

IQuad Group Limited and its subsidiaries
(Incorporated in the Republic of South Africa)
Registration number 2004/025177/06)
Share code: IQG
ISIN: ZAE000101622
("IQuad", "the company" or "the Group")

Preliminary condensed financial statements for year ended 28 February 2009

Commentary and highlights

Investment incentives

The last six-month period saw a reduction in client payouts received from the Department of Trade and Industry (DTI) mainly due to a cash constraint within the DTI. This has resulted in under performance relative to the Group's annual budget. However, it has also resulted in a substantial increase in the pipeline of future revenue from claims at the DTI, to a record level approximating R27 million (2008: R25 million).

Early indications are that the replacement programme, the Enterprise Investment Programme (EIP), launched on 21 July 2008, will create opportunities at least equal to the Small Medium Enterprise Development Programme which expired in August 2006.

The Group anticipated a slowdown in activity in the motor industry and has accordingly increased sales and marketing efforts resulting in the acquisition of new clients in the MIDP division. These new income sources, coupled with a weaker rand, will partly offset the negative impact of a contracting motor industry.

The past year saw a substantial increase in the flow of Import Rebate Credit Certificates through the Group's internet-based trading platform, resulting in the budget for broker and administration fees related to the trading of these instruments being exceeded. A slowdown in income for the year ahead due to the challenges within the motor industry is however expected.

Global trade services

The increased market volatility and uncertainty in the foreign exchange markets have created opportunities for the Treasury business unit, and it is anticipated that the positive trend to outsource, will continue for some time. The Group expects a decrease in turnover due to tougher market conditions to be offset by income from new clients.

Substantial growth in the client base in terms of duty draw back and rebate administration has been experienced during the reported period. This has been partly facilitated by the launch of the export administrative system, "Process Assist". It is expected that the implementation of Process Assist within the existing client base will create efficiencies for the Group and its clients, thereby increasing mutual value and strengthening client relationships.

Audit and verification

The BEE Verification business performed below budget which is largely attributable to a delay in the government's accreditation process for verification agencies. Final accreditation is expected within the first quarter of the new financial year and the Group is confident of a substantial improvement in the performance of this business unit in the year ahead.

The performance of the Customs audit division was below budget, which can be expected from time to time due to the project nature of this income source. However, the pipeline of work at year end is encouraging for the year ahead.

Business development

Both business units, Entrepreneur Survival Solutions ("ESS") and IQuad Integrated Management Systems in this sector performed below budget.

ESS's income relating to the Umsobomvu Youth Fund (UYF) has decreased in comparison with previous years, but has been partly offset by the higher than expected growth in training opportunities. The recent recapitalisation of the UYF (announced in the 2009 Budget Speech), coupled with substantial increases to service voucher values, positions ESS well for the year ahead. This division will continue to expand geographically.

General comments and prospects

Organic growth prospects

Tougher market conditions continue to hamper organic growth within the Group's client base, but new business opportunities are transpiring from our strategic alliances with complementary service companies and related industry bodies. Emphasis is being placed on growing the Group's new client base to offset pressure from the slowing economy.

Acquisitive growth prospects

Market conditions continue to exert pressure on selling prices and the Group is well positioned to pursue acquisitions within core business areas when the opportunity arises. It is believed that a turnaround in market conditions is some way off and therefore acquisitions will not be aggressively pursued in the short term.

Focus on cost control without unduly reducing capacity

The executive team has been and continues to be frugal in terms of overhead costs that are not likely to result in processing efficiencies or improved market share.

In areas where spare capacity has been identified, resources are being redeployed, with appropriate cross-training to other areas within the Group, so that experienced and skilled employees are retained, ready to reverse this redeployment when the markets recover.

Discontinued operations

Entities deemed to be non-core to the outsourcing model or entities that have under performed relative to expectations have been closed, sold or disclosed as held for sale. This streamlining process will continue and the Group plans to have dealt with all non-core divisions within three months of year end, allowing management to focus on the core businesses that are performing satisfactorily.

