

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to what action to take in relation to this circular, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional advisor immediately. The definitions and interpretation set out on pages 4 and 5 of this circular apply, *mutatis mutandis*, to this entire document.

**Action required**

1. If you have disposed of all your shares in UCS Group Limited, please forward this circular to the purchaser of such shares or to the CSDP, broker, banker or other agent through whom the disposal was effected.
2. UCS Group Limited shareholders are referred to page 2 of this circular, which sets out the action required by them.



**UCS Group Limited**

(Incorporated in the Republic of South Africa)  
(Registration number 1993/002253/06)  
JSE code: UCS ISIN: ZAE000016150  
("UCS" or "the Company")

**CIRCULAR TO UCS SHAREHOLDERS**

regarding

**the related party acquisition by UCS of all of the issued shares in Argility held by the scheme participants on the scheme consideration record date, by means of a scheme of arrangement in terms of section 311 of the Companies Act, No. 61 of 1973, as amended whereafter, if successful, UCS and its subsidiaries will be the owner of the entire issued share capital of Argility;**

and incorporating

- **a notice of general meeting of UCS shareholders; and**
- **a form of proxy in respect of the general meeting of UCS shareholders (for use by holders of certificated shares and holders of dematerialised shares with "own name" registration only) (blue).**

All the directors, whose names are set out on page 6 of this document, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this document contains all information required by law and the Listings Requirements.

Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited, which is regulated by the Listings Requirements in its capacity as sponsor to UCS, is acting for UCS and no one else in relation to the preparation of this document and will not be responsible to anyone, other than UCS, in relation to the preparation of this document.

**Sponsor**



Corporate Finance

**Attorneys**



In association with DentonWildeSapte...

**Independent professional expert**



**Reporting accountants and auditors**



Deloitte & Touche  
Registered Auditors

**Independent sponsor**



Deloitte & Touche Sponsor Services (Pty) Ltd  
(Incorporated in the Republic of South Africa)  
(Registration number 1996/000034/07)

Date of issue: 27 March 2010

This document is available in English only. Copies of this document may be obtained from the registered office of UCS and the office of the transfer secretaries, the addresses of which are set out in the "Corporate information" section of this document.

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## CORPORATE INFORMATION

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### Registered office

UCS Group Limited  
20th Floor  
209 Smit Street  
Johannesburg, 2001  
(PO Box 31266, Braamfontein, 2017)

### Sponsor

Barnard Jacobs Mellet  
Corporate Finance (Proprietary) Limited  
(Registration number 2000/023249/07)  
Ground Floor, Illovo Corner  
24 Fricker Road  
Illovo, 2196  
(PO Box 62200, Marshalltown, 2107)

### Reporting accountants and auditors

Deloitte & Touche  
Registered Auditors  
The Woodlands  
Woodlands Drive  
Woodmead  
Sandton, 2196  
(Private Bag X6, Gallo Manor, 2052)

### Independent sponsor for the transaction

Deloitte & Touche Sponsor Services (Proprietary) Limited  
(Registration number 1996/000034/07)  
Building 6, The Woodlands  
20 Woodlands Drive  
Woodmead  
Sandton, 2196  
(Private Bag X6, Gallo Manor, 2052)

### Date of incorporation

29 April 1993

### Place of incorporation

South Africa

### Company secretary

Corporate Governance CC  
Chartered Secretaries  
(represented by Mr Clive Kneale)  
(Registration number 1994/023438/23)  
1126 Colonial Way  
Eagle Canyon Golf Estate  
Honeydew, 2109  
(PO Box 279, Randpark Ridge, 2156)

### Attorneys

Glyn Marais Incorporated  
(Registration number 1990/000849/21)  
2nd Floor, The Place  
1 Sandton Drive  
Sandton, 2196  
(PO Box 652361, Benmore, 2010)

### Independent professional expert

KPMG Services (Proprietary) Limited  
(Registration number 1999/012876/07)  
KPMG Crescent  
85 Empire Road  
Parktown, 2193  
(Private Bag X9, Parkview, 2122)

### Transfer secretaries

Link Market Services South Africa  
(Proprietary) Limited  
(Registration number 2000/007239)  
11 Diagonal Street  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

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## **ACTION REQUIRED BY SHAREHOLDERS**

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The definitions and interpretation on pages 4 and 5 of this document apply to this section.

This circular is important and requires your immediate attention. If you are in any doubt as to what action to take, please consult your broker, CSDP, banker, accountant, attorney or other financial advisor.

If you have disposed of your UCS shares, this circular should be handed to the purchaser of such UCS shares or the broker, CSDP or other agent who disposed of your UCS shares for you.

Please take careful note of the following provisions regarding the action required by UCS shareholders:

### **1. VOTING AND ATTENDANCE AT THE GENERAL MEETING**

A general meeting of UCS shareholders will be held at 15:00 on Monday, 12 April 2010 at the registered office of UCS, being 20th Floor, 209 Smit Street, Braamfontein, Johannesburg, 2001, to vote on the ordinary resolutions set out in the notice of general meeting attached to this circular.

#### **1.1 If you have dematerialised your UCS shares, other than with “own-name” registration**

##### **1.1.1 *Voting at the general meeting***

Your broker or CSDP should contact you to ascertain how you wish to cast your vote at the general meeting and thereafter will cast your vote in accordance with your instructions.

If you have not been contacted by your broker or CSDP, it would be advisable for you to contact your broker or CSDP and furnish it with your voting instructions.

If your broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your broker or CSDP.

You must **not** complete the attached form of proxy for the general meeting (*blue*).

##### **1.1.2 *Attendance and representation at the general meeting***

In accordance with the mandate between you and your broker or CSDP, you must advise your broker or CSDP if you wish to attend the general meeting and your broker or CSDP will issue the necessary Letter of Representation to you to attend the general meeting.

#### **1.2 If you have not dematerialised your UCS shares or if you have dematerialised your UCS shares with “own-name” registration**

##### **1.2.1 *Voting and attendance at the general meeting***

You may attend the general meeting in person and may vote at the general meeting.

Alternatively, you may appoint a proxy to represent you at the general meeting by completing the attached form of proxy for the general meeting (*blue*) in accordance with the instructions it contains and return it to the transfer secretaries of UCS at Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 15:00 on Thursday, 8 April 2010.

1.2.2 If you hold certificated shares and wish to dematerialise such shares, please contact your broker or CSDP.

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## SALIENT DATES AND TIMES

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**2010**

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Circular posted to UCS shareholders on	Saturday, 27 March
Last day to lodge forms of proxies in respect of the general meeting by 15:00 on	Thursday, 8 April
General meeting of UCS shareholders to be held at 15:00 on	Monday, 12 April
Results of the general meeting released on SENS on	Monday, 12 April
Results of the general meeting published in the press on	Tuesday, 13 April

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**Notes:**

1. These dates and times are subject to change. Any such change will be released on SENS and published in the press. Any reference to time is a reference to South African time.
2. If the general meeting is adjourned or postponed, forms of proxy must be received by no later than 48 hours prior to the time of the adjourned or postponed general meeting, provided that, for the purpose of calculating the latest time by which forms of proxy must be received, Saturdays, Sundays and gazetted public holidays in South Africa will be excluded.

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## DEFINITIONS AND INTERPRETATION

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In this circular, unless the context indicates otherwise, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the others, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite to them in the second column.

