office equipment	**573**	323
Vehicles	**37**	–
	21 852	19 560

7 AUDIT OPINION

The financial information has been audited by Deloitte & Touche whose unmodified audit opinion is available for inspection at the registered office of the company.

There is more to UCS than meets the eye. www.ucs.co.za

commentary

OVERVIEW

UCS Group is a holding company for IT businesses with a primary focus on Software, Solutions and Services for selected markets. The Group has achieved a leadership position in the domestic retail market with more than 80% of the permanent staff base of over 2 200 people involved in servicing this sector.

The Group has recorded another set of excellent results for the year to September 2007. All business units performed in line with, or exceeded, expectations in terms of trading results for the period.

The 48% top line growth in our Solutions & Services Division this year was achieved through a combination of organic growth (16%) and corporate activity, being the acquisition of controlling interests in the Lifeworld and DiverseIT businesses with effect from March 2007 and the fact that the TSSMS and Quardrant acquisitions contributed for the full 12 months following their entry into the Group in July 2006. With effect from March 2007 we also increased our 74,9% stake in UCS Solutions Holdings to 100%. It is pleasing to note that the 48% top line growth in this expanded division translated into a 53% increase in normalised divisional PBIT.

Our strategy of consolidating our software businesses acquired historically into a larger, more cohesive unit trading under the UCS Software brand has continued to deliver the planned benefits of improving margins, with a 16% top line growth for the 2007 year translating into a 36% increase in normalised PBIT achieved.

We reported last year that we had reviewed our strategy for the development of international markets for our 'packaged product' offerings for retailers and that we had decided that the most effective way of achieving significant volumes (and value) would be through the launching of a separate business with its primary focus being the creation of a leading brand and product suite for selected verticals in the global retail industry, to be sold through a global 'channel' of appropriately selected and trained dealers.

Significant effort went into the execution of this strategy and with effect from 21 September we 'unbundled' a business (Argility) which we created and which we believe will become a competitive player in the international markets in the years to come. This initiative included the sale of certain UCS IP and packaged software products to Argility (the Active Retail and Dolfin product suites) which resulted in significant profits totalling R54,4 million (net of tax which amounted to R11,4 million) of a once off nature – these profits have been fully disclosed and have been excluded from our 'headline' earnings. It is important to note that it is the IP of these two product suites and not the underlying retail business objects or components that have been sold. These retail business objects and components form part of the IP that is housed within our Software Manufacturing facility (UCSSM).

The main benefits of this strategy for UCS will accrue through a 10% share of future software licence revenues and an OPD (outsourced product development) service with our specialist 'retail domain' software manufacturing facility. Revenues for UCS from the OPD contract will commence immediately, with the impact from our share of licence revenues not expected to be material until Argility is fully operational and generating significant volumes of business, which is expected to take at least 2 years.

Due to the start up nature of Argility, it was decided not to list this business immediately. Following the 'unbundling' an 'over-the-counter' (OTC) trading platform was created and became operational on 1 November 2007. UCS shareholders holding scrip in Argility are able to trade these shares through this facility, which may be accessed through the www.otc.argility.co.za web site.

Following the successful creation and unbundling of the Argility business, the Group is now re-positioning itself operationally and strategically to ensure that we continue the growth momentum established over the past years and that the correct management structures are in place to facilitate international expansion of certain of our specialist retail solutions offerings.

Historically, the Group has been organised into two operating divisions, the Solutions & Services Division and the Software Division, with appropriate management structures and segmental reporting. Going forward into the new year, this structure will be changed to facilitate more cohesive and efficient domestic customer services, sales and marketing, as well as further consolidation and positioning for international expansion. The new structure will see the creation of 3 divisions – a Retail Solutions Division, an Infrastructure Division and an Investments Division. Excluding the Investment Division, where each operating business is 'independently' managed, we expect to see gradual improvements in margins through synergistic efficiencies driven by grouping business units with similar focus and areas of expertise.

Management of the Retail Solutions Division will also assume responsibility for the creation of our international presence in the retail solutions markets of the UK and USA through two current initiatives.

FINANCIAL RESULTS

We recorded a major milestone in 2007, with revenues topping R1 billion for the first time. It is important to note that the vast bulk of our revenues (2007: 86%; 2006: 87%) come from the sale of our own products and services rather than the sale of 3rd party product, which means that we are able to manage our own margins on the major portion of our revenues.

2007 was another year of good top-line growth, with revenues up by almost 35% to R1 071 million from R793 million last year. Organic growth accounted for 16% (2006: 19%) and the balance was attributable to the effect of current year and prior year acquisitions. Annuity revenues grew by 23% to R590 million (2006: R481 million) representing 55% of total revenues (2006: 61%). The decline in annuity revenues as a percentage of total revenues was largely due to the different revenue mix in the current and prior year acquisitions.