Consolidated balance sheet

| | Reviewed 28 Feb 09 R000 | Audited 29 Feb 08 R000 |
|-------------------------------|-------------------------------|------------------------------|
| Assets | | |
| Non-current assets | 133 688 | 112 185 |
| Property, plant and equipment | 31 230 | 5 723 |
| Goodwill | 95 746 | 88 892 |
| Other intangible assets | 2 842 | 478 |

| | | |
|---|-----------|-----------|
| Investments in associates | 426 | 14 474 |
| Investments | 401 | 401 |
| Deferred tax assets | 3 043 | 2 217 |
| Current assets | 31 316 | 36 500 |
| Work in progress | 4 083 | 3 498 |
| Amounts owing by associates | 85 | 113 |
| Loan receivable | 113 | - |
| Trade and other receivables | 21 901 | 15 899 |
| Current tax assets | 30 | 575 |
| Cash and cash equivalents | 5 104 | 16 415 |
| Non-current asset held for sale | 10 000 | - |
| Total assets | 175 004 | 148 685 |
| Equity and liabilities | | |
| Equity and reserves | 136 109 | 130 297 |
| Issued capital | 103 868 | 100 831 |
| Foreign currency translation reserve | 30 | (168) |
| Accumulated profits | 27 087 | 25 747 |
| Minority interest | 5 124 | 3 887 |
| Non-current liabilities | 12 464 | 300 |
| Borrowings | 10 859 | - |
| Operating lease liability | 666 | - |
| Deferred tax liabilities | 939 | 300 |
| Current liabilities | 26 431 | 18 088 |
| Trade and other payables | 10 584 | 14 883 |
| Current tax liabilities | 2 402 | 2 790 |
| Borrowings | 12 597 | 49 |
| Dividend payable | 572 | - |
| Provisions | 276 | 366 |
| Total liabilities | 38 895 | 18 388 |
| Total equity and liabilities | 175 004 | 148 685 |
| Consolidated income statement | | |
| | Reviewed | Audited |
| | 28 Feb 09 | 29 Feb 08 |
| | R000 | R000 |
| Continuing operations | | |
| Revenue | 80 051 | 62 287 |
| Cost of services rendered | (36 974) | (22 982) |
| Gross profit | 43 077 | 39 305 |
| Other operating income | 125 | 12 |
| Operating expenses | (23 598) | (14 263) |
| Operating profit | 19 604 | 25 054 |
| Investment income | 4 417 | 1 727 |
| Share of profits/(losses) of associates | 44 | (122) |
| Finance costs | (1 421) | (488) |
| Profit before taxation | 22 644 | 26 171 |

| | | |
|---|---------|---------|
| Taxation | (8 074) | (7 821) |
| Profit for the year from continuing operations | 14 570 | 18 350 |
| Discontinued operations | | |
| Loss for the year from discontinued operations | (4 482) | (1 128) |
| Profit for the year | 10 088 | 17 222 |
| Attributable to: | 10 088 | 17 222 |
| Minority shareholders | 42 | 305 |
| Equity shareholders of the Company | 10 046 | 16 917 |
| Basic and diluted earnings per ordinary share (cents) | | |
| Continuing operations | 51,7 | 66,7 |
| Discontinued operations | (15,8) | (1,2) |
| Total basic and diluted earnings per share | 35,9 | 65,5 |

