

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action to take, you should consult your broker, banker, attorney, accountant or other appropriate professional advisor immediately.

The definitions and interpretation set out in Annexure 1 to this circular apply, *mutatis mutandis*, to this entire document (but not to the scheme of arrangement commencing on page 13, the Order of Court, the notice of scheme meeting and form of proxy (pink) attached hereto, which contain their own separate definitions).

### Action required

If you have disposed of all your Argility shares, please forward this circular to the purchaser of such shares or to the broker, banker, or other agent through whom you disposed of such shares.

The action required by Argility shareholders is set out in the section on page 6 of this circular.

# ARGILITY

## Argility Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2007/010401/06)

# UCS

## UCS Group Limited

## UCS Group Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1993/002253/06)

## CIRCULAR TO ARGILITY SHAREHOLDERS

relating to:

**a scheme of arrangement in terms of section 311 of the Companies Act, proposed by UCS between Argility and the shareholders of Argility, other than UCS and/or any of its subsidiaries, in terms of which UCS will acquire all of Argility's issued shares held by the scheme participants on the consideration record date for a cash consideration of R1.55 per scheme share,**

and incorporating:

- **an explanatory statement in terms of section 312(1)(a)(i) of the Companies Act, explaining the provisions and effect of the scheme (green);**
- **the provisions of the scheme in terms of section 311 of the Companies Act (yellow);**
- **the Order of Court convening the scheme meeting (yellow);**
- **a valuation statement in terms of section 312(1)(a)(ii) of the Companies Act;**
- **a statement of directors' interests in terms of section 312(1)(a)(iii) of the Companies Act;**
- **additional information required by the SRP;**
- **a conditional substitute offer which may only become effective, at the election of UCS, if the scheme is not implemented in accordance with its terms;**
- **the notice of the scheme meeting (yellow);**
- **a form of proxy (pink) in respect of the scheme meeting; and**
- **a form of surrender and substitute offer acceptance form (blue).**

### Independent expert to Argility

BARNARD  
JACOBS  
MELLET

Corporate Finance

### Attorneys

GLYN MARAIS  
In association with DentonWildeSapte...

### Sponsor to UCS

BARNARD  
JACOBS  
MELLET

Corporate Finance

### Auditors to Argility

KK  
CHARTERED ACCOUNTANTS

KAPLAN & KAPLAN  
Chartered Accountants (SA)

### Independent sponsor to UCS

Deloitte.

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

Date of issue: 1 April 2010

This circular is available in English only. Copies of this circular may be obtained from the registered office of Argility, the sponsor and the transfer secretaries whose addresses are set out in the "Corporate Information and Advisors" section on the inside front cover of this circular.

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## CORPORATE INFORMATION AND ADVISORS

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### Group secretary and registered office to Argility

J P Fortuin  
28th Floor, 209 Smit Street  
Braamfontein  
Johannesburg, 2001  
(PO Box 31266, Braamfontein, 2017)

### Independent expert to Argility

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)

### Attorneys

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

### Auditors to Argility

Kaplan & Kaplan  
(IRBA Practice number 954675)  
65 Fifth Avenue  
Highlands North  
Johannesburg, 2192  
(PO Box 64188, Highlands North, Sandton, 2192)

This circular is divided into **three** main sections:

### Section I

The **first** section contains general and introductory information providing the salient features of the scheme, the salient dates and times of the scheme and the action required by Argility shareholders.

### Section II

The **second** section contains documents relating to the scheme, including:

- an explanatory statement in terms of section 312(1)(a)(i) of the Companies Act, explaining the provisions and effect of the scheme (*green*);
- the provisions of the scheme in terms of section 311 of the Companies Act (*yellow*);
- the Order of Court convening the scheme meeting (*yellow*);
- a valuation statement in terms of section 312(1)(a)(ii) of the Companies Act; and
- a statement of directors' interests in terms of section 312(1)(a)(iii) of the Companies Act.

### Section III

The **third** section contains additional information required by the SRP in respect of the scheme.

Attached at the end of this circular are:

- the terms and conditions of the substitute offer;
- the notice of the scheme meeting (*yellow*);
- a form of proxy (*pink*) for the scheme meeting; and
- a form of surrender and substitute offer acceptance form (*blue*).

### Transfer secretaries

Link Market Services South Africa  
(Proprietary) Limited  
(Registration number 2000/007239/07)  
16th Floor, 11 Diagonal Street  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

### Independent sponsor to UCS

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)

### Sponsor to UCS

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)

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<b>FORM OF PROXY FOR THE SCHEME MEETING (pink)</b>	Attached
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<b>FORM OF SURRENDER AND SUBSTITUTE OFFER ACCEPTANCE (blue)</b>	Attached
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## SECTION I - GENERAL AND INTRODUCTORY

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### SALIENT FEATURES

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This summary contains the salient features of the scheme detailed in this circular, which circular should be read in its entirety for a full appreciation hereof.

The definitions and interpretation set out in Annexure 1 to this circular apply, *mutatis mutandis*, to this section.

#### 1. INTRODUCTION

- 1.1 As published in the press on 16 March 2010, UCS will propose a scheme of arrangement in terms of section 311 of the Companies Act between Argility and the shareholders of Argility, other than UCS and/or any of its subsidiaries, in terms of which UCS will acquire all of Argility's issued shares held by the scheme participants on the consideration record date for a cash consideration of R1.55 per scheme share.
- 1.2 The purpose of this circular is to:
  - 1.2.1 provide shareholders with details of the scheme;
  - 1.2.2 convene the scheme meeting; and
  - 1.2.3 provide scheme members with sufficient information relating to the scheme to enable scheme members to consider and, if deemed fit, approve the scheme.

#### 2. THE SCHEME

##### 2.1 Background and Rationale

- 2.1.1 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").
- 2.1.2 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.
- 2.1.3 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:
  - 2.1.3.1 R0.58 for every UCS share; or
  - 2.1.3.2 R5.81 for every Argility share.
- 2.1.4 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 the Argility shares have been traded on this platform to date.
- 2.1.5 Currently at least 90% of the shareholders in UCS are also shareholders in Argility.
- 2.1.6 The following two individuals are currently appointed as directors of UCS as well as Argility (where the board of directors consist of 11 and 5 individuals, respectively) and are both shareholders of UCS and Argility:
  - 2.1.6.1 Mr John Bright; and
  - 2.1.6.2 Ms Josephine Fortuin,which directors recused themselves from any decision to be taken by the Argility Board regarding the scheme.
- 2.1.7 In reviewing its overall strategy for the software and intellectual property owned by UCS, the UCS board 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.
- 2.1.8 Refer to paragraph 3 of the explanatory statement commencing on page 7 of this circular for a more detailed description of the commercial rationale and benefits for scheme members.

## **2.2 Mechanism and Implementation**

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

- 2.2.1 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 shares;
- 2.2.2 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, UCS and its subsidiaries will own 100% of the issued shares in Argility.

## **2.3 The Scheme Meeting**

The notice convening the scheme meeting is attached hereto and forms part of this circular. The scheme meeting, at which scheme members will be requested to consider and, if deemed fit, approve the scheme, will be held at 10:00 on Tuesday, 11 May 2010 at the registered office of Argility, being 28th Floor, 209 Smit Street, Braamfontein, 2001, or at a later time or date to which the scheme meeting may be adjourned or postponed.

## **2.4 Substitute Offer**

- 2.4.1 The salient terms and conditions of the substitute offer are contained in Annexure 7. The substitute offer may only become effective at the election of UCS if the scheme is not approved at the scheme meeting (or, if so approved, its completion does not occur by 1 June 2010 or such later date upon which it becomes known that the scheme will not be implemented). The consideration in terms of the substitute offer is the same as the scheme consideration.
- 2.4.2 In addition, the implementation of the substitute offer and the payment of the substitute offer consideration are conditional on, *inter alia*, scheme participants accepting the substitute offer by the closing date of the substitute offer (as defined in Annexure 7) in respect of not less than 90% of the scheme shares. If the 90% threshold in respect of the substitute offer is not reached, UCS may exercise its discretion to waive this suspensive condition to the substitute offer and, pending the fulfilment of the remaining substitute offer conditions as set out in paragraph 6 of Annexure 7, the substitute offer will become effective, failing which, the substitute offer will lapse and be of no further force and effect.

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## SALIENT DATES AND TIMES

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The definitions and interpretation set out in Annexure 1 to this circular apply, *mutatis mutandis*, to this section.

**2010**

Notice of scheme meeting and Order of Court convening the scheme meeting published in the press and circular posted to Argility Shareholders, on or about	Thursday, 1 April
Last day to trade to be recorded in the register to vote at the scheme meeting, on*	Friday, 30 April
Scheme voting record date, on*	Friday, 7 May
Last day to lodge forms of proxy for the scheme meeting by 10:00 on	Friday, 7 May
<b>Scheme meeting to be held at 10:00, on*</b>	Tuesday, 11 May
Results of the scheme meeting published in the press, on*	Wednesday, 12 May
<b>Court hearing to sanction the scheme, on*</b>	Tuesday, 18 May
<b>If the scheme is sanctioned and implemented:</b>	
Order of Court sanctioning the scheme registered with CIPRO, on*	Wednesday, 19 May
Announcement regarding the sanctioning of the scheme published in the press, on*	Thursday, 20 May
Last day to trade to become a scheme participant, on*	Friday, 21 May
OTC trading in Argility Shares suspended as from commencement of trade on*	Monday, 24 May
Scheme consideration record date on which scheme participants must be recorded in the register to receive the scheme consideration, on*	Friday, 28 May
Operative date of the scheme from commencement of trade, on*	Monday, 31 May
Date on which the scheme consideration will be made available to the scheme participants, on*	Monday, 31 May

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**\* Expected dates**

Upon the scheme becoming operative, scheme participants who have surrendered their documents of title before Friday, 28 May 2010 will receive the scheme consideration within five business days of Monday, 31 May 2010. Scheme participants who have not surrendered their documents of title before Friday, 28 May 2010 will receive the scheme consideration within five business days of receipt of such documents of title by the transfer secretaries.

**Notes:**

1. All times shown in this circular are South African local times.
2. The above dates and times are subject to amendment, except as otherwise required by any applicable laws. Any amendments to the dates and times will be published in the press.
3. Shareholders should note that, as trade in Argility shares is on an over-the-counter basis, settlement for trade takes place five business days after such trade. Therefore, Argility shareholders who acquire Argility shares after Friday, 30 April 2010 will not be eligible to vote at the scheme meeting.
4. If you are a scheme member (certificated shares), you may attend the scheme meeting in person and may vote at the scheme meeting.  
Alternatively, you may appoint a proxy to represent you at the scheme meeting by completing the attached form of proxy for the scheme meeting (pink) in accordance with the instructions it contains and returning it to the transfer secretaries, being, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 10:00 on Friday, 7 May 2010.
5. Scheme members who hold ordinary shares in Argility through a nominee or broker should timeously inform their nominee or broker, as the case may be, to issue them with the necessary Letter of Representation to attend the scheme meeting, or should they not wish to attend the scheme meeting in person, to timeously provide their nominee or broker, as the case may be, with their voting instructions in order for their votes to be represented at the scheme meeting.

Forms of proxy for the scheme meeting (pink) may also be handed to the Chairperson of the scheme meeting by no later than 10 (ten) minutes before the commencement of the scheme meeting.

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## **ACTION REQUIRED BY ARGILITY SHAREHOLDERS**

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The definitions and interpretation set out in Annexure 1 to this circular apply, *mutatis mutandis*, to this section.

If you are in any doubt as to the action you should take, please consult your broker, banker, attorney, accountant or other appropriate professional advisor immediately.

If you have disposed of all your Argility ordinary shares, this circular, together with its enclosures, should be handed/sent to the purchaser of such shares or the broker, banker, or other agent through whom the disposal was effected.

A meeting of scheme members will be held at 10:00 on Tuesday, 11 May 2010 at the registered office of Argility, being 28th Floor, 209 Smit Street, Braamfontein, 2001 or such other date as shall be notified in the press, to consider and, if deemed fit, to approve the scheme. The notice convening the scheme meeting is attached to and forms part of this circular.

Please take careful note of the following provisions and the action required by Argility ordinary shareholders regarding the scheme meeting:

### **1. Voting and attendance at the scheme meeting**

You may attend the scheme meeting in person and may vote at the scheme meeting. Alternatively, you may appoint a proxy to represent you at the scheme meeting by completing the attached form of proxy for the scheme meeting (*pink*) in accordance with the instructions it contains and returning it to the transfer secretaries, being Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) so as to be received by no later than 10:00 on Friday, 7 May 2010. Forms of proxy may also be handed to the Chairperson of the scheme meeting by no later than 10 (ten) minutes before the scheme meeting is due to commence.

Scheme members who hold ordinary shares in Argility through a nominee or broker should timeously inform their nominee or broker, as the case may be, to issue them with the necessary Letter of Representation to attend the scheme meeting, or should they not wish to attend the scheme meeting in person, to timeously provide their nominee or broker, as the case may be, with their voting instructions in order for their votes to be represented at the scheme meeting.

### **2. Attendance at the Court hearing to sanction the scheme**

You are entitled to appear or be represented by Counsel at the Court hearing to sanction the scheme at 09:00, or so soon thereafter as Counsel may be heard, on Tuesday, 18 May 2010 at the South Gauteng High Court of South Africa, Johannesburg, which is located in the High Court Building, von Brandis Square, corner Pritchard and von Brandis Streets, Johannesburg.

### **3. Surrender of documents of title**

Your attention is drawn to the fact that if the scheme is implemented, the share certificates that you currently hold in respect of your Argility shares will not be good for delivery and must be surrendered in order to receive the scheme consideration. In order to become entitled to receive the scheme consideration, you are required to complete the attached form of surrender and substitute offer acceptance form (*blue*) and return it, together with the documents of title representing all of your shares, to the transfer secretaries, being Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000).

If you wish to anticipate the scheme becoming operative, you may surrender your documents of title representing all of your shares at any time before 10:00 on Friday, 28 May 2010. In the event that the scheme does not become operative for any reason whatsoever, the transfer secretaries will, within five business days of the date upon which it becomes known that the scheme will not become operative, return the documents of title to the ordinary shareholders concerned, by registered post, at the risk of such ordinary shareholders.

Scheme members who hold ordinary shares in Argility through a nominee or broker, as the case may be, should contact their nominee or broker in accordance with the agreed method of communication.

### **4. Scheme consideration**

If the scheme becomes operative and you have surrendered your documents of title representing all of your shares before 10:00 on Friday, 28 May 2010, the scheme consideration will be electronically transferred directly into a scheme participant's bank account if details of such account are available to the transfer secretaries and the scheme participant concerned has entered into a mandate with the transfer secretaries. Such transfer will be effected within five business days of the operative date provided such scheme participant has surrendered his documents of title in respect of all of his shares before 10:00 on Friday, 28 May 2010. If the scheme becomes operative and you surrender your documents of title representing all of your shares after 10:00 on Friday, 28 May 2010, then the scheme consideration will be paid, within five business days after receipt by the transfer secretaries of your documents of title representing all of your shares.

An Argility shareholder who is not resident in, or who has a registered address outside of South Africa, must satisfy itself as to full observance of the laws of the relevant territory concerning the receipt of the scheme consideration, including obtaining any requisite governmental, regulatory or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.

Argility shareholders are advised to consult their professional advisors about their personal tax positions regarding the scheme.

## SECTION II – THE SCHEME



### Argility Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2007/010401/06)

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## EXPLANATORY STATEMENT IN TERMS OF SECTION 312(1)(a)(i) OF THE COMPANIES ACT

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The definitions and interpretation set out in the scheme of arrangement (commencing on page 13) apply, *mutatis mutandis*, to this explanatory statement.

### 1. INTRODUCTION

As announced in the press on 16 March 2010, UCS will propose a scheme of arrangement in terms of section 311 of the Companies Act, between Argility and the shareholders of Argility, other than UCS and/or any of its subsidiaries, in terms of which UCS will acquire all of Argility's issued shares held by the scheme participants on the consideration record date for a cash consideration of R1.55 per scheme share.

### 2. SUMMARY

- 2.1 If the scheme is approved, each scheme participant shall be deemed to have disposed of all their scheme shares to UCS, in consideration for which each scheme participant shall be entitled to be paid the scheme consideration, as detailed in paragraphs 4.2 and 6.3 of this explanatory statement.
- 2.2 The scheme is subject to the suspensive conditions set out in paragraph 5 of this explanatory statement.
- 2.3 In order for scheme members to obtain and enforce their rights in terms of the scheme, scheme members are referred to the procedure set out in paragraph 6 of this explanatory statement.
- 2.4 Scheme members will be informed of the fulfilment of the suspensive conditions and the approval of the scheme by publication of the Order sanctioning the scheme, in each of the Business Day, Die Burger, Beeld, Die Volksblad and the Government Gazette.
- 2.5 In order for scheme members to vote on the scheme, scheme members are referred to paragraph 6.1 of this explanatory statement.

### 3. RATIONALE FOR THE SCHEME

- 3.1 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").
- 3.2 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.
- 3.3 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:
  - 3.3.1 R0.58 for every UCS share; or
  - 3.3.2 R5.81 for every Argility share.
- 3.4 Following the Unbundling, an over-the-counter trading platform was created to facilitate trading in the Argility shares. However such trading activity has been limited in that less than 5% of the Argility shares have been traded on this platform to date.

