

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

Unaudited abridged interim results for the period ended 31 August 2009

General comments and prospects

Income from our core businesses during the six months under review has been under pressure due largely to uncontrollable macro factors, but we have managed to offset this reduction in earnings to some extent by accruing new clients and gaining market share. As in previous years, due to seasonal factors, we expect performance in the second half to exceed that of the six months under review.

While we believe that the economic environment is stabilising, we do not anticipate a significant recovery of the general market over the next six months.

Organic growth prospects

Over the past six months market share across all key areas of our business has increased. We will continue to focus on client retention and the development of existing and new strategic alliances to gain further market share. Our cross-selling initiatives are also bearing fruit and we expect this trend to continue.

Acquisitive growth prospects

No material acquisitions were made in the past six months as we have focused on consolidating market dominance in our niche business areas. We remain mindful of considering only acquisitions that will add meaningfully to our earnings per share. Our focus on this growth area will increase in the coming months as we believe current market conditions are favourable to adding value through acquisitions.

We have specific goals to expand our exposure in Gauteng through organic and acquisitive growth and will be strengthening our marketing resources in this area.

Divisional/segment report

Investment Incentives

Incentives benefited from improved claims processing by the Department of Trade & Industry (DTI) related to the Small Medium Enterprise Development Programme (SMEDP) in the latter part of the period. Although revenue has increased by 10% when compared with the comparative period, the division has not performed as expected.

There has been a slower than expected uptake of the new Enterprise Investment Programme (EIP), largely due to depressed investor sentiment, but we are satisfied with the 95 projects secured during the period. We expect uptake of EIP to accelerate as investor confidence increases.

We look forward to evaluating opportunities related to the launch of two new investment incentives, namely the Automotive Investment Scheme (AIS) and an additional wear and tear allowance under S121 of the Income Tax Act for Industrial Policy Projects.

As a result of the economic slowdown there has been a decline in our income from the administration of the Motor Industry Development Programme (MIDP), and we do not expect any significant improvement over the next six months. Income from this programme lags the actual market by approximately six months. However, some of the negative impact experienced has been offset by the accrual of new clients for MIDP administration and Import Rebate Credit Certificate (IRCC) trading.

Global trade services

The general downturn in global trade activity as well as the recent strength in the Rand has had a negative impact on earnings as most of our fees are based on Rand turnover.

We have however managed to counter a reduction in earnings through our aggressive marketing efforts over the last six months, which has resulted in building up a sizeable pipeline of new clients, particularly in terms of duty optimisation services. We believe that the global trend to trade protectionism will create further opportunities in this area of our business.

We are pleased to have finalised a joint-venture agreement with International Trade Institute Southern Africa (ITRISA) in a new training venture. We intend using our joint skills and resources to expand our network of clients and strategic alliances, thereby further enhancing the Group's reputation of providing value-adding services.

Audit and verification

Our BEE Verification business became one of 22 accredited agencies in April this year, stimulating the demand for verification certificates to the extent that new contracts signed during the period have increased by more than 70% year on year.

In response to the increasing demand, we will continue to invest in capacity. We expect demand to accelerate when Government implements the Preferential Procurement Policy, which will compel companies to become verified should they want to do business with Government directly or indirectly. Investment in our national infrastructure remains a priority, further enhancing our status as the only agency with a national footprint.

Business development

The recent merger of the Umsobomvu Youth Fund (UYF) and the National Youth Council, into the National Youth Development Agency, has resulted in funding problems for its programmes, causing a substantial reduction in the issue of service vouchers for budding entrepreneurs. This has resulted in a sudden and unexpected reduction in opportunities to provide services to entrepreneurs in terms of these programmes.

To counter this challenge, more emphasis is being placed on opportunities related to Government's broad-based BEE objectives of developing black entrepreneurs and upskilling those who were previously disadvantaged. An increasing number of corporates in South Africa are being pressured to focus on the enterprise development and skills development elements of BBBEE compliance, affording us the opportunity to assist them in achieving their required BBBEE status.

Sustainability

Market share

Due to the slower market conditions we intensified our marketing efforts and we have succeeded in retaining existing clients and acquiring new clients across all business segments. We will continue with this strategy to grow market share.

