



UCS GROUP LIMITED

Interim results
for the period ended 31 March 2005

SOFTWARE | SOLUTIONS | SERVICES

Commentary

The results for the six-month period under review represent a mixed performance by the Group's operating business units, with most achieving or exceeding budget targets but with disappointing results recorded in the recently consolidated UCS Software business unit. The UCS Solutions business delivered a strong performance trading ahead of budget in terms of both revenues and margins achieved. During the period several major contracts were successfully completed and additional new opportunities secured.

As reported in our results announcement for the year ended 30 September 2004, management expected the first half of the 2005 financial year to be very challenging. This was on the basis that the Group's focus on the generation of sustainable annuity streams means overhead structures grow in advance of new business billings and delays on installations have a short-term negative impact on margins. The delays with certain large customer software projects at that time meant that the related roll-outs would only get under way after the peak retail trading season in December. It was also reported that "the benefits of the Software business consolidation strategy should begin to bear fruit this year in terms of improved margins, although it must be reiterated that the first half of the year is expected to be very challenging in this regard."

Overall, turnover grew by 6,5% to R262 million (2004: R246 million), while annuity revenues grew by 12% to R159 million (2004: R142 million), representing 61% of total revenues (2004: 58%).

R&D expenditure was reduced by 16% compared to the first half of last year although the total for the year is expected to exceed last year. The full synergistic benefits of consolidating the retail software businesses in the Group into a single operating entity are expected to flow through to the bottom line over the next 24 months. R&D costs continue to be fully expensed as incurred, except in the new UCS Software Manufacturing unit, where product development costs are capitalised until the product is released for sale in the market. During the period under review software development costs of R5 million and factory set-up costs of R2 million were capitalised.

EBITDA at R33,3 million (2004: R33,6 million), reflects the pressures on margins caused by the project delays experienced in the consolidated Software business. Depreciation, amortisation and goodwill write-offs increased by 3,4% to R19,5 million (2004: R18,9 million), whilst interest and investment income was almost totally offset by interest paid. Although interest paid reduced by 17% to R5,2 million, interest earned was down by 67% to R0,9 million (2004: R2,7 million) as a result of reduced bank balances and falling interest rates.

These factors contributed to an overall decrease of 11% in net income before tax to R13,8 million (2004: R15,5 million). Taxation charges increased by 48% to R2,1 million (2004: R1,4 million) leading to a 17% reduction in profit after tax to R11,7 million (2004: R14,1 million). A small increase in the minorities' share of subsidiary earnings caused net profit to be 18% lower at R11,4 million (2004: R13,9 million).

A 1% increase in the weighted average of ordinary shares in issue to 239,5 million (2004: 237,5 million) contributed to an 18,6% drop in earnings per share to 4,8 cents (2004: 5,9 cents), whilst headline earnings per share fell 14,9% to 5,7 cents (2004: 6,7 cents).

Cash generated from operations was almost static at R33,0 million (2004: R33,6 million). A substantial outflow from 'working capital changes' was abnormal and largely related to the settlement of significant creditors in the six-month period under review. This together with the additional cash applied to investing activities was the main reason for the decline in bank balances during the period.

The Group's commitment to the sale of its own technology and services remains strong, with the sales of third-party products and services accounting for only 15% of total revenues (2004: 18%).

For the period under review, cash applied to investing activities amounted to R30,7 million (2004: R22,8 million).

Headcount at the end of March 2005 was 1 132 (March 2004: 1 006), a growth of 12,5%.

PROSPECTS

As stated in our annual report, the Group anticipates a stronger performance for the second half of the year to September 2005. In particular, the 'drive for efficiency' programme initiated in the consolidated Software business should produce short-term improvements in margins as well as having long-term beneficial effects on the overhead

structure of the business. The previously delayed projects are either in roll-out phase or are scheduled to roll out over the next few months. The Solutions business has a healthy order book and some exciting opportunities for growth. The rest of the operating businesses should continue to perform in accordance with budgets, although there are still challenges. For one, the uncertainty in the pharmacy market over regulatory issues is not expected to be resolved in the short-term.

Our international marketing efforts continue to show promise but have not yet delivered in terms of large orders.