"Argility"	Argility Limited (registration number 2007/010401/06), a public company duly registered and incorporated in accordance with the laws of South Africa;
"Argility ordinary shares" or "Argility shares"	ordinary shares with a par value of 1 cent each in the issued share capital of Argility;
"Argility ordinary shareholders" or "Argility shareholders"	holders of Argility shares as recorded in the register from time to time;
"board of directors" or "directors"	board of directors of UCS from time to time and for the time being;
"business day"	any day other than a Saturday, Sunday or gazetted public holiday in South Africa;
"certificated shareholders"	shareholders who hold certificated shares;
"certificated shares"	UCS shares that have not been dematerialised, title to which is represented by a share certificate or other physical document of title;
"this circular" or "this document"	this bound document, dated Saturday, 27 March 2010, including the attached annexures, notice of general meeting and form of proxy ( <i>blue</i> );
"CIPRO"	the Companies and Intellectual Property Registration Office;
"Companies Act"	Companies Act, 1973 (Act 61 of 1973), as amended as the same is constituted as at the date of this circular;
"CSDP"	Central Securities Depository Participant, being a "participant" as defined in section 1 of the Securities Services Act, 2004 (Act 36 of 2004), as amended;
"dematerialise" or "dematerialisation"	the process whereby physical share certificates or other documents of title have been validated and cancelled by the transfer secretaries and captured onto the Strate system by the selected broker or CSDP and the shareholding is recorded electronically;
"dematerialised shareholders"	shareholders who hold UCS shares which have been dematerialised in terms of the requirements of Strate;
"documents of title"	share certificates, certified transfer deeds, balance receipts or any other documents of title to UCS shares acceptable to UCS directors;
"form of proxy"	form of proxy ( <i>blue</i> ) attached to and forming part of this circular (for use only by certificated shareholders and dematerialised shareholders with "own name" registration);
"the Group" or "the UCS Group"	UCS and its subsidiaries from time to time and for the time being;
"IFRS"	International Financial Reporting Standards;
"the JSE"	JSE Limited (registration number 2005/022939/06), a public company duly registered and incorporated in accordance with the laws of South Africa, which is licensed as an exchange under the Securities Services Act, 2004 (Act 36 of 2004), as amended;
"Listings Requirements"	Listings Requirements of the JSE at the date of this circular;
"Rand" or "R"	South African Rand, the official currency of South Africa;
"related party transaction" or "the transaction"	the related party acquisition by UCS of all of the issued Argility shares held by the scheme participants on the scheme consideration date, by means of a scheme of arrangement whereafter, if successful, the UCS Group will be the owner of the entire issued share capital of Argility, which reference shall include, where the context so requires, the substitute offer;

"scheme" or "scheme of arrangement"	a scheme of arrangement in terms of section 311 of the Companies Act, to be proposed by UCS between Argility and the shareholders of Argility, other than the members of the UCS Group, in terms of which UCS will acquire all of Argility's issued shares held by the scheme participants on the consideration record date in exchange for the scheme consideration, of which the salient dates and times will be announced in due course, which reference shall include, where the context so requires, a reference to the substitute offer;
"scheme circular"	the circular to Argility shareholders relating to the scheme;
"scheme consideration"	the consideration of R1.55 per scheme share, payable in cash to each scheme participant in terms of the scheme;
"scheme consideration record date"	the date on which an Argility shareholder must be recorded on the register of Argility shareholders in order to participate in the scheme as a scheme participant and receive the scheme consideration;
"scheme meeting"	the meeting of scheme members to be convened in terms of an Order of the Court, to be held at the registered office of Argility, being 20th Floor, 209 Smit Street, Braamfontein, Johannesburg, 2001, or any adjournment thereof (the time and date of any such adjournment will be published in the press), at which meeting scheme members will consider and vote on the scheme;
"scheme members"	Argility shareholders, other than the members of the UCS Group, recorded in the register of Argility shareholders on the scheme voting record date, who are entitled to vote at the scheme meeting;
"scheme participants"	Argility shareholders, other than the members of the UCS Group, recorded in the register of Argility shareholders on the scheme consideration record date, who will dispose of their scheme shares and become entitled to receive the scheme consideration, if the scheme becomes operative;
"scheme shares"	27 886 428 shares, representing 98.25% of the Argility shares held by scheme participants on the scheme consideration record date;
"SENS"	Securities Exchange News Service of the JSE;
"South Africa"	Republic of South Africa;
"Strate"	Strate Limited (registration number 1998/022242/06), a public company duly registered and incorporated in accordance with the laws of South Africa, which is a registered CSDP in terms of the Security Services Act, 2004 (Act 36 of 2004), as amended;
"substitute offer"	means the substitute offer in terms of section 440 of the Companies Act which may be made by UCS, at its election, to all Argility shareholders (other than the UCS Group) should the scheme fail to become unconditional or should it, otherwise not be implemented by 1 July 2010 (or such other date as UCS may determine), to acquire all of their Argility shares at an offer consideration per Argility share equal to the scheme consideration per scheme share (being R1.55);
"UCS" or "the Company"	UCS Group Limited (registration number 1993/002253/06), a public company duly registered and incorporated in accordance with the laws of South Africa, the ordinary shares of which are listed on the JSE;
"UCS shares" or "shares"	ordinary shares having a par value of 0.5 cents each in the issued ordinary share capital of UCS; and
"UCS shareholders" or "shareholders"	holders of UCS shares.



## UCS Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1993/002253/06)

JSE code: UCS ISIN: ZAE000016150

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### Directors

Duncan Coles	<i>Chairman</i>
John Bright	<i>Chief Executive Officer</i>
Dean Sparrow	<i>Deputy Chief Executive Officer</i>
Josephine Fortuin	<i>Chief Financial Officer</i>
Neil Michelson	<i>Group Commercial Director</i>
Vani Chetty	<i>Non-executive</i>
Joseph Claassen	<i>Non-executive</i>
Adv Richard Goodman	<i>Non-executive</i>
Bryan Hattingh	<i>Non-executive</i>
Mtungwa Morojele	<i>Non-executive</i>
Peter Terblanche	<i>Non-executive</i>

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## CIRCULAR TO UCS SHAREHOLDERS

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### 1. INTRODUCTION

As announced on SENS on Monday, 15 March 2010, and in the press on Tuesday, 16 March 2010, UCS has proposed a scheme of arrangement in terms of section 311 of the Companies Act between Argility and the Argility shareholders, other than the UCS Group, in terms of which UCS will acquire all of Argility's shares held by the scheme participants on the consideration record date for a cash consideration of R1.55 per scheme share, with effect from the first day of the month in which the scheme becomes operative, which date is expected to be on or about 1 May 2010.

If the scheme does not become operative, and at the election of the board of UCS, UCS will proceed with the substitute offer.

The scheme is classified as a related party transaction in terms of the Listings Requirements. Accordingly, UCS is required to obtain approval from UCS shareholders, other than the related parties and their associates, for the related party transaction at a general meeting of UCS shareholders as well as a fairness opinion from an independent expert acceptable to the JSE.

The purpose of this circular is to:

- provide UCS shareholders with information regarding the related party transaction;
- advise UCS shareholders of the board of directors' recommendations in respect of the related party transaction (supported by the independent experts' fairness opinion); and
- convene a general meeting of shareholders to consider and, if deemed fit, approve the ordinary resolutions necessary to approve the related party transaction as required in terms of the Listings Requirements.

### 2. THE RELATED PARTY TRANSACTION

#### 2.1 Background to Argility and rationale

On 15 May 2007, UCS announced its intention to dispose of certain of its proprietary products and related intellectual property to a wholly owned subsidiary company, Argility and, subsequent to such disposal, to unbundle the shares in Argility to UCS shareholders ("**the Unbundling**").

The Unbundling was implemented and UCS distributed all of the issued shares in Argility to the UCS shareholders recorded in the register of UCS on 21 September 2007, by way of a dividend *in specie* in terms of section 90 of the Companies Act.

Argility's shares were distributed in the ratio of one Argility share for every holding of ten UCS ordinary shares held by each UCS shareholder at the relevant date. The exchange ratio was based on 281 641 304 UCS shares in issue and the then enterprise value of Argility, being R163 672 000 at the time of the Unbundling which equated to a value for Argility of:

- R0.58 for every UCS share; or
- R5.81 for every Argility share.

Following the Unbundling, an over-the-counter trading platform was created to facilitate trading in Argility shares. However, such trading activity has been limited in that less than 5% of Argility shares have been traded on this platform to date.

Currently at least 90% of the shareholders in UCS are also Argility shareholders. The table below reflects the material shareholders in UCS and/or Argility, respectively:

<b>Shareholders currently holding (directly or indirectly) 10% or more of the issued share capital of UCS and their approximate percentage shareholding</b>		<b>Shareholders currently holding (directly or indirectly) 10% or more of the issued share capital of Argility and their approximate percentage shareholding</b>	
John Bright	18.6%	John Bright	13.3%
Duncan Coles	12.2%	Duncan Coles	13.3%
Rand Merchant Bank	11.9%	Rand Merchant Bank	11.7%
Oasis Funds	10.9%		

The following directors of UCS also hold shares in Argility (albeit less than 10% each):

<b>Director</b>	<b>Number of Argility shares</b>	<b>Percentage holding (%)</b>
Neil Michelson	591 700	2.1
Dean Sparrow	541 250	1.9
Richard Goodman	7 500	0.0
Joseph Claassen	5 000	0.0
Bryan Hattingh	7 500	0.0
Josephine Fortuin	3 950	0.0

In addition, the following people are currently appointed as directors of UCS as well as Argility:

Mr John Bright; and

Ms Josephine Fortuin.

