



Annual Report 2001

# Administration

## UCS Group Limited

Incorporated in the Republic of South Africa

Reg No: 1993/002253/06

ISIN Code: ZAE000016150

Share Code: UCS

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# Financial highlights

- Turnover + 30,9%
- Annuity revenue + 33,3%
- Net asset value per share + 17,8%
- Headline earnings per share - 9,8%

## Group income statement

	2001 R000	2000 R000	% Change
Turnover	176 573	134 869	+ 30,9
Operating income before interest, depreciation, research and development	45 756	39 928	+ 14,6
Depreciation and amortisation	8 632	6 479	+ 33,2
Research and development	11 773	7 411	+ 58,9
Profit before interest and taxation	25 351	26 038	- 2,6
Net interest received and investment income	9 262	16 414	- 43,6
Income before taxation	34 613	42 452	- 18,5
Taxation	6 269	10 035	- 37,5
Income after taxation	28 344	32 417	- 12,6
Minority Shareholders	174	0	
Attributable earnings	28 170	32 417	- 13,1

## Ordinary share performance

Earnings per share (cents)	10,53	11,89	- 11,4
Headline earnings per share (cents)	11,32	12,55	- 9,8
Weighted average number of ordinary shares in issue (000)	267 626	272 700	- 1,9
Ordinary shares in issue net of treasury shares (000)	263 255	272 700	- 3,5
Net asset value per share (cents)	68,9	58,5	+ 17,8
Share price (cents) at 30 September	85	135	

# Group profile

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UCS Group Limited is an investment holding company for a group of information technology businesses focussed on the provision of software solutions and outsourcing services in selected niche markets. The Group's operations are conducted through seven primary subsidiaries in four divisions:

## Retail solutions

Universal Computer Systems - Provides customised application solutions and associated services for large-scale retail enterprises. Dedicated software development teams provide ongoing support for each customer.

Computerkit - Provides packaged application solutions for the retail pharmacy market. A highly skilled team provides ongoing development and support for the CKS solution. The company also provides turnkey IT infrastructure and technical services, including the provision of a value-added network, hardware supply, installation and on-site contractual maintenance for its own as well as CCS customers.

CCS Software - Provides packaged application solutions for selected fast-moving consumer goods (FMCG) retailers and for hospitality organisations. Specialised software teams provide ongoing development and support for each package.

## HR and payroll solutions

Accsys - Markets and supports the industry's most comprehensive suite of integrated personnel and human resource management solutions. Industry-leading software applications, including Accsys Payroll Manager, Accsys Time Manager and Accsys-HR, enable employers to manage, report on and adhere to South African employment legislation.

## Software solutions

EasiRun - Operates as an integrated IT solutions provider based on enterprise resource planning (ERP) systems, new-generation development languages and the provision of outsourced services. The company is also the largest distributor of Cobol products in Africa.

Universal Knowledge Systems - Provides customised knowledge management solutions and is also well established as the leading supplier of integrated library systems and associated technical and support services to public and private sector libraries throughout South Africa and neighbouring states.

## Intellectual property management

UCS Brands - A holding company that takes responsibility for the management and marketing of the Group's proprietary solutions, software applications and owned technologies. The company is focused primarily on international markets.

# Basic tenets

The group's basic tenets are to:

- Conduct business with integrity and in a way that contributes to the continued development of a democratic and prosperous South Africa;
- Respect individual dignity and diversity;
- Practice financial prudence;
- Maintain fair employment practices;
- Invest in the development of competent and committed employees;
- Strive to provide shareholders and all stakeholders with above-average financial rewards.

# Board of directors

## Group chairman (non-executive)

E.B. (Bert) Levenstein (88) BA., LLB  
Chairman of the UCS remuneration committee and member of the audit committee.

## Executive directors

John Bright (54)  
Group managing director and managing director of Universal Computer Services.

Neil Michelson (43) CA (SA)  
Financial director of UCS Group Limited.  
Member of the UCS audit committee.

Duncan Coles (53) MCSSA  
Chairman of Universal Computer Services.

Patrick Fitzgerald (53)  
Managing director of Easirun Software.

## Non-executive directors

Rebecca Eliot (31)\*

Joseph Claassen (42)  
Member of the UCS remuneration committee.

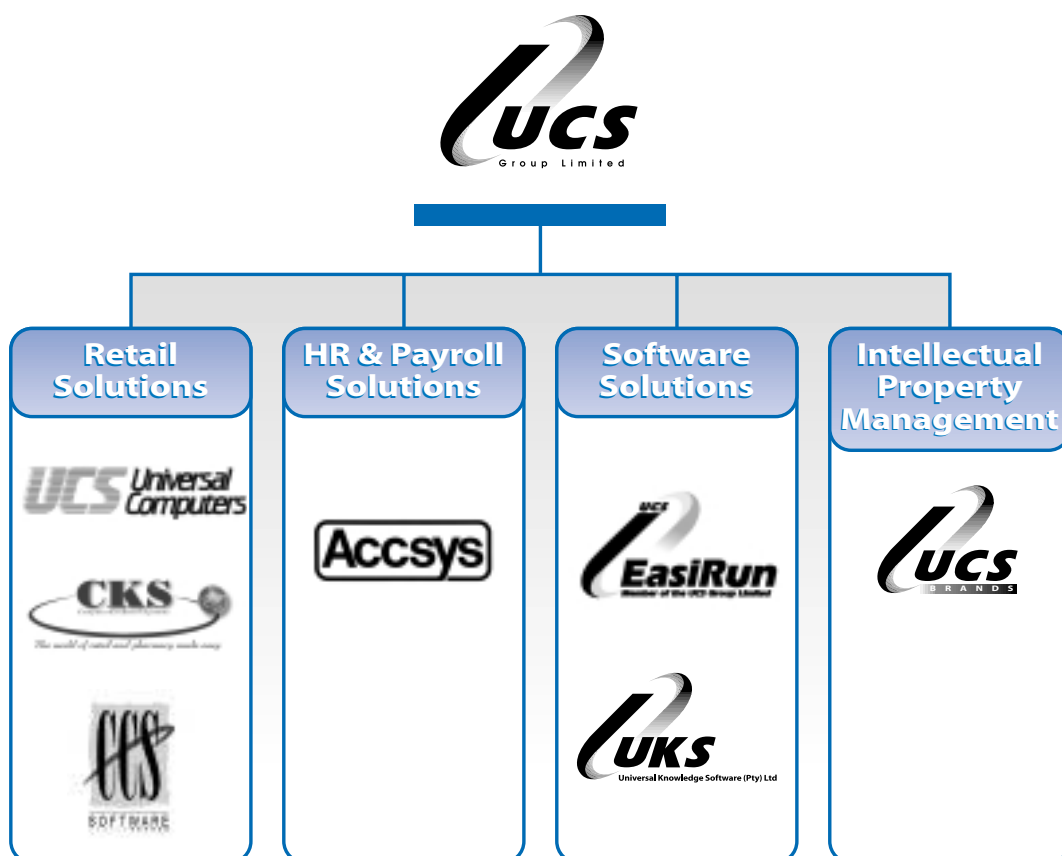
Richard Goodman (44) BA., LLB, LLM  
Chairman of the UCS audit committee.

Peter Terblanche (57) MCSSA

Bryan Hattingh (45)  
Member of the UCS remuneration committee.

\* British

# Group structure



# Chairman's report

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In what has been a turbulent year for the IT industry and business generally, culminating in the horror of September 11, our Group showed a modest decline in profit.

However, as our Managing Director's report points out this was largely due to investment in and for the future. This is borne out, for example, by the fact that despite the increases in revenue, those of overheads, mainly staff and R & D costs, were proportionately higher.

While we are certainly not complacent about this year's results we are soberly confident that our growth path in the future will be such as will please our shareholders.

As a detailed examination of the salient features of the business activities for the year under review is given by John Bright in his report, I propose to elaborate on ancillary issues which in today's climate are of manifest importance.

I refer to those of corporate governance which, judged by the degree of publicity latterly given to matters of social and business responsibility, is much in investors' minds. We refer particularly to allegations of malpractice by directors of companies and would support any measure which would go some way towards eradicating practices which bring business into disrepute.

Let me say that we welcome the recently released draft King Report II on corporate governance and shall at all times endeavour to abide by the principles therein enunciated. Thus we have during the year appointed as additional non-executive directors Ms R Eliot and Messrs J Claassen, R G Goodman, B Hattingh and P Terblanche, all well regarded in their respective fields. The Board now comprises four executive and six non-executive directors. Remuneration and audit committees have been set up, representation whereon as between non-executive and executive directors has followed the recommendations of the King Report.

The association we established with St Barnabas College in 1999 with inter alia the award of university bursaries to its students is now bearing fruit. Since the inception of the bursary scheme it is a pleasure to be able to report that among the recipients there are a number of gifted young people who will in due course emerge as contributors to the advancement of their communities and indeed to that of the country at large.

It remains to express the appreciation of the Board to our customers for their loyalty and to the management of our subsidiaries for their efforts and co-operation at all times. Finally a particular word of thanks goes to our personnel who have given their all in these difficult times. Their loyalty and willingness to do that little bit extra in the interest of the Group has been a source of gratification to us all.

# Managing director's report

## Overview

The year to September 2001 was one of varied fortunes for the Group. Significant progress was made towards our strategic goal of increasing our footprint in our chosen retail markets, in a period of difficult trading conditions.

Sound inroads were made in establishing a sales channel in the United Kingdom for the Group's core application software solutions and in June the flagship Java platform for large-scale retail chains was unveiled at the Retail Solutions Exhibition in Birmingham. Initial indications are positive and we are optimistic that through our UK-based sales and services partner, we should sign our first deals in this market during the new financial year.

A breakthrough entry was achieved in the UK market through the CCS Software point of sale (POS) solution that is aimed at the hospitality industry. Released through a UK-based distributor, the first installation of 11 POS modules and the back-office suite was successfully completed at a large pub and eatery in Durham, in August. The same distributor will be releasing the solution in Singapore and the Australasian markets within the next few months.

All costs incurred in establishing these international footholds have been expensed as incurred. The recent heavy depreciation of the Rand against the major currencies is expected to enhance both the competitiveness as well as the profitability of our international offerings.

Locally, conditions in the Group's retail markets continued to be extremely challenging, with many of the larger retailers cutting back on store openings and some even closing stores. The well publicised change in consumer spending patterns, together with the looming HIV/AIDS crisis and other factors, have placed enormous pressure on local retail groups to reduce cost structures. This, together with the hangover from the millennium IT buying spree, has created a "buyer's market" with the majority of IT hardware and software suppliers cutting prices in order to protect market share.

Given the difficult market conditions, the Group's financial results for the period are acceptable, albeit short of our expectations. Turnover Revenues grew by 31 percent to R177-million, while annuity revenues grew by 33 percent to over R100-million, representing 57 percent of total turnover. Operating income (before research and development, depreciation, amortisation and interest) grew by almost 15 percent to R46-million. This margin contracted from 29,6 percent in 2000 to 25,9 percent in 2001 largely due to the change in revenue mix from recent acquisitions. The balance sheet remains strong, with a quick ratio over 5:1 and with cash resources at over R88-million. Net asset value per share increased by 18 percent from 58,5c to 69,0c, while tangible net asset value per share increased from 49,5c to 58,2c.

During the year, the Group bought back a total of 9 444 800 shares at an average price of 80,36c. These shares were bought by a subsidiary and are being held as treasury shares. The board has authority to buy back up to 20 percent of the shares in issue, representing a further 45 095 200 shares.

## Acquisition made during the year

Effective 1 March 2001, a wholly owned subsidiary of the Group, CCS Software (Pty) Ltd (formerly Introdel SA (Pty) Ltd), acquired the business of CCS Software Corporate (Pty) Ltd for R10-million in cash. As part of the acquisition, the Group sold a 49 percent equity interest therein to the vendors. The Group also provided the business with a further R5-million in working capital. This acquisition is expected to make meaningful contributions to Group profits in the future.

CCS is a well-established FMCG retail software development and solutions company, backed by a reputation among customers for the excellence of its software solutions. The acquisition represents a significant milestone in the Group's strategic objective to be positioned as a leading supplier of retail software solutions in selected local and international markets.

CCS operations also provide the Group with a strong entry point into a sector of the retail industry that is not only closely aligned with the Group's well-established core business, but that dramatically expands the scope for future growth. CCS adds a further 2 600 in-store systems to the Group's base of installed retail sites. The company is particularly strong in the franchised fast food and other speciality sections of the hospitality market, the convenience store/superette market and speciality retail market, such as cell phone service providers.

## Acquisition policies and criteria

The Group is committed to the concept of organic growth. In addition, we are constantly afforded the opportunity of considering potential product and business acquisitions. Our policies and criteria when evaluating these opportunities are governed by an awareness of the dangers of losing focus as well as management distraction.