Given these factors, management forecasts give promise of a significant improvement during the second half of the year and indicate that the Group should record real growth in earnings for the full year.

DIVIDEND DECLARATION

Notice is hereby given that the board of directors has declared an interim dividend of 2,0 cents per ordinary share in respect of the six months ended 31 March 2005. The dividend will be paid on Monday, 8 August 2005.

The last day to trade in the shares for the purpose of entitlement to the interim dividend is Friday, 29 July 2005. The shares will commence trading ex dividend on Monday, 1 August 2005 and the record date will be Friday, 5 August 2005.

Share certificates may not be dematerialised or rematerialised between Monday, 1 August 2005 and Friday, 5 August 2005, both days inclusive.

For and on behalf of the board

Adv RG Goodman SC (Chairman)*
JD Bright (Chief Executive Officer)

Johannesburg
9 May 2005

Notes to the financial statements

ACCOUNTING POLICIES & REVIEW OPINION

The interim results for the period ended 31 March 2005 have been reviewed by the auditors, Kaplan and Kaplan, and have been prepared on a basis consistent with the prior year annual financial statement accounting policies and in compliance with South African Statements of Generally Accepted Accounting Practice. The review opinion is available for inspection at the company's registered offices.

Intangible assets

Intangible assets include trademarks, goodwill, intellectual property, factory set-up costs and software development costs.

Contingent liability

In the results announcement and the annual report for the financial year ended 30 September 2004 it was disclosed that there was a potential contingent liability of R20 million in respect of tax that was reassessed for UCS Solutions. The matter remains unresolved at the end of the period under review.

Segment report

Easirun Software (Proprietary) Limited has been reallocated to the 'software' segment in the current period and all prior period allocations in the 'Solutions & Services' segment have been restated accordingly.

BOARD OF DIRECTORS

Richard Goodman SC (Chairman)*, John Bright (Chief Executive Officer), Joseph Claasen*, Duncan Coles, Rebecca Eliot**, Patrick Fitzgerald, Bryan Hattingh*, EB (Bert) Levenstein*, Neil Michelson (Chief Operating Officer), Dean Sparrow (Chief Financial Officer), Peter Terblanche*

* Non-executive **British

Company Secretary

Duncan Coles

UCS Group Limited

Incorporated in the Republic of South Africa
Reg No 1993/002253/06
ISIN: ZAE000016150
Share code: UCS

Registered office Transfer secretaries

20th Floor Ultra Registrars (Proprietary) Limited
209 Smit Street 11 Diagonal Street
Braamfontein Johannesburg
2001 2001

PO Box 31266 PO Box 4844
Braamfontein Johannesburg
2017 2000

- 12% growth in annuity revenue
- 6,5% growth in revenue
- 2 cents interim dividend per share declared
- Anticipation of a stronger performance for second half of the year to September 2005

Income statement for the period ended 31 March 2005

	Reviewed 6 months 31/03/2005 R000	Reviewed 6 months 31/03/2004 R000	Percentage change	Audited 12 months 30/09/2004 R000
Revenue	261 890	245 855	6,5	486 292
Profit from operations before interest, depreciation and research and development	44 212	46 515	(5,0)	81 297
Research and development expenditure	(10 877)	(12 887)	(15,6)	(20 907)
Depreciation and amortisation	(19 545)	(18 902)	3,4	(35 105)
Profit before interest and investment income	13 790	14 726	(6,4)	25 285
Net interest and investment income	19	790	(97,6)	2 113
Dividend and investment income	4 350	4 350		9 152
Interest received	886	2 713		4 314
Interest paid	(5 217)	(6 273)		(11 353)
Profit before taxation	13 809	15 516	(11,0)	27 398
Taxation	(2 131)	(1 445)	47,5	(2 257)
Profit after taxation	11 678	14 071	(17,0)	25 141
Minority share of subsidiary earnings	(285)	(157)	81,5	(510)
Net profit for the period	11 393	13 914	(18,1)	24 631
Earnings per share attributable (cents)	4,8	5,9	(18,6)	10,4
Adjusted for:				
Amortisation of goodwill	0,8	0,8	0,0	1,5
Loss on disposal of property, plant and equipment	0,1	-	100,0	-
Headline earnings per share (cents)	5,7	6,7	(14,9)	11,9
Fully diluted earnings per share	4,3	5,1	(15,7)	9,3
Fully diluted headline earnings per share	5,2	5,8	(10,3)	10,7
Dividend per share	2,3	2,0	15,0	4,3
Net asset value per share (cents)	85,2	80,7	5,6	82,7
Ordinary shares in issue (excluding shares held in treasury)	239 627	237 497	0,9	239 453
Weighted average of ordinary shares in issue	239 540	237 497	0,9	237 909