EBITDA grew significantly by 64% to R249 million (2006: R152 million) but included 'once off' profits of a capital nature of R74 million (2006: R30 million). Excluding these 'once off' capital profits, the 'normalised' EBITDA of R175 million (2006: R122 million) showed a 43% increase over the prior year and came in at 16,4% (2006: 15,4%) of revenues.

Headline earnings per share grew by 61% to 34,7 cents (2006: 21,6 cents restated) although this included the impact of a R9,5 million deferred tax credit (net of goodwill adjustment) passed to raise the deferred tax asset in respect of the remaining accumulated tax losses in the UCS Solutions subsidiary. Excluding this deferred tax credit, headline earnings per share would have come in at 31,1 cents and shown an increase of 44 percent over the prior year normalised 21,6 cents.

Our strong cash flows are attributable to our focus on the generation of annuity revenue streams as well as continuous and effective management of our debtor books. We are pleased to report a 49% increase in our cash generated from operations to R179 million (2006: 120 million) which represents 102% (2006: 98%) of our EBITDA excluding profits of a capital nature and which continues to reflect the quality of our earnings. Cash and cash equivalent balances increased by almost 50% to R145 million (2006: R97 million) despite the significant additional working capital requirements of the enlarged Group.

Once again, the balance sheet has shown considerable change, which is largely due to the corporate activities detailed in the overview above, a combination of the effects of the acquisitions as well as the creation and 'unbundling' of Argility. Group debt increased to R149 million (2006: R81 million) driven largely through the R50 million loan agreement with Argility as well as the R12 million recognition of the capped upside profit warranty payment due to the CEB vendors, previously disclosed as a contingent liability. Of this debt balance at year end R42 million (2006: R40 million) is true bank debt which amounts to 10,2% (2006: 11,8%) of equity. Total debt came to 36,3% (2006: 23,9%) of equity. Management is satisfied at current levels of gearing based on the fact that the Group is within its estimated optimal capital structure of 43% and still reports a comfortable interest cover of approximately 13 times based on normalised PBIT.

The current ratio deteriorated to 1,1 to 1 (2006: 1,4 to 1) but with the post balance sheet restructuring of debt (refer post balance sheet paragraph below) and taking into consideration the R10,5 million current liability relating to the final DiverseIT purchase consideration, which was equity settled post 2007 year end, the current ratio moves to 1.4:1 within the first quarter of the 2008 financial year.

Net asset value per share increased by 13% to 136,5c (2006: 120,8c) and tangible net asset value per share showed a decline of 24% to 28,7 cents (2006: 37,8 cents).

During the year, the Group issued 34,7 million new ordinary shares of which 24,2 million were issued to TSS in terms of the "equity roll-up" BEE transaction and 2,4 million were issued in settlement of 50% of the purchase consideration for 51% of DiverseIT. The balance was issued to honour staff incentives inclusive of the conversion of preference shares into ordinary shares on the achievement of predefined growth targets. A total of 5,4 million share options were granted during the year at a weighted average exercise price of 414,1 cents. After the options forfeited during the year of 1,4 million and the options exercised of 6,5 million a total of 22 million options were outstanding at year end (2006: 24,5 million). Taking these factors into account the Group's diluted headline earnings per share increased by 62% to 32,7 cents (2006: 20,2 cents).

The Group accumulated 1,7 million shares during the 2007 financial year through a general buy-back initiative to fund part of the purchase consideration in respect of the post balance sheet Aquitec transaction. The board has the authority to buy back up to 20 percent of the shares in issue, representing 50 302 637 shares.

ACQUISITIONS

During the period under review UCS concluded the following acquisitions:

- The TSS (BEE) roll up transaction through which UCS acquired the 25,1% outside shareholders interest in UCS Solution Holdings (Proprietary) Limited from TSS in return for the issue of 24,2 million UCS Shares. This transaction was approved by shareholders at a general meeting held on 27 February 2007 and became effective on 1 March 2007.
- The acquisition of 51% of DiverseIT Technology (Proprietary) Limited (Formerly 3J Holdings) with effect from 1 March 2007 for R12,2 million settled through the issue of UCS Shares as disclosed in an announcement to the market on 27 March 2007 and which subsequently became unconditional on receipt of the unconditional competition commission approval.
- The acquisition of a 51% interest (including sale claims) in LifeWorld Relationship Management (Proprietary) Limited ("LifeWorld") with effect from 1 March 2007 for R2 million. LifeWorld is a strategic loyalty programme consulting and management business which provides a key component of the overall expertise Group management envisage positioning in a value added services division for the retail industry.