It is important, therefore, that any sizeable acquisition should have good, committed management as well as substantial growth potential. In addition, the prospective operation must be positioned predominantly in the field of software and/or services, where there are opportunities for synergies within the Group. Owned technologies, such as software packages or tools, would be a definite advantage as would human resource skills, which should be employed rather than contracted.

From a financial perspective, Group management's commitment to growing earnings and cash flow per share dictates that any prospective acquisition would have to present significant opportunity for gains in these areas.

## Dividend policy

The directors have decided that it is prudent not to declare a dividend at this stage. The board will continue to assess the Group's cash requirements on a regular basis. The current cash resources are considered to be in excess of requirements for normal operations and funding of organic growth, but may still be required for further acquisitions or other opportunities that meet the Group's objectives.

## Operational review

The Universal subsidiary, which provides solutions to large-scale retail enterprises, found local market conditions extremely challenging. Financial results in this subsidiary fell short of budgets, with turnover increasing by 13 percent. Good progress was achieved in growing annuity revenue sources and the supported store base increased to over 3 700 stores with a further 600 due for implementation on our new Java platform in the first half of the new financial year.

The CKS business, concentrated on the retail pharmacy market, achieved its budgets (and profit warranties) and continues to increase its market share aggressively. It started the year with an installed base of some 600 sites and is well positioned to grow that to over 900 by the end of March next year.

The CCS subsidiary made a small but positive contribution to Group operating income for the year. The business has excellent intellectual property and product offerings and has good future potential. The business model is being aggressively changed to bring it in line with the Group's focus on the creation of annuity revenues rather than outright sales of software.

The HR and payroll solutions business, Accsys, completed restructuring and reported acceptable results, managing to increase sales by over 8 percent to help turn a trading loss in the previous year into a breakeven situation. With the emphasis on annuity revenue generation now entrenched, this business also made good progress during the year.

The Easirun business produced solid results for the year, despite major repositioning to make up for the dramatic decline in demand for its traditional Cobol products. Turnover growth was just over 2 percent, but net profit before interest and taxation improved by some 21 percent over the previous year.

Extensive "downsizing" took place in Universal Knowledge Systems (formerly ULS) and it is a tribute to management and staff that despite a

decline of almost 18 percent in turnover, net profit before interest and taxation comparable to that of the previous year was achieved.

## Financial review

Our focus on building annuity revenue streams for the future has not wavered and good progress was achieved. In addition, we have continued to invest heavily in human resources, R&D and infrastructure spending to support sustainable growth. Including the CCS acquisition in March, headcount increased by only 3,2 percent to 523 in September 2001 (507 in September 2000). Direct staff costs increased by 33 percent to R77,3-million (2000 R58,1-million), largely due to the impact of significant headcount increases late in the previous year.

R&D expenditure increased by 59 percent to R11,8-million (2000 R7,4-million) while depreciation and amortisation increased by 33 percent to R8,6-million (2000 R6,4-million). As in previous years and in line with our accounting policies, R&D costs were not capitalised but fully expensed as incurred.

Profit before interest and taxation declined marginally to R25,4-million (2000 R26,0-million). However, net interest income and dividends received from investments declined sharply by 44 percent to R9,3-million (2000 R16,4-million), due to various factors, which included the fall in interest rates versus the previous period, relatively smaller cash balances and a greater emphasis on investments in tax-efficient instruments.

This significant drop in interest and investment income was the major cause of the decline of some 13 percent in attributable earnings for the year, from R32,4-million in 2000 to R28,2-million in 2001. Consequently, earnings per share were 11,4 percent lower at 10,53 cents (2000 11,89 cents) and headline earnings per share declined by 9,8 percent to 11,32 cents (2000 12,55 cents).

The balance sheet remains strong, with a quick ratio of 5,2:1 (2000 4,2:1) and with cash resources at R88,2-million (2000 R99,5-million). Cash resources declined during the year, due largely to the CCS acquisition and its additional working capital requirement, as well as the share buy-back programme. Cash generated from operations increased by 3,4 percent to R33,9-million (2000 R32,5-million).

Debtors' days at 71 days (2000 67 days) are considered acceptable in these market conditions, but a prudent provisioning policy has been instituted for all amounts over 90 days outstanding, with amounts over 180 days outstanding carrying a 100 percent provision.



## Research and development

Research and development is one of the key factors governing the Group's future growth potential and we continue to invest heavily in ensuring a constant flow of new proprietary application software solutions in focussed areas of business.

For competitive reasons, the group has decided not to divulge details of specific R&D projects. However, the major R&D investments over the past year were directed into the three business units focused on the retail market (Universal, CKS and CCS) and in the integrated HR and payroll solutions product suite.

## Prospects

The Group, through its continued increased investment in staffing, training, infrastructure and R&D, is well positioned to take advantage of opportunities in the markets it addresses.

The Universal subsidiary is planning to roll out its first large-scale deployment of its new Java platform in March next year. The company is optimistic that this site will serve as a reference to assist in generating new sales on this platform in South Africa and the UK.

The CKS business is involved in migrating some 300 pharmacies from a competitive product to their Unisolve platform. This project should take less than six months. In addition, CKS is introducing further value-added services which are expected to make a significant impact in the medium to long term.

The CCS subsidiary is still transferring to the UCS annuity revenue business model strategy, but is expected to contribute positively to our growth in the new financial year. The first CCS reference site in the UK is expected to accelerate sales in this region.

The Accsys and Easirun subsidiaries have presented budgets indicating solid growth prospects, while the UKS subsidiary is expected to have lower sales but improved profitability.

In addition, the Group will continue to look at synergistic acquisition opportunities as they arise in order to bolster organic growth.

The main reason for the Group listing its shares on the JSE in 1998 was to provide an incentive and retention scheme for its key staff through the creation of the UCS Group Staff Share Trust. Since then, the Group share price has fluctuated widely and, at the date of this report, appears to have settled at a level where the objectives of the staff share trust are not met. The directors are therefore considering various options that could improve the Group's ability to retain and attract key human resources.

## Financial forecast

The Group remains committed to aggressive growth of earnings per share, over time, through the creation of sustainable repetitive monthly and annual revenue streams. This includes creating international markets with hard currency earnings for its proprietary application software solutions.

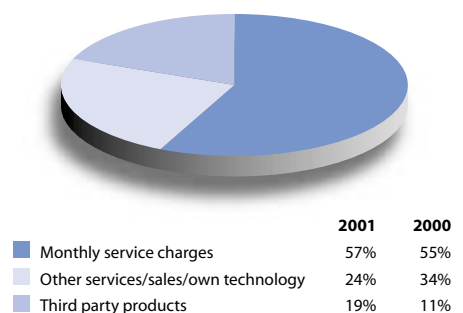
Detailed budgets and business plans have been drawn up and approved for each of the operating subsidiaries. These plans, which take into account current market conditions, indicate potentially good growth in headline earnings per share. This forecast will be updated at the time of our interim results announcement in April 2002.

The events triggered by the terrorist atrocities in the United States make it extremely difficult to predict what the possible consequential impacts might be on our operations and our prospects, particularly in the international markets, in the year ahead.

## Appreciation

Following a year that proved to be challenging, but in which good progress was achieved, I extend my sincere gratitude and appreciation to our customers for their valued support and to all my management colleagues and our talented staff, throughout the Group, for their continued loyalty, commitment and support.

Group revenue analysis



# Retail solutions

## Operational review

### Universal Computer Services (Pty) Ltd (Universal)



#### Software technologies

Universal provides customised transaction processing application software solutions and associated outsourcing services based on Unix and Linux platforms to medium and large chain store operations. The company's customers operate primarily in the furniture, apparel and other speciality sectors of the retail industry in southern Africa.

The company's currently installed software technology solutions are based on the "C" programming language running on a Linux platform in the stores, with central systems incorporating largely Oracle database technology. The primary advantages of this architecture are the seamless integration of all in-store front desk (point-of-sale/point-of-service) and back-office operations with centrally controlled functions and an extremely cost-effective, license-free platform for in-store systems.

A completely new state-of-the-art in-store platform has been designed using Java technology. This exciting new component-based solution framework has been under development since December 1997 and is intended for use by new clients as well as to integrate seamlessly with the company's existing installed base.

This framework allows for the deployment of browser-based "thin-client" hardware architecture in the stores to provide significant savings to retailers in the areas of in-store hardware investment, maintenance and desktop system support, trouble-shooting and management.

Large-scale deployment of the new architecture will get underway in April 2002, with the scheduled roll-out of a customised solution for a large furniture retailer covering some 600 stores.

In line with Group policy, all development costs for the new Java platform have been, and will continue to be, expensed as incurred.

#### Solutions

Universal provides fully customised and integrated in-store solutions, covering all aspects of trading, including POS, electronic vouchers, cash management, hire purchase / revolving credit / open account / micro loan credit granting and follow-up, stock management, logistics management, branch performance reporting, in-store workflows, policy policing/enforcement, etc.

Universal also provides integrated customised solutions for large-scale distribution centres and warehouse operations supporting the store grid.

In addition, Universal provides central solutions which include replication and automatic balancing, intra-company transaction switching and balancing, EIS and various other data marts, optional central or regional credit office facilities, etc. Consolidated reporting, sophisticated central merchandising facilities, supply chain management, product maintenance, promotional and price control functions are also supported by the central solutions. A powerful e-commerce engine with sophisticated messaging capability for the support of both B2B and B2C applications is included in the base UCS framework.

Central solutions include management and control of the help desk, the distribution of software and parameter updates and E-mail to and from the branch systems, as well as providing balanced interfaces to external systems, such as data warehouses and financials.

The solutions are based on the cost-effective and proven UCS Distributed Architecture for Retail Enterprises (UDARE) methodology, designed and perfected by Universal over the last 12 years.

#### Services and support

In addition to the initial development project, which covers the creation of the customised solution for the retailer using the extensive UDARE framework and software component library, Universal offers a range of other services and support.

These include on-going application software technical support services for the in-store solutions, the warehouse and/or distribution centre solutions and the central solutions, as well as non-application technical support for the operating system, database and middleware software utilised in the solution.

The Universal facilities management service covers the hosting, management and operation of the central servers in the sophisticated, purpose-built server farm environment at the UCS premises that is manned on a 24 x 365 basis. It also includes the administration and execution of all production work required off the central servers.

Universal also provides an on-going change control service for future enhancements and extensions to the initial customised application solutions.

For fully outsourced solutions, Universal's additional services include desk-top support, network management and support of OEM application software.

## Prospects

The year ahead is expected to be another extremely challenging period, with the local retail markets addressed by Universal continuing to be faced with adverse trading conditions.

Although detailed forward planning and forecasting is difficult, Universal is well positioned to take advantage of any new business opportunities that may arise. The new Java-based application platform is now ready for large-scale deployment, with our first local installations signed and scheduled for implementation in April next year.

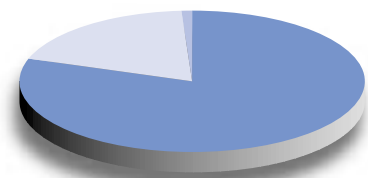
This will increase the number of stores supported by Universal to almost 4,300 - a handsome increase over the 2,700 supported at the beginning of the year, but still some 700 short of the aggressive 5,000 target set by the company for the end of 2001.

Universal has appointed a business partner for the UK and EU markets and is cautiously optimistic of signing the first international account within the next few months. Initial response in this market indicates that our product and business model are very attractive.

The continued depreciation of the Rand against the major currencies will make our international offerings more cost competitive as well as more profitable. In addition, the local market will find the Universal platform, which has zero dollar or pound licence components for the in-store systems, much more cost-effective than the imported competitive products.

Overall, we expect 2002 to be another very difficult year, but are optimistic that we will continue to expand our local installed base as well as installing our first sites in the UK market.

Universal - revenue analysis



	2001	2000
Monthly service charges	81%	75%
Other services/sales/own technology	19%	21%
Third party products	1%	4%

# Retail solutions

## Operational review

### Computerkit Systems (Pty) Ltd (CKS)



During its first full year as a wholly owned subsidiary in the UCS group, CKS consolidated its position as the country's leading developer and provider of point-of-sale (POS) and dispensing systems to the retail pharmacy industry in South Africa. In this period the company increased its installed customer base by more than 10 percent to just over 650 pharmacy sites throughout the country.

In one of the most significant business development initiatives of the year, CKS acquired the retail pharmacy division of AIM Computers. The transaction provides CKS with direct access to a further 300 pharmacy customers. The conversion of these customers to CKS's industry leading solutions should be completed by the end of the first quarter of 2002 and increase the CKS installed base by another 50 percent to over 900 sites.

The opportunity to acquire AIM's operations was based on the power, flexibility and reliability of CKS's software technologies and the company's well-established and proven Unisolv Dispensing system.

AIM originally approached CKS for assistance with enhancing its network infrastructure and to provide AIM customers with the ability to settle real-time claims - a feature that is now demanded as a standard in the pharmaceutical industry.

After establishing that both companies used the same development platforms Unix and the license-free Linux operating system, it became apparent that a total conversion to the Unisolv application offered the best value for all AIM customers and was of mutual benefit to both CKS and AIM.