- 3.5 Currently at least 90% of the shareholders in UCS are also shareholders in Argility.
- 3.6 The following two individuals are currently appointed as directors of UCS as well as Argility (where the board of directors consist of 11 and 5 individuals, respectively) and are both shareholders of UCS and Argility:
- 3.6.1 Mr John Bright; and
- 3.6.2 Ms Josephine Fortuin,
- which directors recused themselves from any decision to be taken by the Argility Board regarding the scheme.
- 3.7 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.
- 3.8 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 Unbundling of R100 million, which funding was to be made available by UCS to Argility pursuant to the Unbundling on commercial terms.
- 3.9 As a consequence of this investment 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 generation position. Due to the impact of the recessionary conditions prevalent in Argility's chosen markets post the Unbundling, this has not been achieved and the result is that the business, two and a half years post set-up and the Unbundling, requires additional working capital funding to continue to operate.
- 3.10 The independent valuation, procured at the time of the Unbundling, using the discounted cash flow methodology, was prepared based on the information available at the time of the unbundling and in particular, taking into account the forecasts prepared which were driven off the assumptions described in paragraphs 3.8 and 3.9 above, 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 1 Argility share for every holding of 10 UCS shares (i.e. 28 164 130 Argility shares) as disclosed in the Unbundling circular to UCS shareholders issued on 28 August 2007.
- 3.11 The actual shares in Argility finally distributed were 28 384 070, representing the current total issued share capital of the company, and the variance 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.
- 3.12 Regrettably, the September 2007 transaction has been severely affected by 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.
- 3.13 The first R50 million of funding made available by UCS to Argility as part of the Unbundling has been fully utilised and there is limited access to the remaining R50 million due to the available security (being annuity revenue streams) to be provided in terms of the loan agreement with UCS as well as a cut off related to the access to such funding of 30 September 2010. In the short term, it is unlikely that Argility will achieve significant revenue growth to sustain the funding requirements of the Argility business.
- 3.14 In reviewing its overall strategy for the software and intellectual property owned by UCS, the UCS board 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.
- 3.15 Given the track record of Argility to date, it is unlikely that the company will be successful in raising capital in the debt and/or equity markets based on current market conditions once the existing funding available from UCS has been fully utilised. The transaction to be implemented through the scheme will enable UCS to integrate the business back into UCS, thereby removing duplicate cost structures of the stand-alone business and allowing it to leverage the existing financial position of UCS to secure the sustainability of the business.

- 3.16 The current status and uncertain outlook, with delayed revenue expectations, together with funding available for the business, have therefore materially changed the valuation parameters to that which was relevant at the time of the Unbundling. At an offer price of R1.55 per scheme 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 in that it provides an opportunity for scheme members to realise, for cash, an illiquid equity instrument (which is evidenced by the limited over-the-counter trading history).
- 3.17 The current net asset value of Argility is R1.96 per share which is based on the principle that Argility, as a going concern, has adequate access to cash in order to fund the continuing operations of the business and the achievement of reasonable revenue growth in the short to medium term. As demonstrated above, this is not the case. Furthermore, the net asset value of Argility is further compromised by virtue of the value of its "intangible assets" (i.e. associated values ascribed to the owned products and intellectual property of the business), which values will be negatively impacted to the extent that the business does not continue as a concern basis and the scheme is not implemented.
- 3.18 An Argility shareholder in receipt of the scheme consideration could still elect to apply such proceeds to an investment in UCS, thereby enabling further participation in the potential international packaged software sales initiative whilst holding such equity in a more marketable and liquid listed security.
- 3.19 It can be noted from the *pro forma* financial effects disclosed by UCS in the announcement released on 16 March 2010 that the scheme, on a *pro forma* basis and having regard to the terms and conditions thereof, is initially materially headline earnings destructive and, therefore, any such transaction from a UCS perspective is being executed with a medium to long-term focus and strategy in mind. UCS, from acquisition date, assumes the risk associated with the required revenue growth to support the sustainability of this business.

#### 4. THE SCHEME

The full text of the scheme is set out on pages 13 to 20 inclusive of this circular.

The financial effects of the scheme are set out in the valuation statement commencing on page 24 of this circular.

- 4.1 If the scheme is approved by the requisite majority of scheme members at the scheme meeting, application to sanction the scheme will be made to the Court by Argility.
- 4.2 In terms of the scheme, on the operative date:
- 4.2.1 each scheme participant shall be deemed to have disposed of all their scheme shares to UCS;
- 4.2.2 in consideration for each scheme share so disposed of by a scheme participant, that scheme participant shall be entitled to be paid the scheme consideration; and
- 4.2.3 Argility will procure:
- 4.2.3.1 the purchase of the scheme shares;
- 4.2.3.2 the distribution of the scheme consideration to each scheme participant in accordance with the provisions of the scheme (*yellow*); and
- 4.2.3.3 receipt of and cancellation of the scheme participants' documents of title for their scheme shares.
- 4.3 As a result of the scheme, UCS will effectively acquire, with effect from the operative date, 100% of the Argility shares in issue (other than those already held by UCS and its subsidiaries).

#### 5. SCHEME CONDITIONS

- 5.1 The scheme is subject to the fulfilment and/or waiver (where possible), as the case may be, of the following suspensive conditions:
- 5.1.1 the scheme, being a related party transaction between UCS and certain of the scheme members, being approved by the requisite number of UCS shareholders as required in terms of the JSE Listings Requirements;
- 5.1.2 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
- 5.1.3 the Court granting an Order sanctioning the scheme in terms of section 311 of the Companies Act and CIPRO registering such Order.
- 5.2 There are presently no other known risks of failure of the scheme becoming operative.

## **6. THE PROCEDURE**

### **6.1 The Scheme Meeting**

- 6.1.1 The scheme will be put to a vote at the scheme meeting to be held at 10:00 on Tuesday, 11 May 2010 at the registered office of Argility, being 28th Floor, 209 Smit Street, Braamfontein, 2001 or such other date as shall be notified in the press. The notice convening the scheme meeting is attached to and forms part of this circular.
- 6.1.2 Section 311 of the Companies Act requires the approval of 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.
- 6.1.3 Scheme members who do not wish to support the scheme will be given an opportunity to state their views at the scheme meeting.
- 6.1.4 Scheme members may attend the scheme meeting in person and may vote at the scheme meeting. Alternatively, scheme members may appoint a proxy to represent them at the scheme meeting by completing the attached form of proxy to the circular (*pink*) in accordance with the instructions it contains and returning it to the transfer secretaries, being Link Market Services South Africa (Proprietary) Limited (16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000)) so as to be received by no later than 10:00 on Friday, 7 May 2010. Forms of proxy may also be handed to the Chairperson of the scheme meeting by no later than 10 (ten) minutes before the scheme meeting is due to commence.
- Scheme members who hold ordinary shares in Argility through a nominee or broker should timeously inform their nominee or broker, as the case may be, to issue them with the necessary Letter of Representation to attend the scheme meeting, or should they not wish to attend the scheme meeting in person, to timeously provide their nominee or broker, as the case may be, with their voting instructions in order for their votes to be represented at the scheme meeting.
- 6.1.5 Scheme members are referred to the “*Action required by Argility shareholders*” section on page 6 of this circular.

### **6.2 The Court Hearing**

- 6.2.1 Subject to the scheme being approved by the requisite majority at the scheme meeting, application will be made to the Court to sanction the scheme at 09:30, or so soon thereafter as Counsel may be heard, on or about the expected date of Tuesday, 18 May 2010. The date will be the first possible date after the last of the scheme conditions have been fulfilled and/or waived (if possible).
- 6.2.2 Scheme members are entitled to appear or be represented by Counsel at the Court hearing to sanction the scheme at 09:30, or so soon thereafter as Counsel may be heard, on Tuesday, 18 May 2010 at the South Gauteng High Court, Johannesburg, which is located in the High Court Building, von Brandis Square, corner Pritchard and von Brandis Streets, Johannesburg.
- 6.2.3 If the scheme is sanctioned by the Court, a certified copy of the Order of Court sanctioning the scheme will be lodged with CIPRO for registration. When the Order of Court is registered, the scheme will become binding on all scheme participants, even those who may have voted against it, although the scheme will not become operative until the operative date.

### **6.3 Surrender of Documents of Title and Receipt of the Scheme Consideration**

- 6.3.1 If the scheme becomes operative, scheme participants will be entitled to receive the scheme consideration on the scheme consideration settlement date, provided they have surrendered their documents of title. Nominee companies will submit for shares which they hold in custody.
- 6.3.2 Argility shareholders are required to complete the attached form of surrender and substitute offer acceptance form (*blue*) and return it to the transfer secretaries, together with the documents of title in respect of all their Argility shares, by physical delivery at 11 Diagonal Street, Johannesburg, 2001 or by postal delivery to PO Box 4844, Johannesburg, 2000, in order to receive the scheme consideration.
- 6.3.3 If the scheme becomes operative and the form of surrender and substitute offer acceptance form (*blue*) together with the relevant documents of title in respect of all their Argility shares have been properly surrendered to the transfer secretaries by 10:00 on the scheme consideration record date, the scheme consideration will be paid as follows on the scheme consideration settlement date:

- 6.3.3.1 in the case of Argility shareholders whose bank account particulars are recorded in the register on the scheme consideration record date, the scheme consideration will be paid into their bank account; or
- 6.3.3.2 where no bank account particulars are recorded in the register on the scheme consideration record date, a cheque will be posted at the Argility shareholders' risk to the address recorded in the register.
- 6.3.4 If Argility shareholders wish to anticipate the scheme becoming operative, and so expedite receipt of the scheme consideration, they should complete the attached form of surrender and substitute offer acceptance form (*blue*) and return it as soon as possible to the transfer secretaries, together with their documents of title in respect of all of their Argility shares in accordance with the instructions contained therein.
- 6.3.5 If the scheme does not become operative, the transfer secretaries will, within five business days of either the date on which it becomes known that the scheme will not become operative or of receipt of the documents of title, whichever is the later, return their documents of title to Argility shareholders, by registered post, at their risk.
- 6.3.6 The attention of Argility shareholders is drawn to the fact that if they surrender their document(s) of title in advance, they will be unable to trade in their scheme shares from the date of surrender, however their right to attend and vote at the scheme meeting will remain unaffected. Scheme participants must surrender their documents of title in respect of all the Argility shares held by them in order to claim the scheme consideration.
- 6.3.7 Documents of title issued prior to the operative date in respect of all the Argility ordinary shares will cease to be of any value and of any force or effect with effect from the operative date, other than for the purpose of surrender in terms of the scheme.
- 6.3.8 If documents of title relating to any scheme shares to be surrendered are lost or destroyed, scheme participants should nevertheless return the form of surrender and substitute offer acceptance form (*blue*) duly signed and completed, together with an indemnity form (including the necessary indemnity by an insurer) obtainable from the transfer secretaries, in respect of such lost or destroyed documents of title.
- 6.3.9 UCS and Argility may dispense with the surrender of such documents of title upon production of evidence satisfactory to UCS and Argility that the documents of title to the scheme shares in question have been lost or destroyed and upon provision of a suitable indemnity on terms satisfactory to them.
- 6.3.10 If the scheme consideration is:
  - 6.3.10.1 not sent to scheme participants entitled thereto, nor transferred directly into such scheme participant's bank account, because the relevant documents of title have not been surrendered; or
  - 6.3.10.2 returned undelivered to the transfer secretaries,the relevant scheme consideration will be held in escrow by Argility on behalf of UCS for the benefit of the scheme participant concerned until claimed by such relevant scheme participant. No interest will accrue or be paid on any amount payable to the scheme participant arising from the scheme consideration being held in escrow.
- 6.3.11 No receipts will be issued for documents of title surrendered unless specifically requested. Persons so requesting receipts are required to prepare special transaction receipts.
- 6.3.12 The scheme consideration will be paid in full in accordance with the terms of the scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which UCS and/or Argility may otherwise be entitled.
- 6.3.13 A further form of surrender will be distributed on the opening date of the substitute offer, if the scheme is not approved at the scheme meeting or, if so approved, its completion does not occur by 1 June 2010 or such later date upon which it becomes known that the scheme will not be implemented and the board of directors of UCS elect to make the substitute offer, to those scheme participants who have not yet accepted the substitute offer or indicated non-acceptance of the substitute offer.

## **7. NOTICE OF SCHEME MEETING**

The notice convening the scheme meeting (*yellow*) is attached to and forms part of Annexure 9 of this circular.

## **8. SOUTH AFRICAN EXCHANGE CONTROL REGULATIONS**

Annexure 4 to this circular contains a summary of the South African Reserve Bank Exchange Control Regulations as they apply to scheme participants. A scheme participant who is not resident in, or who has a registered address outside South Africa, must satisfy itself as to the full observance of the laws of any relevant territory concerning the receipt of the scheme consideration, including obtaining any requisite governmental or other consents, observing any other formalities and paying any issue, transfer or other taxes due in such territory.

## **9. IMPORTANT DATES AND TIMES**

Shareholders are referred to the salient dates and times listed on page 5 of this circular.

## **10. THE SUBSTITUTE OFFER**

If the scheme is not approved at the scheme meeting or, if so approved, its completion does not occur by 1 June 2010 or such later date upon which it becomes known that the scheme will not be implemented then, at the election of the board of directors of UCS, notification of which will be given within five business days of the non-fulfilment of any of the scheme conditions or non-implementation of the scheme, the scheme participants will be entitled to accept a substitute offer in respect of their scheme shares. Details of the substitute offer are reflected in Annexure 7. Argility will undertake no obligations of any nature whatsoever in terms of administering the substitute offer or otherwise. If the substitute offer becomes effective, UCS will make an appropriate announcement on SENS and in the press as to the period during which it will remain open for acceptance by scheme participants.

The implementation of the substitute offer and the payment of the substitute offer consideration (as defined in Annexure 7) are subject to the fulfilment of the substitute offer conditions as set out in paragraph 6 of Annexure 7.

## **11. AUTHOR**

The authors of this explanatory statement are Dean Sparrow on behalf of the UCS Board and Josephine Fortuin on behalf of the Argility Board, assisted by their advisors.

For and on behalf of

**UCS GROUP LIMITED**

1 April 2010

**ARGILITY LIMITED**

1 April 2010

# ARGILITY

## Argility Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2007/010401/06)

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### SCHEME OF ARRANGEMENT IN TERMS OF SECTION 311 OF THE COMPANIES ACT

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#### 1. DEFINITIONS AND INTERPRETATION

In this scheme of arrangement, unless the context indicates otherwise, the words in the first column have the meanings stated alongside them in the second column, references to the singular shall include the plural and *vice versa*, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons and *vice versa* and cognate expressions shall bear corresponding meanings:

"the announcement"	the announcement published in the press on 16 March 2010 detailing, <i>inter alia</i> , the proposed implementation of the scheme of arrangement;
"Argility"	Argility Limited (registration number 2007/010401/06), a public company duly registered and incorporated in accordance with the company laws of South Africa;
"the Argility Board" or "the Board"	the board of directors of Argility, the members of which are listed in Annexure 5 to this circular;
"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;
"attorneys"	Glyn Marais Incorporated (registration number 1990/000849/21), a company duly registered and incorporated in accordance with the company laws of South Africa and practising as a firm of attorneys;
"auditors"	Kaplan & Kaplan (IRBA number 954675), a partnership registered in accordance with the company laws of South Africa;
"broker"	any person registered as a "broking member (equities)" in terms of the Rules of the JSE made in accordance with the provisions of the Securities Services Act;
"business day"	any day other than a Saturday, Sunday or an official public holiday in South Africa;
"cents"	South African cents;
"CGT"	capital gains tax as contemplated in the Income Tax Act;
"CIPRO"	Companies and Intellectual Property Registration Office;
"this circular" or "this document"	this bound document, dated 1 April 2010, issued to Argility shareholders, including all annexures and enclosures hereto;
"the Code"	the Securities Regulations Code on Take-overs and Mergers and the Rules of the SRP issued pursuant to the Companies Act;
"common monetary area"	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"the Companies Act"	Companies Act, No. 61 of 1973, as amended, as constituted at the date of this circular;

<b>"Court"</b>	South Gauteng High Court of South Africa, Johannesburg, which is located in the High Court Building, von Brandis Square, corner Pritchard and von Brandis Streets, Johannesburg;
<b>"documents of title"</b>	share certificates, certified transfer deeds, balance receipts or any other documents of title to shares acceptable to Argility in respect of Argility's shares;
<b>"emigrant"</b>	any emigrant from the common monetary area whose address is outside the common monetary area;
<b>"explanatory statement"</b>	the explanatory statement ( <i>green</i> ) commencing on page 7 of this circular;
<b>"form of proxy"</b>	the form of proxy ( <i>pink</i> ) attached to this circular which details the instructions and notes relating to voting at the scheme meeting;
<b>"form of surrender and substitute offer acceptance form"</b>	form of surrender and substitute offer acceptance form ( <i>blue</i> ) attached to this circular, for use by scheme participants only, to be completed and to accompany surrendered documents of title;
<b>"the Income Tax Act"</b>	Income Tax Act, No. 58 of 1962, as amended;
<b>"independent expert"</b>	Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited (registration number 2000/023249/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
<b>"independent sponsor"</b>	Deloitte & Touche Sponsor Services (Proprietary) Limited (registration number 1996/000034/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
<b>"JSE"</b>	JSE Limited (registration number 2005/022939/06), a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa, which is licensed as an exchange under the Securities Services Act;
<b>"last practicable date"</b>	the last practicable date prior to the finalisation of this circular;
<b>"the Offer"</b>	the offer by UCS to acquire the scheme shares in exchange for the scheme consideration, which offer will be implemented by way of the scheme or, if applicable, the substitute offer;
<b>"operative date"</b>	expected to be on or about 31 May 2010, being the date on which the scheme is implemented;
<b>"Rand" or "R"</b>	South African Rand, the official currency of South Africa;
<b>"record date" or "scheme consideration record date"</b>	expected to be on or about Friday, 28 May 2010, being the date on which an Argility shareholder must be recorded on the register in order to participate in the scheme and receive the scheme consideration;
<b>"register"</b>	the register of Argility shareholders;
<b>"SARB"</b>	South African Reserve Bank;
<b>"scheme" or "scheme of arrangement"</b>	a scheme of arrangement in terms of section 311 of the Companies Act, proposed by UCS between Argility and the shareholders of Argility, other than UCS and/or any of its subsidiaries, in terms of which UCS will acquire, subject to the fulfilment and/or waiver (where possible) of the scheme conditions, all of Argility's issued shares held by the scheme participants on the consideration record date in exchange for the scheme consideration, the terms and conditions of which are contained in this scheme of arrangement ( <i>yellow</i> ), subject to any modification or amendment hereto;
<b>"scheme conditions"</b>	the suspensive conditions to the scheme as set out in paragraph 5 of the scheme;
<b>"scheme consideration"</b>	the consideration of R1.55 per scheme share, payable in cash to each scheme participant in terms of the scheme;

