



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

DISPOSAL BY UCS SOLUTIONS (PROPRIETARY) LIMITED ("UCS SOLUTIONS") OF ITS ENTERPRISE SOLUTIONS BUSINESS ("THE ES BUSINESS") TO HCL AXON (PROPRIETARY) LIMITED ("HCL AXON")

1. INTRODUCTION

Further to the cautionary announcements dated 7 May 2009 and 18 June 2009 ("the Cautionary Announcements") shareholders are advised that UCS Solutions and UCS Solutions Holdings (Proprietary) Limited, wholly owned subsidiary companies of UCS, have entered into a sale of business agreement with HCL Axon (a wholly owned subsidiary company of Axon Group Limited, United Kingdom ("Axon Group")) in terms of which HCL Axon will acquire the ES Business from UCS Solutions as a going concern ("the Transaction").

2. BACKGROUND

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

UCS has concluded a broad based strategic partnership in the SAP market for retail which includes the sale of its ES Business to HCL Axon, a global SAP enabled transformation consultancy, with effect from 1 August 2009, subject to the conditions precedent recorded below. Enterprise Solutions is a part of UCS Solutions' Business Solutions Division and offers Tier 1 retail and wholesale SAP project implementations.

This partnership allows UCS to grow its annuity services business internationally and to support the growth of its SAP All in One business. It supports HCL Axon's SAP Retail international ambitions and provides a launch platform for their business in South Africa.

HCL Axon employs over 4 500 SAP consultants globally.

3. RATIONALE FOR THE ACQUISITION

The ES Business within UCS Solutions is recognised internationally as possessing strong retail SAP expertise as well as Tier 1 retail client referencing capabilities, which HCL Axon would like to position for the global market.

Whilst the ES Business has established a pre-eminent place in the South African market, UCS believes that in order for this business to drive sustainable growth it needs access to a global partnership with a wider skills base and an international client base.

The acquisition of the ES Business is another chapter in the progress of HCL Axon's strategy in which the company identifies and expands into new or uncontested market spaces. The transaction deepens HCL Axon's SAP capabilities, widens its reach in the retail vertical market, further increases the global delivery capabilities and provides a significant boost to the company's market presence in South Africa.

UCS is allowed the opportunity, albeit for a finite period, to earn a potential upside on international business developments for the ES Business.

4. APPLICATION OF PROCEEDS

The sale proceeds will be applied partly towards meeting current and future obligations of the UCS Group of companies and where appropriate, the UCS board of directors will determine the optimal utilisation of the balance of the proceeds for acquisitive and organic growth initiatives.

5. EFFECTIVE DATE

The effective date of the Transaction is 1 August 2009 but the Transaction remains subject to the fulfilment of the remaining conditions precedent detailed below.

6. PURCHASE CONSIDERATION

The purchase price payable for the ES Business as a going concern is a cash consideration of R57 100 000 ("the Upfront Purchase Consideration"). UCS Solutions will settle existing share incentive obligations amounting to R340 000. The Upfront Purchase Consideration becomes due upon the fulfilment of all the conditions precedent and is subject to an upward adjustment to the extent that the ES Business achieves or exceeds certain revenue targets:

- R15 500 000 will be payable should the ES Business achieve or exceed revenues of R70 600 000 ("the Base Revenue") for the 12 months ended 31 July 2010; and
- a further amount will be payable in accordance with a multiple of all revenue earned for the 12-month period ended 31 July 2011 in excess of the Base Revenue, but limited to a maximum net R53 000 000 after providing for the incentivisation of the ES Business staff who are required to assist in achieving such upside.

The total purchase consideration is therefore capped at a maximum amount of R125 260 000.

7. PRO FORMA FINANCIAL EFFECTS

The unaudited *pro forma* financial effects, for which the directors are responsible, are provided for illustrative purposes only to show the effect of the Transaction on earnings, headline earnings, net asset value and net tangible asset value per UCS share as if the Transaction had taken effect on 1 October 2008 for income statement purposes and 31 March 2009 for balance sheet purposes. Because of their nature, the unaudited *pro forma* financial effects may not give a true picture of the Group's financial position and performance. The unaudited *pro forma* financial effects have been compiled from reviewed consolidated financial information for the six months ended 31 March 2009, adjusted as described in the notes below:

	Before the Transaction	After the Transaction	Movement Cents	(%)
Headline earnings per share (cents)	5.2	5.2	-	-
Earnings per share (cents)	0.1	9.2	9.1	9 100.0
Net asset value per share (cents)	161.1	171.2	10.1	6.3
Net tangible asset value per share (cents)	21.7	39.4	17.7	81.6
Weighted average number of shares in issue (000's)	290 734	290 734	-	-

Notes:

- The *pro forma* financial effects in the "After the Transaction" column are based on the following assumptions:
- The reversal of the ES Business contribution to earnings and headline earnings for the six months ended 31 March 2009 of R0.3 million.
 - R56.8 million net purchase consideration comprising the upfront purchase consideration assuming no upward adjustments, on the basis the ES Business does not achieve or exceed the defined growth revenue targets, after funding the settlement of the share incentive obligations of R0.34 million.
 - The realisation of the applicable profit on sale of the going concern business which amounts to R34.7 million pre tax and transaction costs.
 - The inclusion of a once-off licence fee of R2.5 million for the perpetual licence to use the pre-configured SAP template.
 - Restructuring costs associated with lease premises and other infrastructure related commitments post the transaction amounting to R1.8 million.
 - Transaction costs of R0.8 million incurred in relation to the disposal.
 - The net tax effect of the preceding adjustments totals R7.9 million of which the once-off component specific to the profit on sale of the going concern business amounts to R8.4 million. This includes the realisation of estimated tax losses, on which deferred tax assets have historically been realised, in UCS Solutions which amounts to R24.7 million at 1 October 2008. UCS Solutions will now as a consequence be in a fully taxable position moving forward.

8. CONDITIONS PRECEDENT

The final remaining conditions precedent that require fulfilment in order for the Transaction to be implemented are as follows:

- resignation of key employees from UCS Solutions and re-employment of these key employees by HCL Axon;
- consent and assignment of material contracts and consent to certain trade references;
- conclusion of a services agreement governing the rendering (with effect from the Closing Date) by UCS Solutions or UCS to HCL Axon of the agreed support services; and
- signed acceptance by HCL Axon of a disclosure letter issued by UCS Solutions against the warranties provided.

9. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENTS

As the terms and financial effects of the Transaction have now been disclosed the Cautionary Announcements are hereby withdrawn.

10. CATEGORISATION OF THE TRANSACTION

The Transaction is categorised as a category two transaction in terms of the Listings Requirements of the JSE Limited. Accordingly, UCS shareholders' approval is not required.

Johannesburg
16 July 2009

Sponsor



Corporate Finance

Attorneys to UCS



Attorneys to HCL Axon



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