#### Solutions

CKS solutions are designed to help pharmacists to respond quickly and profitably to constant change and the challenging trading environment that characterises the health care industry in South Africa.

Unisolv is firmly established as a de facto standard for large multi-location pharmacy groups and is successfully deployed into a growing list of customers, including Netcare clinic pharmacies, Medicross clinic pharmacies, Hyperpharm pharmacies and Dischem pharmacies.

The CKS Smart Health Network, a solution that further differentiates the company in the market, connects CKS customers to every major medical aid in the country. The network guarantees that retail pharmacy customers have access to real-time authorisations for script and other transactions in the dispensary. The network can accept 240 concurrent dial-up connections and over 200 digital fixed line connections.

On average over 500 000 medical aid transactions a month are processed through the network. The average bandwidth utilisation of the network is less than 25 percent of capacity, which means that there is almost unlimited scope for further growth at a low incremental cost.

Future expansion of the network will be into the company's growing customer base and into associated service providers anxious to connect into and deal with pharmacies with immense buying power.

Smart Health is the only network that can provide various forms of connectivity to pharmacies and service providers. Connectivity options include radio pad, analogue or ISDN dial up, or fixed line.

Another unique solution provided by CKS to pharmacy customers and their service providers is the pricing and medical aid update bureau. The bureau provides accurate and timeous updates on prices for almost 10,000 drug packs. The bureau also supplies regular updates for the "generics equivalents" database and medical aid rulings and regulations.

Bureau-based solutions are quickly, easily and cost-effectively distributed to customers electronically through the Smart Health network.

The company's solutions and services are provided to customers in accordance with the UCS Group's unique business model. This model, which is driven by the group's focus on sustainable annuity revenue, enables customers to implement the industry's premier IT technologies and solutions through predictable monthly charges.

The cost-effectiveness and price competitiveness of this model are further enhanced by the company's policy of building its systems on licence-free, industry-standard technologies that keep the customer's total cost of ownership to an absolute minimum.

## Services and support

Faced with the need to ensure that all software applications and computer systems perform at optimal levels of reliability and availability, CKS strives to provide customers with a comprehensive portfolio of highly responsive, cost-effective technical support and maintenance services.

The Smart Health network is proving to be a valuable asset in this field. Not only does the network facilitate rapid response times and the fast resolution of problems through remote control, but it also helps to ensure that costs are maintained at acceptable levels for both customers and the company.

The network acts as a powerful tool in support of the CKS Help Desk that operates on a nation-wide basis. The help desk has grown with the incorporation of three AIM staff.

On-site support teams that cover the country provide customers with a wide range of services to ensure that their IT infrastructure, including software applications, communications systems and hardware platforms and peripherals deliver business value.

On-site maintenance and support services are governed and managed by service level agreements that are tailored to industry needs and that guarantee the highest levels of performance by CKS.

The strength and depth of the CKS field support infrastructure has been expanded to provide these services to CCS Software customers. CCS, a sister company in the UCS Group, is the country's leading provider of IT retail solutions to customers in the hospitality, general retail and FMCG sectors.

## Prospects

CKS is in the final stages of implementing an EFT (electronic funds transfer) switch to handle a wide range of financial transactions throughout its installed customer base. The EFT switch will add enormous additional value to the Smart Health network.

Links to most of the major banks have been established and the first group of retail pharmacies is running successfully through the Unisolv system without the use of a typical EFT terminal at the point of sale. Debit cards will soon be incorporated into the switch and the next phase will be the implementation of third party sales at points of service.

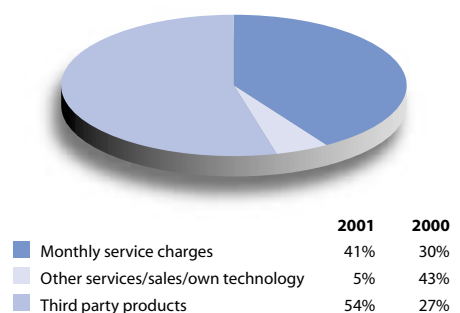
Responding to strong demand from the market, CKS is developing a Doctors' Practice Management module that will interface to the existing Unisolv Dispensing system. This market currently lacks any real-time connectivity for script and procedure authorisation. The doctors' market is larger than the retail pharmacy sector in South Africa and desperately needs a guaranteed payment system.

CKS offers doctors the ability to connect to medical aids for real time authorisation and to link into a number of value-add databases through the CKS bureau.

Based on the strength of its existing national support and communications infrastructure and its in-depth understanding of the market, CKS is ideally positioned for aggressive growth in this sector of the health care industry.

Within its core solutions and services business, the company is strongly placed to sustain good growth based on the conversion of AIM customers and further penetration into the overall retail pharmacy market.

CKS - revenue analysis



# Retail solutions

## Operational review

### CCS Software (Pty) Ltd (CCS)



#### Software technologies

CCS provides fully integrated point-of-sale (POS) and back-office software solutions to customers in carefully selected niche markets in the retail industry.

The company has adopted an object orientated technology development strategy, which incorporates an "open source" methodology to facilitate a high level of flexibility and scalability. This concept has produced market-leading solutions for the FMCG and hospitality sectors. CCS's primary strength is its ability to understand the customer's requirements and then to deliver customised applications that meet specific business needs.

CCS's solutions are developed on MSDOS and Microsoft Windows platforms. DOS systems are successfully marketed in cases where customers are either unable or unwilling (because of cost considerations) to upgrade their legacy hardware to the standard required for the latest Windows operating systems.

The company's flagship Windows-based retail IT solutions are developed in Borland Delphi using true 32-Bit architecture that is highly modular and scalable. Interbase, an extremely powerful license-free, open source relational SQL database, has been adopted as the technology of choice for both in-store and head office applications.

#### Solutions

CCS delivers end-to-end in-store and enterprise agent solutions. At the in-store level the CCS applications range from point-of-sale to back-office solutions that address cash management, inventory control, debtor management, creditor management, electronic vouchers and EFT functionality for credit card transactions. In-store systems are non-server reliant to ensure a high level of redundancy and speed optimisation at the point of service.

The Retail Office Enterprise system (ROE), which typically resides in a corporate head office in a group or chain, facilitates centralised control and reporting throughout all linked stores. The system also provides customised links or an interface into various other in-house systems such as third party ERP or data warehousing applications.

The ROE application facilitates the following:

- Database file maintenance consolidated/per region/per store.
- Master file maintenance – consolidated/per region/per store.
- Bi-directional communication and consolidation of daily data.
- Transaction based reporting consolidated/per region/per store.
- Consolidation of all data per transaction/per day/per period.
- Debtor/Creditor reconciliation/reporting.
- Electronic ordering.

The CCS products are supported by an experienced team of developers who have built up in-depth knowledge and an enviable record of accomplishment in the retail IT environment. All have a clear understanding of the retail business.

Once the CCS solution is deployed and operational, a sophisticated and responsive change control service provides the customer with greater flexibility and faster response times for software enhancements than anything offered by off-the-shelf packages.

#### Services

The company offers a portfolio of essential services, which are supported by CCS's senior management team, professional project managers and expert business analysts. These services include consultancy in areas such as "best practice" methodologies in all matters related to IT in the retail sector of the South African economy.

The first phase of the planning cycle leading up to the design, development and implementation of a cost-effective CCS solution typically incorporates the following disciplines:

- Definition and mapping of key business processes.
- Gap analysis on system-critical functionality.
- Definition of user acceptance criteria.

In the second phase of the planning cycle, functional specifications are finalised and all technical specifications are signed-off.

System implementation services are driven and managed by tried and tested processes and methodologies, including:

- User requirement workshops.
- Application implementation and software development.
- Associated project management services.
- Data conversion planning and execution.

CCS has adopted a unique, retailer-friendly business model that enables the customer to implement an optimised solution of choice with zero risks and a reduced up-front investment. Facilities exist to factor up-front costs into part of the monthly store charge.

This approach also serves as a guarantee of the commitment and belief that CCS has in its solutions and services.

## Support

CCS operates a centralised Help Desk to assist all customers with queries or problems relating to their installed systems. Calls are logged on a powerful, purpose-built management system that helps to ensure that all support issues are effectively handled through to a satisfactory resolution. A majority of technical support issues can be resolved quickly and easily by remote intervention out of the company's centralised infrastructure.

In cases where on-site assistance is required, such as hardware failure, CCS works through the expert infrastructure offered by sister company CKS to manage the process to a satisfactory conclusion.

## Prospects

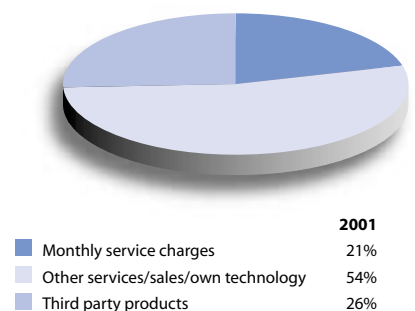
CCS Software recently completed a roll-out of systems into a nation-wide network of Vodashops, the Vodacom Service Provider organisation. The company also enjoyed continued demand during the year for its systems throughout its existing customer base.

There are a number of attractive prospects in the pipeline that are expected to be finalised within the next few months.

The Windows development project has reached a level of maturity where the source code can successfully be diversified into three focussed market segments -- hospitality, general retail (comprising supermarkets, liquor and convenience stores) and cellular.

The source code developed for these and other specific vertical sectors will be continuously enhanced and maintained by dedicated teams of developers focussed purely on the respective market sectors. This will allow for swift and proactive change for market specific needs and will further secure CCS's position as a leader in chosen niche markets.

CCS - revenue analysis





# HR and payroll solutions

## Operational review

### Accsys (Pty) Ltd (Accsys)



#### Software technologies

Following structural changes implemented at the beginning of this financial year, the business has been re-branded to reflect the new sales emphasis and to maximise the benefits of the well-established Accsys name.

Under the banner, "Peopleware Management Solutions", the company is now resolutely focused on the sales and implementation of the Accsys Windows Payroll and HR System and the Accsys Windows Time and Attendance System.

The Accsys Payroll and HR System fully integrates the payroll and human resource management function, providing users with a comprehensive and flexible solution that fulfils the expectations of the most demanding payroll and human resources requirement. This system is also the only fully integrated Windows-powered solution in this segment of the market.

The power and versatility of the system can be attributed to the successful use of Borland's rapid application development language, Delphi, Seagate Software's Crystal Report Generator, and Sybase's Active Anywhere data base. Combined, these tools provide a rapid, reliable and responsive development environment at the cutting edge of software technology and a solid foundation for the on-going development and diversification of Accsys products and solutions.

The Accsys Windows Payroll and HR System is highly scaleable and can run on virtually any platform - from a single-user Windows desktop for a few employees, to a large multi-user network dealing with thousands of people. The design conforms to client/server requirements and can run effectively on thin client. The Group owns the software solutions technology.

A dedicated Accsys programming team is situated at the UCS development centre in Braamfontein, where interaction with other expert developers provides a dynamic and stimulating environment that will ensure that Accsys remains at the forefront of software development.

#### Solutions

As the true value of "human capital" is realised by more and more South African companies, the requirement for a versatile, comprehensive and compliant integrated payroll and HR management system becomes more compelling. Based on expert opinion and in-depth research into "best practice" methodologies, Accsys HR provides employer organisations with a leading HR tool set of immeasurable value.

The fully integrated payroll offers the most advanced features of any payroll system available in South Africa while the standard Windows operating conventions deliver this power with a simplicity that belies the complexity of the underlying technology. The Windows version of the Accsys Time and Attendance system embodies all the award winning features of its predecessor as well as innovations that set it apart from its competitors.

Monthly annuity fees structured around these products, based on the number of employees being processed, offer Accsys customers a predictable and cost effective solution to three of the most mission-critical functions in their business.

#### Service and support

Accsys provides a full range of value-added services to ensure that all products deliver full value to customers. Services that include software installation, customisation, basic training, advanced training, help desk, after-sales support, project management and consulting, are closely aligned with customers expectations and needs.

Product enhancement and compliance with statutory legislation are provided to customers as part of the software annuity agreement. This is consistent with the UCS business model which ensures that the value of the application to the customer appreciates over time.

In the specialised area of HR management, Accsys has teamed up with professional HR consultants to offer users who do not have in-house HR departments a comprehensive consulting service. These services help to ensure that complexities associated with best practice issues such as the job analysis and specification are professionally introduced and managed in the business.



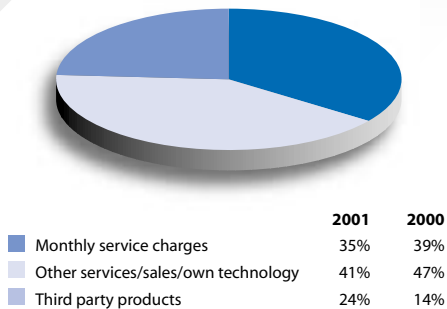
## Prospects

With the successful completion of the Windows development of the entire product range, Accsys has reasserted itself as the technological leader in its market and is uniquely positioned for a phase of strong growth. Market trends confirm our faith in the need for fully integrated Windows based systems and recent orders with major groups are directly related to our ability to provide such solutions.