<b>"scheme consideration settlement date"</b>	the date by which the scheme consideration will be paid to the scheme participants;
<b>"scheme meeting"</b>	the meeting of scheme members convened in terms of an Order of the Court, to be held at 10:00 on Tuesday, 11 May at the registered office of Argility, being 28th Floor, 209 Smit Street, Braamfontein, 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, the notice of which is attached to and forms part of this circular;
<b>"scheme members"</b>	Argility shareholders recorded in the register on the scheme voting record date (other than UCS and its subsidiaries), who are entitled to vote at the scheme meeting;
<b>"scheme participants"</b>	Argility shareholders, other than UCS and/or any of its subsidiaries, recorded in the register 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;
<b>"scheme shares"</b>	27 886 428 shares, representing 98.25% of the shares in the issued share capital of Argility held by scheme participants on the scheme consideration record date;
<b>"scheme voting record date"</b>	the date on which an Argility shareholder must be recorded on the register to be entitled to vote at the scheme meeting, being Friday, 7 May 2010. Any variation of the above expected record date for the scheme, as may be approved by the Court, where necessary, will be published in the press;
<b>"Securities Services Act"</b>	Securities Services Act, No. 36 of 2004, as amended;
<b>"SENS"</b>	Stock Exchange News Service;
<b>"shares"</b>	Argility shares that are held in certificated form;
<b>"South Africa"</b>	the Republic of South Africa;
<b>"South African Exchange Control Regulations"</b>	South African Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933, as amended;
<b>"sponsor"</b>	Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited (registration number 2000/023249/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
<b>"SRP"</b>	the Securities Regulation Panel established in terms of section 440B of the Companies Act;
<b>"subsidiary"</b>	such term as defined and described in the Companies Act;
<b>"substitute offer"</b>	the offer described in Annexure 7 to this document;
<b>"substitute offer conditions"</b>	the suspensive conditions to the substitute offer as set out in paragraph 6 of Annexure 7 to this document;
<b>"transaction agreement"</b>	the transaction agreement entered into between Argility and UCS referred to in paragraph 4 of the scheme of arrangement (commencing of page 16 of this circular);
<b>"transfer secretaries"</b>	Link Market Services South Africa (Proprietary) Limited (registration number 2000/007239/07), a private company duly registered and incorporated in accordance with the company laws of South Africa; and
<b>"UCS"</b>	UCS Group Limited (registration number 1993/002253/06), a public company duly registered and incorporated in accordance with the company laws of South Africa, all of the issued ordinary shares of which are listed on the JSE.

## 2. SHARE CAPITAL OF ARGILITY

As at the last practicable date, the authorised and issued share capital and share premium of Argility was as follows:

	<b>R'000</b>
<i>Authorised share capital</i>	
100 000 000 ordinary shares of 1 cent each	<b>1 000</b>
<i>Issued share capital</i>	
28 384 070 ordinary shares of 1 cent each	284
Share premium	163 388
<b>Total issued share capital and share premium</b>	<b>163 672</b>

All the issued shares of Argility are of one class, namely ordinary shares with a par value of 1 cent each and rank *pari passu* in all respects.

## 3. THE OBJECT OF THE SCHEME

The object of the scheme is to procure that UCS acquires all of the issued shares in Argility, other than those already held by UCS and its subsidiaries. All Argility shares in issue will then be owned by UCS and its subsidiaries which will continue to operate the businesses currently operated within Argility.

## 4. THE SCHEME

- 4.1 Argility and UCS have entered into a transaction agreement in terms of which, *inter alia*, the following has been agreed to:
- 4.1.1 UCS undertakes to
    - 4.1.1.1 propose the scheme on the terms set out in this circular;
    - 4.1.1.2 give all reasonable assistance to Argility for purposes of the scheme;
    - 4.1.1.3 comply with and perform all of its obligations under the scheme after the scheme conditions are fulfilled and/or waived (if possible) and do all things which Argility may request, or which would be required to give effect to, the scheme; and
  - 4.1.2 Argility undertakes to
    - 4.1.2.1 convene the relevant scheme meeting and take all steps and do everything required for that purpose;
    - 4.1.2.2 take all steps and do everything required for the pursuance and implementation of the scheme to its final end.
- 4.2 Argility and the scheme participants agree that, if the scheme takes effect and becomes operative:
- 4.2.1 scheme participants shall dispose of the scheme shares to UCS on the operative date, and UCS shall acquire ownership of the scheme shares free of any encumbrances, but including the right to receive all dividends and other distributions (if any) from the operative date;
  - 4.2.2 the disposal by each scheme participant of the scheme shares held by the scheme participant to UCS, and the acquisition of ownership of those shares by UCS, pursuant to the provisions of paragraph 4.2.1 above, shall be effected on the operative date in accordance with the following provisions:
    - 4.2.2.1 each scheme participant shall be deemed to have transferred to UCS on the operative date all of the scheme shares held by the scheme participant, without any further act or instrument being required;
    - 4.2.2.2 scheme participants will be entitled to receive the scheme consideration from Argility only, in terms of paragraph 7 of this scheme of arrangement; and
    - 4.2.2.3 UCS shall deliver to Argility, as principal, or to the transfer secretaries as agent for and on behalf of Argility, on the operative date, the aggregate scheme consideration to which scheme participants are entitled and Argility or the transfer secretaries as agent for and on behalf of Argility will transfer the scheme consideration to the scheme participants in accordance with paragraph 7 of this scheme of arrangement.

- 4.3 Each scheme participant irrevocably and *in rem suam* authorises Argility, with power of substitution, to:
- 4.3.1 cause the scheme shares disposed of by the scheme participant in terms of the scheme to be registered in the name of UCS on or at any time after the operative date, and to do all such things and take all such steps (including the signing of any transfer form/s) as Argility in its discretion considers necessary in order to effect that registration;
  - 4.3.2 collect, or procure that the transfer secretaries as agent for and on behalf of Argility collect, the total scheme consideration from UCS for distribution to the scheme participants; and
  - 4.3.3 receive the scheme participant's surrender, or procure that the transfer secretaries as agent for and on behalf of Argility receive the scheme participant's surrender, of the documents of title relating to the scheme participant's scheme shares.
- 4.4 If the scheme is agreed to in terms of the Companies Act at the scheme meeting, and subject to the fulfilment and/or waiver (where possible) of the scheme conditions, application to sanction the scheme will be made by Argility at 10:00 or as soon thereafter as Counsel may be heard in the South Gauteng High Court of South Africa, Johannesburg, which is located in the High Court Building, von Brandis Square, corner Pritchard and von Brandis Streets, Johannesburg on or about the expected date of Tuesday, 18 May 2010.
- 4.5 Argility, as principal, will ensure that UCS complies with its obligations under the scheme and Argility alone shall have the right to enforce those obligations (if necessary) against UCS.
- 4.6 The rights of scheme participants to receive the scheme consideration will be enforceable by them only against Argility and then only to the extent of requiring Argility to enforce performance by UCS of its obligations in terms of the scheme.
- 4.7 Settlement of the scheme consideration will be implemented in full in accordance with the terms of the scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which UCS or Argility may otherwise be, or claim to be, entitled against any scheme participant.
- 4.8 The scheme will be implemented on the operative date.
- 4.9 The effect of the scheme will be that, with effect from the operative date, UCS and its subsidiaries will own 100% of the shares in the issued share capital of Argility.

## **5. SCHEME CONDITIONS**

The scheme is subject to the fulfilment and/or waiver (where possible), as the case may be, of the following suspensive conditions:

- 5.1 the scheme, being a related party transaction between UCS and certain of the scheme members, being approved by the requisite number of UCS shareholders as required in terms of the JSE Listings Requirements;
- 5.2 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
- 5.3 the Court granting an Order sanctioning the scheme in terms of section 311 of the Companies Act and CIPRO registering such Order.

## **6. THE SCHEME CONSIDERATION**

Scheme participants will be entitled to receive, in accordance with paragraph 7 below, the scheme consideration. Argility will, through its transfer secretaries, administer and effect payment of the scheme consideration to the scheme participants on behalf of UCS.

## **7. SURRENDER OF DOCUMENTS OF TITLE AND RECEIPT OF THE SCHEME CONSIDERATION**

- 7.1 Argility shareholders are required to complete the attached form of surrender and substitute offer acceptance form (*blue*) and return it to the transfer secretaries, together with the documents of title in respect of all their Argility shares, by physical delivery at 16th Floor, 11 Diagonal Street, Johannesburg, 2001 or by postal delivery to PO Box 4844, Johannesburg, 2000, in order to receive the scheme consideration.

- 7.2 If the scheme becomes operative and the form of surrender and substitute offer acceptance form (*blue*) together with the relevant documents of title in respect of all their Argility shares have been properly surrendered to the transfer secretaries by 10:00 on the scheme consideration record date, the scheme consideration will be paid as follows on the scheme consideration settlement date:
- 7.2.1 in the case of Argility shareholders whose bank account particulars are recorded in the register on the scheme consideration record date, the scheme consideration will be paid into their bank account; or
  - 7.2.2 where no bank account particulars are recorded in the register on the scheme consideration record date, a cheque will be posted at the Argility shareholders' risk to the address recorded in the register.
- 7.3 If Argility shareholders wish to anticipate the scheme becoming operative, and so expedite receipt of the scheme consideration, they should complete the attached form of surrender and substitute offer acceptance form (*blue*) and return it as soon as possible to the transfer secretaries, together with their documents of title in respect of all of their Argility shares in accordance with the instructions contained therein.
- 7.4 If the scheme does not become operative, the transfer secretaries will, within five business days of either the date on which it becomes known that the scheme will not become operative or of receipt of the documents of title, whichever is the later, return their documents of title to Argility shareholders, by registered post, at their risk.
- 7.5 The attention of Argility shareholders is drawn to the fact that if they surrender their document(s) of title in advance, they will be unable to trade in their scheme shares from the date of surrender, however their right to attend and vote at the scheme meeting will remain unaffected. Scheme participants must surrender their documents of title in respect of all the Argility shares held by them in order to claim the scheme consideration.
- 7.6 Documents of title issued prior to the operative date in respect of all the Argility ordinary shares will cease to be of any value and of any force or effect with effect from the operative date, other than for the purpose of surrender in terms of the scheme or the substitute offer.
- 7.7 If documents of title relating to any scheme shares to be surrendered are lost or destroyed, scheme participants should nevertheless return the form of surrender and substitute offer acceptance form (*blue*) duly signed and completed, together with an indemnity form (including the necessary indemnity by an insurer) obtainable from the transfer secretaries, in respect of such lost or destroyed documents of title.
- 7.8 UCS and Argility may dispense with the surrender of such documents of title upon production of evidence satisfactory to UCS and Argility that the documents of title to the scheme shares in question have been lost or destroyed and upon provision of a suitable indemnity on terms satisfactory to them.
- 7.9 If the scheme consideration is:
- 7.9.1 not sent to scheme participants entitled thereto, nor transferred directly into such scheme participant's bank account, because the relevant documents of title have not been surrendered; or
  - 7.9.2 returned undelivered to the transfer secretaries,
- the relevant scheme consideration will be held in escrow by Argility on behalf of UCS for the benefit of the scheme participant concerned until claimed by such relevant scheme participant. No interest will accrue or be paid on any amount payable to the scheme participant arising from the scheme consideration being held in escrow.
- 7.10 No receipts will be issued for documents of title surrendered unless specifically requested. Persons so requesting receipts are required to prepare special transaction receipts.
- 7.11 Notwithstanding any of the aforesaid, in the event that the scheme does not become operative because the scheme is not approved at the scheme meeting, or if so approved, its completion does not occur by 1 June 2010 or such later date upon which it becomes known that the scheme will not be implemented and UCS elects to make the substitute offer and the suspensive conditions to the substitute offer are fulfilled and/or waived (as the case may be):
- 7.11.1 scheme participants who have surrendered their documents of title in advance and have indicated their acceptance of the substitute offer in Part C of the form of surrender and substitute transfer form (*blue*), shall be deemed to have accepted the substitute offer;
  - 7.11.2 scheme participants who have surrendered their documents of title in advance and have indicated their non-acceptance of the substitute offer in Part C of the form of surrender and substitute transfer form (*blue*), shall receive, by registered post, the return of their documents of

title by the transfer secretaries and shall receive a further form of surrender and transfer in terms of which they will be given a further opportunity to accept the substitute offer (the quantum of which consideration is the same as the scheme consideration); and

7.11.3 scheme participants who have failed to complete Part C of the form of surrender and substitute transfer form (*blue*), shall receive a further form of surrender and transfer and will be given a further opportunity to accept the substitute offer,

7.12 Consequently, if the suspensive conditions to the substitute offer are fulfilled and/or waived (as the case may be), the documents of title will not be returned to those scheme members who have indicated their acceptance of the substitute offer in Part C of the form of surrender and substitute transfer form (*blue*), but transferred to UCS against payment to the relevant scheme participant of the offer consideration in terms of the substitute offer (which consideration is the same as the scheme consideration).

## **8. SOUTH AFRICAN EXCHANGE CONTROL REGULATIONS**

Annexure 4 to this circular contains a summary of the South African Exchange Control Regulations as they apply to scheme participants. Scheme participants who are not resident in, or who have a registered address outside of South Africa, must satisfy themselves as to the full observance of the laws of any relevant territory concerning the receipt of the scheme consideration, including obtaining any requisite governmental or other consents, observing any other formalities and paying any issue, transfer or other taxes due in such territory.

## **9. UNDERTAKINGS**

Argility and UCS have agreed in terms of the provisions of the transaction agreement that, upon the scheme becoming operative, they will give effect to the terms and conditions of the scheme insofar as they relate to them and they will sign and procure the signing of all the documents and carry out and procure the carrying out of all acts, which are necessary to give effect to the scheme.

## **10. INSTRUCTIONS AND AUTHORITIES**

10.1 Argility shall be entitled to accept and to act on all documents relating to the status and capacity of any scheme participant and shall be empowered to act on behalf of any scheme participant as if such documents had been registered with Argility.

10.2 Each mandate and instruction in regard to the scheme shares recorded with Argility by a scheme participant on the scheme consideration record date will be deemed, unless and until revoked, to be a mandate and instruction to Argility and UCS in respect of any rights accruing in respect of the scheme consideration.

## **11. GENERAL**

11.1 Subject to obtaining the written consent of UCS, the Argility Board may consent:

11.1.1 before or at the scheme meeting, to any amendment, variation or modification of the scheme;  
or

11.1.2 after the scheme meeting, to any amendment, variation or modification which the Court may think fit to approve or impose,

provided that no amendment, variation or modification may have the effect of diminishing the rights which will accrue to a scheme participant in terms of the scheme as set out herein.

11.2 A certificate signed by a director of each of Argility and UCS respectively, stating that all the scheme conditions have been fulfilled and/or waived (where possible) and that the scheme has become operative shall be binding on Argility, UCS and the scheme participants.

11.3 Argility will pay the costs of implementing the scheme, as provided for in the transaction agreement.

11.4 Argility will be entitled, and will have the authority, on behalf of itself and each scheme participant, to authorise any person nominated by Argility to sign all documents required to carry the scheme into effect, including but not limited to proxies, changes of address and cessions of rights to dividends and other entitlements from Argility.

- 11.5 A copy of the Order of Court sanctioning the scheme will evidence the contract regarding the entitlement of each scheme participant to the scheme consideration, which contract is required to be registered by CIPRO in terms of the Companies Act.
- 11.6 All times and dates referred to in the scheme are subject to change by agreement between Argility and UCS and subject to the approval of the Court, where necessary. Any such change will be published in the press.

## **12. SUBSTITUTE OFFER**

- 12.1 If the scheme is not approved at the scheme meeting or, if approved, its completion does not occur by 1 June 2010 or such later date upon which it becomes known that the scheme will not be implemented then, subject to the election of the board of directors of UCS, notification of which will be given within five business days from the date of the non-fulfilment of any of the suspensive conditions to the scheme or the non-implementation of the scheme, the scheme participants will be entitled to accept a substitute offer in respect of their scheme shares. Details of the substitute offer are reflected in Annexure 7. Argility will undertake no obligations of any nature whatsoever in terms of administering the substitute offer or otherwise. If the substitute offer becomes effective, UCS will make an announcement on SENS and in the press as to the period during which it will remain open for acceptance by scheme participants.
- 12.2 The implementation of the substitute offer and the payment of the substitute offer consideration (as defined in Annexure 7) are subject to the fulfilment and/or waiver of the suspensive conditions to the substitute offer as set out in paragraph 6 of Annexure 7.