Cash flow

The Group's ability to generate cash has continued to be strong. Cash generated from operations, before working capital changes amounts to R7.16 million. The increase in working capital relates mainly (R4.5 million) to an increase in Incentive receivables. Incentive receivables are tradable assets consumed in the Group's normal business activities.

Our cash position could be further enhanced should we succeed in selling a part or the whole of our interest in IQuad Property Investment (Pty) Limited. Our BEE partners in this venture have not to date been able to fund their portion of the capital investment. They are, however, likely to be in a position to contribute a portion of their commitment in the near future.

Human resources

We have over the past six months managed to redeploy resources from areas with excess capacity, thereby retaining our skilled and experienced employees which will stand us in good stead when the market recovers.

Condensed statement of financial position

	Notes	Unaudited 31 Aug 09 R000	Unaudited 31 Aug 08 R000	Audited 28 Feb 09 R000
Assets				
Non-current assets		141 368	114 110	133 688
Property, plant and equipment		37 668	2 313	31 230
Goodwill		95 746	95 711	95 746
Intangible assets		3 429	277	2 842
Investments in associates		391	13 522	426
Available-for-sale financial assets		401	401	401
Deferred tax assets		3 733	1 886	3 043
Current assets		34 247	43 878	31 316
Work in progress		3 565	3 848	4 083
Current tax assets		-	-	30
Amount owing by associates		131	17 866	85
Trade and other receivables	1	26 597	19 625	21 901
Loan receivable		1 404	-	113
Cash and cash equivalents		2 550	2 539	5 104
Non-current asset held for sale	2	-	-	10 000
Total assets		175 615	157 988	175 004
Equity and liabilities				
Equity and reserves		136 296	132 142	136 108
Issued ordinary capital		103 867	103 810	103 867
Foreign currency translation		30	(168)	30

reserve			
Accumulated profits	27 832	25 663	27 087
Attributable to equity			
shareholders of the Company	131 729	129 305	130 984
Minority interest	4 567	2 837	5 124
Non-current liabilities	20 083	-	12 464
Operating lease liabilities	476	-	666
Deferred tax liabilities	702	-	939
Borrowings	18 905	-	10 859
Current liabilities	19 236	25 846	26 432
Current tax liabilities	2 691	2 874	2 402
Trade and other payables	8 195	13 261	10 585
Provisions	373	498	276
Borrowings	7 977	9 213	12 597
Dividend payable	-	-	572
Total equity and liabilities	175 615	157 988	175 004

Condensed statement of comprehensive income

	Unaudited 31 Aug 09 R000	Unaudited 31 Aug 08 R000	Audited 28 Feb 09 R000
Continuing operations			
Revenue	35 142	35 366	80 051
Cost of services rendered	(16 266)	(16 205)	(36 974)
Gross profit	18 876	19 161	43 077
Other operating income	476	596	125
Administrative expenses	(12 831)	(10 789)	(23 598)
Operating profit	6 521	8 968	19 604
Investment income	1 243	2 221	4 417
Share of profits/(losses) of associates	(36)	(147)	44
Finance costs	(1 171)	(369)	(1 421)
Profit before taxation	6 557	10 673	22 644
Taxation	(2 425)	(4 271)	(8 074)
Profit for the period from continuing operations	4 132	6 402	14 570
Discontinued operations			
Loss for the period from discontinued operations	(12)	(1 095)	(4 482)
Profit for the period	4 120	5 307	10 088
Other comprehensive income:			
Exchange differences on translation of foreign operation	-	-	338
Income tax thereon	-	-	-
Total comprehensive income for the	4 120	5 307	10 426

period, net of tax

Profit attributable to:

Minority interest	(557)	(226)	42
Owners of the parent	4 677	5 533	10 046
	4 120	5 307	10 088

Total comprehensive income attributable to:

Minority interest	(557)	(226)	182
Owners of the parent	4 677	5 533	10 244
	4 120	5 307	10 426

Basic and diluted earnings per ordinary share (cents)

Continuing operations	16,7	23,6	51,7
Discontinued operations	-	(3,9)	(15,8)

