

IQuad Group Limited
(Incorporated in the Republic of South Africa)
(Previously Indevco Holdings (Proprietary) Limited)
(Registration Number 2004/025177/06)
Share code: IQG ISIN: ZAE000101622
("IQuad" or "the company")

ACQUISITION OF INTEREST IN ENTREPRENEURS SURVIVAL SOLUTIONS (PTY) LIMITED ("ESS")

1. INTRODUCTION

PSG Capital(Pty) Limited ("PSG Capital") is authorised to announce the acquisition by IQuad of an initial interest of 13% in ESS by way of a subscription for shares and a further interest of 47% from Messrs Dean Harding and Wayne van der Poll("the ESS vendors"), subject to the fulfilment of the suspensive conditions as set out in 4.5 below, and subject further to certain profit warranties being achieved ("the acquisition"). Upon becoming unconditional, the acquisition will accordingly result in IQuad having acquired a 60% shareholding in ESS.

In terms of the JSE Listings Requirements the acquisition qualifies as a category 2 transaction and the ESS vendors are not related parties, as defined.

2. DESCRIPTION OF ESS BUSINESS

ESS is a Durban based provider of SME support services via majority held subsidiaries (in which regional managers own a substantial stake) throughout KZN. Established in 2002, ESS has become a dominant turnkey company offering the following services : business & financial plans, business engineering, accounting services, training, market research, marketing plans, business registrations & BBBEE scorecards.

ESS derives 69% of its income from business development services, 17% from financial services, 3% via BEE & 1% from training - however, the percentage contributions from financial services, BBBEE & training is projected to increase significantly.

The company enjoys an excellent reputation with the Umsobomvu Youth Fund, Small Enterprise Development Agency & various financial institutions.

3. RATIONALE FOR THE ACQUISITION

The rationale for the acquisition can be highlighted as follows:

- Government continues to reinforce its strategic focus on developing the SME market as an increasing contributor to economic growth in SA - ESS captures a portion of government funding currently ignored by the IQuad group .

- The opportunity exists to expand the model nationally. This geographic expansion is made easier by the fact that new regional branches are "owner managed" with ESS ("headquarters") affording such JV's strategic direction, tested methodologies ("model"), ongoing training and operational support.
- ESS provides a feeder client base for other IQuad businesses.

4. TERMS AND CONDITIONS OF THE ACQUISITION

- 4.1 On 25 January 2008 IQuad and the ESS vendors entered into an agreement in respect of the acquisition ("the agreement") in terms whereof, subject to the fulfilment of the remaining conditions precedent, as set out in 4.5 below, IQuad would acquire 13% by way of the subscription for shares and a further 47% from the ESS vendors, in equal proportions, with effect from 1 March 2008 ("the effective date").
- 4.2 The initial 13% interest will be acquired for a total purchase consideration of R1 700 000, to be discharged as to R425 000 within 7 days of the effective date, and the balance of R1 275 000 upon its auditors signing off ESS's annual financial statements for the year ending 29 February 2008.
- 4.3 The further 47% interest in ESS will be acquired for a total purchase consideration of R6 100 000, to be discharged partly in cash as to R3 500 000 and as to the balance of R 2 600 000 either (wholly or partly) in cash or, at IQuad's election, in IQuad ordinary shares ("the IQuad shares"), such that the cash or IQuad shares to be utilised for this purpose shall be held in escrow, to be released from escrow upon fulfilment of certain profit warranties by ESS that have been agreed to by the parties in the agreement.
- 4.4 In terms of the aforementioned warranties, the ESS vendors have warranted the consolidated audited normalised profits after tax for years ending 28 February 2009 until 28 February 2011.
- 4.5 The acquisition is subject to the following suspensive condition that still remains to be fulfilled:
- 4.5.1 That an appropriate guarantee is put into place by the ESS vendors to the satisfaction of IQuad for the due and proper performance of their obligations in terms of the agreement; and
- 4.5.2 That the ESS vendors and other key management members of ESS enter into appropriate restraint of trade and service agreements.
- 4.6 Other salient terms of the agreement include the appointment to the board of ESS of two IQuad appointees.

5. FINANCIAL EFFECTS OF THE ACQUISITION

The pro forma financial effects of the acquisition on IQuad's unaudited earnings and headline earnings per share, had the transaction been entered into on 1 March 2007, and the pro forma financial effects on the net asset value per share for the six months ended 31 August 2007, had the acquisition been implemented on that date, are not significant, as defined in terms of the JSE's Listings Requirements.

The pro forma financial effect of the acquisition on the net tangible asset value per share is presented below for illustrative purposes only and because of its nature may not give a fair reflection of IQuad's financial position nor of the effect on future earnings after the acquisition. Set out below are the unaudited pro forma financial effect of the acquisition on the net tangible asset value per share, based on the unaudited consolidated financial results of IQuad for the six months ended 31 August 2007. The directors of IQuad are responsible for the preparation of the unaudited pro forma financial information.

	Unaudited Before ESS transaction (1)	Pro forma after ESS Transaction (3)	Change (%)
Net tangible asset value per share(2)	134	111	(17)

Notes and assumptions:

1. Extracted from the unaudited consolidated financial results of IQuad for the six months ended 31 August 2007.
2. Based on 28,937 million shares in issue at 31 August 2007.
3. The net tangible asset value per share has been calculated based on the assumption that 60% of ESS was acquired for a consideration of R 7,8 million resulting in the creation of goodwill on consolidation of R6,54 million. It has been assumed that the acquisition was effected on 31 August 2007.

6. ESS BECOMING A SUBSIDIARY OF IQUAD

Upon fulfilment of all of the conditions precedent to the acquisition, IQuad will take such steps as may be necessary in order to ensure that ESS adopts a JSE compliant set of articles of association.

7. FORECAST TO FEBRUARY 2008

Further to the profit forecast contained in the prospectus of 27 July 2007, the board takes great pleasure in informing IQuad shareholders that the company is on track in achieving its forecasted profits as set out in the prospectus for the year ending 29 February 2008.

31 January 2008

Port Elizabeth

PSG Capital (Pty) Limited : Designated Advisor