Consolidated statement of changes in equity

| | Equity share-holders R000 | Minority interests R000 | Total equity R000 |
|---|------------------------------|----------------------------|----------------------|
| Balance at 1 March 2007 | 89 863 | 842 | 90 705 |
| Net profit for the year | 16 917 | 305 | 17 222 |
| Foreign exchange differences | (168) | (263) | (431) |
| Issue of share capital | 33 668 | - | 33 668 |
| Treasury shares | (3 584) | - | (3 584) |
| Share buy-back | (4 605) | - | (4 605) |
| Dividends | (5 681) | (500) | (6 181) |
| Minority interest on business combinations | - | 3 503 | 3 503 |
| Balance at 1 March 2008 - Audited | 126 410 | 3 887 | 130 297 |
| Net profit for the year | 10 046 | 42 | 10 088 |
| Foreign exchange differences | 199 | 140 | 339 |
| Treasury shares utilised in business combinations | 3 036 | - | 3 036 |
| Dividends | (8 706) | (2 366) | (11 072) |
| Minority interest on business combinations | - | 3 421 | 3 421 |
| Balance at 28 February 2009 - Reviewed | 130 985 | 5 124 | 136 109 |

Consolidated cash flow statement

| | Reviewed 28 Feb 09 R000 | Audited 29 Feb 08 R000 |
|---|-------------------------------|------------------------------|
| Cash flows from operating activities | 6 404 | 10 851 |
| Cash generated from operations | 13 688 | 15 412 |
| Investment income | 2 711 | 1 748 |
| Finance costs | (1 521) | (778) |
| Taxation paid | (8 474) | (5 531) |
| Cash flows from investing activities | (10 785) | (23 931) |
| Acquisition of property, plant and equipment | (3 793) | (5 229) |
| Proceeds on disposal of property, plant and equipment | 119 | 19 |
| Acquisition of intangible assets | (1 941) | (304) |
| Proceeds on disposal of intangible assets | 163 | - |

| | | |
|---|----------|----------|
| Acquisition of treasury shares | - | (3 584) |
| Acquisition of investments | - | (1) |
| Proceeds on disposal of associate | 200 | - |
| Investment in subsidiaries | (5 277) | (11 643) |
| Investment in associates | (256) | (3 189) |
| Cash flows from financing activities | (19 319) | 22 598 |
| Proceeds from issue of shares, net of cash expenses | - | 33 668 |
| Amounts advanced to associate | (11 913) | - |
| Amounts received from associates | 5 | - |
| Share buy-back | - | (4 605) |
| Minority shareholders' loans advanced | 601 | 575 |
| Loans receivable advanced | - | (274) |
| Loans payable advanced/(repaid) | 2 488 | (585) |
| Dividends paid | (10 500) | (6 181) |
| (Decrease)/Increase in cash and cash equivalents | (23 700) | 9 518 |
| Cash and cash equivalents at beginning of year | 16 415 | 6 897 |
| Cash and cash equivalents at end of year | (7 285) | 16 415 |

Selected explanatory notes

Basis of preparation and accounting policies

The preliminary condensed financial statements have been compiled in accordance with IAS 34: Interim Financial Reporting.

The accounting policies and critical accounting estimates and judgements applied to these financial statements are consistent with those applied for the year ended 29 February 2008.

The Group has separately identified costs of services rendered and has reclassified the income statement for the current and comparative year accordingly.

Independent review

The company's auditors, PricewaterhouseCoopers, have reviewed the preliminary condensed consolidated financial statements for the year ended 28 February 2009. Their unqualified report is available for inspection at the registered office of the company.

Acquisition and disposal of subsidiaries

On 1 March 2008, the Group acquired a 60% interest in Entrepreneurs Survival Solutions (Pty) Ltd (ESS) for a purchase consideration of R7 951 237. The purchase price was settled partly by the allocation of 512 820 ordinary shares to the value of R2 666 664 and the balance was paid for in cash. The share price was determined with reference to Iquad's share price on 1 March 2008.

Goodwill of R5 250 765 arose from the acquisition and is considered attributable to the acceleration of the Group's strategic diversification into the lower end of government's growth initiatives.

ESS and its subsidiaries provide mainly business plans, mentoring and training solutions to entrepreneurs.

On 1 March 2008, ESS acquired 100% of the interest in Integra Scores (Pty) Ltd for R750 000 cash.

Goodwill of R1 814 613 that arose from this transaction is attributable to gaining access to the established policies and procedures required for the BEE verification agent accreditation process.