Total basic earnings per share 16,7 19,7 35,9

Condensed consolidated statement of changes in equity

	Owners of the parent R000	Minority interests R000	Total equity R000
Balance at 1 March 2008 - audited	126 410	3 887	130 297
Treasury shares utilised in business combinations	2 979	-	2 979
Total comprehensive income for the period	5 533	(226)	5 307
Dividends	(5 617)	(1 794)	(7 411)
Increase in minority interest on business combinations	-	970	970
Balance at 31 August 2008 - unaudited	129 305	2 837	132 142
Total comprehensive income for the period	4 711	408	5 119
Dividends	(3 089)	(572)	(3 661)
Treasury shares	57	-	57
Increase in minority interest on business combinations	-	2 451	2 451
Balance 1 March 2009 - audited	130 984	5 124	136 108
Total comprehensive income for the period	4 677	(557)	4 120
Dividends	(3 932)	-	(3 932)

Balance 31 August 2009 - unaudited 131 729 4 567 136 296

Condensed statement of cash flows

	Note	Unaudited 31 Aug 09 R000	Unaudited 31 Aug 08 R000	Audited 28 Feb 09 R000
Cash flows from operating activities		(2 746)	4 407	6 404
Cash generated from operations	3.1	215	6 074	13 688

Investment income	1 243	2 221	2 711
Finance costs	(1 171)	(369)	(1 521)
Taxation paid	(3 033)	(3 519)	(8 474)
Cash flows from investing activities	2 057	(6 586)	(10 785)
Acquisition of property, plant and equipment	(6 710)	(1 099)	(3 793)
Proceeds on disposal of property, plant and equipment	-	-	119
Acquisition of intangible assets	(683)	-	(1 941)
Proceeds on disposal of intangible assets	-	-	163
Proceeds on disposal of associate	-	-	200
Proceeds on disposal of non-current asset held for sale	9 450	-	-
Investment in subsidiaries	-	(5 487)	(5 277)
Investment in associate	-	-	(256)
Cash flows from financing activities	2 577	(20 910)	(19 319)
Minority shareholders' loans advanced	-	(521)	601
Amounts advanced to associate	(46)	-	(11 913)
Amounts received from associate	-	-	5
Loans receivable advanced	(741)	(12 978)	-
Loans payable advanced	7 868	-	2 488
Dividends paid	(4 504)	(7 411)	(10 500)
Increase /(decrease) in cash and cash equivalents	1 888	(23 089)	(23 700)
Cash and cash equivalents at beginning of period	(7 285)	16 415	16 415
Cash and cash equivalents at end of period	(5 397)	(6 674)	(7 285)

Selected explanatory notes

Basis of preparation and accounting policies

This interim financial report has been compiled in accordance with International Financial Reporting Standards (IFRS) and complies 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 28 February 2009.

Financial results

This interim financial report has not been reviewed or audited by the Group's auditors.

Reclassification adjustment

Where necessary, August comparative information has been adjusted to conform to changes in presentation affected to the 28 February 2009 annual report.

The following changes were made to comparative amounts:

- Trade and other receivables amounting to R400 000 have been reclassified as available-for-sale financial assets. This amount represents a loan to

National Money Transfer (Pty) Limited and is considered to be part of the investment.

- Certain amounts have been reclassified out of revenue and operating expenses to cost of services rendered in the income statement.

	Unaudited 31 Aug 09 R000	Unaudited 31 Aug 08 R000	Audited 28 Feb 09 R000
1. Trade and other receivables			
Trade debtors, net of impairment	14 212	18 830	14 023
Incentive receivables	10 400	-	5 944
Sundry debtors	1 985	795	1 934
	26 597	19 625	21 901

2. Non-current assets held for sale and discontinued operations
The Group's investment in associate, Afropulse 366 (Pty) Limited, was sold for its carrying amount as at 1 March 2009.

The assets, performance and cash flows associated with these discontinued operations are summarised below.

	Unaudited 31 Aug 09 R	Unaudited 31 Aug 08 R	Audited 28 Feb 09 R
Non-current assets held for sale			
Investment in associate	-	-	10 000
Analysis of the results of discontinued operations			
Revenue	-		1 279
Impairment of carrying value of associate	-	(1 144)	(1 486)
Equity-accounted profits / (losses) of associates	-		(1 244)
Investment income	-		222
Finance costs	-		(100)
Administrative expenses	(12)		(3 204)
Net loss before tax	(12)	(1 144)	(4 533)
Tax	-	49	51
Loss for the period from discontinued operations	(12)	(1 095)	(4 482)
Cash flows associated with discontinued operations			
Operating cash flows	-	-	(802)
Investing cash flows	-	-	(1 362)
Financing cash flows	-	-	532
	-	-	(1 632)