The purpose behind the Unbundling was to create a stand-alone business to focus purely on the enhancement of the selected software packaged products which were acquired from UCS and were to be taken to the global market through a channel of appropriately appointed and certified resellers, which Argility would identify in accordance with specific criteria in its target markets.

The original business plan, which acknowledged three key areas of investment to position the business for the global market *viz.* product, channel and brand, reflected a cash funding requirement over the initial two years from set-up and the Unbundling of R100 million.

As a consequence of this investment and following the output of market research and analysis, it was envisaged that the revenue achievable from the acquired software products through a successfully established channel would ramp up considerably within its initial two years of operation to a point where, by the end of year two and leading into year three, the business would move from a cash usage to a cash generative position.

The independent valuation applicable at the time of the Unbundling, using the discounted cash flow methodology, was prepared based on the information available at the time, and in particular, taking into account forecasts prepared which were driven off assumptions, arrived at a total valuation of R163 672 000 or R5.81 per Argility share. This was based on 281 641 304 UCS shares in issue and the distribution of one Argility share for every holding of ten UCS shares (i.e. 28 164 130 Argility shares) as disclosed in the circular to UCS shareholders issued on 28 August 2007.

The actual shares in Argility finally distributed were 28 384 070, representing the current total issued share capital of the company, and the variance to the above indications was as a consequence of the additional movement in the UCS share register between the last practicable date per the circular

of 28 August 2007, and the actual date of unbundling of 21 September 2007. The 28 384 070 represents the current number of Argility shares in issue at a par value of 1 cent per share and which issued share capital has not changed post Unbundling and to date.

Regrettably, the timing of the initial set-up of Argility and the Unbundling could not have been worse, given the global credit crisis and resulting financial turmoil. This has had a material negative effect on most retailers internationally and, as a consequence, the replacement decisions for their in-store point of sale solutions, being the focus of Argility's business. Activity in this area of the market froze during the financial crisis and any decisions by retailers regarding investment in their future in-store trading platforms appear to have been deferred. Whilst management have managed the costs as prudently as possible, the timing of a recovery in trading conditions remains uncertain.

The current status and uncertain outlook with delayed revenue expectations, together with limited funding available for the Argility business, have materially changed the valuation parameters to that which was relevant at the time of the Unbundling. At an Offer Price of R1.55 per share compared to the current over-the-counter trading price of R0.50 per Argility share (i.e. a premium of 210%), it is believed that the scheme is favourable for Argility shareholders and reflects UCS's cognisance of the three areas of value that Argility management believe exist, being a:

- product set that has continued to undergo development post Unbundling, which has included development to "localise" the products for the Company's chosen markets (currently UK, USA and the Middle East);
- channel of certified and appointed resellers in those respective markets; and
- brand (Argility) that has started to gain recognition in its chosen markets as one of the suppliers of competitive EPOS (electronic point of sale or the in-store system) products.

All of these areas of value will however be negatively impacted if there is no access to funding beyond the next 6 to 12 months.

In reviewing its overall strategy for the software and intellectual property owned by UCS, the board of directors has resolved to consolidate the ownership, management, development and commercial exploitation of these assets, including the product sets and business of Argility, which should result in significant cost benefits and other synergies across both businesses.

## 2.2 Related party transaction

The Listings Requirements defines a related party as, *inter alia*, a material shareholder (shareholding of 10% or more) or any person that is, or within the 12 months preceding the date of the transaction, was a director of UCS or any of its subsidiaries ("**the related parties**").

As set out in paragraph 2.1 above, Mr John Bright and Mr Duncan Coles (directors of UCS), RMB Asset Management and Oasis Funds (on an aggregated basis) are shareholders who currently hold (either directly or indirectly) 10% or more of the issued share capital of UCS and also hold Argility shares.

Furthermore, Mr John Bright and Ms Josephine Fortuin are currently appointed as directors of UCS and Argility.

The following directors of UCS also hold ordinary shares in Argility:

- Neil Michelson;
- Dean Sparrow;
- Josephine Fortuin;
- Richard Goodman;
- Joseph Claassen; and
- Bryan Hattingh.

In terms of the Listings Requirements, the transaction is classified as a related party transaction and, accordingly, shareholder approval, excluding the related parties referred to above and their associates, for the related party transaction and an independent opinion relating to the fairness thereof, are required.

KPMG Services (Proprietary) Limited has been appointed by the directors to provide an independent opinion on the related party transaction, which opinion is reproduced in Annexure 1 to this circular.

To the best of the directors' knowledge and belief, other than the parties disclosed above, there are no other related parties to this related party transaction.

The related parties and any of their associates will be taken into account in determining a quorum for the general meeting, but the votes by the related parties and their associates will not be taken into account in determining the results of the voting on the ordinary resolutions relating to the related party transaction at the general meeting.

### 2.3 Mechanism and Implementation of the scheme

If the scheme becomes operative, the effect of the scheme will be that:

- each scheme participant shall be deemed to have disposed of (and shall be deemed to have undertaken to transfer) 100% of the Argility shares held by it as at the record date, to UCS, which shall acquire ownership of such Argility shares; and
- in consideration for its disposal of each scheme share, each scheme participant will become entitled to receive the scheme consideration of R1.55 per Argility share from UCS.

Following the implementation of the scheme, the UCS Group will own 100% of the issued ordinary shares in Argility.

### 2.4 Suspensive conditions to the related party transaction

The related party transaction is subject to the fulfilment and/or waiver (where applicable), as the case may be, of the following suspensive conditions:

- the passing by the requisite majority of UCS shareholders, excluding the related parties and their associates, at a UCS general meeting of the ordinary resolutions required to implement the related party transaction;
- the scheme being approved, with or without modification, by a majority representing not less than three-fourths (75%) of the votes exercisable by scheme members present and voting, either in person or by proxy, at the scheme meeting; and
- the Court granting an Order sanctioning the scheme in terms of section 311 of the Companies Act and such Order being registered with CIPRO.

### 2.5 Major shareholders

Insofar as is known to the directors of UCS, the following UCS shareholders (excluding directors and management) beneficially held, directly or indirectly, an interest of 5% or more of the UCS shares in issue at the last practicable date (per the annual financial statements at 30 September 2009):

Shareholder	Number of shares	Shareholding (%)
Rand Merchant Bank	33 858 006	11.91
Oasis Funds (on an aggregated basis)	30 894 534	10.86
Tactical Software Systems (Proprietary) Limited	27 011 196	9.50
	91 763 736	32.27

There has been no change in the controlling shareholders and trading objects of the Company in the last five years.

## 3. UNAUDITED *PRO FORMA* FINANCIAL EFFECTS OF THE RELATED PARTY TRANSACTION

The table below sets out the unaudited *pro forma* financial effects of the related party transaction on UCS for the 12 months ended 30 September 2009. The unaudited *pro forma* financial effects are presented for illustrative purposes only and, because of their nature, may not fairly present UCS's results or financial position, after the transaction. It has been assumed for purposes of the unaudited *pro forma* financial effects that the transaction took place with effect from 1 October 2008, for income statement purposes, and on 30 September 2009, for balance sheet purposes. The directors of UCS are responsible for the preparation of the unaudited *pro forma* financial effects.