The company has reinforced the support infrastructure with HR consultants who are equipped to accelerate the HR implementation process where user companies don't have the resources to do this themselves. This initiative complements the role played by HR consultants who drive the process at a strategic level.

Pending changes to taxation and UIF legislation will increase the statutory complexity and compliance burden faced by employers. These changes will boost sales and put pressure on competitive products or in-house solutions where they do not have the development resources available to incorporate the new requirements.

**Accsys - revenue analysis**



# Software solutions

## Operational review

### EasiRun Software (Pty) Ltd (EasiRun)



#### Software technologies

EasiRun has been transformed from a product-centric organisation into a solutions based company. The successful completion of this process meant that EasiRun started the year more streamlined and more focused than ever before.

In the lead-up to the decision to re-focus EasiRun, the following market and industry trends were identified as major factors driving the need to reposition the company as a solutions-driven organisation:

- the cost of developing and maintaining in-house solutions;
- the scarcity and cost of competent IT skills and resources;
- the increased reliability and security of the Internet;
- the emergence of reliable application service providers (ASPs) who can offer cost effective solutions coupled with contractually-based service and performance levels;
- the availability of sophisticated off-the shelf packages targeting vertical markets.

These factors and many others are as valid today as they were then. Today more than ever, companies are focusing on their core business expertise and outsourcing their IT functions to companies that specialise in providing broad-based IT solutions. EasiRun is ideally positioned to capitalise on this trend during the next financial year and beyond.

As part of the transformation process, distribution contracts with the leading Cobol producers, Acucorp, Merant and Liant, were maintained. Although the direct distribution and support of these products made a significant contribution to EasiRun's revenue, the real growth and benefit was in EasiRun's ability to incorporate these traditional products into higher value solutions and services.

Apart from the traditional Cobol solutions for which EasiRun is well known, the Navision Attain ERP suite and solutions based on this system have become increasingly important to EasiRun. Navision contributed significantly to EasiRun's revenue in the form of new business. However, it was also pleasing to note growth in repeat business from existing customers.

The re-positioning of the company, which included rationalisation of certain products, has enabled EasiRun to better employ skilled resources and to offer a more complete and dedicated range of services on the products and solutions that have been retained.

#### Solutions

Historically all solutions delivered by EasiRun were based on Cobol. Today this is no longer the case and although Cobol remains a major factor - at least 60% of EasiRun's revenue is still Cobol based - the shift away from Cobol is continuing to gain momentum. However, for as long as Cobol remains a viable business opportunity, EasiRun will continue to offer Cobol-based solutions and support to customers in this arena.

The shift away from Cobol has seen the company adopt several new technologies, such as Java and other Internet development languages. The company is also on track to become a certified Microsoft Solution Provider with the ability to offer integrated solutions based on BizTalk to existing Cobol and other customers.

The past year saw significant growth in the Navision solutions division with the installed base reaching 40 sites. EasiRun is the largest and most successful Navision Solution Center (NSC) in South Africa. During this period, Navision Software merged with one of its largest competitors, Damgaard, to form Navision Damgaard. The combined company has over 120 000 users in more than 90 countries around the world.

Navision's latest offering, Navision Attain, was launched in South Africa in September. EasiRun was one of the first NSC's to be certified on this exciting, world-beating product and is in the process of implementing the first local installation.

Navision Attain is totally Internet ready. Together with its WAP portal, commerce portal and other modules it provides EasiRun with the ideal tool on which to deliver sophisticated, easy to maintain, customised solutions across a wide range of industry sectors.

Recognised as a global player in the ERP market, Navision solutions are focused on and ideally suited to the specific needs of mid-market businesses and organisations.

Navision's team includes:

- Over 1 065 employees in 26 countries, 300 of whom work in development.
- 26 local offices that provide technical, marketing and sales support for local Navision Solution Centers
- An international sales network of more than 2 200 Navision Solution Centers.

Apart from the many Navision implementations in progress, there are also many exciting prospects in the pipeline.

## Services & Support

The dynamics of the market dictate that a totally satisfactory solution today may be far from adequate tomorrow. In making sure that solutions keep pace with evolving business needs, EasiRun has focused on quality after-sales support.

Regarded as critical to the ongoing delivery of solutions and cost-effective services, the company has extended its support capabilities to include:

- upgrades and training on the solutions implemented;
- consultancy on how best to use new technological developments;
- maintenance of help desk and telephonic support;
- security of application source code to ensure reliable enhancements;
- maintaining a competent team of IT professionals who understand the customer's business.

A measure of EasiRun's commitment to the quality of its after-sales service and support is the fact that the company still supports a large number of customers who first purchased products 12 years ago.

## Prospects

Within the UCS group, EasiRun is the only company geared to delivering bespoke solutions across a variety of operating systems and industry sectors. The experience gained over many years of providing this type of service has resulted in EasiRun being selected by PQ Africa as their integration partners for the 'Smart Shed' project.

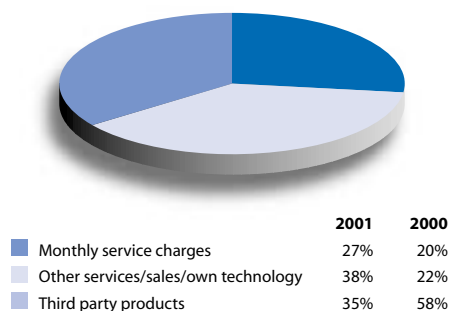
Smart Shed is an e-commerce trading hub aimed at the large furniture, appliance and sound (FAS) retailers. It provides an electronic trading hub allowing retailers, manufacturers and suppliers to collaborate in areas of product catalogues, prices, orders, deals etc.

EasiRun's role as an integration partner is to provide the solutions and support required by the suppliers in this chain enabling then to seamlessly integrate orders and other instructions into their various ERP systems.

A pilot project is underway within the Steinhoff Group, the largest furniture manufacturers in the country. Sealy, a Steinhoff company, is currently receiving electronic orders into their ERP system from Smart Shed via the Internet. Although in test mode, this project will soon go live, it will be followed by another 40 Steinhoff factories which will join the project during the next 12 months.

This project represents a significant growth opportunity for EasiRun. By establishing itself as a partner of choice with the major role players in the B2B e-Commerce arena in South Africa, EasiRun will be well positioned to integrate the more than 300 suppliers to the FAS retail market in South Africa.

**EasiRun - revenue analysis**

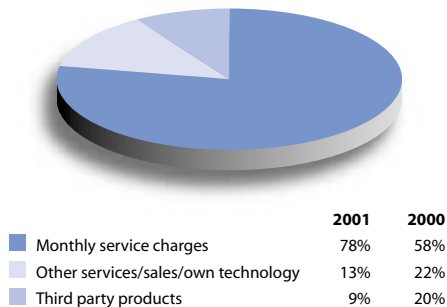


# Software solutions

## Operational review

### Universal Knowledge Software (Pty) Ltd (UKS)

UKS - revenue analysis



#### Software technologies

UKS is focussed on the design, development and support of specialised software solutions. The company's server-based applications are developed for use in the open systems environment using UNIX or the licence-free Linux operating system.

Formerly known as UCS Library Systems, the company's name was changed to more accurately reflect the strength and depth of its software technologies and its ability to extend its technology innovations to commercial applications outside of the library arena.

While extensive use continues to be made of powerful database technologies to support the company's leadership in the market for computerised library management systems, UKS has successfully developed and implemented proprietary indexing and retrieval algorithms that have gained international acclaim. Although these unique indexing and retrieval engines are used to differentiate the company's library solutions, they are also ideally suited for use in other systems. These implementations include knowledge management, data mining and business intelligence systems.

Other, "new-generation" software technologies have also been introduced into the company's solutions, including Internet browser-based client applications that provide a generic interface to the library systems. These applications ensure immediate acceptance and seamless integration into customer environments. The employment of "soft screen" technologies in Windows-based client applications also allows for almost limitless customisation while at the same time ensuring the maximum re-usability of code.

#### Solutions

With two outstanding applications, Erudite and URICA, UKS is well established as a leading supplier of integrated library systems and associated technical and support services to the library management market in South Africa and neighbouring states. Both applications share a common development environment and make extensive use of the company's advanced search and retrieval methodologies to provide for fast and accurate access to information.

The development of graphical client software capable of operating in off-line situations and with the ability to interface with a multitude of applications is well underway. These developments are not only expected to enhance the current applications but will also make it possible for UKS to apply technologies, traditional to the library arena, in other areas.

#### Services & Support

The success of UKS can be largely attributed to the strong relationships the company has built with its customers over many years. A team of highly skilled and experienced developers helps to guarantee customer satisfaction. This team provides application, database and operating systems support to an installed base of more than 50 institutions with over 2000 concurrent users.

Furthermore, experience gained through years of assisting customers in the field of library administration and information management is made available to all customers through a range of value-added services including consultancy, system design, data conversions, application development, customisation, implementation, system administration and system audits.

#### Prospects

Due to the stability and suitability of its solutions, and backed by the high level of support offered to customers, UKS remains well positioned to continue dominating the South African and regional market for library systems.

Ever increasing pressure on libraries to enhance public knowledge by providing access to information is bringing about significant changes within the library industry. UKS makes it possible for its customers to respond to these demands through the continued development and enhancement of Erudite and URICA.

The first of various software components designed to break down traditional barriers by interfacing with Erudite, URICA and other systems will be released this year and are expected to further consolidate our position of leadership in the South African library market.

Several components under development have been identified as having great potential value in other market sectors.

Changes to the internal structure of the company, together with the focus on exploring the introduction of its innovative technologies into other markets, have placed UKS in a strong position to take full advantage of these opportunities.

# Five year financial review

for the year ended 30 September 2001

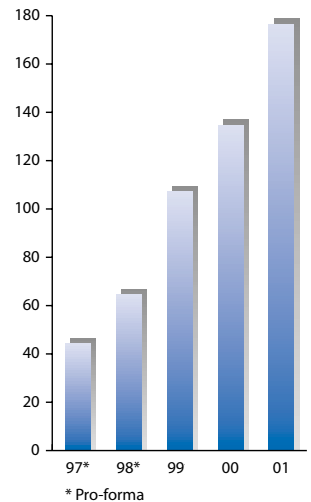
## Profit history

Group	Actual 2001 R000	Actual 2000 R000	Actual 1999 R000	Pro-forma 1998 R000	Pro-forma 1997 R000
Turnover	176 573	134 869	107 317	64 718	44 317
Profit before interest and finance income	25 351	26 038	33 481	16 883	6 904
Net interest paid/(received) and finance income	9 262	16 414	15 320	138	(1 075)
Net income before taxation	34 613	42 452	48 801	17 021	5 829
Taxation	6 269	10 035	14 771	5 414	2 233
Net income after taxation	28 344	32 417	34 030	11 607	3 596
Minority shareholders	174	-	-	-	-
Attributable earnings	28 170	32 417	34 030	11 607	3 596
Ordinary shares in issue net of treasury shares (000s)	263 255	272 700	272 700	224 978	218 160
Earnings per share (cents)	10,5	11,9	12,5	5,2	1,7
Headline earnings per share (cents)	11,3	12,6	13,0	5,3	1,7
Dividends per share (cents)	N/A	N/A	N/A	2,0	0,6
Share price (cents)	85	135	250	130	N/A

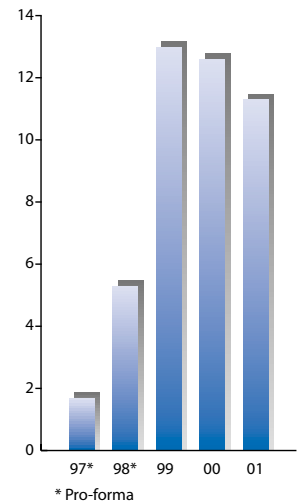
## Group balance sheet - actual

	2001 R000	2000 R000	1999 R000
<b>Non current assets</b>			
Tangible assets	17 729	11 946	10 327
Intangible assets	28 166	24 350	24 001
Investments and loans	29 353	23 073	16 352
Deferred taxation	1 273	994	-
<b>Current assets</b>			
Inventories	3 505	2 698	734
Receivables	38 148	30 849	18 746
Cash resources	88 196	99 510	81 605
<b>Total assets</b>	<b>206 370</b>	<b>193 420</b>	<b>151 765</b>
<b>Equity &amp; liabilities</b>			
Total equity	181 608	159 432	116 630
Minority interests	174	-	-
<b>Non current liabilities</b>			
Long and medium-term loans	280	390	12 332
Deferred taxation	-	-	54
<b>Current liabilities</b>			
Payables	22 654	26 140	11 704
Taxation	1 654	7 458	11 045
<b>Total equity and liabilities</b>	<b>206 370</b>	<b>193 420</b>	<b>151 765</b>

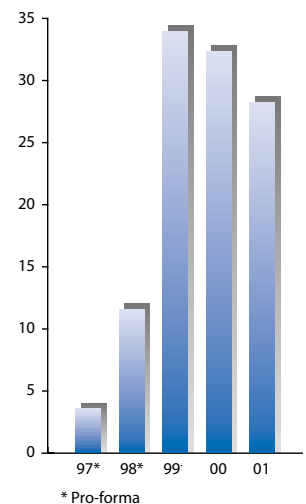
**Five year review**  
Turnover (R000)



**Five year review**  
Headline earnings



**Five year review**  
Net income after tax



# Analysis of key ratios

for the year ended 30 September 2001

	2001	2000
<b>Ordinary share performance</b>		
Fully diluted weighted average number of ordinary shares in issue (000s)	267 626	272 700
Earnings per share (cents)	10,5	11,9
Headline earnings per share (cents)	11,3	12,6
Net asset value per share (cents)	69	59
Dividends per share (cents)	Nil	Nil
Dividend cover	N/A	N/A
<b>Profitability and asset management</b>		
Operating income to turnover (percent)	25,9	29,6
Return on total equity (percent)	17,8	24,7
Asset turnover ratio (times)	2,2	1,9
Debtors days	71,31	67,10
Inventory turnover (times)	32,68	29,90
Current ratio (times)	5,3:1	4,0:1
<b>Employees</b>		
Number of employees at year end	523	507
Turnover per employee (R000)	337	266
Operating profit per employee (R000)	87,49	78,75

## Definitions

The summary set out below incorporates definitions of terms used in this annual report.