3. Notes to the statement of cash flow

3.1 Cash generated by operations

Profit before tax, including discontinued operations	6 545	9 529	18 111
Non-cash adjustments	543	2 245	4 173
Working capital changes:			
Work in progress	518	(350)	(585)
Trade and other receivables	(4 700)	(3 726)	(1 313)

Trade and other payables	(2 691)	(1 624)	(6 698)
	215	6 074	13 688

Dividends

The directors of IQuad are pleased to announce that they declared a dividend of 8 cents per share on 7 October 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, 23 October 2009
Trading ex-dividend commences	Monday, 26 October 2009
Record date	Friday, 30 October 2009
Payment date	Monday, 2 November 2009

Share certificates may not be dematerialised or rematerialised between Monday, 26 October 2009 and Friday, 30 October 2009, both days included.

Headline earnings, dividend and net asset per share

	Unaudited 31 Aug 09 Cents	Unaudited 31 Aug 08 Cents	Audited 28 Feb 09 Cents
Headline and diluted earnings per share			
Headline earnings per share from continuing operations	16.8	23.7	56.4
Headline earnings per share from discontinuing operations	-	(3.3)	(6.0)
Total headline earnings per share	16.8	20.4	50.4
Dividend per share			
Interim	8.0	11.0	11.0
Final	-	-	14.0
Total dividend per share	8.0	11.0	25.0
Number of ordinary shares (weighted and issued)(R'000)	27 979	28 085	27 979
	R	R	R
Headline earnings reconciliation			
Continuing operations	4 689	6 628	14 478
Discontinued operations	(12)	(1 095)	(4 432)
Basic earnings attributable to ordinary shareholders	4 677	5 533	10 046
Loss/(profit) on disposal of property, plant and equipment	29	(10)	31
Impairment of goodwill	-	163	3 935
Impairment of investments	-	181	-
Profit on disposal of investments	-	(129)	(186)
Impairment of intangible assets	-	-	460
Share of associate revaluation of investment property	-	-	(181)
Continuing operations	4 718	6 653	15 788
Discontinued operations	(12)	(915)	(1 683)
Headline earnings	4 706	5 738	14 105

Net asset value per ordinary share			
Total assets (cents)	470.8	460.4	468.2
Tangible assets (cents)	116.7	118.6	115.8

Segment report

The Group has four reportable segments:

Investment incentives

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

Global trade services

Offer import and export business solutions, process automation, customs consulting, rebate administration, interest rate and foreign currency risk management.

Business development

Provides management systems implementation, SME development and business process automation.

Verification services

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

	Segment revenue - internal R000	Segment revenue - external R000	Segment profit before taxation R000	Segment assets R000
Operating segments				
For the period ended 31 August 2009 - unaudited				
Investment incentives	180	15 831	6 006	18 999
Global trade services	-	12 225	4 754	21 630
Business development	366	5 516	(1 218)	11 509
Verification services	-	1 393	(883)	1 493
	546	34 965	8 659	53 631
For the period ended 31 August 2008 - unaudited				
Investment incentives	-	15 165	6 550	12 373
Global trade services	-	14 435	4 410	13 392
Business development	-	4 472	(1 315)	17 634
Verification services	-	1 861	113	1 832
	-	35 933	9 758	45 231
For the period ended 28 February 2009 - audited				
Investment incentives	179	32 621	14 444	17 162
Global trade services	-	31 095	12 076	17 134
Business development	1 056	12 325	(3 496)	8 856
Verification services	-	5 277	(10)	1 926
	1 235	81 318	23 014	45 078

Reconciliation of segment profit

Unaudited 31 Aug 09	Unaudited 31 Aug 08	Audited 28 Feb 09
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	R000	R000	R000
Total profit before tax for reportable segments	8 659	9 758	23 014
Unallocated profits/(losses)	3 195	(327)	17 720
Elimination of intersegment profits	(5 309)	98	(22 623)
Discontinued operations disclosed separately	12	1 144	4 533
Group profit before tax as per statement of comprehensive income	6 557	10 673	22 644

Transactions with individual clients did not amount to 10% or more of the Group's total revenue.

8 October 2009
Designated Advisor
PSG Capital (Pty) Limited