For and on behalf of

**UCS GROUP LIMITED**

1 April 2010

**ARGILITY LIMITED**

1 April 2010

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## ORDER OF COURT

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IN THE SOUTH GAUTENG HIGH COURT OF SOUTH AFRICA  
(JOHANNESBURG)

**Case number: 2010/11179**

Before the Honourable Judge Mathopo

Johannesburg, Tuesday, 30 March 2010

In the *ex parte* application of:

**ARGILITY LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 2007/010401/06)

**Applicant**

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Having read the documents filed of record and having considered the matter:

**IT IS ORDERED THAT:**

1. A meeting (the "**scheme meeting**") be convened in terms of section 311(1) of the Companies Act, 1973 (Act 61 of 1973), as amended ("**the Companies Act**"), of the ordinary shareholders of the Applicant recorded in the register as such at 10:00 on Friday, 7 May 2010, other than UCS Group Limited ("**UCS**") and its subsidiaries as defined in the Companies Act (the "**scheme members**") by the Chairperson referred to in paragraph 2 of this Order ("**Order**") to be held at the registered office of the Applicant, being 28th Floor, 209 Smit Street, Braamfontein, Gauteng on Tuesday, 11 May 2010, at 10:00 or such later date as the Applicant's Board of directors may determine, for the purpose of considering and, if deemed fit, agreeing, with or without modification, to the scheme of arrangement proposed by UCS (the "**scheme**") between the Applicant and the scheme members, substantially in the form attached to the founding affidavit in this matter.
2. Advocate Rean Strydom (or, failing him, any other independent advocate of at least 10 (ten) years standing, appointed by Advocate Fanie Cilliers SC) , be and is hereby appointed as chairman of the Scheme Meeting ("**Chairperson**").
3. The Chairperson is authorised to:
  - 3.1 convene the scheme meeting;
  - 3.2 appoint scrutineers for the purpose of the scheme meeting;
  - 3.3 determine the validity and acceptability of any form of proxy submitted for use at the scheme meeting and/or any adjournment thereof;
  - 3.4 adjourn the scheme meeting from time to time if the Chairperson considers it is necessary to do so; and
  - 3.5 determine the procedure to be followed at the scheme meeting and any adjournment thereof.
4. The Applicant's attorneys (on behalf of the Chairperson) shall cause a notice convening the scheme meeting (substantially in the form contained in the papers before this Honourable Court) to be published once in each of Business Day, Die Burger, Beeld, Die Volksblad and the Government Gazette at least 14 (fourteen) calendar days before the date of the scheme meeting. The notice shall state:
  - 4.1 the basic characteristics of the scheme;
  - 4.2 the time, date and venue of the scheme meeting;
  - 4.3 that the scheme meeting has been convened in terms of this Order to consider and, if deemed fit, to agree, with or without modification, to the scheme;
  - 4.4 that a copy of this Order, the scheme and the explanatory statement in terms of section 312(1) of the Companies Act (*green*) may be inspected during normal business hours at any time prior to the scheme meeting at the registered office of the Applicant at 28th Floor, 209 Smit Street, Braamfontein, Gauteng and at the office of the Applicant's attorneys at 2nd Floor, The Place, 1 Sandton Drive, Sandton; and

4.5 that a copy of this Order and the explanatory statement in terms of section 312(1) of the Companies Act (*green*) may be obtained free of charge upon request during normal business hours by any scheme member at the places mentioned in paragraph 4.4 of this Order.

5. Copies of:

- 5.1 the scheme and statements in terms of section 312(1) of the Companies Act, substantially in the form of the scheme and statements attached to the papers before this Honourable Court;
- 5.2 the notice convening the scheme meeting substantially in the form of the notice attached to the papers before this Honourable Court showing the time, date and place of the scheme meeting;
- 5.3 the form of proxy to be used at the scheme meeting (*pink*) (substantially in the form of proxy attached to the papers before this Honourable Court); and
- 5.4 this Order of Court,

shall be posted by the Applicant by pre-paid registered post at least 14 (fourteen) calendar days before the date of the scheme meeting to each of the ordinary shareholders of the Applicant at their addresses as reflected in the Applicant's register of members not more than 4 (four) business days before the date of such posting.

6. Copies of:

- 6.1 the scheme and the statements in terms of section 312(1) of the Companies Act, substantially in the form of the scheme and the statements attached to the papers before this Honourable Court;
- 6.2 the notice convening the scheme meeting substantially in the form of the notice attached to the papers before this Honourable Court;
- 6.3 a form of proxy substantially in the form of proxy (*pink*) attached to the papers before this Honourable Court; and
- 6.4 this Order of Court,

shall lie for inspection at, and copies of these documents may be obtained free of charge from, the registered office of the Applicant during normal business hours at the places mentioned in paragraph 4.4 for at least 14 (fourteen) calendar days prior to the date of the scheme meeting.

- 7. The date of posting of the documents referred to in paragraph 5 shall be evidenced by an affidavit deposed by a representative of the Applicant duly supported by post office or similar receipts.
- 8. The Chairperson of the scheme meeting shall report, by way of an affidavit, the result of the scheme meeting to this Honourable Court on Tuesday, 18 May 2010 at 09:30, or so soon thereafter as Counsel may be heard.
- 9. The report required by this Honourable Court from the Chairperson shall give details of:
  - 9.1 the grounds, if any, for concluding that any one or more scheme members constitute an additional class of members;
  - 9.2 the number of scheme members present in person at the scheme meeting (including those represented) and the number of shares held by them;
  - 9.3 the number of scheme members represented by proxy at the scheme meeting and the number of shares held by them together with information as to the number represented by the Chairperson;
  - 9.4 any proxies which have been disallowed;
  - 9.5 all resolutions passed at the scheme meeting, with particulars of the number of votes cast in favour of and against each such resolution and of any abstentions in respect thereof, indicating in each case how many votes were cast by the Chairperson in terms of proxies which were annexed to the scheme documentation referred to in paragraph 6 above;
  - 9.6 all rulings made and directions given by the Chairperson at the scheme meeting;
  - 9.7 the relevant portions of documents and reports submitted or tabled at the scheme meeting which have a bearing on the merits or demerits of the scheme, including copies thereof; and
  - 9.8 the main points of any proposal which were submitted to the scheme meeting.

10. The Applicant shall arrange to make available at the places mentioned in paragraph 4.4 (and the notice of the scheme meeting which is published and sent to scheme members shall include a statement that it will be so available) a copy of the Chairperson's report to this Honourable Court, free of charge, to any scheme member on request, at least 1 (one) week before the date fixed by this Honourable Court for the Chairperson to report back to it.
11. Any scheme member wishing to vote by proxy should tender as his/her proxy the form of proxy (*pink*) referred to in paragraph 5.3 of this Order. The form of proxy must be completed and returned in accordance with the instructions therein to the Applicant's transfer secretaries namely, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), to be received by no later than 10:00 on Friday, 7 May 2010.
12. Scheme members who wish to vote by proxy, should tender as their proxy, the form of proxy (*pink*) referred to in paragraph 5.3 of this Order. In addition, a form of proxy may be handed to the Chairperson up to 10 (ten) minutes before the scheme meeting is due to commence.
13. Scheme members who hold shares through a broker or nominee, who wish to attend the scheme meeting or to vote by way of proxy, must contact their broker or nominee who will furnish them with the necessary authority to attend the scheme meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the member and his/her broker or nominee.

By Order of the Court

REGISTRAR

**Attorneys to the Applicant**

Glyn Marais Inc.  
In association with Denton Wilde Sapte LLP  
2nd Floor, The Place  
1 Sandton Drive  
Sandton

Reference: Roux van der Merwe/Helena Zagaretos  
c/o Smith Sewgoolam  
12 Avonwold Road  
Saxonwold  
Johannesburg  
Private Bag X836  
Saxonwold, 2132  
Tel: 011 286 3706  
Fax: 011 286 3900



## Argility Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2007/010401/06)

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### VALUATION STATEMENT IN TERMS OF SECTION 312(1)(a)(ii) OF THE COMPANIES ACT

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The definitions and interpretation set out in Annexure 1 to this circular apply, *mutatis mutandis*, to this valuation statement.

#### 1. INTRODUCTION

- 1.1 As was announced in the press on 16 March 2010, UCS will propose a scheme of arrangement in terms of section 311 of the Companies Act between Argility and the shareholders of Argility, other than UCS and its subsidiaries, in terms of which UCS will acquire all of Argility's issued shares held by the scheme participants on the consideration record date for a cash consideration of R1.55 per scheme share.
- 1.2 The background and rationale for the scheme is set out in paragraph 3 of the explanatory (*green*) statement (*green*) commencing on page 7 of this circular.

#### 2. INTENTION REGARDING THE BUSINESS OF ARGILITY

Following the implementation of the scheme, UCS and its subsidiaries will own 100% of Argility's issued share capital and Argility will continue to operate its current business.

#### 3. FINANCIAL EFFECTS OF THE SCHEME

- 3.1 Save for the costs associated with the scheme and the consideration of the Argility intangible asset values against the quantum of the scheme consideration, there are no financial effects on Argility as a result of the implementation of the scheme.
- 3.2 The current status and uncertain outlook with delayed revenue expectations together with funding available for the 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 share (i.e. a premium of 210%) it is believed that this proposed scheme is favourable for Argility shareholders and reflects UCS cognisance of the three areas of value that Argility management believe exist, i.e. a product set that has continued to undergo development post-unbundling which has included development to "localise" the product for the company's chosen markets (currently UK, USA and the Middle East), a channel of certified and appointed resellers in those respective markets (still relatively immature with limited deployment and associated international customer reference ability) and a 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 are however negatively impacted if there is no access to funding beyond the next 6 to 12 months.

#### 4. TAX IMPLICATIONS FOR SCHEME PARTICIPANTS

The tax implications of the scheme on scheme participants will depend on the individual circumstances of each scheme participant. Accordingly, scheme participants are advised to obtain independent tax advice in relation to the implications of the scheme.

## 5. INFORMATION RELATING TO ARGILITY

### 5.1 Incorporation

Argility was initially a wholly-owned subsidiary of UCS and was incorporated on 4 April 2007. The company obtained its Certificate to Commence Business on the same day. On 6 August 2007 the company was converted from a private company to a public company and the authorised share capital of the company was increased and sub-divided as reflected below. On 21 September 2007, all of the Argility shares held by UCS were unbundled to UCS's shareholders by way of a dividend *in specie* in terms of section 90 of the Companies Act.

On 20 September 2007 the company changed its name from Rendalyn Trading Limited to Argility Limited. The company commenced trading during October 2007.

### 5.2 Nature of business

The Company is an unlisted publicly owned entrepreneurial concern and specialises in the provision of electronic point of sale and merchandising management solutions to retailers, both locally and internationally.

## 6. SHARE CAPITAL OF ARGILITY

As at the last practicable date, the authorised and issued share capital and share premium of Argility was as follows:

	<b>R'000</b>
<hr/>	
<i>Authorised share capital</i>	
100 000 000 ordinary shares of 1 cent each	<b>1 000</b>
<hr/>	
<i>Issued share capital</i>	
28 384 070 ordinary shares of 1 cent each	284
Share premium	163 388
<b>Total issued share capital and share premium</b>	<b>163 672</b>

All the issued shares of Argility are of one class, namely ordinary shares with a par value of 1 cent each and rank *pari passu* in all respects and are traded on an over-the-counter basis.

## 7. HISTORICAL FINANCIAL INFORMATION

Annexure 2 to this circular contains extracts from the published audited historical financial information of Argility for the past two financial years ended 30 September 2008 and 2009, respectively.

## 8. TRADING HISTORY OF ARGILITY SHARES

The trading history of Argility shares on an over-the-counter basis is set out in Annexure 3 to this circular.

## 9. MATERIAL CHANGES

As at the last practicable date, the directors of Argility are not aware of any material changes in the affairs, financial or trading position of Argility or its subsidiaries.

## 10. OPINION OF THE ARGILITY BOARD

10.1 Due to Mr John Bright and Ms Josephine Fortuin having conflicting interests regarding the implementation of the scheme, they have recused themselves from any Board deliberations regarding the scheme and the Board has established a sub-committee, comprising the independent non-executive chairman of the Board, being Mr Ian Bowater and the executive directors, being Messrs Lester Aderem and Andrew Blatherwick.

10.2 The sub-committee has appointed the independent expert to advise the Board on the implementation of the scheme and as to how same affects the Argility shareholders.

- 10.3 The independent expert has advised the Board that it has considered the terms and conditions of the scheme and is of the opinion that these terms and conditions are fair to scheme participants. The text of the letter from the independent expert is included in Annexure 6 to this circular and the letter has not been withdrawn prior to the publication of this circular.
- 10.4 The Argility Board and sub-committee, having considered, *inter alia*, the independent advice of the independent expert and the terms and conditions of the scheme, are of the opinion that these terms and conditions are fair and reasonable to scheme members.

#### **11. RECOMMENDATION TO THE SCHEME MEMBERS IN RESPECT OF THE SCHEME**

The Argility Board and the sub-committee recommend that the scheme members vote in favour of the scheme.

For and on behalf of

**UCS GROUP LIMITED**

1 April 2010

**ARGILITY LIMITED**

1 April 2010



## Argility Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2007/010401/06)

### STATEMENT OF DIRECTORS' INTERESTS IN TERMS OF SECTION 312(1)(a)(iii) OF THE COMPANIES ACT

The definitions and interpretation set out in Annexure 1 to this circular apply, *mutatis mutandis*, to this statement of directors' interests.

#### 1. ARGILITY DIRECTORS' HOLDINGS IN ARGILITY AND UCS SHARES

The directors of Argility had the following direct and indirect beneficial interests in Argility shares at the last practicable date:

Name	Direct Beneficial ('000)	Indirect Beneficial ('000)	Total ('000)	Percentage of issued share capital (%)
L R Aderem	112	–	112	0.4
J D Bright	647	3 145	3 792	13.3
J P Fortuin	4	–	4	–
	<b>763</b>	<b>3 145</b>	<b>3 908</b>	<b>13.8</b>

The directors of Argility had the following direct and indirect beneficial interests in UCS shares at the last practicable date:

Name	Direct Beneficial ('000)	Indirect Beneficial ('000)	Total ('000)	Percentage of issued <sup>1</sup> share capital (%)
L R Aderem	1 290	–	1 290	0.35
J D Bright	6 537	46 426	52 963	18.6
J P Fortuin	80	–	80	0.0
	<b>7 907</b>	<b>46 426</b>	<b>54 333</b>	<b>19.1</b>

**Note:**

1. Net of treasury shares.

The interests of directors remained unchanged from the end of the previous financial year to the last practicable date.

#### 2. INTERESTS OF ARGILITY'S DIRECTORS

##### 2.1 Directors' emoluments and service contracts

2.1.1 The emoluments of Argility's directors will not be affected as a consequence of the implementation of the scheme.

2.1.2 No long-term service contracts exist between Argility and its executive directors.

##### 2.2 Directors' interests in the scheme

No directors of Argility will benefit, directly or indirectly, in any manner, save to the extent that they are scheme members and will receive the scheme consideration as a consequence of the implementation of the scheme.

### **3. SPECIAL ARRANGEMENTS**

- 3.1 No special arrangements, undertakings or agreements have been made between UCS and Argility, or persons acting in concert with these parties, in relation to the scheme shares.
- 3.2 No special arrangements or undertakings (including compensation arrangements) which have any connection with or dependence on the scheme exist between UCS or any person acting in concert with UCS, and any Argility director or any person who was an Argility director within the period commencing 12 months prior to the operative date, or any person who is or was a holder of Argility shares within the period commencing 12 months prior to the operative date, save as disclosed in this circular.
- 3.3 No special arrangements have been made between Argility and UCS in connection with the scheme.
- 3.4 No special arrangements have been made between UCS and the Argility directors in connection with the scheme.

For and on behalf of

**UCS GROUP LIMITED**

1 April 2010

**ARGILITY LIMITED**

1 April 2010

## SECTION III – ADDITIONAL INFORMATION REQUIRED BY THE SRP

# ARGILITY

## Argility Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2007/010401/06)

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### ADDITIONAL INFORMATION REQUIRED BY THE SRP

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The definitions and interpretation set out in Annexure 1 to this circular shall apply, *mutatis mutandis*, to this section.

#### 1. APPLICATION OF THE CODE

The scheme constitutes “an affected transaction” as defined in the Code and Argility shareholders are advised that UCS and Argility have been obliged to comply with the requirements of the Code. Accordingly, the Board has established a sub-committee, which has appointed an independent expert to advise the Board on the implementation of the scheme and as to how the scheme affects the Argility shareholders, which advice is included in Annexure 6 to this circular.

#### 2. CONFIRMATION OF FINANCIAL RESOURCES

The SRP has been provided with written confirmation, furnished by Nedbank Limited that, in the event of all scheme conditions being fulfilled and/or waived (where possible) and the scheme being implemented, sufficient cash resources will be made available to Argility to discharge the total cash consideration payable in terms of the scheme.

#### 3. CONTROLLING AND MAJOR SHAREHOLDERS IN ARGILITY AND SHAREHOLDING BY UCS

As at the last practicable date, shareholders beneficially holding 5% or more of the issued share capital of Argility as well as the shareholding by the UCS Group in Argility, were as follows:

	Number of shares ('000)	Percentage
Mr John Bright	3 792	13.4
Mr Duncan Coles	3 740	13.3
Rand Merchant Bank	3 321	11.7
Oasis Funds	2 635	9.3
Tactical Software Systems (Proprietary) Limited	2 701	9.5
UCS Group	498	1.8

#### 4. SPECIAL ARRANGEMENTS

Except for the terms and conditions applicable to the scheme and the provision of the transaction agreement, no agreements, arrangements or undertakings exist between Argility, UCS or any person acting in concert with him or any of the directors of Argility having connection with or dependence upon the scheme.

#### 5. NO SET-OFF OF SCHEME CONSIDERATION

Settlement of the scheme consideration will be implemented in full in accordance with the terms of the scheme without regard to any lien, right of set-off, counterclaim, deduction, withholding or other analogous right to which Argility or UCS may otherwise be, or claim to be, entitled against any Argility shareholder.

#### 6. EXPERTS' CONSENTS

The independent expert to Argility, auditors, attorneys, independent sponsor to UCS, sponsor to UCS and the transfer secretaries have all consented in writing to act in the capacities stated and to their names being stated in this circular and have not withdrawn their consents prior to the publication of this circular.

The consent letters are available for inspection in terms of paragraph 10 below.

## **7. MATERIAL CHANGES**

As at the last practicable date, there were no material changes in the financial or trading position of Argility since the publication of the latest audited financial statements for the year ended 30 September 2009, save as disclosed in this circular.

## **8. LITIGATION STATEMENT**

The Board is not aware of any material litigation instituted or threatened against Argility as at the date of this circular.