- Net asset value per share - total equity divided by the fully diluted weighted average number of ordinary shares in issue at year end.
- Return on total equity - the percentage of headline earnings to average total equity.
- Asset turnover ratio - current year's turnover divided by the average operating assets.
- Operating assets - total assets less investments and bank balances.
- Debtors days - the average debtors days divided by current year's turnover multiplied by 365 days.
- Inventory turnover - the average inventory divided by current year's cost of sales multiplied by 365 days.
- Current ratio - The ratio of current assets to current liabilities.

# Corporate governance

The board of directors of UCS Group Limited confirm their commitment to the principles of openness, integrity and accountability as advocated in the King Code on Corporate Governance.

Due to the relative size of the Group, certain aspects of the King Code of Corporate Practice and Conduct are impractical. All recommended practices are, however, constantly monitored to ensure their enactment as soon as practical and appropriate.

## Board of directors

The board of directors, as set out on page 3 of this report, comprises a non-executive chairman, four executive directors, and five independent non-executive directors. The board meets at least four times a year. Executive directors do not have long-term service contracts with the company.

## Internal control

It is the directors' responsibility to ensure the maintenance of adequate accounting records and to prepare annual financial statements that present the state of affairs and results of the company and of the group. The external auditors are responsible for independently auditing and reporting on the fair presentation of these annual financial statements.

The annual financial statements referred to in this report have been prepared by management in accordance with generally accepted accounting practices. They are based on appropriate accounting policies which have been consistently applied and are supported by reasonable and prudent judgement and estimates. The annual financial statements have been prepared on a going concern basis and the directors have every reason to believe that the group will be able to continue for the year ahead.

The directors are responsible for internal controls systems which are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability for assets. These controls are monitored throughout the group by management and employees with necessary separation of authority and duties. Processes are in place to monitor internal controls, to identify material breakdowns and implement timely corrective action.

Based on the audit procedures performed to express an opinion on the fair presentation of the annual financial statements, the auditors concur with the directors' statements on going concern and financial internal controls.

## Audit committee

In accordance with the King Code on Corporate Governance, the Group has established an audit committee that is chaired by Advocate RG Goodman, a non-executive director of the UCS Board. Other members of the audit committee are Messrs EB Levenstein (non-executive chairman) and NA Michelson (Group financial director).

## Remuneration committee

A remuneration committee, under the chairmanship of EB Levenstein (non-executive chairman), and independent non-executive directors Messrs JR Claassen and BP Hattingh, is responsible for determining appropriate levels of remuneration and terms and conditions of employment of executive directors.

## Employee participation

The group and its operating subsidiaries and divisions are committed to creating a workplace in which individuals of ability and application can develop rewarding careers, regardless of their background, race or gender.

Employee participation is part of the culture of the group and employees are involved in developing and refining of group values and participating in task forces to investigate employee and related benefits.

## Transformation

The group remains committed to supporting social and workplace transformation in a free and democratic South Africa. Attention is focussed on training and development with particular emphasis on people from previously disadvantaged communities.

## Code of ethics

The group has published its basic tenets, which are set out on page 3 of this report. All employees are required to maintain high ethical standards in ensuring that the company's business practices are conducted in a manner which in all reasonable circumstances complies with these tenets.

# UCS Group Limited

and its subsidiaries

## Annual financial statements

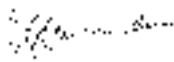
for the year ended 30 September 2001

### Directors responsibilities and approval of the annual financial statements

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements, group annual financial statements and related financial information included in this report. The annual financial statements are prepared in accordance with Statements of Generally Accepted Accounting Practices.

The directors are also responsible for the Group's systems of internal controls and believe that these controls provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and loss. The directors are satisfied that the Company will be a going concern for the foreseeable future and have adopted the going

concern basis in preparing the financial statements. The annual financial statements and group annual financial statements set out in this report were approved by the Board of Directors at Johannesburg on 2 November 2001 and are signed on its behalf by:



E B Levenstein



J D Bright

### Certificate of compliance

In terms of Section 268 G(d) of the Companies Act 1973, as amended, I certify that the Company has lodged with the Registrar of Companies all such returns as are required by the Companies Act and all such returns are true, correct and up to date.



V M A Broadrick  
(Company Secretary)

### Report of the Independent Auditors

to the Members of UCS GROUP LIMITED

We have audited the annual financial statements and group annual financial statements of UCS Group Limited set out on pages 23 to 40 for the year ended 30 September 2001. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

#### Scope

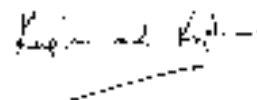
We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

#### Audit opinion

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the Company and of the Group at 30 September 2001, and the results of their operations and cash flows for the year then ended in accordance with Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.



Chartered Accountants (SA)

Registered Accountants and Auditors

Johannesburg

2 November 2001



# Directors' report

The directors have pleasure in submitting their report together with the annual financial statements of the Company and of the Group for the year ended 30 September 2001.

## Nature of business

UCS Group Ltd is an investment holding company for a group of information technology businesses focussed on the provision of software solutions and outsourcing services in selected niche markets.

Your Company and its subsidiaries operate as an information technology (IT) services group listed on the JSE Securities Exchange SA.

## Financial results

Group attributable earnings for the year ended 30 September 2001 were R28,169,900 (2000 - R32,416,893) representing headline earnings per ordinary share of 11,32 cents (2000 - 12,55 cents) based on the weighted average number of shares as detailed in the notes.

Full details of the financial position and results of UCS Group Limited and its subsidiaries are set out in the accompanying financial statements.

## Share capital

On 16 October 2000, at a special general meeting of shareholders, the requisite majority approved the required resolutions to amend the authorised share capital by the creation of various classes of compulsorily convertible redeemable preference shares to implement an additional employee share incentive scheme. The details relating to the redeemable preference shares are set out in the notes to the financial statements.

On 1 March 2001, 4,070,000 redeemable preference shares were issued at a premium of R1,599,510. During the previous year 49,110,000 ordinary shares were issued at a premium of R12,032,504.

During the accounting period, 9,444,800 ordinary shares of UCS Group Limited were purchased by the wholly owned subsidiary, Universal Computer Services (Proprietary) Limited, at a total cost of R7,589,493, resulting in this subsidiary holding 3,46% of UCS Group Limited's issued ordinary share capital. Shareholders' equity has been reduced by the cost of these shares. There is no intention to trade in these shares which are classified as treasury shares.

The authorised and issued capital is detailed in note 16 to the financial statements.

## Tangible and intangible assets

There have been no major changes in the nature of the above assets during the accounting period or any changes in the policy relating to their use.

## Share incentive schemes

The company has adopted Staff Share Trusts in order to enable employees of the company and its subsidiaries to have the opportunity of acquiring an interest in the equity of the company, thereby providing such employees with further incentive to advance the group's interests and to promote an identity of purpose between the employees and the shareholders of the company.

### 1. UCS Group Ltd Staff Share Trust

This trust was established during July 1998. The total number of ordinary shares taken up by the trust amounted to 27,270,000 shares. The total number of ordinary shares held by the trust, for future issue to employees, at the accounting date amounted to 3,357,000 (2000 - 2,468,000) ordinary shares. Options in respect of 1,583,000 (2000 - 200,000) of the untaken ordinary shares had been granted to employees, to be exercised at some time in the future.

Subsequent to the year end no (2000 - Nil) shares were taken up by employees.

### 2. UCS Group Ltd Staff Share Trust II

On 16 October 2000, resolutions were approved for the adoption of an additional employee incentive scheme. On 1 March 2001, 4,070,000 redeemable preference shares were allotted to employees as detailed under share capital.

## Dividends

No dividends (2000 - R Nil) were declared or proposed.

## Secretary

Verity Mary-Ann Broadrick served as secretary throughout the year.

Business address:	Postal address:
20th Floor	P O Box 31266
209 Smit Street	Braamfontein
Braamfontein 2001	2017

## Directorate

The names of the directors of the Company in office at the year end are set out on page 3.

During the year, Mr R Bradley resigned from the Board of Directors and Ms R J Eliot, Adv R G Goodman and Messrs J R Claassen, B P Hattingh and P Terblanche were appointed.

Messrs J D Bright, D F Coles and E B Levenstein retire in terms of the Company's articles of association but being eligible, offer themselves for re-election as directors.

## Directors interests

At 30 September 2001 the directors of the Company held direct and indirect beneficial interests in 105,899,850 (2000 - 106,859,670) shares.

## Subsidiaries

During the previous accounting period, the Company acquired the total issued share capital of Computerkit Holdings (Proprietary) Limited. This acquisition is the subject of a profit warranty in order to determine the final purchase price. Details are set out in note 29 of the financial statements.

The subsidiary company previously known as Introdel (Proprietary) Limited, changed its name to CCS Software (Proprietary) Limited on acquiring the business of CCS Software and is now owned 51% by UCS Group Limited and 49% by the vendors of the business.

Universal Computer Software (Proprietary) Limited changed its name to UCS Brands (Proprietary) Limited. UCS Library Systems (Proprietary) Limited changed its name to Universal Knowledge Software (Proprietary) Limited.

Details of the subsidiaries are set out in the notes to the financial statements.

The holding company's interest in the aggregate profits after tax of the subsidiaries amounted to R9,403,146 (2000 - R20,193,621) and losses amounted to R9,124 (2000 - R 221,239).

## Major shareholders

Besides the directors' holdings (direct and indirect) and the treasury shares, the following shareholders held in excess of 5% of the issued share capital at the accounting date:

Shareholder	No. of shares	% of issued capital
UCS Group Ltd		
Staff Share Trust	27,270,000	10,0%
Old Mutual		
Life Assurance Co (SA)	29,240,595	10,7%
SFSS Nominees		
(Tvl) (Pty) Ltd	21,838,639	8,0%

## Post balance sheet events

No material events occurred between the accounting date and the date of this report except for that set out in note 29.