Per UCS share (cents per share)	Before the transaction <sup>(1)</sup>	After the transaction <sup>(3)(4)</sup>	Percentage change
Basic earnings <sup>(2)</sup>	9.5	11.4	20.0
Headline earnings <sup>(2)</sup>	11.4	(1.1)	(109.6)
Net asset value	165.0	167.0	1.2
Tangible net asset value	53.5	41.5	(22.4)

**Notes:**

1. Based on the published audited annual results for the 12 months ended 30 September 2009.
2. Basic earnings per share and headline earnings per share are based on 290 147 342 shares, being the weighted average number of shares in issue during the 12 months ended 30 September 2009.
3. Included in the "After the transaction" earnings and headlines earnings are the following adjustments and related assumptions:
  - (a) The fair value adjustments of the Argility intangible assets, comprising the Active Retail and Argility Merchandising product suites and associated intellectual property, by R65.4 million to R44.4 million, respectively, for financial effects purposes on the basis the transaction is effective 1 October 2008, net of the deferred tax effect thereon.  
Based on Argility's audited results at 30 September 2009, which includes the amortisation and impairment of intangible assets of R24.5 million and R24.4 million, respectively, the fair value adjustment of the Argility intangible assets is estimated to be a loss of R24 million if the transaction was considered effective 30 September 2009. Consequently, the amortisation of the intangible assets, post the transaction, is estimated to be R9 million per annum.
  - (b) The realisation of a gain through profit and loss on the transaction of Argility totalling R42 million in accordance with International Financial Reporting Standards 3, Business Combinations ("IFRS 3");
  - (c) The reversal of the outsourced product development ("OPD") contract between Argility and UCS Software Manufacturing (Proprietary) Limited ("UCSSM") and the accounting for the product development expenditure incurred on the Argility product suites as research and development and/or development costs capitalised net of the margin earned by UCSSM on the OPD contract;
  - (d) The reversal of the outsourced finance, administration and treasury fee of R2.5 million for the year under review;
  - (e) The reversal of the cost of sales related to the license fees payable to Argility by UCS as distributor of Argility product against the revenue of Argility which amounted to R6.6 million for the year under review (i.e. 60% of the end user license fees in accordance with the Value Added Reseller arrangements);
  - (f) The reversal of the cost of sales related to the royalty fees payable to UCSSM by Argility in accordance with the OPD contract which amounted to R1.9 million for the year under review (i.e. 10% of the end user license fees on the products earned);
  - (g) The reversal of the amortisation on the products and associated intellectual property in Argility as a consequence of the fair value adjustment referred to in note (a) above;
  - (h) The reversal of the impairment on the products and associated intellectual property in Argility as a consequence of the fair value adjustment referred to in note (a) above;
  - (i) The reversal of the interest expense related to the loan payable to Argility by UCS which amounts to R1.3 million for the year under review;
  - (j) The investment income forfeited by UCS on the cash consideration for the acquisition at prevailing UCS call rates of 5.25%;
  - (k) The assumption that a deferred tax asset would not be raised on acquisition related to the accumulated estimated tax losses in Argility. The deferred tax effect of the estimated losses may be recognised in future when the utilisation of the estimated tax losses are considered probable; and
  - (l) In accordance with the revised IFRS 3 treatment, transaction costs of R1.0 million being expensed, which are once-off in nature.
4. The net asset value per share and tangible net asset value per share are based on the acquisition having been effected on 30 September 2009.

The reporting accountants' report from Deloitte & Touche on the *pro forma* financial effects, the *pro forma* income statement and *pro forma* statement of financial position is set out in Annexure 3 to this circular.

**4. EXPENSES**

The estimated costs of implementing the related party transaction from the date of issue of this circular are approximately R951 369 (costs are exclusive of VAT and disbursements) and include the following:

	<b>Rand</b>
Sponsor – Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited	320 000
Independent sponsor – Deloitte & Touche Sponsor Services (Pty) Limited	30 000
Independent professional expert – KPMG Services (Proprietary) Limited	145 000
Reporting accountants' and auditors – Deloitte & Touche	75 000
Attorneys – Glyn Marais Incorporated	300 000
JSE documentation fees	11 369
Printing and publishing	70 000
<b>Total</b>	<b>951 369</b>

**5. MATERIAL CHANGES**

Save for the related party transaction, there have been no material changes in the financial or trading position of the UCS Group since the announcement of its annual results for the 12 months ended 30 September 2009, released on SENS on 29 November 2009.

## 6. MATERIAL CONTRACTS

Other than as set out below, the UCS Group and Argility have not entered into, verbally or in writing, any material contract, either:

- within the last two years; or
- at any time which contains an obligation or settlement that is material to the UCS Group and Argility at the date of this circular.

<b>Details</b>	<b>Date of agreement</b>
The disposal by UCS Solutions Holdings (Proprietary) Limited of its entire 60% interest in TSS Managed Services (Proprietary) Limited to Tactical Software Systems (Proprietary) Limited	22 September 2009
The disposal by UCS Solutions (Proprietary) Limited (a wholly-owned subsidiary of UCS Solutions Holdings) of its Enterprise Solutions Business to HCL Axon (Proprietary) Limited as announced on 16 July 2009 and effective from 1 August 2009	16 July 2009
The acquisition of the business of Computer Software Consultants (Proprietary) Limited as a going concern by Destiny Electronic Commerce (Proprietary) Limited (a wholly owned subsidiary company of Computerkit Holdings (Proprietary) Limited (a wholly-owned subsidiary of UCS), as announced on 14 August 2008 and effective from 1 June 2008	23 July 2008

## 7. OPINIONS AND RECOMMENDATIONS

### 7.1 Opinion of the independent professional expert

As required in terms of Section 10.4(f) of the Listings Requirements, the board of directors appointed KPMG Services (Proprietary) Limited to provide a fairness opinion as to whether the terms and conditions of the related party transaction are fair to UCS shareholders. UCS shareholders are referred to the fair opinion letter contained in Annexure 1 to this circular and are encouraged to read it in its entirety.

### 7.2 Opinion of the UCS Board

An independent sub-committee of the board of directors comprising the following non-executive directors: Messrs P Terblanche, M Morojele and Ms V Chetty, none of whom hold any shares in Argility, was formed to consider the terms and conditions of the related party transaction.

The directors (excluding those directors who are related parties), taking into account the opinion furnished by KPMG Services (Proprietary) Limited and the recommendation by the independent sub-committee, is of the unanimous opinion that the terms and conditions of the transaction are fair to shareholders and, save for the directors who are related parties, intend voting in favour of the related party transaction, and furthermore recommend that shareholders vote in favour of the related party transaction at the general meeting.

## 8. DIRECTORS

### 8.1 Information on directors

The names, position, business addresses and principal activities of the executive and non-executive directors of UCS as at the last practicable date were as follows:

<b>Executive Directors</b>	<b>Position</b>	<b>Business address</b>	<b>Principal activities</b>
Duncan Coles (61)	Chairman	20th Floor 209 Smit Street Braamfontein, 2001	Chairman
John Bright (62)	Chief Executive Officer	20th Floor 209 Smit Street Braamfontein, 2001	Chief Executive Officer

<b>Executive Directors</b>	<b>Position</b>	<b>Business address</b>	<b>Principal activities</b>
Dean Sparrow (34)	Deputy Chief Executive Officer	20th Floor 209 Smit Street Braamfontein, 2001	Deputy Chief Executive Officer
Neil Michelson (51)	Commercial Director	20th Floor 209 Smit Street Braamfontein, 2001	Commercial Director
Josephine Fortuin (29)	Chief Financial Officer	20th Floor 209 Smit Street Braamfontein, 2001	Chief Financial Officer
<b>Non-executive Directors</b>	<b>Position</b>	<b>Business address</b>	<b>Principal activities</b>
Vani Chetty (39)	Independent Non-executive director	20th Floor 209 Smit Street Braamfontein, 2001	
Joseph Claassen (50)	Independent Non-executive director	20th Floor 209 Smit Street Braamfontein, 2001	Member Remuneration Committee
Adv Richard Goodman (52)	Independent Non-executive director	20th Floor 209 Smit Street Braamfontein, 2001	Member Audit Committee
Bryan Hattingh (53)	Non-executive director	20th Floor 209 Smit Street Braamfontein, 2001	Member Remuneration Committee
Mntungwa Morojele (51)	Independent Non-executive director	20th Floor 209 Smit Street Braamfontein, 2001	Chairman Audit Committee
Peter Terblanche (65)	Non-executive director	20th Floor 209 Smit Street Braamfontein, 2001	Chairman Remuneration Committee Member Audit Committee

## 8.2 Directors' service contracts

There are no service contracts between UCS and the non-executive directors of UCS. The employment contracts with the executive directors of UCS contain normal terms and conditions of employment and have not been entered into or amended during the period beginning six months prior to the date of this circular.

The employment contracts, which are available for inspection contain, *inter alia*, the following salient terms and conditions:

- the address, location and role of the individual;
- the duties of the executive;
- the remuneration of the individual;
- normal notice period of a minimum of one month;
- the conditions of early termination by UCS in an event of a director acting against the best interests of the Company;
- the conditions of suspension of employment and due process to be followed in case of a suspension; and
- provision for leave allowances and out-of-pocket expenses.