## **9. DIRECTORS' RESPONSIBILITY STATEMENT**

The directors of Argility, whose names appear in Annexure 5 to this circular:

- 9.1 have considered all statements of fact and opinion in this circular;
- 9.2 accept, individually and collectively, full responsibility for the accuracy of the information given;
- 9.3 certify that, to the best of their knowledge and belief, there are no omissions of facts or considerations which would make any statement of fact or opinion contained in this circular false or misleading and contains all information required in terms of the Code; and
- 9.4 have made all reasonable enquiries in this regard.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of Argility and at the attorneys during business hours (excluding Saturdays, Sundays and South African public holidays) from the date of issue of this circular up to and including the operative date of the scheme:

- 10.1 a copy of this document, incorporating a signed copy of the scheme and the explanatory statement (*green*);
- 10.2 a copy of the opinion of the independent expert in regard to the scheme;
- 10.3 a copy of the Order of Court convening the scheme meeting;
- 10.4 a copy of the transaction agreement;
- 10.5 the audited financial statements of Argility for each of the financial years ended 30 September 2008 and 2009, respectively, together with the respective unqualified audit opinions thereon;
- 10.6 the memorandum and articles of association of Argility; and
- 10.7 consent letters of the independent expert to Argility, auditors, attorneys, independent sponsor to UCS, sponsor to UCS and the transfer secretaries.

## **11. SUBSTITUTE OFFER**

11.1 If the scheme is not approved at the scheme meeting or, if approved, its completion does not occur by 1 June 2010 or such later date upon which it becomes known that the scheme will not be implemented then, subject to the election of the board of directors of UCS, notification of which will be given within five business days from the non-fulfilment of any of the suspensive conditions to the scheme, the scheme participants will be entitled to accept a substitute offer in respect of their scheme shares. Details of the substitute offer are reflected in Annexure 7. Argility will undertake no obligations of any nature whatsoever in terms of administering the substitute offer or otherwise. If the substitute offer becomes effective, UCS will make an announcement on SENS and in the press as to the period during which it will remain open for acceptance by scheme participants.

11.2 The implementation of the substitute offer and the payment of the substitute offer consideration (as defined in Annexure 7) are subject to the fulfilment and/or waiver of the suspensive conditions to the substitute offer as set out in paragraph 6 of Annexure 7.

For and on behalf of

**UCS GROUP LIMITED**

1 April 2010

**ARGILITY LIMITED**

1 April 2010

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## DEFINITIONS AND INTERPRETATION

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The definitions and interpretation set out in this annexure apply, *mutatis mutandis*, to this entire document (but not to the scheme of arrangement, Order of Court, notice of scheme meeting and the attached form of proxy (*pink*), which contain their own separate definitions), unless the context indicates otherwise, the words in the first column have the meanings stated alongside them in the second column, references to the singular shall include the plural and *vice versa*, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons and *vice versa* and cognate expressions shall bear corresponding meanings:

“ <b>the announcement</b> ”	the announcement published in the press on 16 March 2010 detailing, <i>inter alia</i> , the proposed implementation of the scheme of arrangement;
“ <b>Argility</b> or “ <b>the company</b> ”	Argility Limited (registration number 2007/010401/06), a public company duly registered and incorporated in accordance with the company laws of South Africa;
“ <b>the Argility Board</b> ” or “ <b>the Board</b> ”	the board of directors of Argility, the members of which are listed in Annexure 5 to this circular;
“ <b>Argility ordinary shares</b> ” or “ <b>Argility shares</b> ”	ordinary shares with a par value of 1 cent each in the issued share capital of Argility;
“ <b>Argility ordinary shareholders</b> ” or “ <b>Argility shareholders</b> ”	holders of Argility shares as recorded in the register from time to time;
“ <b>attorneys</b> ”	Glyn Marais Incorporated (registration number 1990/000849/21), a company duly registered and incorporated in accordance with the company laws of South Africa and practising as a firm of attorneys;
“ <b>auditors</b> ”	Kaplan & Kaplan (IRBA number 954675), a partnership registered in accordance with the company laws of South Africa;
“ <b>broker</b> ”	any person registered as a “broking member (equities)” in terms of the Rules of the JSE made in accordance with the provisions of the Securities Services Act;
“ <b>business day</b> ”	any day other than a Saturday, Sunday or an official public holiday in South Africa;
“ <b>cents</b> ”	South African cents;
“ <b>CGT</b> ”	capital gains tax as contemplated in the Income Tax Act;
“ <b>CIPRO</b> ”	Companies and Intellectual Property Registration Office;
“ <b>this circular</b> ” or “ <b>this document</b> ”	this bound document, dated 1 April 2010, issued to Argility shareholders, including all annexures and enclosures hereto;
“ <b>the Code</b> ”	the Securities Regulations Code on Take-overs and Mergers and the Rules of the SRP issued pursuant to the Companies Act;
“ <b>common monetary area</b> ”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“ <b>the Companies Act</b> ”	Companies Act, No. 61 of 1973, as amended, as constituted at the date of this circular;
“ <b>Court</b> ”	South Gauteng High Court of South Africa, Johannesburg, which is located in the High Court Building, von Brandis Square, corner Pritchard and von Brandis Streets, Johannesburg;
“ <b>documents of title</b> ”	share certificates, certified transfer deeds, balance receipts or any other documents of title to shares acceptable to Argility in respect of Argility’s shares;

<b>"emigrant"</b>	any emigrant from the common monetary area whose address is outside the common monetary area;
<b>"explanatory statement"</b>	the explanatory statement commencing on page 7 of this circular ( <i>green</i> );
<b>"form of proxy"</b>	the form of proxy ( <i>pink</i> ) attached to this circular which details the instructions and notes relating to voting at the scheme meeting;
<b>"form of surrender and substitute offer acceptance form"</b>	form of surrender and substitute offer acceptance form ( <i>blue</i> ) attached to this circular, for use by scheme participants only, to be completed and to accompany surrendered documents of title;
<b>"the Income Tax Act"</b>	Income Tax Act, No. 58 of 1962, as amended;
<b>"independent expert"</b>	Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited (registration number 2000/023249/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
<b>"independent sponsor"</b>	Deloitte & Touche Sponsor Services (Proprietary) Limited (registration number 1996/000034/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
<b>"JSE"</b>	JSE Limited (registration number 2005/022939/06), a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa, which is licensed as an exchange under the Securities Services Act;
<b>"last practicable date"</b>	the last practicable date prior to the finalisation of this circular;
<b>"the Offer"</b>	the offer by UCS to acquire the scheme shares in exchange for the scheme consideration, which offer will be implemented by way of the scheme or, if applicable, the substitute offer;
<b>"operative date"</b>	expected to be on or about 31 May 2010, being the date on which the scheme is implemented;
<b>"Rand" or "R"</b>	South African Rand, the official currency of South Africa;
<b>"record date" or "scheme consideration record date"</b>	expected to be on or about Friday, 28 May 2010, being the date on which an Argility shareholder must be recorded on the register in order to participate in the scheme and receive the scheme consideration;
<b>"register"</b>	the register of Argility shareholders;
<b>"SARB"</b>	South African Reserve Bank;
<b>"scheme" or "scheme of arrangement"</b>	a scheme of arrangement in terms of section 311 of the Companies Act, proposed by UCS between Argility and the shareholders of Argility, other than UCS and/or any of its subsidiaries, in terms of which UCS will acquire, subject to the fulfilment and/or waiver (where possible) of the scheme conditions, all of Argility's issued shares held by the scheme participants on the scheme consideration record date in exchange for the scheme consideration, the terms and conditions of which are contained in the scheme of arrangement ( <i>yellow</i> ) (commencing on page 13), subject to any modification or amendment thereto;
<b>"scheme conditions"</b>	the suspensive conditions to the scheme as set out in paragraph 5 of the scheme;
<b>"scheme consideration"</b>	the consideration of R1.55 per scheme share, payable in cash to each scheme participant in terms of the scheme;
<b>"scheme consideration settlement date"</b>	the date by which the scheme consideration will be paid to the scheme participants;
<b>"scheme meeting"</b>	the meeting of scheme members convened in terms of an Order of the Court, to be held at 10:00 on Tuesday, 11 May 2010 at the registered office of Argility, being 28th Floor, 209 Smit Street, Braamfontein, 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, the notice of which is attached to and forms part of this circular;

<b>"scheme members"</b>	Argility shareholders recorded in the register on the scheme voting record date (other than UCS and its subsidiaries), who are entitled to vote at the scheme meeting;
<b>"scheme participants"</b>	Argility shareholders, other than UCS and/or any of its subsidiaries, recorded in the register 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;
<b>"scheme shares"</b>	27 886 428 shares, representing 98.25% of the shares in the issued share capital of Argility held by scheme participants on the scheme consideration record date;
<b>"scheme voting record date"</b>	the date on which an Argility shareholder must be recorded on the register to be entitled to vote at the scheme meeting, being Friday, 7 May 2010. Any variation of the above expected record date for the scheme, as may be approved by the Court, where necessary, will be published in the press;
<b>"Securities Services Act"</b>	Securities Services Act, No. 36 of 2004, as amended;
<b>"SENS"</b>	Stock Exchange News Service;
<b>"shares"</b>	Argility shares that are held in certificated form;
<b>"South Africa"</b>	the Republic of South Africa;
<b>"South African Exchange Control Regulations"</b>	South African Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933, as amended;
<b>"sponsor"</b>	Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited (registration number 2000/023249/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
<b>"SRP"</b>	the Securities Regulation Panel established in terms of section 440B of the Companies Act;
<b>"subsidiary"</b>	such term as defined and described in the Companies Act;
<b>"substitute offer"</b>	the offer described in Annexure 7 to this document;
<b>"substitute offer conditions"</b>	the suspensive conditions to the substitute offer as set out in paragraph 6 of Annexure 7 to this document;
<b>"transaction agreement"</b>	the transaction agreement entered into between Argility and UCS referred to in paragraph 4 of the scheme of arrangement (commencing on page 16);
<b>"transfer secretaries"</b>	Link Market Services South Africa (Proprietary) Limited (registration number 2000/007239/07), a private company duly registered and incorporated in accordance with the company laws of South Africa; and
<b>"UCS"</b>	UCS Group Limited (registration number 1993/002253/06), a public company duly registered and incorporated in accordance with the company laws of South Africa, all of the issued ordinary shares of which are listed on the JSE.

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## EXTRACTS OF HISTORICAL FINANCIAL INFORMATION RELATING TO ARGILITY

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"The financial statements for the year ended 30 September 2009 and for the 18 months ended 30 September 2008 have been prepared in accordance with International Financial Reporting Standards applicable to the respective reporting periods.

### 2008 Financial Results Commentary

Argility Limited was launched at a time when the true extent of the sub-prime crisis on the major economies of the world was not yet fully understood. Notwithstanding this fact and the resulting trading environment, which was far more challenging than originally anticipated, the Group was able to achieve its budgeted results through conscious and effective cost management.

Revenue for the year of R12,2 million was below budget expectations however reflective of retail customers' response to the pressures of reduced consumer confidence and spending, particularly in the UK where all prospective customers have delayed IT investment orders. Annuity revenue comprised 48% of total revenues while R11,2 million or 91,8% of total revenues is attributable to the South African partner channel represented by UCS Software (Pty) Ltd. Net revenues, after reseller commission and royalty fees to UCS Software Manufacturing (Pty) Ltd, payable in terms of the outsourced product development ("OPD") arrangement, was R8,5 million for the period.

Cash expenditure incurred for the period totalled R37 million of which R14,7 million was capitalised and the balance expensed through the income statement. This was significantly below budget, however aligned with lower revenue contributions from both the South African and UK territories. Research and development expenditure incurred on the product lines namely, Active Retail, Argility Merchandising and Ultisales, totalled R5,3 million for the period and was expensed as incurred.

The R14,7 million referred above represents the balance of the R20 million OPD fee contracted with UCS Software Manufacturing for the 12-month period ended 30 September 2008 and was brought on balance sheet as development costs capitalised.

The loss for the period before interest, depreciation and amortisation is R13,8 million. After amortisation of the products owned by Argility as well as interest received on the loan receivable from UCS Group Limited of R21,4 million and R4,5 million, respectively, the loss before tax for the Group's first trading period is R30,8 million.

The material movements on the balance sheet relate to the transactions which led to the unbundling of Argility from UCS at an enterprise value of R163,6 million. Prior to 21 September 2007, the unbundling date, Argility acquired certain software products and associated intellectual property, namely the Dolfin and Active Retail product suites, from UCS subsidiary companies for a total purchase consideration of R113,6 million. The purchase price was settled through the issue of 19,6 million ordinary shares in Argility Limited.

After amortisation of the software products of R21,4 million, software acquisitions of R0,2 million and taking into account the development costs capitalised of R14,7 million referred to above, one arrives at the closing intangible assets of R107,2 million.

Also prior to the unbundling date, UCS subscribed for shares in Argility Limited at a value of R50 million which subscription cash was immediately placed with UCS on an interest bearing loan account to be repaid in accordance with Argility's working capital requirements. R40 million had been repaid as at the financial year-end.

Cash utilised by operating activities amounts to R14 million which approximates the loss before depreciation and amortisation of R13,8 million. After interest received on the loan with UCS of R4,5 million, the cash operating loss for the period was R9,5 million. This loss, together with the investment in product development and software assets of R14,9 million as well as minor capital expenditure of R0,2 million, was funded from the draw down against the loan receivable that arose on the original equity subscription referred to above. Cash and cash equivalents at the financial year end was R10,6 million and a further loan receivable of R14,4 million remains in place to fund working capital requirements into the new financial year before accessing the additional R50 million loan facility referred to below.

At the time of unbundling, Argility entered into a facility agreement with UCS whereby UCS would provide an additional R50 million to fund Argility's working capital requirements which Argility may access following the settlement of the R14,4 million owing by UCS.

The loan facility may only be accessed prior to the third anniversary date of Argility's unbundling (i.e. September 2010) and will be secured by a cession over the annuity revenue streams created by Argility for the duration that there is a loan amount outstanding.

## **2009 Financial results commentary**

Against the backdrop of another challenging year in global markets, particularly in the speciality retail market in which Argility Limited operates, the Group continued to reduce spending where possible. However, investment in product development continued tactically as opportunities arose.

New sales activity continued to disappoint as the impact of the economic crisis on the company's chosen markets showed few signs of reprieve. This was particularly the case in Argility's primary operating areas of the United Kingdom, South Africa, the United States and Middle East. Revenue totalled R10,7 million for the 12 months to 30 September 2009. This was attributable mainly to the South African territory represented by UCS Software (Pty) Ltd. It was comprised of software license revenues of R9 million, of which 55% (2008: 48%) was annuity revenue. Net revenues, after reseller commission and royalty fees to UCS Software Manufacturing (Pty) Ltd, payable in terms of the outsourced product development ("OPD") contract, was R8,8 million for the year (2008 18 months: R8,5 million).

Cash expenditure, consisting of staff and associated costs, sales and marketing expenditure and product development expenditure in terms of the OPD contract, was carefully managed given the poor sales activity and limited visibility around the timing of the conversion of pipeline prospects. In order to achieve this, the OPD contract was successfully converted into a three-year, previously a two-year, contracted commitment. As a consequence, half of the originally contracted R20 million per annum expenditure is delayed into the third year.

Accordingly, research and development expenditure incurred on the product lines namely, Active Retail, Argility Merchandising and Ultisales, totalled R9,1 million for the year of which R5,8 million was capitalised onto the balance sheet.

The loss from operations before interest, amortisation, depreciation, foreign exchange losses, impairments and research and development expenditure for the year totalled R13,5 million (2008: 18 months: R8,1 million). Amortisation of the product lines owned by Argility was R24,5 million for the year. However, as at the balance sheet date, a further R24,4 million was impaired after reviewing the foreseeable future returns on the product lines according to IFRS principles.

After the aforementioned write-downs as well as unrealised foreign exchange losses on loan accounts with foreign subsidiaries of R3,6 million (2008: 18 months: R0,5 million) and investment revenues of R1,3 million (2008: 18 months: R4,5 million), the loss for the year was R68,2 million (2008: 18 months: R30,8 million).

Once again, in accordance with IFRS principles, the Group did not recognise the effect of the tax losses incurred in the financial year in the income statement and on the balance sheet. Accumulated tax losses in the Group as at the financial year-end are estimated at R76,5 million.

The intangible assets totalling R64,2 million at the year-end, which comprises the software products and associated intellectual property owned by the Group, underpins the Group net asset value of R68 million.

The amortisation of the software products realised through the income statement of R24,5 million, the impairment of certain product lines in accordance with IFRS principles of R24,4 million and the capitalisation of development costs capitalised at R5,8 million referred to previously, represent the material movements associated with intangible assets on the balance sheet.

As at financial year-end, R5,9 million, of the initial R50 million funding provided by UCS, is owing to Argility and is expected to be repaid within the first quarter of 2010.

Cash utilised by operating activities before working capital changes amounts to R17,1 million, representing the loss for the year adjusted for non-cash items such as depreciation, amortisation and unrecognised foreign exchange losses and the effects of translation. After working capital benefits and investment revenues of R4,1 million and R1,3 million, respectively, cash utilised by operations was R11,8 million (2008: 18 months: R13,8 million).

Operating activities and the investments in intangible assets, underpinned by development expenditure, was partly funded through the repayment of R8,9 million of the R50 million loan referred to earlier.

Cash and cash equivalents at the financial year-end was R1,6 million. The loan receivable from UCS of R5,9 million remains in place to fund working capital requirements into the new financial year, before accessing the additional R50 million loan facility referred to below.

At the time of its unbundling from UCS in September 2007, Argility entered into a facility agreement with UCS. This stipulated that UCS would provide an additional R50 million to fund Argility's working capital requirements, which Argility could access following the settlement of the R5,9 million owing by UCS referred above.

The loan facility may only be accessed prior to the third anniversary date of Argility's unbundling (i.e. September 2010), and is secured by a cession over the annuity revenue streams created by Argility for the duration that there is a loan amount outstanding.

Accordingly, based on current and secured annuity revenue streams, Argility may access up to R25 million from UCS to fund future working capital requirements.