# Income Statements

for the year ended 30 September 2001

	Notes	Group		Company	
		2001 R000	2000 R000	2001 R000	2000 R000
<b>Turnover</b>	1.11	176,573	134,869	-	-
Operating income (loss) before finance and investment income	3	25,351	26,038	1,830	(2,391)
Investment income	4	9,447	8,700	110,092	8,700
Finance (charges) income	5	(185)	7,714	9,921	7,078
<b>Income before taxation</b>		34,613	42,452	121,843	13,387
Taxation	6	6,269	10,035	2,048	943
<b>Income after taxation</b>		28,344	32,417	119,795	12,444
Attributable to minority shareholders	18	174	-	-	-
<b>Attributable earnings</b>		28,170	32,417	119,795	12,444
Earnings per share	7	10,53c	11,89c		
Headline earnings per share	7	11,32c	12,55c		

# Balance sheets

at 30 September 2001

	Notes	Group		Company	
		2001 R000	2000 R000	2001 R000	2000 R000
<b>Non current assets</b>					
Property, plant and equipment	8	17,729	11,946	-	-
Intangible assets	9	28,166	24,350	98	118
Investments in subsidiaries	10	-	-	121,049	11,008
Investments	11	22,233	22,233	65,033	65,033
Staff share trusts	12	6,731	840	6,731	840
Loans receivable	13	389	-	-	-
Deferred taxation	14	1,273	994	17	8
		<b>76,521</b>	<b>60,363</b>	<b>192,928</b>	<b>77,007</b>
<b>Current assets</b>					
Inventory	15	3,505	2,698	-	-
Accounts receivable		38,148	30,849	3,467	219
Cash resources		88,196	99,510	62,332	70,643
Taxation		-	-	-	239
		<b>129,849</b>	<b>133,057</b>	<b>65,799</b>	<b>71,101</b>
<b>Total assets</b>		<b>206,370</b>	<b>193,420</b>	<b>258,727</b>	<b>148,108</b>
<b>Equity and liabilities</b>					
Share capital	16	1,337	1,364	1,384	1,364
Share premium	17	79,158	85,125	86,700	85,125
Distributable reserve					
Retained income		101,113	72,943	143,326	23,531
<b>Total equity</b>		<b>181,608</b>	<b>159,432</b>	<b>231,410</b>	<b>110,020</b>
<b>Minority interest</b>	18	<b>174</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non current liabilities</b>					
Long term loans	19	280	390	-	-
Loans from subsidiaries	20	-	-	25,780	30,989
		<b>280</b>	<b>390</b>	<b>25,780</b>	<b>30,989</b>
<b>Current liabilities</b>					
Accounts payable	21	22,638	26,099	191	7,099
Taxation		1,654	7,458	1,346	-
Current portion of long-term liabilities	19	16	41	-	-
		<b>24,308</b>	<b>33,598</b>	<b>1,537</b>	<b>7,099</b>
<b>Total equity and liabilities</b>		<b>206,370</b>	<b>193,420</b>	<b>258,727</b>	<b>148,108</b>

# Statement of changes in equity

for the year ended 30 September 2001

	Note	Ordinary share capital R000	Preference share capital R000	Share premium R000	Distributable reserve R000	Total R000
<b>Group</b>						
<b>Balance at 30 September 1999</b>		1,118	-	73,093	42,419	116,630
Ordinary shares issued		246	-	12,032	-	12,278
Changes in accounting policy	2	-	-	-	(1,893)	(1,893)
Leave pay		-	-	-	(2,893)	(2,893)
Deferred taxation		-	-	-	1,000	1,000
Attributable earnings for the year		-	-	-	32,417	32,417
<b>Balance at 30 September 2000</b>		1,364	-	85,125	72,943	159,432
Redeemable preference shares issued		-	20	1,575	-	1,595
Treasury shares purchased		(47)	-	(7,542)	-	(7,589)
Attributable earnings for the year		-	-	-	28,170	28,170
<b>Balance at 30 September 2001</b>		1,317	20	79,158	101,113	181,608
<b>Company</b>						
<b>Balance at 30 September 1999</b>		1,118	-	73,093	11,107	85,318
Ordinary shares issued		246	-	12,032	-	12,278
Change in accounting policy	2	-	-	-	(20)	(20)
Leave pay		-	-	-	(28)	(28)
Deferred taxation		-	-	-	8	8
Attributable earnings for the year		-	-	-	12,444	12,444
<b>Balance at 30 September 2000</b>		1,364	-	85,125	23,531	110,020
Redeemable preference shares issued		-	20	1,599	-	1,619
Share issue expenses		-	-	(24)	-	(24)
Attributable earnings for the year		-	-	-	119,795	119,795
<b>Balance at 30 September 2001</b>		1,364	20	86,700	143,326	231,410

# Cash flow statements

for the year ended 30 September 2001

	Notes	Group		Company	
		2001 R000	2000 R000	2001 R000	2000 R000
<b>Cash flow from operating activities</b>		19,256	32,679	111,234	18,192
Cash generated from operations	22	33,939	32,485	1,850	(2,372)
Investment income		9,447	8,700	110,092	8,700
Working capital changes	23	(11,592)	(2,549)	(10,157)	6,800
Cash generated from operating activities		31,794	38,636	101,785	13,128
Interest (paid) received		(185)	7,714	9,921	7,079
Taxation paid	24	(12,353)	(13,671)	(472)	(2,015)
<b>Cash flow from investing activities</b>		(24,641)	(15,136)	(115,932)	(43,264)
Acquisition of intangible assets	25	(6,630)	(2,914)	-	-
Acquisition of property, plant and equipment	26	(12,923)	(7,032)	-	-
Proceeds on disposal of property, plant and equipment		1,192	1,532	-	-
Investment in subsidiaries		-	-	-	(2,855)
Loans (advanced) repaid		(6,280)	15,478	(115,932)	24,591
Investment acquired		-	(22,200)	-	(65,000)
<b>Cash flow from financing activities</b>		(5,929)	362	(3,613)	30,875
Increase in minority shareholders interest		174	-	-	-
Proceeds of shares issued		20	246	20	246
Treasury shares acquired		(7,589)	-	-	-
Share premium raised		1,599	12,032	1,575	12,032
Loans raised		-	362	-	18,597
Loans repaid		(109)	(12,278)	(5,208)	-
Payment of share issue expenses		(24)	-	-	-
Cash and cash equivalents					
- Net (decrease) increase		(11,314)	17,905	(8,311)	5,803
- At beginning of year		99,510	81,605	70,643	64,840
<b>- At end of year</b>		<b>88,196</b>	<b>99,510</b>	<b>62,332</b>	<b>70,643</b>

# Notes to the financial statements

for the year ended 30 September 2001

## 1. Accounting policies

The annual financial statements and group annual financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which have been consistently applied in all material respects other than the changes as set out in note 2. These policies comply with South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared on a going concern basis.

### 1.1 Basis of consolidation

The group annual financial statements incorporate the annual financial statements of the company and its subsidiaries. The operating results of the subsidiaries are included from the effective dates of acquisition up to the effective dates of disposal. All significant inter-company transactions and balances have been eliminated. Premiums arising on the acquisition of subsidiaries and any excess of the net assets of a subsidiary over the cost of acquisition are treated in terms of the group's accounting policy for intangible assets.

### 1.2 Property, plant and equipment

Property, plant and equipment is stated at cost to the group less accumulated depreciation with the exception of immovable property which is not depreciated.

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

Computer equipment	3 years
Computer software	3 - 4 years
Furniture, fixtures and fittings	6 years
Land and buildings	10 years
Motor vehicles (owned and leased)	5 years
Office equipment	5 years
Rental equipment	3 years
Improvements to leased premises	Over the remaining period of the lease

### 1.3 Intangible assets

Intangible assets are included at cost less amounts written off.

Amortisation is calculated by a charge to income computed on a straight line basis so as to write off the cost over the following periods:

Trademarks	10 years
Goodwill	20 years

Goodwill represents the difference between the purchase price and the fair value of the identifiable net assets of the businesses acquired at the date of acquisition.

### 1.4 Inventory

Inventory is stated at the lower of actual cost or net realisable value. Cost has been determined on the first-in first-out basis.

### 1.5 Leased assets

Where assets are being held under finance lease agreements that transfer to the company substantially all the risks and rewards of ownership, the cash cost of the asset is capitalised with the equivalent amount being shown as a liability to the lessor. Lease payments are apportioned between a reduction in liability to the lessor and interest charged to income.

### 1.6 Deferred taxation

Deferred taxation is calculated using the liability method on the comprehensive basis and represents the potential future liability for taxation in respect of items of income and expenditure which are recognised for income tax purposes in periods different from those during which they are brought to account in the financial statements.

Previously, where the timing differences led to the creation of a deferred tax asset, this was not accounted for. The prior year's figures have been restated to account for the change in accounting policy as detailed in note 2.

Deferred tax assets are not raised unless it is probable that future taxable profits will be available against which the deferred taxation asset can be realised in the foreseeable future.

### 1.7 Foreign currency

Assets and liabilities denominated in foreign currency are accounted for at the rates of exchange ruling at the balance sheet date, or at the forward rate determined in forward exchange contracts. Gains and losses arising on translation are dealt with in the income statement.

### 1.8 Investments

Investments are stated at cost less provision for any permanent diminution in value.

### 1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks and other financial institutions and investments in money market instruments.

### 1.10 Retirement benefits

Contributions to retirement benefit funds are charged against income as an expense in the period during which the services are rendered.

### 1.11 Revenue

Turnover

Turnover comprises revenue from the invoiced value of goods and services supplied, which include:

- Computer services provided
- Software development charges
- Licence fees
- Installation and maintenance charges
- Training
- Commission earned

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 Research and development costs

Research and development expenditure is written off in the period in which it is incurred.

### 1.13 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that it will be required to settle the obligation.

# Notes to the financial statements

for the year ended 30 September 2001

## 2. Change in accounting policy and comparative figures

Comparative figures have been restated to reflect the change in accounting policy relating to the raising of leave pay provisions at 30 September 2000 and the deferred tax effect of the leave pay provisions at that date. The figures are restated as follows:

	Group		Company	
	Restated R000	Previously R000	Restated R000	Previously R000
Retained income	72,943	74,836	23,531	23,551
Deferred tax asset (liability)	994	(6)	8	-
Accounts payable	26,099	23,207	7,099	7,071

	Group		Company	
	2001 R000	2000 R000	2001 R000	2000 R000

## 3. Operating income (loss) before finance and investment income

is stated after taking into account the items detailed below:

### 3.1 Auditors' remuneration

Fee for audit - current	423	413	79	68
- prior years	-	5	-	-
Fee for other services	22	73	-	-
	445	491	79	68

### 3.2 Cost of sales

	34,625	20,930	-	-
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### 3.3 Depreciation of property, plant and equipment

Rental equipment	312	-	-	-
Computer software	1,175	1,098	-	-
Computer equipment	2,679	1,637	-	-
Furniture, fixtures and fittings	408	272	-	-
Motor vehicles	304	237	-	-
Office equipment	383	314	-	-
Improvements to leased premises	484	321	-	-
Leased motor vehicle	20	35	-	-
Land and buildings	53	-	-	-
	5,818	3,914	-	-

### 3.4 Amortisation of intangible assets

Trademark	2,576	2,465	20	20
Goodwill	238	100	-	-
	2,814	2,565	20	20

# Notes to the financial statements

for the year ended 30 September 2001

	Group		Company	
	2001	2000	2001	2000
	R000	R000	R000	R000
<b>3.5 Directors' emoluments</b>				
Non-executive directors				
Services as directors	52	-	52	-
Consulting fees	272	-	272	-
Executive directors				
Salaries and bonuses	2,226	2,683	2,226	2,683
Retirement, medical and other benefits	451	485	451	485
Total directors' emoluments	3,001	3,168	3,001	3,168
Paid by subsidiaries			2,065	2,557
Emoluments paid by company			936	611
<b>3.6 (Loss) profit on disposal of property, plant and equipment</b>	(130)	32	-	-
<b>3.7 Operating lease charges</b>				
Premises	6,788	4,893	-	-
Office equipment	980	31	-	-
	7,768	4,924	-	-
<b>3.8 Foreign exchange loss</b>	(18)	(42)	-	-
<b>3.9 Research and development cost</b>	11,773	7,411	-	-
<b>4. Investment income</b>				
Dividends received from unlisted investment	9,447	8,700	110,092	8,700
<b>5. Finance income</b>				
Net finance income is made up as follows:				
Interest paid	7,329	3,823	2,778	2,763
Interest received:	2,150	9,992	7,705	8,296
Subsidiary companies	-	-	6,883	1,429
Other sources	2,150	9,992	822	6,867
Net interest (paid) received	(5,179)	6,169	4,927	5,533
Capital appreciation on endowment investments	4,994	1,545	4,994	1,545
	(185)	7,714	9,921	7,078



# Notes to the financial statements

for the year ended 30 September 2001

	Group		Company	
	2001 R000	2000 R000	2001 R000	2000 R000
<b>6. Taxation</b>				
South African normal taxation	6,548	10,084	2,056	943
Deferred taxation	(279)	(49)	(8)	-
	6,269	10,035	2,048	943
<b>6.1 Reconciliation of the tax charge</b>				
Charge on reported income	8,450	12,732	36,553	4,017
Adjustments due to:				
Losses in subsidiary	-	66	-	-
Disallowed expenditure	1,919	360	29	-
Timing differences	342	-	-	-
Non taxable income	(3,867)	(3,074)	(34,525)	(3,074)
Prior year charge	(296)	-	-	-
Deferred taxation	(279)	(49)	(9)	-
Effective taxation	6,269	10,035	2,048	943
<b>6.2 Reconciliation of the rate of taxation</b>	%	%	%	%
South African normal tax rate	30,00	30,00	30,00	30,00
Adjusted for:				
Non taxable income	(13,73)	(7,24)	(28,33)	(22,96)
Timing differences	1,21	-	-	-
Deferred taxation	(0,99)	(0,12)	(0,01)	-
Permanent differences	5,76	1,00	0,02	-
Effective rate	22,25	23,64	1,68	7,04

## 7. Earnings per share

Earnings per share is based on earnings attributable to shareholders of the company and the weighted average number of shares in issue during the year after taking the share buyback program into account.