On 1 March 2008, the ESS group acquired the minorities' shareholdings of its existing subsidiaries for a total cash consideration of R956 924. No goodwill arose on these acquisitions.

On 1 March 2008 the Group acquired a further 20% interest in a 40% held investment in associate, IQuad Integrated Management Systems (Pty) Ltd (IMS), bringing Iquad's interest to 60%.

The purchase consideration for the additional 20% interest of R369 231 was settled in full by the allocation of 71 006 ordinary shares.

The share price was determined with reference to IQuad's share price on 1 March 2008.

Additional goodwill of R223 067 is attributable to the expected increase in market exposure through combined marketing efforts and resulting synergies within the Group.

IMS specialises in the development, implementation and auditing of management systems for companies that need to ensure compliance and certification in line with international standards.

In addition to the above, the Group acquired further interests in existing subsidiaries during the year. The table below summarises assets acquired on business combinations as well as changes to minority interest as a result of increased shareholdings in subsidiaries.

| | Fair value R000 | Book value R000 |
|-------------------------------|-----------------------|-----------------------|
| Assets acquired: | | |
| Property, plant and equipment | 26 759 | 26 759 |
| Intangible assets | 1 433 | - |
| Loans receivable | 181 | 181 |
| Deferred tax assets | 150 | 113 |
| Trade and other receivables | 4 663 | 4 745 |
| Cash and cash equivalents | 1 791 | 1 791 |
| Directors' loans | (287) | (287) |
| Borrowings | (27 239) | (27 785) |
| Trade and other payables | (1 455) | (1 405) |
| Operating lease liability | (45) | (45) |
| Tax liability | (340) | (340) |
| Current portion of borrowings | (14) | (14) |
| Bank overdraft | (367) | (367) |
| Net assets acquired | 5 230 | 3 346 |
| Minority interests | (3 268) | (1 176) |
| Amounts recognised in equity | (228) | |
| Goodwill | 9 837 | |
| Purchase consideration | 11 571 | |
| Cash and cash equivalents | (1 424) | |
| Amounts not paid yet | (466) | |

| | |
|--|---------|
| Amounts previously recognised as investment in associate | (1 368) |
| Paid by issue of ordinary shares | (3 036) |
| Net cash outflow on acquisition | 5 277 |

On 1 March the Group disposed of 50% of its shareholding in IQuad Property Investment (Pty) Ltd for a cash consideration of R150 000, at a Group profit of R133 870.

The remaining 50% interest was equity-accounted until 1 February 2009 on which date the Group was granted an option in terms of the shareholders' agreement to reacquire the shares sold. Although the option has not been exercised for purposes of IFRS, it has been determined that this constitutes control and accordingly this investment was consolidated from this date.

A reconciliation of the Group's goodwill is provided below:

| | Reviewed 28 Feb 09 R000 | Audited 29 Feb 08 R000 |
|---|-------------------------------|------------------------------|
| Balance at beginning of year | 88 892 | 85 761 |
| Additions through business combinations | 9 837 | 3 053 |
| Foreign exchange differences | (34) | 78 |
| Impairments | (2 949) | - |
| Balance at end of year | 95 746 | 88 892 |

Increase in borrowings

The increased non-current borrowings relate to a mortgage bond in favour of Absa Bank and are secured over property under construction. The borrowing costs were capitalised in terms of IAS 23 and had no effect on earnings and headline earnings per share.

Contingent asset

Future revenue approximating R27 million, to be earned from incentive applications submitted to regulatory authorities but still awaiting approval for payment as at financial year end, has not been recognised as income in these financial statements in accordance with the Group's accounting policy on revenue recognition (2008: R25 million).

Subsequent events

No material events have been identified subsequent to the year end of the Group and up to the date of this report.

Dividends

The directors of IQuad are pleased to announce that they declared a dividend of 14 cents per share on 15 April 2009 and wish to ensure that shareholders receive payment thereof as expeditiously as possible in terms of the JSE Listings requirements.