#### Income statement for the year ended 30 September 2009

	<b>2009</b>	Group 18 months 2008
	<b>R'000</b>	R'000
REVENUE	<b>10 676</b>	12 176
LOSS FROM OPERATIONS		
before interest amortisation, depreciation, foreign exchange losses, impairments and research and development expenditure	<b>(13 529)</b>	(8 054)
Amortisation of intangible assets	<b>24 548</b>	21 414
Depreciation of property, plant and equipment	<b>101</b>	49
Foreign exchange losses	<b>3 609</b>	452
Impairment of intangible assets	<b>24 429</b>	-
Impairment of loan	<b>-</b>	-
Research and development expenditure	<b>3 244</b>	5 292
LOSS BEFORE INVESTMENT REVENUES	<b>(69 460)</b>	(35 261)
Investment revenues	<b>1 257</b>	4 452
LOSS FOR THE YEAR	<b>(68 203)</b>	(30 809)
LOSS ATTRIBUTABLE TO:		
Owners of the parent	<b>(68 203)</b>	(30 809)
LOSS PER SHARE (cents)		
Basic and diluted	<b>(240,3)</b>	(108,5)

#### Statements of other comprehensive income for the year ended 30 September 2009

	<b>2009</b>	Group 18 months 2008
	<b>R'000</b>	R'000
LOSS FOR THE YEAR	<b>(68 203)</b>	(30 809)
OTHER COMPREHENSIVE INCOME FOR THE YEAR:		
Exchange differences on translating foreign operations	<b>3 260</b>	33
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<b>(64 943)</b>	(30 776)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	<b>(64 943)</b>	(30 776)

**Statement of financial position as at 30 September 2009**

	<b>2009</b>	Group 18 months 2008
	<b>R'000</b>	R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>165</b>	176
Intangible assets	<b>64 205</b>	107 158
Investment in subsidiary	<b>-</b>	-
	<b>64 370</b>	107 334
<b>Current assets</b>		
Trade and other receivables	<b>1 528</b>	6 156
Loans receivable	<b>5 901</b>	14 711
Cash and cash equivalents	<b>1 589</b>	10 646
	<b>9 018</b>	31 513
<b>Total assets</b>	<b>73 388</b>	138 847
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	<b>284</b>	284
Share premium	<b>163 388</b>	163 388
Foreign currency translation reserve	<b>3 293</b>	33
Accumulated loss	<b>(99 012)</b>	(30 809)
<b>Total equity</b>	<b>67 953</b>	132 896
<b>Current liabilities</b>		
Trade and other payables	<b>5 435</b>	5 951
<b>Total equity and liabilities</b>	<b>73 388</b>	138 847

**Statement of changes in equity for the year ended 30 September 2009**

	Ordinary share capital R'000	Share premium R'000	Foreign currency translation reserve R'000	Accumulated loss R'000	Total equity R'000
<b>Balance at 4 April 2007</b>	-	-	-	-	-
Loss for the period	-	-	-	(30 809)	(30 809)
Other comprehensive income for the period	-	-	33	-	33
Total comprehensive income for the period	-	-	33	(30 809)	(30 776)
Ordinary shares issued at a premium net of share issue costs	284	163 388	-	-	163 672
<b>Balance at 30 September 2008</b>	<b>284</b>	<b>163 388</b>	<b>33</b>	<b>(30 809)</b>	<b>132 896</b>
Loss for the year	-	-	-	(68 203)	(68 203)
Other comprehensive income for the year	-	-	3 260	-	3 260
Total comprehensive income for the year	-	-	3 260	(68 203)	(64 943)
<b>Balance at 30 September 2009</b>	<b>284</b>	<b>163 388</b>	<b>3 293</b>	<b>(99 012)</b>	<b>67 953</b>

## Statement of cash flows for the year ended 30 September 2009

	2009 R'000	Group 18 months 2008 R'000
<b>CASH UTILISED BY OPERATING ACTIVITIES</b>	<b>(11 760)</b>	(9 518)
Cash utilised by operations before working capital changes	<b>(17 122)</b>	(13 765)
Working capital changes	<b>4 105</b>	(205)
Cash utilised by operations	<b>(13 017)</b>	(13 970)
Investment revenues	<b>1 257</b>	4 452
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>2 703</b>	(29 836)
Acquisition of intangible assets	<b>(6 024)</b>	(14 900)
Acquisition of property, plant and equipment	<b>(83)</b>	(225)
Investment in subsidiary	-	-
Loan advanced to subsidiary	-	-
Loans repaid (advanced)	<b>8 810</b>	(14 711)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of shares allotted at a premium	-	50 000
<b>Cash and cash equivalents</b>		
- Net (decrease)/increase	<b>(9 057)</b>	10 646
- At beginning of the year	<b>10 646</b>	-
At end of the year	<b>1 589</b>	10 646

## Notes to the financial statements for the year ended 30 September 2009

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and are prepared under the historical cost convention as modified by the fair value valuation of certain financial instruments and assets and liabilities acquired in a business combination in terms of IFRS 3, Business Combinations.

The annual financial statements are prepared using the accounting policies set out below and are in accordance with the applicable International Financial Reporting Standards.

In the current year, the Group has adopted IAS 1 (as revised 2007) Presentation of Financial Statements in advance of its effective date. IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 2 (AC 139) – Share-Based Payments
- IFRS 3 (AC 140) – Business Combinations
- IFRS 8 (AC 145) – Operating Segments
- IAS 1 (AC 101) – Presentation of Financial Statements
- IAS 23 (AC 114) – Borrowing Costs
- IAS 27 (AC 132) – Consolidated and Separate Financial Statements
- IAS 28 (AC 110) – Investments in Associates
- IAS 31 (AC 119) – Interests in Joint Ventures
- IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

On 22 May 2008, the International Accounting Standards Board ('IASB') issued its latest Standard, titled Improvements to International Financial Reporting Standards 2008. The following is a list of Standards that have been amended, but are not yet effective:

- IFRS 1 (AC 138) – First-time Adoption of International Financial Reporting Standards
- IFRS 5 (AC 142) – Non-current Assets Held for Sale and Discontinued Operations
- IAS 1 (AC 101) – Presentation of Financial Statements
- IAS 16 (AC 123) – Property, Plant and Equipment
- IAS 19 (AC 116) – Employee Benefits
- IAS 20 (AC 134) – Accounting for Government Grants and Disclosure of Government Assistance
- IAS 27 (AC 132) – Consolidated and Separate Financial Statements
- IAS 28 (AC 110) – Investments in Associates
- IAS 29 (AC 124) – Financial Reporting in Hyperinflationary Economies
- IAS 31 (AC 119) – Interests in Joint Ventures
- IAS 32 (AC 125) – Financial Instruments: Presentation
- IAS 36 (AC 128) – Impairment of Assets
- IAS 38 (AC 129) – Intangible Assets
- IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement
- IAS 40 (AC 135) – Investment Property
- IAS 41 (AC 137) – Agriculture

The following amendments were issued by the IASB during the year:

- IFRS 7 (AC 144) – Financial Instruments: Disclosures – Amendments enhancing disclosures about fair value and liquidity risk
- IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments
- IFRS 2 (AC 139) – Share-Based Payment – Amendments resulting from April 2009 Annual Improvements to IFRSs
- IFRS 3 (AC 139) – Share-Based Payment – Amendments relating to Group cash-settled share based payment transactions
- IFRS 5 (AC 142) – Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRSs
- IFRS 8 (AC 145) – Operating Segments – Amendments resulting from April 2009 Annual Improvements to IFRSs
- IAS 1 (AC 101) – Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements to IFRSs
- IAS 7 (AC 118) – Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs
- IAS 17 (AC 105) – Leases – Amendments resulting from April 2009 Annual Improvements to IFRSs
- IAS 36 (AC 128) – Impairment of Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs
- IAS 38 (AC 129) – Intangible Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs
- IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 Annual Improvements to IFRSs

Management have assessed the impact of the newly issued Standards that are not yet effective. The impact of these new Standards, together with the amendments to original Standards are not considered to be material. These new Standards and amendments to original Standards will be adopted on their respective effective dates.

## **1.2 Basis of consolidation**

The consolidated annual financial statements incorporate the annual financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their respective interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling entity has a binding obligation and is able to make an additional investment to cover the losses.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3: Business Combinations, are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

### **1.3 Business combinations**

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### **1.4 Property, plant and equipment**

Property, plant and equipment is stated at cost to the Group less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably.

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

- Computer equipment Three years
- Furniture, fixtures and fittings Six years

The assets' residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each financial year end. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

### **1.5 Intangible assets**

#### **Intangible assets acquired separately**

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives of the intangible asset.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### **Internally generated intangible assets - research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Capitalised development costs that have finite useful lives are amortised from the date the product is available for use. The product is amortised on a straight-line basis over the period of its expected benefit, not exceeding five years, from when the product is released to the market.

### **Software**

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. Expenditure on internally-developed software is capitalised if it meets the criteria for capitalising development expenditure. Other software development expenditure is charged to the income statement when incurred.

The useful life of software is assessed at least annually at the financial year end and is assessed to have a finite useful life and is amortised on a straight-line basis over the period of its expected benefit, not exceeding six years.

## **1.6 Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## **1.7 Financial Instruments**

Financial instruments include all financial assets, financial liabilities and equity instruments, including derivative instruments. Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

## **Fair value methods and assumptions**

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial instruments with standard terms and conditions and traded in active, liquid and organised financial markets are determined with reference to the applicable quoted market prices.

The fair values of derivative instruments are determined using quoted prices or where such prices are not available, discounted cash flow methods using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives. These amounts reflect the approximate values of the net derivative position at the balance sheet date.

The quoted market prices used for interest rate derivatives is at the effective yield basis, while the quoted market prices used for foreign exchange derivatives is at the mid or mid forward rate.

The fair value of financial instruments, excluding derivative instruments, not traded in active, liquid and organised financial markets is determined using a variety of methods and assumptions that are based on market conditions and risks existing at balance sheet date, including independent appraisals and discounted cash flow methods.

The fair value of trade and other receivables, cash and cash equivalents and trade and other payables approximate their carrying amount due to the short-term maturities of these items.

## **Effective interest rate method**

The effective interest rate method is a method of calculating the amortised cost of financial assets and financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts and future cash payments through the expected life of the financial asset and financial liability, or where appropriate a shorter period, to the net carrying amount of the financial asset or financial liability.

## **Amortised cost**

Amortised cost is the amount at which the financial asset and financial liability is measured at initial recognition less principal repayments, cumulative amortisation and accumulated impairment losses. The cumulative amortisation of any difference between the initial amount and the maturity amount of the financial asset and financial liability is calculated by using the effective interest rate method and recognised in profit or loss as interest income or interest expense over the period of the investment or debt.

## **Financial assets**

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group's principal financial assets are loans and receivables and cash and cash equivalents.

## **Trade receivables**

Trade and other receivables and other loans are stated at original investment less principal payments, amortisations and accumulated impairment losses. Receivables originated by the Group by providing goods or services directly to the customer are carried at original invoice amount less provision for doubtful receivables. A provision for doubtful receivables is established when there is objective evidence that the Company has incurred a loss and will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount.

The provision for doubtful receivables covers losses where there is objective evidence that the Company incurred a loss at the balance sheet date. These incurred loss events have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the customers and reflecting the current economic climate in which the borrowers operate. When a receivable is uncollectible, it is written off to the income statement. Subsequent recoveries are credited to the income statement.

## **Bank and cash balances**

Cash and cash equivalents are measured at fair value based, where appropriate, at the relevant exchange rate at the balance sheet date. Cash and cash equivalents comprise cash on hand and demand deposits and other short-term and highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## **Initial recognition and measurement**

Financial assets are recognised and derecognised on trade-date where the purchase or sale of the financial asset is under a contract which terms require delivery of the instrument within the time frame established by the market concerned.

All financial assets are initially measured at fair value, including transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

Subsequent to initial measurement, these instruments are measured as set out below:

Loans and receivables and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method less any impairment loss. Interest income is recognised in profit or loss by applying the effective interest rate, except for short-term trade receivables where the recognition of interest would be immaterial. Trade receivables are carried at original invoice amount less any impairment loss.

The accounting policy for bank and cash balances is dealt with under cash and cash equivalents set out below.

## **Financial liabilities**

Financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss, financial liabilities held at amortised cost and financial guarantee contract liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

The Group's principal financial liabilities are interest bearing debt, preference shares, provisions and bank borrowings and other short-term debt:

## **Interest bearing debt**

Interest bearing debt is originally recognised at fair value, net of transaction costs incurred. Interest bearing debt is subsequently stated at amortised cost, namely original debt less principal payments and amortisations. Any differences between proceeds and the redemption value are recognised in the income statement over the period of the debt using the effective interest rate method.

Interest bearing debt is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

## **Trade and other payables**

Trade and other payables are stated at original cost less principal payments.

## **Provisions**

Provisions are recognised when there is a present legal or constructive obligation resulting from past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

A past event is deemed to give rise to a present obligation if, taking into account the available evidence, it is more likely than not that a present obligation exists at balance sheet date.

The amount recognised as a provision, is the best estimate of the expenditure required to settle the present obligation at balance sheet date, taking into account risks and uncertainties surrounding the provision. Long-term provisions are discounted to net present value.

## **Initial recognition and measurement**

All financial liabilities are initially measured at fair value, including transaction costs except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

Subsequent to initial measurement, these instruments are measured as set out below:

Interest bearing debt, non-interest bearing debt, bank borrowings and other short-term debt are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in profit or loss by applying the effective interest rate.

Interest bearing debt and non-interest bearing debt are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade and other payables are carried at original invoice amount.

Dividends payable are stated at amounts declared.

A contract that contains an obligation to purchase its own equity instrument for cash or another financial asset gives rise to a financial liability and is accounted for at the present value of the redemption amount. On initial recognition its fair value is reclassified directly from equity. Subsequent changes in the liability are included in profit and loss. On expiry or exercise of the option the carrying value of the liability is reclassified directly to equity.

## **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Group's principal equity instrument is stated capital, which is recorded at proceeds received, net of any direct issue costs.

## **Derecognition**

Financial assets (or a portion thereof) are derecognised when the rights to the cash flows expire or when the Group transfers substantially all the risks and rewards related to the financial asset or when the entity loses control of the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity is included in the income statement.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related non-amortised costs and amounts paid for it is included in profit or loss.

## **Offset**

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

## **1.8 Taxation**

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

### **Current taxation**

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

### **Deferred taxation**

Deferred taxation is provided for using the balance sheet liability method, on all temporary differences between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes. The provision for deferred taxation is calculated using enacted or substantively enacted taxation rates at balance sheet date that are expected to apply when the asset is realised or liability settled. A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxation asset can be realised.

Deferred taxation liabilities are recognised for all taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The provision for deferred taxation assets and liabilities reflects the taxation consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities. Such assets and liabilities are not recognised if the temporary difference arises from:

- non-tax deductible goodwill;
- the initial recognition (other than in a business combination) of an asset or liability to the extent that neither accounting nor taxable profit is affected on acquisition.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and they relate to income taxes levied by the same taxation authority and the Group intends to settle its current taxation assets and liabilities on a net basis.

## **1.9 Foreign currencies**

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('**the functional currency**'). The consolidated financial statements are presented in Rands, which is the Company's functional and presentation currency.

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the translation and settlement of monetary assets and liabilities are charged to the income statement, except for exchange differences arising on non-monetary items where the changes in fair values are recognised directly in equity.

### **Foreign subsidiaries**

The results and financial position of a foreign operation (none of which has the currency of a hyperinflationary economy) are translated into the functional currency using the following procedures:

- assets and liabilities are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly; and
- all resulting exchange differences are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## **1.10 Employee benefits**

### **Short-term employee benefits**

Remuneration to employees is charged to the income statement. Provision is made for accumulated leave, incentive bonuses and other short-term employee benefits.

## **Retirement benefits**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

### **1.11 Revenue recognition**

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

Revenue is recognised when the following criteria are met:

#### **Revenue from the sale of products**

Revenue from the sale of products is recognised when significant risks and rewards of ownership have passed.

#### **Revenue arising from the rendering of services**

Revenue arising from the rendering of services, which include computer processing services, software development charges, licence fees, installation and maintenance charges and training, is recognised on the accrual basis in accordance with the substance of the agreement.

#### **Finance income**

Interest is recognised when it accrues to the Group on a time:proportion basis, taking account of the principal outstanding and the effective yield of the asset.

#### **Investment income**

Cash dividends and the full cash equivalent of capitalisation share awards received, where applicable, are recognised when the right to receive payment or transfer is established.

### **1.12 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **1.13 Segmental information**

The principal segments of the Group have been identified on a primary basis by the geographical areas of operations into two major areas namely:

1. South Africa.
2. United Kingdom.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments.

### **1.14 Comparative figures**

When an accounting policy is altered comparative figures are restated if required by the applicable accounting statement and where material. Details of these restatements have been included in the relevant notes to the annual financial statements."

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## TRADING HISTORY OF ARGILITY SHARES

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The recent trading history of the Argility shares on the over-the-counter market is set out below.