Earnings attributable to ordinary shareholders	28,170	32,417
Weighted average number of ordinary shares in issue	267,626	272,700
Earnings per share	10,53c	11,89c
Adjusted for: (net of taxation)		
Amortisation of intangible assets	0,76c	0,66c
Sale of property, plant and equipment	0,03c	-
Headline earnings	11,32c	12,55c
Effect of share buyback program on headline earnings	0,11c	-

# Notes to the financial statements

for the year ended 30 September 2001

## 8. Property, plant and equipment

8.1	Cost R000	Accumulated Depreciation R000	Carrying value R000
<b>2001 Group</b>			
Immovable property	525	53	472
Computer software	9,690	4,030	5,660
Computer equipment	9,325	4,920	4,405
Furniture, fixtures and fittings	2,761	868	1,893
Motor vehicles	1,659	574	1,085
Office equipment	2,308	983	1,325
Improvements to leased premises	2,616	924	1,692
Rental equipment	1,497	315	1,182
Total owned assets	30,381	12,667	17,714
Leased motor vehicles	80	65	15
Total assets	30,461	12,732	17,729
<b>2000 Group</b>			
Immovable property	1,120	-	1,120
Computer software	4,331	2,155	2,176
Computer equipment	6,399	2,653	3,746
Furniture, fixtures and fittings	1,968	421	1,547
Motor vehicles	1,335	356	979
Office equipment	1,703	467	1,236
Improvements to leased premises	1,547	440	1,107
Total owned assets	18,403	6,492	11,911
Leased motor vehicles	95	60	35
Total assets	18,498	6,552	11,946

## 8.2 Movement summary Carrying

	Carrying value beginning of year R000	Additions R000	Disposals R000	Current depreciation R000	Carrying value end of year R000
<b>2001 Group</b>					
Immovable property	1,120	-	(595)	(53)	472
Computer software	2,176	4,659	-	(1,175)	5,660
Computer equipment	3,746	3,783	(445)	(2,679)	4,405
Furniture, fixtures and fittings	1,547	768	(14)	(408)	1,893
Motor vehicles	979	615	(205)	(304)	1,085
Improvements to leased premises	1,107	1,069	-	(484)	1,692
Office equipment	1,236	535	(63)	(383)	1,325
Rental equipment	-	1,494	-	(312)	1,182
Leased motor vehicles	35	-	-	(20)	15
	11,946	12,923	(1,322)	(5,818)	17,729

# Notes to the financial statements

for the year ended 30 September 2001

	Carrying value beginning of year R000	Additions R000	Disposals R000	Current depreciation R000	Carrying value end of year R000
<b>2000 Group</b>					
Immovable property	595	525	-	-	1,120
Computer software	1,967	1,307	-	(1,098)	2,176
Computer equipment	3,733	2,764	(1,114)	(1,637)	3,746
Furniture, fixtures and fittings	1,203	616	-	(272)	1,547
Motor vehicles	836	663	(283)	(237)	979
Improvements to leased premises	591	837	-	(321)	1,107
Office equipment	1,347	229	(26)	(314)	1,236
Leased motor vehicles	55	91	(76)	(35)	35
	10,327	7,032	(1,499)	(3,914)	11,946

	Group		Company	
	2001 R000	2000 R000	2001 R000	2000 R000
<b>8.3 Details of immovable property, are as follows:</b>				
<b>8.3.1 Vacant stands</b>				
Portion 1 of Erf 1757 Bryanston situate in Arlington Rd, Bryanston acquired 10 October 1996		-	239	
Erf 3651 Weltevreden Park Ext 30 situate in Cornelius Str, Weltevreden Park Ext 30 acquired 21 Oct 1997		-	356	
<b>8.3.2 Land and buildings</b>		472	525	
At cost		525	525	
Less accumulated depreciation		53	-	
Erf 4264 Durbanville situate at 19a King Street, Durbanville, Cape Town acquired in 2000				
		472	1,120	

## 9. Intangible assets

At cost				
Trademarks	31,256	25,677	250	250
Goodwill	4,857	4,648	-	-
	36,113	30,325	250	250
Less amounts written off	7,947	5,975	152	132
	28,166	24,350	98	118

# Notes to the financial statements

for the year ended 30 September 2001

	Group		Company	
	2001	2000	2001	2000
	R000	R000	R000	R000
<b>10. Investments in subsidiaries</b>	<b>Effective holding %</b>		<b>Shares at cost</b>	
Accsys (Pty) Ltd	100	100	-	-
CCS Software (Pty) Ltd	51	-	-	-
Computerkit Holdings (Pty) Ltd	100	100	2,856	2,856
Easirun Software (Pty) Ltd	100	100	-	-
Prism Employee Benefits (Pty) Ltd	-	100	-	-
UCS Brands (Pty) Ltd (formerly Universal Computer Software (Pty) Ltd	100	-	-	-
Universal Computer Services (Pty) Ltd	100	100	-	-
Universal Knowledge Software (Pty) Ltd (formerly UCS Library Systems (Pty) Ltd)	100	100	-	-
Visibility Solutions (Pty) Ltd	100	100	-	-
			2,856	2,856
Amounts due by subsidiary companies			118,193	8,152
CCS Software (Pty) Ltd			15,332	-
Computerkit Holdings (Pty) Ltd			3,062	4,144
Easirun Software (Pty) Ltd			-	89
Prism Employee Benefits (Pty) Ltd			-	3,999
UCS Brands (Pty) Ltd			99,799	-
			121,049	11,008

## 11. Investments

	Group		Company	
	2001	2000	2001	2000
	R000	R000	R000	R000
Listed investments	33	33	33	33
Unlisted investments	22,200	22,200	65,000	65,000
	22,233	22,233	65,033	65,033
<b>11.1 Listed investments comprise:</b>				
100 shares in Ellerine Holdings Ltd			2	2
112 shares in Fashaf Ltd			1	1
102 shares in J D Group Ltd			1	1
101 shares in Mc Carthy Retail Ltd			1	1
3,200 shares in Mustek Ltd			28	28
			33	33
Market value			25	17

# Notes to the financial statements

for the year ended 30 September 2001

	Group		Company	
	2001	2000	2001	2000
	R000	R000	R000	R000
<b>11.2 Unlisted investments comprise</b>				
650 13,38% redeemable cumulative participating preference shares in Darrenfield Investments (Pty) Ltd	65,000	65,000	65,000	65,000
Less loan payable Quarryfield Investments (Proprietary) Limited	(42,800)	(42,800)	-	-
	22,200	22,200	65,000	65,000
<p>The coupon rate of 13,38% is linked to the interest rate payable in respect of the R153 Government gilt.</p> <p>These shares have been pledged as security for loans granted by Quarryfield Investments (Pty) Ltd (per note 30.2).</p> <p>The loans from Quarryfield Investments (Pty) Ltd currently bear interest at the rate of 16,67% p.a. which is compounded semi-annually in arrear and which is payable six-monthly. The interest rate is linked to the interest rate payable in respect of the R153 Government Stock.</p> <p>The capital amount of the loans is repayable no later than 31 March 2010. The loans are unsecured but have been guaranteed by this company.</p>				
Directors valuation of unlisted investments	22,200	22,200	65,000	65,000
<p>As security for the performance of Darrenfield Investments (Pty) Ltd, Quarryfield Investments (Pty) Ltd has re-ceded to the company all rights, title and interest to the loans granted to the subsidiaries and the staff share trust.</p> <p>The company has entered into an option agreement with Peregrine Finance (Pty) Ltd to place any preference shares issued to the company in Darrenfield Investments (Pty) Ltd to Peregrine Finance (Pty) Ltd for R100,000 per share. The option period will extend for 3 years and 1 day after the issue of the first share and ending 3 years and 1 day after the issue of the last share.</p>				
<b>12. Staff share trusts</b>				
UCS Group Limited Staff Share Scheme II	1,632	-	1,632	-
UCS Group Limited Staff Share Trust	5,099	840	5,099	840
	6,731	840	6,731	840

These loans bear interest at mutually agreeable rates and have no fixed date for repayment.

## 13. Loans receivable

These loans bear interest at the prime bank overdraft rate and have no fixed date for repayment.

# Notes to the financial statements

for the year ended 30 September 2001

	Group		Company	
	2001 R000	2000 R000	2001 R000	2000 R000
<b>14. Deferred taxation</b>				
The movement is reconciled as follows:				
Balance - beginning of year	994	(55)	8	-
Effect of change in accounting policy (note 2)	-	1,000	-	8
As restated	994	945	8	8
Income statement credit (note 6)	279	49	9	-
Balance - end of year	1,273	994	17	8
Comprising:				
Deferred taxation asset	1,279	1,049	17	8
- Provisions				
Deferred taxation liability	(6)	(55)	-	-
- Other				
	1,273	994	17	8
<b>15. Inventory</b>				
Consumables	14	21		
Merchandise for resale	3,491	2,677		
	3,505	2,698		
<b>16. Share capital</b>				
<b>16.1 Authorised</b>				
480,000,000 (500,000,000) ordinary shares of 0,005c each	2,400	2,500	2,400	2,500
20,000,000 redeemable preference shares of 0,005c each	100	-	100	-
400,000 A class shares	2	-	2	-
600,000 B class shares	3	-	3	-
800,000 C class shares	4	-	4	-
1,000,000 D class shares	5	-	5	-
1,200,000 E class shares	6	-	6	-
1,600,000 F class shares	8	-	8	-
2,400,000 G class shares	12	-	12	-
3,200,000 H class shares	16	-	16	-
4,000,000 I class shares	20	-	20	-
4,800,000 J class shares	24	-	24	-
Total authorised share capital	2,500	2,500	2,500	2,500

# Notes to the financial statements

for the year ended 30 September 2001

	Group		Company	
	2001	2000	2001	2000
	R000	R000	R000	R000
<b>Issued</b>				
272,700,000 ordinary shares of 0,005c each	1,364	1,364	1,364	1,364
4,070,000 redeemable preference shares of 0,005c each	20	-	20	-
81,400 A class shares	-	-	-	-
122,100 B class shares	1	-	1	-
162,800 C class shares	1	-	1	-
203,500 D class shares	1	-	1	-
244,200 E class shares	1	-	1	-
325,600 F class shares	2	-	2	-
488,400 G class shares	2	-	2	-
651,200 H class shares	3	-	3	-
814,000 I class shares	4	-	4	-
976,800 J class shares	5	-	5	-
	1,384	1,364	1,384	1,364
Treasury shares acquired by subsidiary				
9,444,8000 ordinary shares of 0,005c each	47	-	-	-
Total issued share capital	1,337	1,364	1,384	1,364
<b>16.2 Rights and limitations attaching to the redeemable preference shares (incentive shares).</b>				
The incentive shares have limited rights relative to the ordinary shares.				
The incentive shares will compulsorily automatically convert, at staggered intervals, into ordinary shares, if certain objectively determinable criteria based on the performance of the company, are met.				
The incentive shares will not be listed on the JSE Securities Exchange SA.				
Holders of the incentive shares will have the right to receive a dividend equal to 10% of any dividend declared and paid to ordinary shareholders.				
16.3 Detailed conditions and rights relating to the various classes of the par value redeemable preference shares may be inspected at the company's registered office.				
16.4 The unissued shares are under the control of the directors until the forthcoming annual general meeting.				
<b>17. Share premium</b>				
Balance at beginning of year	85,125	73,093	85,125	73,093
Premium on shares issued during year	1,599	12,032	1,599	12,032
Share issue expenses	(24)	-	(24)	-
Premium on treasury shares	(7,542)	-	-	-
	79,158	85,125	86,700	85,125

# Notes to the financial statements

for the year ended 30 September 2001

	Group		Company	
	2001	2000	2001	2000
	R000	R000	R000	R000
<b>18. Minority interest</b>				
At beginning of year	-	-	-	-
Acquisition of shares	-	-	-	-
Share of net income	174	-	-	-
At end of year	174	-	-	-
<b>19. Long term loans</b>				
<b>Secured loans</b>				
Installment sale agreements over vehicles with a book value of R42,498 (2000 - R85,649). The loans bear interest at 15,65% (2000 - 16,24%) per annum and are repayable in monthly installments of R923 (2000 - R2,813).	26	137	-	-
Less current portion of long term liabilities	16	41	-	-
	10	96	-	-
Mortgage bond	270	294	-	-
The bond, which is secured by a first mortgage over land and buildings in Durbanville, bears interest at 13,68% (2000 - 14,5%) p.a. and is repayable in monthly installments of R3,893 (2000 - R4,081)				
	280	390	-	-
<b>20. Loans from subsidiaries</b>				
Accsys (Pty) Ltd	-	-	2,352	2,617
Easirun Software (Pty) Ltd	-	-	2,404	-
Universal Computer Services (Pty) Ltd	-	-	18,334	26,789
Universal Knowledge Software (Pty) Ltd	-	-	2,690	1,583
	-	-	25,780	30,989
These loans are unsecured and bear interest at the call account rate from time to time. No date has been specified for repayment of these loans.				
<b>21. Accounts payable</b>				
Trade accounts and other payables	19,543	23,207	134	7,071
Provisions	3,095	2,892	57	28
	22,638	26,099	191	7,099