The salient dates for the payment of this dividend are set out below:

| | |
|--------------------------------|---------------------|
| Last day to trade cum-dividend | Friday, 8 May 2009 |
| Trading ex-dividend commences | Monday, 11 May 2009 |
| Record date | Friday, 15 May 2009 |
| Payment date | Monday, 18 May 2009 |

Share certificates may not be dematerialised or rematerialised between Monday, 11 May 2009 and Friday, 15 May 2009, both days included.

Earnings, dividend and net asset value per share

| | Reviewed 28 Feb 09 Cents | Audited 29 Feb 08 Cents |
|---|--------------------------------|-------------------------------|
| Headline earnings per share | | |
| Headline earnings per share from continuing operations | 56,4 | 66,7 |
| Headline earnings per share from discontinuing operations | (6,0) | (1,2) |
| | 50,4 | 65,5 |
| Dividend per share | | |
| Interim | 11,0 | 10,0 |
| Final | 14,0 | 20,0 |
| | 25,0 | 30,0 |
| Net asset value per ordinary share | | |
| Total assets | 468,2 | 461,4 |
| Tangible assets | 115,8 | 135,2 |

Headline earnings are reconciled to earnings per the income statement as follows:

| | Reviewed 28 Feb 09 R000 | Audited 29 Feb 08 R000 |
|--|-------------------------------|------------------------------|
| Profit attributable to equity shareholders | 10 046 | 16 917 |
| Goodwill impairments | 3 935 | - |
| Impairments of other intangible assets | 460 | - |
| Loss/(profit) on sale of property, plant and equipment | 31 | (5) |
| Revaluation of property, plant and equipment | (181) | - |
| Impairment of property, plant and equipment | - | 7 |
| Profit on sale of investments | (186) | - |
| Headline earnings for the year | 14 105 | 16 919 |

Discontinued operations

During the year under review the Group has discontinued certain non-core and underperforming major lines of business.

At year end these investments have been sold, closed or classified as held for sale.

| | Reviewed 28 Feb 09 R000 | Audited 29 Feb 08 R000 |
|--|-------------------------------|------------------------------|
| Analysis of the results of discontinued operations | | |
| Revenue | 1 279 | 1 111 |
| Impairment of carrying value of associate | (1 486) | - |
| Equity-accounted (losses)/profits of associate | (1 244) | 1 518 |
| Investment income | 222 | 21 |
| Finance costs | (100) | (301) |
| Other operating expenses | (3 204) | (3 502) |
| Net loss before taxation | (4 533) | (1 153) |
| Taxation | 51 | 25 |
| Loss for the year from discontinued operations | (4 482) | (1 128) |

Segment report

The Group adopted IFRS 8 in advance of its effective date, with effect from 1 March 2006.

The Group has four reportable segments within which the Group's strategic business units (SBUs) - operating units - fall. The SBUs offer different services and are managed separately as they require different technology and marketing strategies.

The summary below describes the operations in each of the Group's segments:

Investment incentives

Include consulting services aimed at enabling clients to obtain the maximum benefits and refunds from Government and the Department of Trade and Industry (DTI) incentive programmes.

Global trade services

Offer import and export business solutions, including customs consulting, rebate administration, financial market analysis and interest rate and forex risk management.

Business development

Provide strategic direction, consulting services and management tools to optimise business systems and processes.

Verification services

Conduct quality assurance, VAT and customs audits, verify BEE compliance and provides critical certification to qualifying companies.