The closing price and the aggregated quarterly volume traded since the quarter ended 31 March 2008 were as follows:

<b>Date</b>	<b>Closing price (cents)</b>	<b>Volume traded</b>
2008-03-31	250	531 290
2008-06-30	250	258 535
2008-09-30	200	159 764
2008-12-31	150	109 801

The closing price and the aggregated monthly volume traded since the month ended 31 January 2009 were as follows:

<b>Date</b>	<b>Closing price (cents)</b>	<b>Volume traded</b>
2009-01-31	150	0
2009-02-28	150	0
2009-03-31	150	0
2009-04-30	150	0
2009-05-31	150	0
2009-06-30	150	0
2009-07-31	150	0
2009-08-31	50	110 538
2009-09-30	50	0
2009-10-31	50	0
2009-11-30	45	4 090
2009-12-31	50	8 360

The closing price and the volume traded commencing from 1 January 2010 were as follows:

<b>Date</b>	<b>Closing price (cents)</b>	<b>Volume traded</b>
2010-01-01	50	0
2010-01-04	50	0
2010-01-05	50	0
2010-01-06	50	0
2010-01-07	50	0
2010-01-08	50	0
2010-01-11	50	0
2010-01-12	50	0
2010-01-13	50	0
2010-01-14	50	0
2010-01-15	50	0
2010-01-18	50	0
2010-01-19	50	0
2010-01-20	50	0
2010-01-21	50	0
2010-01-22	50	0
2010-01-25	50	0
2010-01-26	50	100
2010-01-27	50	0
2010-01-28	50	0

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<b>Date</b>	<b>Closing price (cents)</b>	<b>Volume traded</b>
2010-01-29	50	0
2010-02-01	50	0
2010-02-02	50	37 399
2010-02-03	50	0
2010-02-04	50	0
2010-02-05	50	0
2010-02-08	50	0
2010-02-09	50	0
2010-02-10	50	0
2010-02-11	50	0
2010-02-12	50	0
2010-02-15	50	0
2010-02-16	50	0
2010-02-17	50	0
2010-02-18	50	0
2010-02-19	50	0
2010-02-22	50	0
2010-02-23	50	0
2010-02-24	50	0
2010-02-25	50	0
2010-02-26	50	0

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## **SOUTH AFRICAN RESERVE BANK EXCHANGE CONTROL REGULATIONS**

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The following is a summary of the South African Exchange Control Regulations insofar as they have application to scheme participants. In the event of any doubt, scheme participants are advised to consult their appropriate professional advisors as soon as possible.

### **RESIDENTS OF THE COMMON MONETARY AREA**

In the case of scheme participants whose registered addresses in the register are within the common monetary area and whose documents of title are not restrictively endorsed in terms of the South African Exchange Control Regulations, the scheme consideration will be posted to such scheme participants, in accordance with paragraph 8 of the scheme of arrangement section which forms part of this circular.

### **EMIGRANTS FROM THE COMMON MONETARY AREA**

In the case of scheme participants who are emigrants from the common monetary area, the scheme consideration will in the case of scheme participants whose documents of title have been restrictively endorsed under the South African Exchange Control Regulations, be forwarded to the authorised dealer in foreign exchange in South Africa controlling such scheme participants' blocked assets in terms of the South African Exchange Control Regulations. The attached form of surrender and substitute offer acceptance form (*blue*) makes provision for details of the authorised dealer concerned to be given.

### **ALL OTHER NON-RESIDENTS OF THE COMMON MONETARY AREA**

The scheme consideration accruing to non-resident scheme participants whose registered addresses are outside the common monetary area and who are not emigrants from the common monetary area will in the case of scheme participants, whose documents of title have been restrictively endorsed under the South African Exchange Control Regulations, be posted to the registered addresses of the non-resident scheme participants concerned, unless written instructions to the contrary are received and an address provided. The attached form of surrender and substitute offer acceptance form (*blue*) makes provision for a substitute address or bank details.

### **INFORMATION NOT PROVIDED**

If the information regarding the authorised dealer is not given or instructions are not given as required, the scheme consideration will be held by Argility or the transfer secretaries on behalf of Argility for the benefit of the scheme participant concerned pending receipt of the necessary information or instructions. No interest will accrue or be paid on the scheme consideration so held.

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**DIRECTORS OF ARGILITY**


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<b>Name</b>	<b>Function</b>	<b>Business address</b>
Mr John Bright	Non-Executive Director	28th Floor, 209 Smit Street, Braamfontein South Africa
Ms Josephine Fortuin	Non-Executive Director	28th Floor, 209 Smit Street, Braamfontein South Africa
Mr Ian Bowater	Non-Executive Independent Director and Chairman	2nd Floor, Seal House, 56 London Road Bagshot GU19 5HL, United Kingdom
Mr Lester Aderem	Executive Director – CEO	6th Floor, Newlands Terraces 8 Boundary Road, Newlands
Mr Andrew Blatherwick	Executive Director – Channel and Business Development	2nd Floor, Seal House, 56 London Road Bagshot GU19 5HL, United Kingdom

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## INDEPENDENT EXPERT'S OPINION REGARDING THE SCHEME

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Argility Limited  
PO Box 31266  
Braamfontein  
2017

24 March 2010

Attention: The Board of Directors

Fair and reasonable opinion on a scheme of arrangement in terms of section 311 of the Companies Act, proposed by UCS Group Limited ("**UCS**") between Argility Limited ("**Argility**") and the shareholders of Argility, other than UCS and/or any of its subsidiaries, in terms of which UCS will acquire all of Argility's issued shares held by the scheme participants on the consideration record date for a cash consideration of R1.55 per scheme share.

### 1. INTRODUCTION

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.

Such transaction 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.

The company'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 627 000 at the time of the unbundling, which equated to a value for the company of:

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

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

Currently, at least 90% of the shareholders in UCS are also shareholders in Argility.

In addition, the following people are currently appointed as directors of UCS as well as Argility – Mr John Bright and Ms Josephine Fortuin.

In reviewing its overall strategy for the software and intellectual property owned by UCS, the UCS Board 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. SCOPE

Barnard Jacobs Mellett Corporate Finance (Proprietary) Limited ("**BJM**") has been engaged by Argility to act as independent expert in respect of the fair and reasonable opinion required by the Securities Regulation Panel ("**SRP**") in terms of the Securities Regulation Code on Take-overs and Mergers and the rules of the SRP (the "**SRP Code**") in respect of the proposed offer by UCS to Argility's shareholders to acquire all of the ordinary shares in Argility (excluding any Argility shares already owned by UCS and/or any of its subsidiaries) (the "**Proposed Transaction**").

### 3. DEFINITION OF THE TERMS "FAIR" AND "REASONABLE"

The assessment of fairness is primarily based on quantitative issues. The Proposed Transaction would be considered fair to Argility shareholders if the consideration offered by the offerors is equal to or in excess of the fair market value of Argility ordinary shares.

The reasonableness of an offer or a proposed transaction, however, is generally determined based on qualitative issues. Hence, a transaction that is unfair may still be reasonable, or *vice versa*, after taking into consideration other significant factors.

#### **4. INFORMATION CONSIDERED AND PROCEDURES CARRIED OUT**

We considered the following information in formulating our opinion:

- the audited financial information of Argility for the financial years ended 30 September 2008 and 2009;
- the unaudited monthly financial results to January 2010, the monthly budget as well as the monthly forecasts to September 2010;
- the five-year financial forecasts of Argility prepared by the directors and management of Argility;
- discussions with Lester Anderem (Chief Executive Officer), Andrew Blatherwick (Business Development Director) and Josie Fortuin (Chief Financial Officer), including discussions regarding the prevailing market and economic conditions affecting both the local and foreign markets;
- publicly available information on the industry in which Argility operates; and
- an indicative valuation of Argility, which we have prepared.

Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, including publicly available information, whether in writing or obtained in discussion with management and directors of Argility.

We have satisfied ourselves as to the appropriateness and reasonableness of the underlying information and assumptions (collectively, "the **information**"), as follows:

- by comparing the information with norms and trends that are generally acceptable within the industry;
- by comparing the accuracy of the forecasts with the accuracy of previous forecasts prepared by management;
- by analysing the historical statistical trends and movements demonstrated in the growth and sales patterns of Argility and by comparing these trends and movements to the forecast growth and sales patterns; and
- by analysing certain line items in terms of the probability of such items recurring in future.

Our procedures and enquiries did not constitute an audit in terms of Statements of International Auditing Standards. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

#### **5. OUR APPROACH TO CONSIDERING THE PROPOSED TRANSACTION**

In considering the Proposed Transaction, we performed an independent indicative valuation of Argility.

We have used the following valuation models to value Argility:

- discounted future free cash flow model (the "**DCF valuation**"); and
- market capitalisation of Argility in the OTC market.

The most important value drivers and assumptions affecting Argility's value are:

- the ability of Argility to achieve its forecast revenue growth pattern; and
- the extent to which additional working capital funding will be made available by UCS to Argility.

We have applied sensitivity analyses on the above value drivers and assumptions in order to evaluate the effect of these value drivers and assumptions on the value of Argility that we arrived at, including by varying:

- the forecast cash flows and weighted average cost of capital applied in the DCF valuation.

#### **6. INDICATIVE VALUATION RESULTS**

Our indicative valuation range for the ordinary shares of Argility is between 130 cents and 173 cents per Argility ordinary share.

#### **7. OPINION**

Based on the information considered and our indicative valuation results, we are of the opinion that the terms and conditions of the Proposed Transaction are fair and reasonable to the holders of Argility ordinary shares in that the price per Argility ordinary share, in terms of the Proposed Transaction is inside our indicative valuation range per Argility ordinary share.

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

Each individual Argility shareholder's decision may be influenced by his/her particular circumstances. We suggest that Argility shareholders should consult an independent advisor if they are in any doubt as to the merits of the Proposed Transaction considering their personal circumstances.

## **8. INDEPENDENCE**

We confirm that we have no financial interest in Argility, or the Proposed Transaction. Furthermore, we confirm that our professional fees are not contingent upon the success of the Proposed Transaction.

We confirm that the scope of our procedures and work performed were not subject to any limiting conditions.

## **9. CONSENT**

We hereby consent to the inclusion of this letter and references thereto, in the form and context in which they appear, in the circular to Argility shareholders to be dated on or about 26 March 2010.

Yours faithfully

**Marnus du Toit**

Head: Corporate Advisory Services

**Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited**

Ground Floor  
Illovo Corner  
24 Fricker Road  
Illovo  
2196"

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## TERMS AND CONDITIONS OF THE SUBSTITUTE OFFER

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### DEFINITIONS

Except as set out below and unless clearly indicated otherwise by the context, the definitions and interpretation commencing on page 31 of this document shall apply, *mutatis mutandis*, to this annexure, and the following words and phrases shall have the meanings stated opposite them:

“closing date”	the time and date upon which the substitute offer will close, which date will be announced by UCS on SENS and in the press;
“offerees”	scheme participants (as defined);
“opening date”	the time and date of the opening of the substitute offer, which is expected to be the first business day following the date on which notification is given by UCS of its election to make the substitute offer, which date of notification will be within five business days of the non-fulfilment of any of the scheme conditions or such later date upon which it becomes known that the scheme will not be implemented;
“substitute offer consideration”	the consideration payable by UCS to offerees who accept and substitute offer, being the same consideration as defined for the purposes of the scheme; and
“substitute offer”	the offer contemplated in this annexure.

### 1. THE SUBSTITUTE OFFER AND THE SUBSTITUTE OFFER CONSIDERATION

In the event that any of the scheme conditions are not fulfilled or the scheme otherwise fails to be implemented on or before 1 June 2010 or such later date upon which it becomes known that the scheme will not be implemented, UCS offers, subject to the fulfilment of the substitute offer conditions, which includes the election of the board of directors of UCS to extend the substitute offer to scheme participants, to acquire from scheme participants their scheme shares against payment of the substitute offer consideration, being R1.55 per Argility share, on the terms set out in this annexure. The substitute offer will remain open for acceptance with effect from the opening date until the closing date, in the manner set out below. Scheme participants will however be able to indicate, prior to the opening date, whether they wish to accept the substitute offer, in the manner described in paragraph 4 below. Scheme participants who indicate that they wish to accept the substitute offer will be deemed, on the opening date, to have accepted the substitute offer.

### 2. SUBSTITUTE OFFER PERIOD

The substitute offer will open on the opening date and will close on the closing date, which is expected to be not less than three weeks from the opening date.

### 3. PRESS NOTIFICATION

#### 3.1 Press notification of the opening date

Notification of the opening date will be released on SENS and released to the JSE prior to the close of trading on the JSE on the relevant date, and as soon as possible thereafter, published in each of the following South African newspapers:

- 3.1.1 Beeld;
- 3.1.2 Die Volksblad;
- 3.1.3 Die Burger; and
- 3.1.4 Business Day

within five business days of the non-fulfilment of any of the scheme conditions.

#### 3.2 Press notification of the closing date

Notification of the closing date and any extension of the closing date will be released on SENS and released to the JSE and the SRP prior to the close of trading on the JSE on the relevant date, and as soon as possible thereafter, published in each of the newspapers referred to above.

#### **4. FORM OF SURRENDER**

Scheme participants are entitled to indicate that they wish to accept the substitute offer by returning the duly completed attached form of surrender and substitute offer acceptance form (*blue*) to the transfer secretaries.

#### **5. SUBSTITUTE OFFER NOT MADE WHERE ILLEGAL**

The scheme participants resident in jurisdictions outside South Africa should inform themselves about and observe the laws of the relevant jurisdiction applicable to the substitute offer. The substitute offer shall not be capable of acceptance in any jurisdiction where the resultant contract will be illegal.

#### **6. SUBSTITUTE OFFER CONDITIONS**

**6.1** The implementation of the substitute offer and payment of the substitute offer consideration are subject to the following suspensive conditions:

6.1.1 the non-fulfilment of any of the scheme conditions;

6.1.2 the board of directors of UCS electing to extend the substitute offer to scheme participants; and

6.1.3 scheme participants accepting the substitute offer by the closing date in respect of not less than 90% of the scheme shares, which condition UCS may exercise its discretion to waive.

**6.2** If any of the substitute offer conditions are not fulfilled or waived, where applicable, the substitute offer will lapse and be of no further force and effect.

**6.3** UCS undertakes to release on SENS and published in each of the newspapers referred to in paragraph 3.1 above and to release to the JSE and the SRP an announcement as to the status of the substitute offer.

#### **7. DELIVERY OF THE SUBSTITUTE OFFER CONSIDERATION**

The provisions of the scheme in relation to the delivery of the scheme consideration and surrender of documents of title by scheme participants (*yellow*), will apply, *mutatis mutandis*, in relation to the discharge of the substitute offer consideration. The same shall apply to any surrender in respect of any acceptance of the substitute offer, save that Argility will undertake no obligations of any nature whatsoever in terms of administering the substitute offer. It is specifically provided, however, that the substitute offer consideration arising out of any acceptance of the substitute offer will, unless previous arrangements have been made for collection, be posted by the transfer secretaries on behalf of UCS at the risk of scheme participants who accepted the substitute offer and submitted a duly completed form of surrender and substitute offer acceptance form (*blue*) together with the documents of title prior to the closing date.

#### **8. SETTLEMENT OF SUBSTITUTE OFFER CONSIDERATION**

Settlement of the substitute offer consideration will be implemented in full in accordance with the terms of the substitute offer without regard to any lien, right of set-off, counterclaim, deduction, withholding or other analogous right to which UCS or Argility may otherwise be entitled.

#### **9. APPLICABLE LAW**

The substitute offer is made in compliance with the requirements of the Code, and is governed by and subject to the provisions of the laws of South Africa and each offeree will be deemed, by his acceptance, to have consented and submitted to the jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the substitute offer and acceptance thereof.

#### **10. COMPULSORY ACQUISITION IN TERMS OF SECTION 440K OF THE COMPANIES ACT**

Should the substitute offer be accepted by the offerees in respect of 90% or more of the scheme shares, UCS shall become entitled to invoke the provisions of section 440K of the Companies Act (the provisions of which are set out in Annexure 8 to this document) to compulsorily acquire those scheme shares in respect of which the substitute offer was not accepted.

## **11. SPECIAL ARRANGEMENTS**

Except for the terms and conditions applicable to the scheme and the provisions of the transaction agreement, no agreements, arrangements or undertakings exist between Argility, UCS or any person acting in concert with him or any of the directors of Argility having connection with or dependence upon the scheme.

## **12. SOUTH AFRICAN RESERVE BANK EXCHANGE CONTROL REGULATIONS**

A summary of the South African Reserve Bank Exchange Control Regulations that will also be applicable to the substitute offer is contained in Annexure 4 to this document. Offerees who are in any doubt as to the action they should take should consult their professional advisors.

## **13. SUMMARY OF FINANCIAL EFFECTS**

The summary of the financial effects of the scheme on the scheme participants, as set out on page 25 of this document, applies, *mutatis mutandis* to offerees accepting the substitute offer.

## **14. MANDATES**

Each mandate or instruction from scheme participants in force on the date on which the substitute offer becomes effective will be deemed to be a mandate to UCS in relation to the substitute offer consideration to be received by that offeree.

## **15. APPLICABLE PROVISIONS**

The provisions of the scheme (*yellow*) apply *mutatis mutandis*, to the substitute offer, it being recorded that:

- 15.1** the independent expert has considered the terms of the scheme, which are the same as the terms of the substitute offer;
- 15.2** the Argility Board, having considered this advice, are unanimously of the opinion that the terms of the substitute offer and the substitute offer consideration are fair and reasonable to offerees and recommend that they accept the substitute offer; and
- 15.3** those directors of Argility who hold Argility shares intend to accept the substitute offer in respect of all the Argility shares they hold.

