

- **40% growth in revenue**
- **37% growth in annuity revenue**
- **7% increase in net asset value**
- **11% growth in dividend distribution**

UCS Group Limited

Interim results for the period ended 31 March 2003



Comments

UCS Group Limited continued the growth of its footprint in the retail solutions market, with revenue up at R 140 million for the six months to 31 March 2003, an increase of 40% in comparison to the same period last year. Organic growth came in at just over 11%, with the balance of the growth being attributable to acquisitions. The focus on the generation of sustainable annuity revenue streams remains key to our strategy with annuity revenue as a percentage of total revenue approximating its previous reported level of 57% and with growth in Rand terms of some 37% to R80.4m (March 2002: R58.9m).

Operating income (before depreciation, amortisation and interest) increased by 8% although this included an expense of R12.1 million in respect of research and development (2002: R6.5m). UCS Software (previously Ultimate Connection), with its award winning ActiveRetail solution that runs off a Microsoft platform, contributed 48% to the increase in R&D. UCS Software was acquired by the Group on 1 May 2002.

Depreciation and amortisation charges grew by 26% to R7.4m (2002: R5.9m) and this is largely due to acquisitions completed over the last year. Net interest and investment income is down 8% due to the decrease in cash and cash equivalents as a result of share buybacks and acquisitions.

Profit before tax came in 16% lower at R11.4m (2002: R13.6m) and with a R0.5m increase in the taxation expense the Group's headline earnings per share on the basis previously reported shows a moderate improvement to 6cents (2002: 5.4cents).

The revised headline earnings per share calculation as required by circular 7/2002 shows headline earnings to be neutral at 4.9cents (2002 restated: 4.9cents). This is due to an increase in the amortisation of intangible assets (excluding goodwill) to R2.5m (2002: R1.2m).

The Group's net asset value per share has improved by 7% to 78.8cents (2002: 73.7cents). Headcount at the end of March 2003 was 736 (2002: 586). The Group has capital commitments of R1.25m in respect of the acquisition of a work-flow product. The payments in favour of this commitment take place in the Group's 2004 financial year.

Share buybacks

In the current period the Group purchased and cancelled 28.888m shares of which 25.155m were acquired through the specific repurchase from the UCS Group Limited Staff Share Trust. The specific repurchase was authorised by the special resolution passed at the general meeting of shareholders on 26 March 2003. On 14 February 2003 the 26.529m treasury shares held by Universal Computer Services (Pty) Ltd, a 100% held subsidiary company in the Group, were transferred across to UCS Group Ltd and cancelled. Thus the Group at present holds no treasury shares.

Acquisitions

Effective 1 October 2002 the Group acquired the business of Virtual System Technologies ("VST"). Detail regarding this acquisition was included under the post balance sheet events section of the Directors' report in the Group's 2002 Annual Report.

Effective 1 February 2003 the Group acquired 51% of the equity and shareholder loan accounts in Fernridge Consulting (Pty) Ltd for R 1m. This purchase price could be adjusted based on performance over the next two years with a maximum additional payment of R1.5m. Fernridge Consulting provides sophisticated sales optimisation services using aerial photography, spatial modelling techniques and high-level database integration, predominantly in the retail environment.

Prospects

The Group is currently in the process of consolidating certain of its retail focused subsidiaries in order to maximise efficiencies, eliminate duplication, increase capacity for growth and improve quality of services and products. This project is expected to significantly enhance the Group's ability to generate above average returns for its shareholders in the medium and longer term.

On the international front, the Group has formed a partnership with Compass Software in the UK for the marketing of its Java-based retail solutions in that territory. Initial indications are encouraging and the Group is optimistic that this partnership will lead to our first international order for our Java technology within the next few months.

As predicted in the 2002 annual report, the harsh and volatile conditions in the IT market, as well as the Group's primary trading markets, have continued through the 6 months under review. The Group will continue to focus on growth of market share in its chosen markets and will continue to avail itself of appropriate acquisition opportunities that arise as the consolidation in the South African IT market gathers momentum.

The outlook for the remainder of the year remains challenging, but the Group has sufficient work in the pipeline to be optimistic of acceptable results for the full financial year.

Dividend declaration

Notice is hereby given that the board has declared an interim dividend of 2.0 cents per ordinary share in respect of the 6 months ended 31 March 2003. The dividend will be paid on Tuesday 17 June 2003.

To comply with the procedures of STRATE, the last day to trade in the shares for the purpose of entitlement to the interim dividend is Friday 6 June 2003. The shares will commence trading ex dividend on Monday 9 June 2003 and the record date will be Friday 13 June 2003.

Share certificates may not be dematerialised or rematerialised between Monday 9 June 2003 and Friday 13 June 2003, both days inclusive.

Renewal of cautionary

Further to the cautionary announcement dated 25 April 2003, UCS shareholders are advised that negotiations are still in progress, which, if successfully concluded, could affect the price of UCS shares.

Accordingly, UCS shareholders are advised to continue exercising caution when dealing in their shares on the JSE Securities Exchange South Africa until a further announcement is made.

UCS Group Limited

Incorporated in the Republic of South Africa
Reg No: 1993/02253/06
ISIN Code: ZAE0016150
Share Code: UCS

Board of directors

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

* Non-executive + British

Company secretary

Verity Mary-Ann Broadrick

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The interim results for the period ended 31 March 2003 have been reviewed by the auditors, Kaplan and Kaplan, are consistent with the Group's accounting policies and in compliance with South African Statements of Generally Accepted Accounting Practice. The review opinion is available for inspection at the company's offices.