The identification of one of the operating segments has been redefined in the current year resulting in the comparative information being reclassified where necessary.

| Operating segments | Investment incentives | Global trade services | Business development | Verification services | Total |
|---|-----------------------|-----------------------|----------------------|-----------------------|---------|
| 2009 - Reviewed | R000 | R000 | R000 | R000 | R000 |
| Results | | | | | |
| Revenue - internal | 179 | - | 1 056 | - | 1 235 |
| Revenue - external | 32 621 | 31 095 | 12 325 | 5 277 | 81 318 |
| Segment profit before taxation | 14 444 | 12 076 | (3 496) | (10) | 23 014 |
| Investment income | 1 250 | 346 | 107 | 152 | 1 855 |
| Finance costs | (342) | (259) | (793) | (249) | (1 643) |
| Depreciation and amortisation | (163) | (263) | (34) | (22) | (482) |
| Share of profits/(losses) of associates | - | 19 | (1 244) | 25 | (1 200) |
| Taxation | 4 423 | 3 521 | (367) | 232 | 7 809 |
| Assets and liabilities | | | | | |
| Segment assets | 17 162 | 17 134 | 8 856 | 1 926 | 45 078 |
| Investments in associates | - | 218 | 10 178 | 31 | 10 427 |
| Total segment assets | 17 162 | 17 352 | 19 034 | 1 957 | 55 505 |

| Segment liabilities | 13 188 | 9 902 | 9 087 | 2 752 | 34 929 |
|---|----------------------------------|-------------------------------------|--------------------------------------|---------------------------------------|------------------------------|
| | Investment incentives R000 | Global trade services R000 | Business develop- ment R000 | Verifi- cation services R000 | Total R000 |
| Operating segments 2008 - Audited Results | | | | | |
| Revenue - external | 29 586 | 26 720 | 1 226 | 5 866 | 63 398 |
| Segment profit before taxation | 14 106 | 8 904 | (611) | 2 887 | 25 286 |
| Investment income | 1 130 | 446 | 21 | 219 | 1 816 |
| Finance costs | (316) | (230) | (112) | (106) | (764) |
| Depreciation and amortisation | (186) | (332) | (31) | (16) | (565) |
| Share of profits of associates | - | 5 | 1 527 | - | 1 532 |
| Taxation | 3 754 | 3 391 | (435) | 931 | 7 641 |
| Assets and liabilities | | | | | |
| Segment assets | 15 388 | 21 204 | 1 027 | 4 774 | 42 393 |
| Investments in associates | - | 5 | 12 897 | - | 12 902 |
| Total segment assets | 15 388 | 21 209 | 13 924 | 4 774 | 55 295 |
| Segment liabilities | 9 502 | 7 669 | 2 684 | 2 857 | 22 712 |
| | | | | Reviewed 28 Feb 09 R000 | Audited 29 Feb 08 R000 |
| Segmental reconciliations | | | | | |
| Revenue reconciliation | | | | | |
| Total revenue for reportable segments | | | | 82 553 | 63 398 |
| Unallocated revenue | | | | 3 831 | 5 260 |
| Elimination of intersegment revenue | | | | (1 235) | - |
| Elimination of corporate revenue | | | | (3 819) | (5 260) |
| Discontinued operations disclosed separately | | | | (1 279) | (1 111) |
| Group revenue as per income statement | | | | 80 051 | 62 287 |
| Investment income reconciliation | | | | | |
| Total investment income for reportable segments | | | | 1 855 | 1 816 |
| Unallocated investment income | | | | 4 093 | 1 083 |
| Elimination of intergroup investment income | | | | (1 643) | (1 151) |
| Add profit on disposal of subsidiary | | | | 134 | - |
| Add profit on disposal of associate | | | | 200 | - |
| Discontinued operations disclosed separately | | | | (222) | (21) |
| Group investment income as per income statement | | | | 4 417 | 1 727 |
| Finance costs reconciliation | | | | | |
| Total finance costs for reportable segments | | | | (1 643) | (764) |
| Unallocated finance costs | | | | (1 521) | (852) |
| Elimination of intergroup finance costs | | | | 1 643 | 827 |
| Discontinued operations disclosed separately | | | | 100 | 301 |
| Group finance costs as per income statement | | | | (1 421) | (488) |
| Depreciation and amortisation reconciliation | | | | | |