At the last practicable date, there is no person that has been identified or nominated as a proposed director of UCS. Accordingly, no service contracts with any proposed directors have been entered into.

### 8.3 Directors' interests in UCS ordinary shares

At 30 September 2009, the directors of UCS had the following interests in UCS ordinary shares:

Name	Direct beneficial ('000)	Indirect beneficial ('000)	Total ('000)	Percentage of issued share capital (%) <sup>1</sup>
<b>Executive directors</b>				
J D Bright	6 537	46 426	52 963	18.62
D F Coles	4 945	29 770	34 715	12.21
J P Fortuin	80	–	80	0.03
N A Michelson	–	4 684	4 684	1.65
D C Sparrow	500	1 676	2 176	0.77
<b>Total executive directors</b>	<b>12 062</b>	<b>82 556</b>	<b>94 618</b>	<b>33.28</b>
<b>Non-executive Directors</b>				
V Chetty	59	–	59	0.02
J R Claassen	50	–	50	0.02
R G Goodman	80	–	80	0.03
B P Hattingh	–	75	75	0.03
<b>Total non-executive directors</b>	<b>189</b>	<b>75</b>	<b>264</b>	<b>0.10</b>
<b>Total</b>	<b>12 251</b>	<b>82 631</b>	<b>94 882</b>	<b>33.36</b>

**Note 1:** Net of treasury shares.

### 8.4 Directors' interests in the related party transaction

None of the directors had any material beneficial interests in any transaction which is or was unusual in its nature or conditions, or material to the business of UCS, and that was effected during the current or immediately preceding financial year, which remains in any respect outstanding or unperformed.

## 9. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given in paragraph 8.1 above, collectively and individually, accept full responsibility for the accuracy of the information given relating to the UCS Group and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this circular contains all information required by the Listings Requirements.

## 10. LITIGATION STATEMENT

As far as the directors are aware, there are no legal or arbitration proceedings against UCS and/or its subsidiaries, or Argility or its subsidiaries, nor, are there any legal or arbitration proceedings pending or threatened against UCS and its subsidiaries, or Argility or its subsidiaries, which may have, or have had, in the past 12 months preceding the date of this circular, a material effect on the Group's financial position, other than a claim in respect of a contractual relationship in place at a subsidiary company level, as disclosed in note 25 of the annual financial statements of UCS for the year ended 30 September 2008. A provision of R1 000 000 was raised at the 2008 financial year-end which represents management's assessment of the likely outcome of the dispute which may differ to the final outcome.

## 11. CONSENTS

Each of the sponsor, independent sponsor, attorneys, independent reporting accountants and auditors and independent professional expert have consented in writing to act in the capacity stated and to their names being stated in this circular and have not withdrawn their consent prior to the publication of this circular.

## 12. NOTICE OF UCS GENERAL MEETING

A general meeting of UCS shareholders has been convened and will be held at 15:00 at the registered office of UCS, being 20th Floor, 209 Smit Street, Braamfontein, Johannesburg, 2001, on Monday, 12 April 2010 for the purpose of considering and, if deemed fit, passing, with or without modification, the requisite ordinary resolutions which are contained in the notice of the general meeting, attached to this circular.

Any certificated shareholder or "own name" dematerialised shareholder who is unable to attend the general meeting, but wishes to vote by proxy at the UCS general meeting, is required to complete and return the attached form of proxy (*blue*) in accordance with the instructions contained therein. Duly completed forms of proxy must be received by the transfer secretaries by no later than 15:00 on Thursday, 8 April 2010.

Dematerialised shareholders, other than "own name" dematerialised shareholders, who wish to attend the general meeting, must inform their CSDP or broker of their intention to attend the general meeting and obtain the necessary Letter of Representation from their CSDP or broker to permit them to attend the general meeting. Alternatively, they may provide their CSDP or broker with their voting instructions should they not be able to attend the general meeting, but wish to be represented thereat.

### **13. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of UCS from Monday, 29 March 2010, up to and including Monday, 12 April 2010:

- the memorandum and articles of association of UCS;
- the material contracts entered into by UCS and Argility outlined in paragraph 6 above;
- the published audited financial statements of UCS for the three financial years ended 30 September 2007, 30 September 2008 and 30 September 2009;
- the published audited financial statements of Argility for the two financial years ended 30 September 2008 and 30 September 2009;
- copies of directors' service contracts as per paragraph 8.2 above;
- reporting accountants' report on the *pro forma* financial information, as reproduced in Annexure 3 hereto;
- the independent accountants' review report on the 2009 financial information of Argility, as reproduced in Annexure 4 hereto;
- the independent expert's fairness opinion as reproduced in Annexure 1 hereto;
- consent letters; and
- a signed copy of this related party circular and the scheme circular.

Signed in Johannesburg on Saturday, 27 March 2010 on behalf of the directors in terms of a directors' resolution.

#### **UCS GROUP LIMITED**

**Duncan Coles**  
*Chairman*

27 March 2010

**John Bright**  
*Chief Executive Officer*

27 March 2010

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## FAIRNESS OPINION BY INDEPENDENT PROFESSIONAL EXPERT

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The Directors  
UCS Group Limited  
20th Floor  
209 Smit Street  
Braamfontein  
2017

23 March 2010

Dear Sirs

### **REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT IN RESPECT OF THE PROPOSED ACQUISITION, BY UCS GROUP LIMITED (“UCS” OR “THE GROUP”), OF THE ISSUED SHARE CAPITAL OF ARGILITY LIMITED (“ARGILITY”) NOT ALREADY HELD BY UCS**

#### **Introduction**

In an announcement published by UCS on 15 March 2010, shareholders were advised that UCS has proposed a scheme of arrangement in terms of section 311 of the Companies Act (No. 61 of 1973), between UCS, Argility and the Argility shareholders excluding any Argility shares already owned by the Group, in terms of which UCS will acquire all of Argility’s shares held by the scheme participants on the consideration record date for a cash consideration with effect from, on or about, 1 May 2010. The cash consideration offered to scheme participants is R1.55 per scheme share.

Full details of the transaction are contained in the circular to UCS shareholders (“the circular”) to be dated on or about 26 March 2010, which will include a copy of this letter.

(The terms “scheme participant” and “scheme shares” are used as defined in the circular.)

#### **Scope**

Mr John Bright, Mr Duncan Coles, Rand Merchant Bank and Oasis Funds currently hold (either directly or indirectly) 10% or more of the issued share capital of UCS and Argility. Additionally, Mr John Bright and Ms Josephine Fortuin are directors in UCS and in Argility. Due to these aspects, the transaction is classified as a related party transaction in terms of the JSE Limited Listings Requirements.

Consequently, in accordance with Section 10.4(f) of the JSE Limited Listings Requirements, in the circular to shareholders UCS must include a statement by the board of directors confirming whether the transaction is fair insofar as the shareholders of the issuer (UCS) are concerned, and that the board of directors has been so advised by an independent expert acceptable to the JSE Limited.

KPMG Services (Proprietary) Limited (“KPMG”) has been appointed by the UCS Board as the independent professional expert to advise on whether the terms and conditions of the transaction are fair to the shareholders of UCS.

#### **Responsibility**

The compliance with the JSE Limited Listings Requirements is the responsibility of the UCS Board. Our responsibility is to report on the terms and conditions of the proposed transaction.

#### **Definition of the terms “fair”**

A transaction will generally be considered fair to a company’s shareholders if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the shareholders.

The assessment of fairness is primarily based on quantitative issues. This transaction may be considered fair if the consideration envisaged to be paid by the UCS shareholders in terms of the offer to Argility is considered to be equal to or less than the fair value of the acquired Argility share capital.

Our opinion relates only to the fairness of the offer.