Balance sheet at 31 March 2005

	Reviewed 6 months 31/03/2005 R000	Reviewed 6 months 31/03/2004 R000	Audited 12 months 30/09/2004 R000
ASSETS			
Non-current assets	194 686	169 929	182 098
Property, plant and equipment	52 117	47 220	42 494
Intangible assets	119 847	102 172	117 586
Investments and loans	5 734	6 186	5 635
Deferred taxation	16 988	14 351	16 383
Current assets	122 478	128 770	137 797
Inventories	8 367	6 780	6 816
Receivables	81 477	59 331	79 474
Cash	31 829	62 659	51 015
Taxation	805	-	492
Total assets	317 164	298 699	319 895
EQUITY AND LIABILITIES			
Capital and reserves			
Shareholders' interests	204 147	191 764	198 109
Non-current liabilities	30 714	30 631	25 860
Minority shareholders in subsidiary	978	2 894	810
Long- and medium-term loans	11 155	1 467	2 625
Revenue in advance	18 581	26 270	22 425
Current liabilities	82 303	76 304	95 926
Payables and accruals	58 880	62 283	79 678
Revenue in advance	12 123	12 300	12 341
Current portion of long-term loans	5 391	1 475	2 735
Bank overdraft	5 454	-	-
Taxation	455	246	1 172
Total equity and liabilities	317 164	298 699	319 895

Statement of changes in equity for the period ended 31 March 2005

	Share capital R000	Preference share capital R000	Foreign currency translation reserve R000	Share premium R000	Distributable reserves R000	Total R000
Balance at 30 September 2004	1 197	40	-	61 876	134 996	198 109
Shares issued	1	-	-	104	-	105
Net profit for the period	-	-	-	-	11 393	11 393
Foreign currency translation surplus	-	-	49	-	-	49
Cash dividend paid	-	-	-	-	(5 509)	(5 509)
Balance at 31 March 2005	1 198	40	49	61 980	140 880	204 147

Cash flow statement for the period ended 31 March 2005

	Reviewed 6 months 31/03/2005 R000	Reviewed 6 months 31/03/2004 R000	Percentage change	Audited 12 months 30/09/2004 R000
Cash flow from operating activities	(5 253)	27 475	(119,1)	40 485
Cash generated from operations	33 035	33 628	(1,8)	60 209
Working capital changes	(28 944)	339		(6 681)
Cash generated from operating activities	4 091	33 967		53 528
Investment income and net finance cost	19	790		2 113
Taxation paid	(3 736)	(2 532)		(4 943)
Dividend paid	(5 627)	(4 750)		(10 213)
Cash applied to investing activities	(30 679)	(22 821)	34,4	(45 016)
Cash received from/(applied to) financing activities	11 291	(15 903)	171,0	(18 361)
Cash and cash equivalents				
- Net change	(24 641)	(11 249)	(119,1)	(22 892)
- At beginning of period	51 015	73 908	31,0	73 908
- At end of period	26 374	62 659	(57,9)	51 016

Segmental information for the period ended 31 March 2005

	Reviewed 6 months 31/03/2005 R000	Reviewed 6 months 31/03/2004 R000	Percentage change	Audited 12 months 30/09/2004 R000
Revenue	261 890	245 855	6,5	486 292
Software	146 263	133 340	9,7	264 201
Solutions & Services	115 627	112 515	2,8	222 091
Profit before interest and investment income	13 790	14 726	(6,4)	25 285
Software	833	5 832	(85,7)	11 726
Solutions & Services	12 323	9 043	36,3	14 991
Corporate & eliminations	634	(149)	(525,5)	(1 432)