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## PROVISIONS OF SECTION 440K OF THE COMPANIES ACT

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### “440K. COMPULSORY ACQUISITION OF SECURITIES OF MINORITY IN AFFECTED TRANSACTION

- (1)(a) If an offer for the acquisition of securities under an affected transaction involving the transfer of securities or any class of securities of a company to an offeror, has within four months after the date of the making of such offer been accepted by the holders of not less than nine-tenths of the securities or any class of securities whose transfer is involved (other than securities already held at the date of the issue of the offer by, or by a nominee for, the offeror or its subsidiary), the offeror may at any time within two months after the date of such acceptance give notice in the prescribed manner to any holder of such securities who has not accepted the said offer, that he or it desires to acquire his or its securities, and where such notice is given, the offeror shall be entitled and bound to acquire those securities on the terms on which under the affected transaction the securities of the holders who have accepted the offer, were or are to be transferred to the offeror, unless on an application made by such holder within six weeks from the date on which the notice was given, the Court:
- (i) orders that the offeror shall not be so entitled and bound; or
  - (ii) imposes conditions of acquisition different from those of the offer.
- (b) If the said offer has not been accepted to the extent necessary for entitling the offeror to give notice under sub-section (1)(a), the Court may, on application by the offeror, issue an order authorising him to give notice under that subsection if the Court is satisfied that:
- (i) the offeror has after reasonable enquiry been unable to trace one or more of the persons holding securities to which the offer relates;
  - (ii) the securities whose transfer is involved, by virtue of acceptances of the offer, together with the securities held by the person or persons referred to in sub-paragraph (i), amount to not less than the minimum specified in sub-section (1)(a); and
  - (iii) the consideration offered is fair and reasonable,
- but the Court shall not issue an order under this paragraph unless it considers that it is just and equitable to do so having regard, in particular, to the number of holders of securities who have been traced but who have not accepted the offer.
- (2) Where a notice has been given by the offeror under sub-section (1) and the Court, on an application made by a holder of the securities who has not accepted the offer, has not ordered as contemplated in sub-section (1)(a), the offeror shall, on the expiration of six weeks from the date on which the notice was given, or, if an application to the Court by such holder is then pending, after the application has been disposed of, transmit a copy of the notice to the offeree company, together with an instrument of transfer executed on behalf of such holder by any person appointed by the offeror, and pay or transfer to the offeree company the amount or other consideration representing the price payable by the offeror for the securities which by virtue of this section he or it is entitled to acquire, and, subject to the payment of the stamp duties ordinarily payable, the offeree company shall thereupon register the offeror as the holder of those securities: Provided that an instrument of transfer shall not be required for any security for which a share warrant is for the time being outstanding.
- (3) Where, in pursuance of an affected transaction referred to in sub-section (1), securities of an offeree company were or are to be transferred to a person and those securities, together with any other securities of the said offeree company held by, or by a nominee for, the offeror or its subsidiary at the date of the acceptance of the offer in question, comprise or include nine-tenths of the securities in the offeree company or of any class of those securities, then:
- (a) the offeror shall within a month from the date of such acceptance (unless he or it has already complied with this requirement under sub-section (1)) give notice of that fact in the prescribed manner to the holders of the remaining securities or of the remaining securities of that class, as the case may be, who have not accepted the offer under the affected transaction in question; and
  - (b) any such holder may within three months from the giving of the notice to him require the offeror to acquire the securities in question,

and where the holder gives notice under paragraph (b) in relation to any securities, the offeror shall be entitled and bound to acquire those securities on the conditions on which under the affected transaction the securities of the holders who have accepted the offer were or are to be transferred to him or it, or on such other conditions as may be agreed upon or as the Court on the application of either the offeror or the holder may think fit to order.

- (4) Any sum, and any dividend or other sum accruing from any other consideration, received by the offeree company under this section shall be paid into a separate bank account with a banking institution registered under the Banks Act, 1965 (Act 23 of 1965), and any such sums, dividend or any other consideration so received shall be held in trust by the offeree company for the person entitled to the securities in respect of which the said sums, dividend or other consideration was received.
- (5) In this section any reference to a "holder of securities who has not accepted the offer" includes any holder who has failed or refused to transfer his securities to the offeror in accordance with the affected transaction."

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## NOTICE OF SCHEME MEETING

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IN THE SOUTH GAUTENG HIGH COURT OF SOUTH AFRICA  
(JOHANNESBURG)

**Case number: 2010/11179**

In the *ex parte* application of:

**ARGILITY LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 2007/010401/06)

**Applicant**

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NOTICE IS HEREBY GIVEN THAT, in terms of an Order of Court, dated Tuesday, 30 March 2010, the South Gauteng High Court of South Africa, Johannesburg ("**Court**") has ordered that a meeting ("**scheme meeting**") in terms of section 311 of the Companies Act, 1973 (Act 61 of 1973), as amended ("**the Companies Act**") of the ordinary shareholders of Argility Limited ("**Argility**"), registered as such at 10:00 on Friday, 7 May 2010 ("**scheme members**") be held under the chairmanship of Advocate Rean Strydom (or, failing him, any other independent advocate of at least 10 (ten) years standing appointed by Advocate Fanie Cilliers SC) ("**Chairperson**"), at 10:00 at the registered office of Argility, being 28th Floor, 209 Smit Street, Braamfontein, Gauteng on Tuesday, 11 May 2010 (or any adjourned date as determined by the Chairperson ("**adjourned meeting**")) for the purpose of considering and, if deemed fit, of approving, with or without modification, a scheme of arrangement ("**the scheme**") proposed by UCS Group Limited ("**UCS**") between Argility and the shareholders of Argility, other than UCS and its subsidiaries (as defined in the Companies Act), provided that the scheme meeting shall not be entitled to agree to any modification of the scheme which has the effect of diminishing the rights that are to accrue in terms thereof to scheme members.

The implementation of the scheme is subject to fulfilment and/or waiver (where possible) of the scheme conditions stated therein including, but not limited to, the sanctioning of the scheme by the above Honourable Court.

The purpose of the scheme meeting is to consider, and if deemed fit, to agree to the scheme. The basic characteristics of the scheme is that, subject to the fulfilment and/or waiver (where possible) of certain suspensive conditions which are set out in paragraph 5 of the scheme of arrangement contained in the circular to the ordinary shareholders of the Applicant, dated 1 April 2010 ("**the circular**"), UCS will acquire all of the ordinary shares in the Applicant from the ordinary shareholders of the Applicant, other than UCS and/or any of its subsidiaries, who are recorded in the register as such on the scheme consideration record date (as referred to in the circular and which is expected to be Friday, 28 May 2010 ("**the scheme participants**"). In terms of the scheme, the scheme participants will receive R1.55 for every ordinary share in Argility held on the scheme consideration record date.

Copies of this notice, the form of proxy to be used at the scheme meeting (*pink*) or any adjourned meeting, the scheme, the explanatory statement in terms of section 312(1) of the Companies Act (*green*), explaining the scheme and the Order of Court summoning the scheme meeting, are included in the document to which this notice is attached and form part thereof and may be inspected or obtained, free of charge, during normal business hours, for at least 14 (fourteen) calendar days prior to the scheme meeting or any adjourned meeting, at the registered office of Argility, being 28th Floor, 209 Smit Street, Braamfontein, Gauteng and at the office of Argility's attorneys at 2nd Floor, The Place, 1 Sandton Drive, Sandton.

Scheme members who hold ordinary shares in Argility may attend, speak and vote in person at the scheme meeting or any adjourned meeting, or may appoint one or more proxies (who need not be members of Argility) to attend, speak and vote at the scheme meeting in the place of such scheme members. A form of proxy (*pink*) for this purpose is included in the document which has been posted to all shareholders of Argility at their addresses as recorded in the register of members of Argility at the close of business 4 (four) business days before the date of such posting. Properly completed forms of proxy must be lodged with or posted to the transfer secretaries of Argility, Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), to be received by no later than 10:00 on Friday, 7 May 2010, or on the business day immediately preceding any adjourned meeting, or handed to the Chairperson no later than 10 (ten) minutes before the scheme meeting or adjourned meeting is due to commence. Notwithstanding the foregoing, the Chairperson may approve at the Chairperson's discretion the use of any other form of proxy.

Scheme members who hold ordinary shares in Argility through a nominee or broker should timeously inform their nominee or broker, as the case may be, to issue them with the necessary Letter of Representation to attend the scheme meeting, or should they not wish to attend the scheme meeting in person, to timeously provide their nominee or broker, as the case may be, with their voting instructions in order for their votes to be represented at the scheme meeting.

Where there are joint holders of Argility's ordinary shares, any one of such persons may vote at the scheme meeting in respect of such ordinary shares as if such joint holder was solely entitled thereto, but if more than one such joint holders be present or represented at the scheme meeting, that one of the said persons whose name appears first in Argility's share register or their proxy, as the case may be, will alone be entitled to vote in respect thereof.

In terms of the aforementioned Order of Court, the Chairperson must report the results of the scheme meeting to the Court following the fulfilment and/or waiver (where possible) of all the suspensive conditions to the scheme, which is expected to be on or about 09:30 on Tuesday, 18 May 2010 or so soon thereafter as Counsel may be heard. A copy of the Chairperson's report to the Court will be available on request to any scheme member, free of charge, at the registered office of Argility and the office of Argility's attorneys during normal business hours at least 7 (seven) calendar days prior to the date fixed by the Court for the Chairperson to report back to it.

*Chairperson of the scheme meeting*

**Advocate Rean Strydom**

1 April 2010

**Attorneys to the Applicant**

Glyn Marais Inc  
In association with Denton Wilde Sapte LLP  
2nd Floor, The Place  
1 Sandton Drive  
Sandton

Reference: Roux van der Merwe/Helena Zagaretos  
c/o Smit Sewgoolam  
12 Avonwold Road  
Saxonwold  
Johannesburg  
Private Bag X836  
Saxonwold, 2132  
Tel: 011 286 3706  
Fax: 011 286 3900



## Argility Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2007/010401/06)

### FORM OF PROXY FOR THE SCHEME MEETING

To be used by ordinary shareholders holding share certificates registered as such at 10:00 on Friday, 7 May 2010 (“**scheme members**”), wishing to appoint a proxy to act on their behalf at a meeting convened in terms of an Order of the South Gauteng High Court of South Africa (Johannesburg), to be held at the registered office of Argility, being 28th Floor, 209 Smit Street, Braamfontein, Gauteng at 10:00 on Tuesday, 11 May 2010 or at any adjournment thereof (“**the scheme meeting**”).

This form of proxy should be read in conjunction with the circular sent to shareholders dated 1 April 2010 and the definitions and interpretation commencing on page 13 of such document apply, *mutatis mutandis*, to this form of proxy.

If your shares are held in your broker’s nominee company you have to obtain a Letter of Representation from said nominee company in order to attend and vote at the scheme meeting. Alternatively you may appoint your custodian as proxy.

I/We (please print name)

\_\_\_\_\_

of (address)

\_\_\_\_\_

hereby appoint (see notes 1, 2 and 4):

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

3. \_\_\_\_\_ any director or officer of Argility (or his/her nominee) or failing him/her,

4. the Chairperson of the scheme meeting,

as my/our proxy to act for me/us on my/our behalf at the scheme meeting for purposes of considering and, if deemed fit, approve (see note 5):

With modification
Without modification

(delete whichever is not applicable)

a scheme of arrangement (“**the scheme**”) proposed by UCS Group Limited (“**UCS**”) between Argility and the shareholders of Argility, other than UCS and its subsidiaries, and at any adjournment or postponement of the scheme meeting to vote for and/or against the scheme and/or abstain from voting in respect of the Argility ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 3).

Please indicate with an “X” the instructions to your proxy in the spaces provided below. In the absence of such indication the proxy will be entitled to exercise his/her own discretion in voting. If you have to divide your votes between the different voting options (for, abstain, against), please write the number of shares\* in the appropriate box. The sum of the votes cast for all options in respect of the particular motion must not exceed your voting entitlement.

For the scheme	
Abstain from voting	
Against the scheme	

\* One vote per Argility share held by scheme members.

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

Signature \_\_\_\_\_ (see notes 13 and 14)

Full name \_\_\_\_\_ Capacity \_\_\_\_\_

Signature \_\_\_\_\_ (see notes 12 and 14)

#### Please read the notes on the reverse side hereof.

Each member is entitled to appoint a proxy (who need not be a member of Argility) to attend, speak and vote in place of that member at the scheme meeting.

**Notes:**

1. A proxy need not be a member of Argility.
2. Each scheme member is entitled to appoint one or more proxies (none of whom need be a member of Argility) to attend, speak and vote in place of that scheme member at the scheme meeting.
3. A scheme member's instructions to the proxy can be indicated by the insertion of an "X" in the appropriate box provided. If a scheme member has to divide his/her votes between the different voting options (for, abstain, against), the relevant number of votes exercisable by the scheme member should be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise and direct the Chairperson of the scheme meeting, if the Chairperson is the authorised proxy, to vote in favour of the scheme, or any other proxy to vote or abstain from voting at the scheme meeting as he/she deems fit, in respect of all the scheme member's votes exercisable at the scheme meeting.
4. A scheme member may insert the name of a proxy or the names of alternative proxies of the scheme member's choice in the space(s) provided, with or without deleting "the Chairperson of the scheme meeting". The scheme member must initial any such deletion. The person whose name stands first on this form of proxy and who is present at the scheme meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. If a scheme member agrees that the scheme may be modified, the scheme member may indicate the manner and the extent of such modification to which the proxy may agree on a separate sheet of paper which must accompany this form of proxy.
6. It should be noted that, notwithstanding that a scheme member indicates that the scheme may not be modified, the Chairperson (if the Chairperson is the authorised proxy) or any other proxy shall nevertheless be entitled to agree to a modification of the scheme in terms of which the consideration to be received in terms of the scheme is increased.
7. If a scheme member fails to indicate whether the scheme may be approved with or without modification, or fails to indicate the manner and the extent of any modification to which the proxy may agree, such failure shall be deemed to authorise the Chairperson of the scheme meeting or any other proxy, if the Chairperson deems fit, to agree to the scheme with or without modification as he/she deems fit, in respect of all the scheme member's votes exercisable at the scheme meeting.
8. Duly completed forms of proxy must be lodged with or posted to Link Market Services South Africa (Proprietary) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), to be received by no later than 10:00 on Friday, 7 May 2010. Alternatively, forms of proxy may be handed to the Chairperson of the scheme meeting by not later than 10 (ten) minutes before the scheme meeting is due to commence.
9. The completion and lodging of this form of proxy will not preclude the relevant scheme member from attending the scheme meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such scheme member wish to do so.
10. The Chairperson of the scheme meeting may accept any form of proxy which is completed and/or received, in accordance with these notes, provided that the Chairperson is satisfied as to manner in which the scheme member concerned wishes to vote.
11. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
12. A copy of the power of attorney or such other documentary evidence, duly certified by a notary, establishing the authority of a person signing this form of proxy in a representative capacity, must be attached to this form of proxy, unless previously recorded by Argility, or its transfer secretaries, or waived by the Chairperson of the scheme meeting.
13. Where shares are held jointly all joint holders are required to sign.
14. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of Argility.



- Emigrants: If no nomination is made above by emigrants, the scheme consideration will be held in escrow by Argility on behalf of UCS.
- Non-residents: If no nomination is made by non-residents, the scheme consideration will be forwarded to them at their address recorded on the register.
- Interest accruing on monies held in escrow by Argility will be for the benefit of UCS.

Signature of shareholder \_\_\_\_\_

Date \_\_\_\_\_ 2010 Telephone number ( ) \_\_\_\_\_

Signatories may be called upon for evidence of their authority or capacity to sign this form.

**PART C — To be completed by all holders of Argility shares, other than UCS and any of its subsidiaries, who wish to accept the substitute offer in anticipation of it coming into effect.**

Scheme members who hold ordinary shares in Argility through a nominee should contact their brokers in accordance with the agreed method of communication.

A shareholder who fails to complete or indicates non-acceptance of the substitute offer in this Part C will have his/her documents of title returned in the event that the scheme does not become operative. A further form of surrender will be sent to such shareholder, who will then be given a further opportunity to accept the substitute offer.

**Substitute offer**

1. I/We wish to accept  do not accept  (please tick the appropriate box)  
the substitute offer upon the terms and conditions set out in Annexure 7 to the document dated 1 April 2010, in respect of  Argility shares held by me/us and I/we surrender, in accordance with such terms and conditions, my/our said documents of title.
2. If the substitute offer is not accepted or is refused on this form, it may nevertheless be accepted by holders of Argility shares on a similar form which will be sent to Argility shareholders immediately upon the substitute offer opening. Acceptances may be made at any time prior to the closing date of the substitute offer.
3. I/We acknowledge that this acceptance of the substitute offer must be lodged, together with the relevant documents of title, prior to the closing date of the substitute offer.

**Notes:**

1. A separate form of surrender and substitute offer acceptance form is required for each Argility shareholder.
2. Emigrants from the common monetary area must complete Part B. All other non-residents of the common monetary area must complete Part B only if they wish the scheme consideration be transferred to an authorised dealer in South Africa. If Part B is not properly completed by emigrants, the consideration will be held in escrow by Argility on behalf of UCS pending receipt of the necessary nomination or instruction. No interest will be paid on the amount so held in escrow.
3. If this form of surrender and substitute offer acceptance form is returned with the relevant documents of title, it will be treated as a conditional surrender which is made subject to the scheme becoming operative. Documents surrendered in anticipation of the scheme becoming operative will be held in escrow by the transfer secretaries until the scheme becomes operative. In the event that the scheme does not become operative, the transfer secretaries will, within five business days, return the documents of title to the shareholders concerned, by registered post, at the risk of such shareholders.
4. Forms together with the relevant documents of title must be lodged with the transfer secretaries. To be valid, duly completed forms must be accompanied by the relevant documents of title.
5. The scheme consideration will not be sent to shareholders unless and until documents of title in respect of the relevant Argility shares have been surrendered to the transfer secretaries.
6. If a shareholder produces evidence to the satisfaction of Argility that documents of title in respect of Argility shares have been lost or destroyed, Argility may waive the surrender of such documents of title against delivery of an indemnity in a form and on terms and conditions approved by it, or may in its discretion waive such indemnity.
7. If this form of surrender and substitute offer acceptance form is not signed by the shareholder, the shareholder will be deemed to have irrevocably appointed the company secretary of Argility to implement the shareholder's obligations under the scheme.
8. Persons who have acquired shares in Argility after 1 April 2010, the date of posting of the document to which this form of surrender and substitute offer acceptance form is attached, can obtain copies from the transfer secretaries.
9. No receipts will be issued for documents lodged, unless specifically requested. Signatories may be called upon for evidence of their authority or capacity to sign this form.
10. Any alteration to this form of surrender and substitute offer acceptance form must be signed in full and not initialled.
11. If this form is signed under a power of attorney, then such power of attorney, or a notarially certified copy thereof, must be sent with this form for noting (unless it has already been noted by Argility or the transfer secretaries).
12. Where the shareholder is a company or a close corporation, unless it has already been registered with Argility or the transfer secretaries, a certified copy of the directors' or members' resolution authorising the signing of this form must be submitted if so requested by Argility.
13. Note 12 above does not apply in the event of this form bearing the stamp of a broking member of the JSE.
14. Where there are joint holders of any shares, all joint holders are required to sign.