## **Information utilised and procedures performed**

In arriving at our opinion we have undertaken the following procedures in evaluating the fairness of the transaction:

- obtained an understanding of the rationale, structure, terms and conditions of the offer. In this regard we also considered:
  - the value attributed to Argility at the time of unbundling from UCS in 2007;
  - the market outlook and business plans prepared by Argility management in 2007 and presently;
  - the product development investment undertaken by Argility since its unbundling from UCS; and
  - the financial position of Argility at 28 February 2010;
- considered the audited financial statements of Argility for the 18 month period ended 30 September 2008;
- considered the unaudited management accounts of Argility for the 12 months ended 30 September 2009 and for the 5 months ended 28 February 2010;
- held discussions with the directors and management of Argility to establish its strategy, business outlook and considered such other matters as we consider necessary;
- held discussions with the directors of Argility on the prevailing market, economic and other conditions which may affect underlying value;
- reviewed the management forecast financial model (“the financial model”) in respect of Argility for the years ending 30 September 2010 to 2014 and the basis of the assumptions therein including the prospects of the business. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management;
- reviewed the reasonableness of material assumptions in the financial model relating to revenue growth, operating margins, capital expenditure and working capital;
- based on the above, performed a valuation of the Argility shares. The discounted cash flow approach was the primary valuation methodology employed. Additionally, sensitivity analyses were performed considering key assumptions in arriving at a valuation range. Key value drivers identified included growth in revenue (which is determined by the number of channel partners and the number and value of deals sold per channel partner), exchange rates, operating margins and the discount rate; and
- considered any other anticipated effects of the offer to the extent that they represent additional net quantifiable benefits to the shareholders.

## **Opinion**

KPMG has considered the terms and conditions of the proposed transaction and, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the transaction are fair to the UCS shareholders.

Our opinion is necessarily based upon the information available to us up to 19 March 2010, including in respect of the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all suspensive conditions, including any material regulatory, other approvals and consents required in connection with the proposed transaction have been or will be timeously fulfilled and/or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

## **Limiting conditions**

This opinion is provided to the UCS Board in connection with and for the purposes of the proposed transaction. This opinion is prepared solely for the UCS Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights. This opinion does not purport to cater for each individual shareholder’s perspective, but rather that of the general body of UCS shareholders. Should a UCS shareholder be in doubt as to what action to take, he or she should consult an independent advisor.

An individual UCS shareholder’s decision as to whether to vote in favour of any transaction may be influenced by his or her particular circumstances. The assessment as to whether or not the UCS Board decides to recommend the transaction is a decision that can only be taken by the UCS Board.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practicable, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management of Argility, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

Where relevant, the forecasts of Argility relate to future events and are based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Argility will correspond to those projected. Where practicable, we compared the forecast financial information to past trends and third party estimates as well as discussing the assumptions inherent therein with the management of Argility. On the basis of these enquiries and such other procedures we consider appropriate to the circumstances, we believe that the forecasts have been prepared with due care and consideration.

We have also assumed that the transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisors of UCS and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the transaction will be legally enforceable.

### **Independence**

In terms of Schedule 5.1(a) of the JSE Limited Listings Requirements, we confirm that we have no direct or indirect interest in UCS shares or the proposed transaction.

Furthermore, we confirm that our professional fees are not contingent upon the success of the proposed transaction.

### **Consent**

We consent to the inclusion of this letter and the reference to our opinion in the circular to be issued to the shareholders of UCS in the form and context in which it appears.

Yours faithfully

### **Neeraj Shah**

*Director – Corporate Finance*

KPMG Services (Proprietary) Limited  
KPMG Crescent  
85 Empire Road  
Parktown  
2193

## PRO FORMA FINANCIAL INFORMATION

Based on an extract of the published consolidated audited financial statements of UCS for the year ended 30 September 2009, the unaudited *pro forma* financial information of the transaction is set out below.

The Argility *pro forma* income statement and statement of financial position below is an extract from the published consolidated financial statements of Argility for the year ended 30 September 2009, audited by the registered auditor of Argility, Kaplan and Kaplan. The reporting accountants, Deloitte & Touche, have performed a review on the aforementioned financial statements and their unmodified review report is included in Annexure 4.

This unaudited *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, may not fairly present UCS's financial position, changes in equity, results of operations or cash flows after the related party transaction. The unaudited *pro forma* financial information is the responsibility of UCS's directors. It has been assumed for purposes of the unaudited *pro forma* financial information that the transaction took place with effect from 1 October 2008 for income statement purposes, and on 30 September 2009 for balance sheet purposes.

### Pro forma income statement

	UCS Audited 30/09/2009 R'000	Argility Audited 30/09/2009 R'000	Aggregated R'000	Pro forma adjustments R'000	Notes	Pro forma income statement R'000
<b>Total revenue</b>	1 498 787	10 676	1 509 463	(20 236)	2(a-d)	1 489 227
<b>CONTINUING OPERATIONS</b>						
<b>Revenue</b>	1 247 616	10 676	1 258 292	(20 236)	2(a-d)	1 238 056
<b>Profit/(loss) from operations before interest, amortisation, depreciation, impairments, foreign exchange loss and research and development expenditure</b>	161 464	(13 529)	147 935	(2 852)	2(e-f)	145 083
Amortisation of intangible assets	(28 295)	(24 548)	(52 843)	16 350	2(g)	(36 493)
Gain on bargain purchase	-	-	-	42 022	2(h)	42 022
Depreciation of property plant and equipment (including rental equipment)	(40 948)	(101)	(41 049)			(41 049)
Foreign exchange losses	(11 564)	(3 609)	(15 173)	-		(15 173)
Impairment of intangible assets (including goodwill)	(8 027)	(24 429)	(32 456)	24 429	2(i)	(8 027)
Research and development expenditure	(7 278)	(3 244)	(10 522)	739	2(j)	(9 783)
<b>Profit before net finance charges and taxation</b>	65 352	(69 460)	(4 108)	80 688		76 580
Net finance charges	(18 263)	1 257	(17 006)	(2 275)		(19 281)
Finance charges	(23 125)	-	(23 125)	1 257	2(k)	(21 868)
Investment revenues	4 862	1 257	6 119	(3 532)	2(k-l)	2 587
<b>Profit before tax</b>	47 089	(68 203)	(21 114)	78 413		57 299
Tax	(32 216)	-	(32 216)	(4 578)		(36 794)
Current	(33 316)	-	(33 316)	-		(33 316)
Deferred	1 100	-	1 100	(4 578)	2(m)	(3 478)
<b>Profit for the year from continuing operations</b>	<b>14 873</b>	<b>(68 203)</b>	<b>(53 330)</b>	<b>73 835</b>		<b>20 505</b>
<b>Discontinued operations</b>						
Profit for the year from discontinued operations	25 698	-	25 698	-		25 698
<b>Profit for the year</b>	<b>40 571</b>	<b>(68 203)</b>	<b>(27 632)</b>	<b>73 835</b>		<b>46 203</b>
<i>Attributable to:</i>						
Owners of the Company	27 446	(68 203)	(40 757)	73 835		33 078
Non-controlling interests	13 125	-	13 125	-		13 125
	<b>40 571</b>	<b>(68 203)</b>	<b>(27 632)</b>	<b>73 835</b>		<b>46 203</b>
Basic earnings per share (cents)	9.5					11.4
Headline earnings per share (cents)	11.4					(1.1)
Weighted average number of shares in issue ('000)	290 147					290 147

**Notes to the pro forma income statement:**

The following adjustments have been made in the calculation of the *pro forma* income statement and the effect on earnings per share and headline earnings per share:

1. The *pro forma* income statement takes into account the audited income statements for UCS and Argility for the 12 months ended 30 September 2009.