# Notes to the financial statements

for the year ended 30 September 2001

	Group		Company	
	2001	2000	2001	2000
	R000	R000	R000	R000
<b>21.1 Analysis of provisions</b>				
Provision for leave pay				
At beginning of year	2,892	-	28	-
Amount utilised	(538)	-	-	-
Additional amount provided	741	2,892	29	28
At end of year	3,095	2,892	57	28
<b>22. Cash generated from operations</b>				
Net profit before taxation	34,613	42,452	121,843	13,387
Adjustments for:				
Loss (gain) on disposal of property, plant and equipment	131	(32)	-	-
Depreciation and amortisation	8,631	6,479	20	20
Investment income	(9,447)	(8,700)	(110,092)	(8,700)
Net interest paid (received)	5,179	(6,169)	(4,927)	(5,534)
Capital appreciation on endowment investments	(4,994)	(1,545)	(4,994)	(1,545)
Minority shareholders share of profit	(174)	-	-	-
	33,939	32,485	1,850	(2,372)
<b>23. Working capital changes</b>				
Increase in inventory	(807)	(1,964)	-	-
Increase in accounts receivable	(7,299)	(12,103)	(3,248)	(217)
(Decrease) increase in accounts payable	(3,486)	11,518	(6,909)	7,017
Net (increase) decrease	(11,592)	(2,549)	(10,157)	6,800
<b>24. Taxation paid</b>				
Amount unpaid - beginning of year	(7,458)	(11,045)	238	(833)
Taxation charge for year	(6,549)	(10,084)	(2,056)	(943)
Amount unpaid - end of year	1,654	7,458	1,346	(239)
Amount paid	(12,353)	(13,671)	(472)	(2,015)
<b>25. Acquisition of intangible assets</b>				
Goodwill	(210)	(2,914)		
Trademarks	(6,420)	-		
	(6,630)	(2,914)		

# Notes to the financial statements

for the year ended 30 September 2001

	Group	
	2001	2000
	R000	R000
<b>26. Acquisition of property, plant and equipment</b>		
Immovable property	-	(525)
Computer software	(4,659)	(1,307)
Motor vehicles	(615)	(663)
Computer equipment	(3,783)	(2,764)
Furniture, fixtures and fittings	(768)	(616)
Office equipment	(535)	(229)
Improvements to leased premises	(1,069)	(837)
Leased motor vehicles	-	(91)
Rental equipment	(1,494)	-
	(12,923)	(7,032)

## 27. Retirement benefits

Various companies within the group contribute to retirement plans being pension and provident funds governed by the Pension Funds Act, 1956, covering substantially all employees. At the last actuarial valuation at 1 March 1999 the funds were found to be financially sound by the independent consulting actuaries. The group has no other post retirement liabilities.

## 28. Commitments

### 28.1 Operating leases

- ensuing 12 months	6,713	4,868
- thereafter	19,623	13,176
	26,336	18,044

28.2 A subsidiary has a commitment relating to capital expenditure of R1,200,000, which will be funded from internal sources. This has been authorised by the subsidiary's board of directors but not yet contracted for.

## 29. Contingent liability

A contingent liability for a maximum amount of R15,75 million, exists in respect of the balance of the purchase price owing to the vendors of Computerkit Holdings (Pty) Ltd. This amount becomes payable in tranches on an annual basis, should certain profit warranties be met for each of the years ended 30 September 2001, 30 September 2002 and 30 September 2003. Any amounts due may be payable in shares and/or cash, at the option of the directors of UCS Group Ltd.

An amount of R3 million will be paid, in cash, to the vendors of Computerkit Holdings (Pty) Ltd as the first tranche of the profit warranty for the period to 30 September 2001, has been met. This amount is included in the total amount as reflected above.

## 30. Guarantees

30.1 Guarantees amounting to R286,900 for the rental of premises by subsidiary companies have been issued by the bankers of those subsidiaries in favour of their landlords.

30.2 A guarantee has been issued in favour of Quarryfield Investments (Pty) Ltd on behalf of subsidiary companies and the UCS Group Ltd Staff Share Trust to secure their indebtedness to it. The amounts owing to Quarryfield Investments (Pty) Ltd by the various borrowers amount to R60,000,000. As additional security, the company has pledged its unlisted investment in Darrenfield Investments (Pty) Ltd to the loan creditor.

## 31. Related party transactions

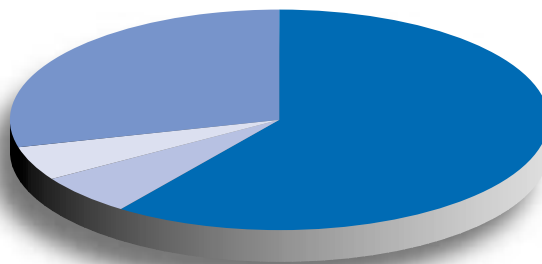
The holding company and subsidiaries are considered to be related parties. During the year, group companies, in the ordinary course of business, entered into various sale and purchase transactions under terms that are no less favourable than those arranged with third parties on an arm's length basis.

# Value added statement

for the year ended 30 September 2001

	2001 R000	%	2000 R000	%
Turnover	176,573		134,869	
Cost of goods, overheads and other expenses	(65,307)		(44,980)	
Value added	111,266		89,889	
Income from investments	16,591		20,237	
Wealth created	127,857	100	110,126	100
<b>Distribution of wealth</b>		%		%
<b>Employees</b>	76,816	60,0	56,956	51,5
Salaries, wages and benefits				
<b>Providers of capital</b>	7,503	6,0	3,823	3,5
Interest on loans	7,329	6,0	3,823	3,5
Minority shareholders	174	-	-	-
<b>Government</b>	7,015	5,0	10,500	9,5
Taxation	6,548	5,0	10,084	9,0
Local taxes	467	-	416	0,5
<b>Reinvested in group activities</b>	36,523	29,0	38,847	35,5
Deferred tax	(279)	-	(49)	-
Depreciation	8,632	7,0	6,479	6,0
Attributable earnings	28,170	22,0	32,417	29,5
Wealth distributed	127,857	100	110,126	100

## Value added statement distribution of wealth



Employees	60%
Providers of capital	6%
Government	5%
Reinvested in group activities	29%

# Shareholding analysis

at 30 September 2001

## Shareholding by category

	Number of shareholders	Percentage of total	Number of shares held	Percentage of total
1 - 10 000	141	52,03	574 195	0,21
10 001 - 100 000	44	16,24	2 006 733	0,74
100 001 - 500 000	35	12,91	10 140 679	3,71
500 001 - 1 000 000	20	7,38	15 051 437	5,52
Over 1 000 000	31	11,44	244 926 956	89,82
Total	271	100%	272 700 000	100%

# Shareholding analysis

at 30 September 2001

## Description

	Number of shareholders	Percentage of total	Number of shares held	Percentage of total
Individual	191	70,48	66 308 954	24,31
Limited companies	3	1,10	61 658 180	22,61
Nominee companies/trusts	69	25,46	139 067 290	51,00
Pty companies	3	1,11	157 800	0,06
Close corporations	4	1,48	25 400	0,01
Other	1	0,37	5 482 376	2,01
Total	271	100%	272 700 000	100%

## Share performance

for the year ended 30 September 2001

	2001	2000	1999
Market price (cents) - closing at 30 September	85	135	250
- high for the year	135	359	348
- low for the year	63	130	110
Number of shares traded for the year (000s)	29 718	44 432	38 332
Market capitalisation at 30 September (Rm)	224	368	559

# Notice to Shareholders

Notice is hereby given that the annual general meeting of shareholders of UCS will be held on the 20th Floor, 209 Smit Street, Braamfontein at 10:00 on Friday, 18 January 2002 for the following purposes:

1. To receive and adopt the annual financial statements of the group and Company for the year ended 30 September 2001.
2. To elect as directors Messrs J D Bright, D F Coles and E B Levenstein, who retire by rotation in accordance with the articles of association and, being eligible, offer themselves for re-election.
3. To consider and, if deemed fit, to pass, with or without modification, the following resolutions:

## Ordinary resolution number 1

Resolved that, subject to the provisions of the Companies Act 1973, (Act 61 of 1973), as amended ("the Act") and the Listings Requirement of JSE Securities Exchange South Africa ("the JSE") as presently constituted and which may be subject to amendment from time to time, the directors of the Company be and are hereby given authority, as contemplated in section 221 of the Act, to allot and issue all the ordinary shares of 0,5 cents each in the authorised but unissued share capital of the Company, on such conditions as the directors may deem fit.

## Ordinary resolution number 2

Resolved that, the directors of the Company be and are hereby authorised, by way of a general authority, to acquire, on behalf of the Company or its subsidiaries, ordinary shares of 0,5 cents each issued by the Company, in terms of section 85(2) and 85(3) of the Act, and in terms of the Listings Requirements of the JSE, being that:

- any such acquisition of ordinary shares shall be implemented on the open market of the JSE;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of the passing of this resolution;
- a paid press announcement will be published as soon as the Company has, acquired shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue at the date of the passing of this resolution, and for each 3% thereof, in aggregate acquired thereafter, containing full details of such acquisitions;
- the acquisition of ordinary shares shall not, in aggregate in any one financial year, exceed 20% of the Company's issued share capital of that class at the date of the passing of this resolution provided that the acquisition of

shares by a subsidiary of the Company may not exceed 10% in the aggregate of the number of issued shares of the Company in any one financial year; and

- repurchases must not be made at a price greater than 10% above the weighted average market value of the ordinary shares for the five business days immediately preceding the day of the repurchase.

The reason for and effect of the above resolution is to grant the Company and/or its subsidiary companies a general authority in terms of the Act for the acquisition of its shares.

## Directors' statement on the utilisation of the authority sought

The Board of Directors believes it to be in the best interest of UCS that shareholders grant a general authority to repurchase UCS shares as and when the opportunity arises. The directors after considering the maximum number of shares which may be acquired and the price at which the acquisition may take place pursuant to the repurchase, are of the opinion that:

- the Company and the UCS Group will be able to pay its debts in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;
- the consolidated assets of the Company and the UCS Group, fairly valued in accordance with South African Standards of Generally Accepted Accounting Practice, will be in excess of the consolidated liabilities of the Company and the UCS Group for a period of 12 months after the date of the notice of the annual general meeting;
- the ordinary capital and reserves of the Company and the UCS Group will be adequate for the purposes of the business of the Company and UCS Group for a period of 12 months after the date of the notice of the annual general meeting; and
- the working capital available to the Company and the UCS Group will be adequate for the purposes of the business of the Company and the UCS Group for a period of 12 months after the date of the notice of the annual general meeting.

### Ordinary resolution number 3

Resolved that, subject to the passing of the above ordinary resolution number 1 and in terms of the Listings Requirements of the JSE, the directors are hereby authorised in terms of a general authority to issue ordinary shares for cash, as and when suitable opportunities arise, subject to the following conditions:

- that this authority shall only be valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of the annual general meeting;
- that the issue of shares will be made to public shareholders and not to related parties as defined by the Listings Requirements of the JSE;
- that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5 percent or more of the number of shares in issue prior to the issue(s);
- that, issues in the aggregate in any one financial year shall not exceed 15 percent of the number of shares of the Company's issued ordinary share capital; and
- that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10 percent of the weighted average traded price of the shares in question, as determined over the 30 days prior to the date that the price of the issue is determined or agreed by the directors of the Company.

### Ordinary resolution number 4

"Resolved that any director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for and incidental to the implementation of the resolutions proposed at the meeting convened to consider the above-mentioned resolutions."

A 75% majority of votes cast by shareholders present or represented by proxy at the annual general meeting is required to approve this ordinary resolution number 4.

All shareholders will be entitled to attend the annual general meeting and to vote thereat.

Any shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his stead. A proxy form is enclosed for that purpose. A proxy need not be a shareholder of the Company. The proxy form, in respect of shareholders who have not yet dematerialised their share certificates, must be properly completed and should be received at the offices

of the Company's transfer secretaries by no later than 10:00 on Wednesday, 16 January 2002. Where shareholders have dematerialised their share certificates, they should contact their Central Securities Depository Participants ("CSPD") or broker and advise them of their voting so that the CSDP or broker can in turn inform the transfer secretaries of such voting by no later than 10:00 on Tuesday, 15 January 2002.

By order of the board



**VMA Broadrick**  
Secretary

Johannesburg  
30 November 2001

# Shareholders diary

Financial year end	30 September 2001
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Annual general meeting	18 January 2002
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## Reports

## Published

Reports and profit statements	6 November 2001
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Interim statements for half year	April 2002
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Annual financial statements	30 November 2001
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## Dividends paid on ordinary shares

Declaration of final dividend	November
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Payment of final dividend	January
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No dividend was declared for the financial year ended

30 September 2001.



**UCS Group Limited**

Reg. No.: 1993/002253/06

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**South Africa 2017**

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