BLACK ECONOMIC EMPOWERMENT

As mentioned above, the transaction with TSS to buy back their 25,1% shares in UCS Solutions Holdings has resulted in TSS becoming a significant shareholder in UCS Group (9,5%). Together with other identifiable BEE shareholders on our register, the Group is now 13,4% BEE-owned. Our target remains to get our BEE shareholding to in excess of 25% within our strategy of combining increased BEE ownership of UCS equity with growth opportunities for the UCS Group. In addition, due to the diverse nature of the Group's operations, we continue to look for opportunities within this strategy at operating subsidiary level where it is easier for potential partners to add specific value.

POST BALANCE SHEET EVENTS

Subsequent to the financial year end Nedbank approved an application made by the Group for medium term debt funding. The Group will be raising a R24 million five year term loan to fund the full and final settlement of the purchase consideration owing to the vendors of CEB. Secondly the Group will be entering into a separate 5 year term loan to provide a back to back facility with the Bank which will enable the Group to fund the repayments of the loan owing to Argility Limited of R50 million (R35 million short term) which is repayable over the next 18 to 24 months. This converts a significant portion of the Group's short term debt into a longer term facility thereby creating flexibility for the Group to utilise current cash resources for other growth and investment related initiatives.

The Group has also signed agreements to acquire 100% of the business known as Aquitec for US$6 million. Aquitec has an operation in the U.K. as well as in Chicago in the U.S.A. and the target effective date of such acquisition is 1 December 2007 but is subject specifically to the securing of the necessary approval from the South African Reserve Bank for the said offshore investment. The Group sees an opportunity to not only acquire intellectual property that is relevant to its large retail specific customer base but to access an established offshore infrastructure with IT skilled personnel through which the Group could leverage its South African based skills, products and intellectual property.

Following on from the BEE paragraph the Group also agreed to sell a 6% interest in TSSMS with effect from 1 October 2007 back to TSS to ensure that TSSMS retains its "black ownership" status despite recent and forecast movements in the Group's shares in issue. This interest was sold at original cost and is to be funded by way of a Group loan account which is secured by the said shares and attracts interest.

CONTINGENT LIABILITY

In terms of the management agreement entered into with TSS, there exists a management incentive fee that is payable annually for a three year period ending 30 June 2009. The contingent liability (incentive fee) equates to that portion of the profits which exceeds the warranted profits.

PROSPECTS

We look forward to the new year with optimism and enthusiasm. Our drive for margin improvement through improved efficiencies in previously merged business units is expected to continue to deliver positive results and all other business units within the Group are in a strong position to record another year of good growth. We also intend to continue to look for synergistic acquisition opportunities to expand our footprint or offerings within our chosen markets.

UCSSM is well positioned to record its maiden profits in 2008 and provided it is successful in its international sales and marketing drive currently under way, it is planned that this unit will be 'unbundled' and listed separately from UCS within the next 2 years.

We believe that this 'unbundling' is necessary in order to complete our strategy of separating the development of software packages and solutions from our core UCS retail consulting, software implementation and integration, software support and other IT services offerings. We also believe that this separation should 'unlock' significant value for our shareholders by allowing market forces to establish the true value of the unique and exciting UCSSM business in its own right.

However, there are challenges, with many major domestic retailers facing a slowdown in consumer spending, largely due to the recent spate of interest hikes and curbing of consumer credit through the recently implemented National Credit Act. Rapidly escalating fuel costs are also an area of concern with impacts on both inflation and consumer discretionary spend. Although the UCS offerings are not directly linked to our customers trading cycles, a reduction in new store openings or closures of unprofitable retail outlets within our customer base will have a small negative impact on our organic growth rate. In addition, the IT market remains a challenging one, with rapid technology change and innovation making long term planning an inexact science.

Despite these challenges, we believe that the platform that we have in place will allow us to continue the growth momentum established over the past years as the fundamental strength of our various business units should continue to provide them with competitive advantage. Modest but positive contributions from our international initiatives are expected to start flowing through in the 2nd half of the year.

Overall, the Group is well positioned, strategically as well as operationally, to deliver good growth in operating profits and cash flows for our 2008 year.

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 year ended 30 September 2007. The dividend will be paid on Monday, 11 February 2008.

To comply with the procedures of STRATE, the last day to trade in the shares for the purpose of entitlement to the final dividend is Friday, 1 February 2008. The shares will commence trading ex dividend on Monday 4 February 2008 and the record date will be Friday, 8 February 2008.

Share certificates may not be dematerialised or rematerialised between Monday 4 February 2008 and Friday, 8 February 2008 both days inclusive.

The directors have decided to maintain the policy of paying dividends twice a year. Dividend cover may vary dependant on the Group's projected cash requirements. This policy will be reviewed regularly to ensure effective capital management.

For and on behalf of the Board

DF Coles
(Chairman)

JD Bright
(Chief Executive Officer)

27 November 2007

Company Secretary
Corporate Governance CC

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