Income statement

for the period ended 31 March 2003

	Reviewed 6 months 31/03/2003 R'000	Reviewed 6 months 31/03/2002 R'000	Percentage change	Audited 12 months 30/09/2002 R'000
Revenue	140,372	100,655	39.5%	218,746
Profit from operations before interest, depreciation and research and development	28,927	22,060	31.1%	49,758
Research and development expenditure	(12,055)	(6,506)	85.3%	(16,826)
Depreciation and amortisation	(7,411)	(5,876)	26.1%	(12,986)
Impairment of loan to staff share trust	(1,704)	-	100.0%	(8,115)
Profit before interest and investment income	7,757	9,678	-19.8%	11,831
Net interest and investment income	3,592	3,905	-8.0%	7,631
Dividend and investment income	5,262	6,495		13,055
Interest received	2,017	1,052		2,945
Interest paid	(3,687)	(3,642)		(8,369)
Profit before taxation	11,349	13,583	-16.4%	19,462
Taxation	(1,973)	(1,431)	37.9%	(1,476)
Profit after taxation	9,376	12,152	-22.8%	17,986
Minority share of subsidiary loss (earnings)	(30)	218	-113.8%	132
Net profit for the period	9,346	12,370	-24.4%	18,118
Earnings per share attributable (cents)	4.0	4.8	-16.7%	7.2
Adjusted for: (net of taxation)				
Amortisation of intangible assets	1.3	0.6		1.4
Impairment of loan to staff share trust	0.7	-		2.3
Headline earnings per share as previously reported (cents)	6.0	5.4	11.1%	10.9
Adjustment required by circular 7/2002				
Amortisation of intangible assets (excl goodwill)	(1.1)	(0.5)		(1.2)
Headline earnings per share - circular 7/2002	4.9	4.9	0.0%	9.7
Dividend per share	1.8	-	100.0%	1.8
Net asset value per share (cents)	78.8	73.7	6.9%	74.4
Ordinary shares in issue (excl shares held in treasury)	211,205	251,436	-16.0%	240,093
Weighted average of ordinary shares in issue	233,733	257,071	-9.1%	251,478

Balance sheet

at 31 March 2003

	Reviewed 6 months 31/03/2003 R'000	Reviewed 6 months 31/03/2002 R'000	Audited 12 months 30/09/2002 R'000
Assets			
Non current assets	96,374	86,773	96,696
Property, plant and equipment	20,619	18,984	19,308
Goodwill and trademarks	58,082	33,408	47,294
Investments and loans	7,969	30,983	24,108
Deferred taxation	9,704	3,398	5,986
Current assets	110,991	130,148	114,686
Inventories	5,593	4,363	4,711
Receivables	50,091	40,581	44,332
Cash	52,727	82,723	63,081
Taxation	2,580	2,481	2,562
Total assets	207,365	216,921	211,382
Equity and liabilities			
Capital and reserves			
Shareholder's interest	166,429	185,258	178,659
Non current liabilities	2,694	2,443	3,713
Minority shareholders in subsidiary	2,414	1,977	3,165
Long and medium term loans	280	306	548
Deferred taxation	-	160	-
Current liabilities	38,242	29,220	29,010
Payables	34,279	24,993	28,272
Current portion of long term loans	-	116	17
Taxation	3,963	4,111	721
Total equity and liabilities	207,365	216,921	211,382

Statement of changes in equity

for the period ended 31 March 2003

	Share capital R'000	Preference share capital R'000	Share premium R'000	Distributable reserves R'000	Total R'000
Balance at 30 September 2002	1,201	20	62,685	114,753	178,659
Shares acquired	(144)		(17,133)		(17,277)
Attributable earnings for the period				9,346	9,346
Cash dividend paid				(4,299)	(4,299)
Balance at 31 March 2003	1,057	20	45,552	119,800	166,429

Segmental information

for the period ended 31 March 2003

Business segments	Reviewed 6 months 31/03/2003 R'000	Reviewed 6 months 31/03/2002 R'000	Percentage change	Audited 12 months 30/09/2002 R'000
Revenue	140,372	100,655	39.5%	218,746
Retail solutions	106,944	69,250	54.4%	158,052
Non retail solutions	33,428	31,405	6.4%	60,694
Profit (loss) from operations	28,926	22,060	31.1%	49,758
Retail	22,472	18,500	21.5%	23,736
Non retail	8,502	5,792	46.8%	12,006
Corporate & eliminations	(2,048)	(2,232)	-8.2%	14,016

Cashflow statement

for the period ended 31 March 2003

	Reviewed 6 months 31/03/2003 R'000	Reviewed 6 months 31/03/2002 R'000	Audited 12 months 30/09/2002 R'000
Cash flow from operating activities	11,703	15,103	24,862
Cash generated from operations	15,065	15,554	33,149
Working capital changes	(366)	(936)	(1,756)
Cash generated from operating activities	14,699	14,618	31,393
Investment income and net finance cost	3,592	3,905	7,631
Taxation	(2,289)	(3,420)	(9,684)
Dividend paid	(4,299)	-	(4,478)
Cash applied to investing activities	(3,761)	(14,004)	(36,647)
Cash applied to financing activities	(18,296)	(6,571)	(13,330)
Cash and cash equivalents			
- Net change	(10,354)	(5,473)	(25,115)
- At beginning of period	63,081	88,196	88,196
- At end of period	52,727	82,723	63,081