	<b>R'000</b>
2. The calculations take into account:	
(a) The reversal of the revenue in UCSSM relating to the outsourced product development contract with Argility	(9 503)
(b) The reversal of the outsourced finance administration and treasury fee payable by Argility to UCS	(2 500)
(c) The reversal of the cost of sales related to the license fees payable to Argility by UCS as distributor of Argility product against the revenue of Argility (i.e. 60% of the end user license fees)	(6 642)
(d) The reversal of the cost of sales related to the royalty fees payable to UCSSM by Argility in accordance with the OPD contract (i.e. 10% of the end user license fees)	(1 591)
<b>Total adjustment to revenue</b>	<b>(20 236)</b>
(e) The reversal of the outsourced product development contract between Argility and UCSSM and the accounting for the product development expenditure incurred on the Argility product suites as research and development and development costs capitalised, net of the margin earned by UCSSM on the OPD contract	(1 901)
(f) Estimated transaction fees, which are once-off in nature	(951)
<b>Total adjustment to profit from operations before interest, amortisation, depreciation, impairments, foreign exchange loss and research and development expenditure</b>	<b>(2 852)</b>
(g) The reversal of the amortisation on the products and associated intellectual property in Argility as a consequence of the fair value adjustment on acquisition of Argility intangible assets and associated intellectual property	16 350
(h) The realisation of the gain through profit and loss on acquisition of Argility in accordance with IFRS 3	42 022
(i) The reversal of the impairment on the products and associated intellectual property in Argility as a consequence of the fair value adjustment referred to above	24 429
(j) The reversal of the outsourced product development contract between Argility and UCSSM and the accounting for the product development expenditure incurred on the Argility product suites as research and development and development costs capitalised, net of the margin earned by UCSSM on the OPD contract	739
(k) The reversal of the interest expense related to the loan payable to Argility by UCS for the year under review	1 257
(l) The investment income forfeited by UCS on the cash consideration for the acquisition at prevailing UCS call rates of 5.25%	(2 275)
<b>Total adjustment to investment revenues</b>	<b>(3 532)</b>
(m) The deferred tax effect of the reversal of the amortisation on the products and associated intellectual property in Argility as a consequence of the fair value adjustment referred in note (g) above	(4 578)

**Reconciliation of earnings per share to headline earnings per share:**

	<b>Before the transaction</b>	<b>Argility and pro forma adjustments</b>	<b>After the transaction</b>
Basic earnings per share (cents)	9.5	1.9	11.4
Goodwill impairments	8.9	–	8.9
Impairment of intangible assets	0.5	–	0.5
Gain on acquisition of Argility	–	(14.5)	(14.5)
Profit on disposal of division	(9.0)	–	(9.0)
Profit on disposal of equity in subsidiary	1.7	–	1.7
Profit on disposal of property, plant and equipment	(0.1)	–	(0.1)
<b>Basic headline earnings per share (cents)</b>	<b>11.5</b>	<b>(12.6)</b>	<b>(1.1)</b>

## Pro forma statement of financial position

	UCS Audited 30/09/2009 R'000	Argility Audited 30/09/2009 R'000	Aggregated R'000	Pro forma adjustments R'000	Notes	Pro forma statement of financial position R'000
<b>ASSETS</b>						
<b>Non-current assets</b>	456 780	64 370	521 150	(17 988)		503 162
Property plant and equipment (including rental equipment)	89 775	165	89 940			89 940
Intangible assets	79 479	64 205	143 684	(24 349)	2(a)	119 335
Goodwill	237 974	–	237 974			237 974
Investments and loans receivable	9 989	–	9 989	(457)	2(b)	9 532
Deferred tax assets	36 141	–	36 141	6 818	2(c)	42 959
Finance lease receivables	3 422	–	3 422			3 422
<b>Current assets</b>	522 534	9 018	531 552	(54 301)		477 251
Inventories	47 660	–	47 660			47 660
Trade and other receivables	181 962	7 429	189 391	(10 972)	2(d)	178 419
Finance lease receivables	2 723	–	2 723			2 723
Current tax assets	3 203	–	3 203			3 203
Cash and bank balances	177 764	1 589	179 353	(43 329)	2(e)	136 024
Assets classified as held for sale	109 222	–	109 222			109 222
<b>Total assets</b>	<b>979 314</b>	<b>73 388</b>	<b>1 052 702</b>	<b>(72 289)</b>		<b>980 413</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Capital and reserves</b>	497 639	67 953	565 592	(62 269)		503 323
Issued capital	31 763	163 672	195 435	(163 672)		31 763
Reserves	17 322	3 293	20 615	(3 293)		17 322
Retained earnings	420 217	(99 012)	321 205	104 696		425 901
Equity attributable to owners of the Company	469 302	67 953	537 255	(62 269)	2(e)	474 986
Non-controlling interests	28 337	–	28 337	–		28 337
<b>Non-current liabilities</b>	136 102	–	136 102	–		136 102
Borrowings	104 530	–	104 530	–		104 530
Deferred tax liabilities	9 572	–	9 572	–		9 572
Deferred revenue	22 000	–	22 000	–		22 000
<b>Current liabilities</b>	345 573	5 435	351 008	(10 020)		340 988
Trade and other payables	215 742	5 435	221 177	(4 119)	2(d)	217 058
Borrowings	75 008	–	75 008	(5 901)	2(d)	69 107
Current tax liabilities	2 317	–	2 317	–		2 317
Deferred revenue	17 297	–	17 297	–		17 297
Liabilities classified as held for sale	35 209	–	35 209	–		35 209
<b>Total equity and liabilities</b>	<b>979 314</b>	<b>73 388</b>	<b>1 052 702</b>	<b>(72 289)</b>		<b>980 413</b>
Net asset value per share (cents)	165.0					167.0
Net tangible asset value per share (cents)	53.5					41.5
Ordinary shares in issue net of treasury shares held ('000)	284 391					284 391

### Notes to the pro forma statement of financial position:

The following adjustments have been made in the calculation of the pro forma statement of financial position and the net asset value and net tangible asset value in the financial effects:

- The pro forma statement of financial position takes into account the audited statements of financial position of UCS and Argility for the twelve months ended 30 September 2009.
- The calculations take into account:
  - The reduction of intangible assets as a consequence of the fair value adjustment on acquisition of Argility intangible assets
  - The elimination of the investment in Argility held by UCS and its subsidiaries at 30 September 2009
  - The deferred tax associated with the fair value adjustment of Argility intangible assets and associated intellectual property referred in (a) above
  - The elimination of inter-company loan, debtors and creditors balances at the financial year-end
  - The net effect of equity attributable to owners of the Company is reconciled as follows:

	<b>R'000</b>
– the reversal of Argility share capital, share premium and reserves on acquisition	(67 953)
– the realisation of the gain through profit and loss on acquisition of Argility in accordance with IFRS	6 635
– estimated transaction fees, which are once-off in nature	(951)
	<b>(62 269)</b>

(62 269)

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## REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION

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The Directors  
UCS Group Limited  
20th Floor  
209 Smit Street  
Johannesburg  
2001

Dear Sirs

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF UCS GROUP LIMITED

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out on paragraph 3 and Annexure 2 to the circular on or about 26 March 2010 issued in connection with the related party acquisition of all of the Argility shares held by the scheme participants on the scheme consideration record date by means of a scheme of arrangement that is the subject of the circular of UCS Group Limited. The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the related party acquisition might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* statement of financial position being reported on.

#### Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of UCS Group Limited; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

#### Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to UCS Group Limited's shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Guide on Pro Forma Financial Information* issued by SAICA.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

#### Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of UCS Group Limited (the issuer), considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the Company in respect of the corporate actions that are the subject of this circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of UCS Group Limited and other information from various public, financial and industry sources. The offer price by UCS Group Limited to shareholders of Argility Limited was relied on in assessing the accounting for the transaction.

While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing or International Standards on Review Engagements* and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and, appropriate to provide a basis for our conclusion.

### **Conclusion**

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of the Sections 8.17 to 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of UCS Group Limited; and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

### **Consent**

We consent to the inclusion of this report, which will form part of the circular, to be issued on or about 26 March 2010, in the form and context in which it will appear.

### **Deloitte & Touche**

*Registered Auditors*  
Per B L Escott  
*Partner*

### **Deloitte & Touche**

Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead  
2196

23 March 2010

National Executive: G G Gelink Chief Executive, A E Swiegers Chief Operating Officer, G M Pinnock Audit, D L Kennedy Tax, Legal and Risk Advisory, L Geeringh Consulting, L Bam Corporate Finance, C R Beukman Finance, T J Brown Clients & Markets, N T Mtoba Chairman of the Board, CR Qually Deputy Chairman of the Board

A full list of partners and directors is available on request."

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## **INDEPENDENT REPORTING ACCOUNTANTS' REVIEW REPORT ON THE 2009 FINANCIAL INFORMATION**

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"The Directors  
UCS Group Limited  
20th Floor  
209 Smit Street  
Johannesburg  
2001

Dear Sirs

### **REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE 2009 FINANCIAL INFORMATION OF ARGILITY LIMITED, REPORTED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

#### **Introduction**

At your request and for the purposes of the circular to UCS Group Limited ("UCS") shareholders, to be dated on or about 26 March 2010, we present our report on the 2009 financial information in respect of the acquisition of the entire issued share capital of Argility Limited ("Argility"), in compliance with the Listings Requirements of the JSE Limited ("JSE").

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the historical financial information for the year ended 30 September 2009.

#### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2400, applicable to the review of Financial Information. This standard requires that we plan and perform the review to obtain moderate assurance that the historical financial information for the year ended 30 September 2009, presented in terms of International Financial Reporting Standards, is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and this provides less assurance than an audit. We have not performed an audit of the abovementioned historical financial information and, accordingly, we do not express an audit opinion thereon. Furthermore, our review does not extend to the comparative period and hence we have not performed an audit or a review on the comparative financial information and, accordingly, we do not express an audit or review opinion thereon.

#### **Review opinion**

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information of Argility for the year ended 30 September 2009 is not fairly presented, in all material respects, in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

**Consent**

We consent to the inclusion of this report, which will form part of the circular to shareholders of UCS, to be issued on or about 26 March 2010, in the form and context in which it appears.

Yours faithfully

**Deloitte & Touche**  
*Registered Auditors*  
Per B L Escott  
*Partner*

**Deloitte & Touche**  
Deloitte Place  
The Woodlands  
Woodlands Drive  
Woodmead  
2196

23 March 2010

National Executive: G G Gelink Chief Executive, A E Swiegers Chief Operating Officer, G M Pinnock Audit, D L Kennedy Tax, Legal and Risk Advisory, L Geeringh Consulting, L Bam Corporate Finance, C R Beukman Finance, T J Brown Clients & Markets, N T Mtoba Chairman of the Board, CR Qually Deputy Chairman of the Board

A full list of partners and directors is available on request"



## UCS Group Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1993/002253/06)  
JSE code: UCS ISIN: ZAE000016150  
("UCS" or "the Company")

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## NOTICE OF GENERAL MEETING

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Notice is hereby given that a general meeting of shareholders of UCS will be held at 15:00 on Monday, 12 April 2010, at the registered office of UCS, being 20th Floor, 209 Smit Street, Johannesburg, 2001, for the purpose of considering, and if deemed fit, passing, with or without modification, the following ordinary resolutions:

### ORDINARY RESOLUTION NUMBER 1

"Resolved that, as required by the provisions of the Listings Requirements, the shareholders of UCS hereby approve, as a related party transaction, the acquisition by UCS, by way of a scheme of arrangement in terms of section 311 of the Companies Act, No 61 of 1973 (as amended) ("the Act") or, if the scheme does not become operative or is not implemented and, at the election of the directors of UCS, an offer in terms of section 440 of the Act, and as described in the circular to which this notice is attached, of all of the issued ordinary shares in Argility, other than those already owned by UCS and its subsidiaries, by means of a scheme of arrangement or a section 440 offer, as the case may be, for a consideration of R1.55 per Argility share, whereafter, if successful, UCS and its subsidiaries will be the owner of the entire issued ordinary share capital of Argility."

The votes of the related parties and their associates will be taken into account in determining the quorum at the general meeting, but will not be taken into account in determining the results of the voting at such meeting in relation to ordinary resolution number 1 as contained in this circular.

### ORDINARY RESOLUTION NUMBER 2

"Resolved that any and all directors of the Company be and are hereby authorised to take all such steps and sign all such documents as are necessary to give effect to ordinary resolution number 1 and that all such steps and signature of documents by any director of the Company as have already taken place pertaining to the matters contemplated in such ordinary resolution is hereby ratified and approved."

### VOTING AND PROXIES

On a show of hands, each shareholder of the Company who, being a natural person, is present in person or by proxy or, being a company (or other juristic person), is represented by a duly authorised representative at the general meeting, is entitled to one vote on a show of hands, irrespective of the number of UCS shares he/she holds or represents, provided that a proxy shall, irrespective of the number of shareholders he/she represents, have only one vote. On a poll, a shareholder who is present in person or represented by proxy (if a natural person) or represented (if a juristic person) at the general meeting shall be entitled to that number of votes which is equal to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the UCS shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the Company.

Each ordinary shareholder of the Company who is entitled to attend and vote at the general meeting may appoint one or more proxies as alternates (none of whom needs to be a shareholder of the Company), to attend, speak and vote in his/her stead. The completion and lodging of a form of proxy will not preclude a shareholder from attending, speaking and voting to the exclusion of the proxy so appointed.

A form of proxy (*blue*) is attached for use by certificated shareholders and "own name" dematerialised shareholders who are unable to attend the general meeting but who wish to be represented thereat. Duly completed forms of proxy must be received by the transfer secretaries of the Company, Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001, (PO Box 4844, Johannesburg, 2000) by no later than 15:00 on Thursday, 8 April 2010.

Dematerialised shareholders, other than “own name” dematerialised shareholders, who wish to attend the general meeting, must instruct their Central Securities Depository Participant (“CSDP”) or broker to issue them with the necessary Letter of Representation to attend. Should dematerialised shareholders, other than “own name” dematerialised shareholders, be unable to attend the general meeting in person, but wish to vote by proxy, they must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or broker.

By order of the board of directors

**Corporate Governance CC**  
*Chartered Secretaries*  
**Company Secretary to UCS Group Limited**

Johannesburg  
27 March 2010

**Registered office**

20th Floor  
209 Smit Street  
Johannesburg, 2001  
(PO Box 31266, Braamfontein, 2017)

**Transfer secretaries**

Link Market Services South Africa (Proprietary) Limited  
11 Diagonal Street  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)



## UCS Group Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1993/002253/06)  
JSE code: UCS ISIN: ZAE000016150  
("UCS" or "the Company")

### FORM OF PROXY

#### FOR USE BY CERTIFICATED AND "OWN NAME" DEMATERIALIZED ORDINARY SHAREHOLDERS ONLY

A certificated or own name dematerialised UCS ordinary shareholder entitled to attend and vote at the general meeting to be held at the registered office of UCS on Monday, 12 April 2010 is entitled to appoint a proxy, or proxies, to attend, speak and vote thereat in his/her stead. A proxy need not be a shareholder of the Company. All forms of proxy must be lodged with the transfer secretaries of the Company (Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 15:00 on Thursday, 8 April 2010.

Dematerialised shareholders who wish to attend the general meeting or vote by way of proxy must contact their Central Securities Depository Participant ("CSDP") or broker who will provide them with the necessary Letter of Representation to vote or carry out their instructions. This must be effected in terms of the custody agreement entered into between the shareholder and the CSDP or broker.

I/We (NAME IN FULL – IN BLOCK LETTERS)

of (address)

being the holder(s) of:  ordinary shares in the Company, hereby appoint (see note 1):

1.  or failing him/her,
2.  or failing him/her,
3. the chairman of the general meeting,

as my/ our proxy to act for me/ us on my/our behalf at the general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for or against the said resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name(s), in accordance with the following instructions (see note 2):

	For	Against	Abstain
<b>Ordinary resolution number 1</b> Ratify and approve related party transaction			
<b>Ordinary resolution number 2</b> Allowing any or all of the directors to do all such things and to sign all such documents as may be necessary to implement ordinary resolution number 1			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote (see note 2).

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2010

Signature \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and, on a poll, vote in place of that member at the general meeting.

**Please read the notes on the reverse side of this form of proxy.**

**Notes:**

1. A shareholder is entitled to appoint one or more proxies to attend, speak and vote in the place of that shareholder at the general meeting. A proxy need not be a shareholder of UCS. A shareholder may therefore insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the general meeting". The person whose name stands first on this form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary resolutions at the general meeting, or any other proxy to vote or abstain from voting at the general meeting as he/she deems fit, in respect of the shareholder's total holding.
3. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
4. Every shareholder present in person or by proxy and entitled to vote shall, on a show of hands, have only one vote and, upon a poll, every shareholder shall have one vote for every ordinary share held.
5. The chairman of the general meeting may accept or reject any form of proxy not completed and/or received in accordance with these notes or with the articles of association of UCS.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by UCS or its transfer secretaries or waived by the chairman of the general meeting.
8. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by UCS or its transfer secretaries or waived by the chairman of the general meeting.
9. Where shares are held jointly, all joint holders are required to sign this form of proxy.
10. His/Her parent or guardian must assist a minor, unless the relevant documents establishing his/her legal capacity are produced or have been registered by UCS or its transfer secretaries.
11. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or posted to the transfer secretaries of UCS at Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 15:00 on Thursday, 8 April 2010.