

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

Unaudited abridged interim results for the period ended 31 August 2008

Highlights and Commentary

Investment Incentives

The last six month period saw the Department of Trade & Industry (DTI) achieve efficiencies in the processing of claims related to the Small Medium Enterprise Development Programme (SMEDP). In view of the improved efficiencies, total revenue from SMEDP claims processing increased year on year by 9,6% for the six month period to August.

The Enterprise Investment Programme (EIP) was launched on 21 July 2008 with an effective term of six years to 2014. This incentive replaces the SMEDP as the primary investment promotion product offered by the DTI. We expect to participate meaningfully in the promotion of this incentive to eligible businesses in the manufacturing and tourism sectors. The EIP bears a strong resemblance to the replaced SMEDP and we are confident that revenues from this programme will make a meaningful contribution to revenues in years to come.

We are pleased that government has confirmed its continued support of the Motor Industry Development Programme (MIDP) through to 2019, as this will promote further investment into this important and substantial industry. There is still some uncertainty on the exact structure of the MIDP programme beyond 2012, but we are confident that we will continue to play a substantial role in assisting clients to maximise their opportunities in terms of the existing programme up to 2012 and the adjusted programme up to 2019.

In terms of MIDP administration and IRCC trading, despite the substantial slowdown in local car sales we have managed to grow turnover due to robust exports and the accrual of new clients.

Global Trade Services

We have continued to find it difficult to grow the Treasury business unit in Australia, and have recognised that without an Australian partner we are unlikely to make any meaningful progress in this market. We have cut overheads substantially and should we not have made progress in finding a suitable partner within a reasonable time, we will gradually wind down this business. We have impaired our total investment, and do not expect to accrue any further substantial losses in respect thereof.

The increased market volatility in the markets has created opportunities for the Treasury business unit, and we expect this volatility to continue to help us gain new clients as well as create opportunities from a performance fee point of view.

We continue to grow our client base in terms of duty draw back and rebate administration and expect this trend to continue.

Audit and Verification

Our BEE Verification business is performing in line with our budgets and is expected to continue its strong growth cycle to the extent that we expect a positive contribution to income in the second six months, i.e. after a long period of capacity and infrastructural development. We have capitalised on a variety of opportunities available in the industry, but have been marginally affected by the delays in government's accreditation process.

Business Development

Unfortunately recent restructuring of the Umsobomvu Youth Fund (UYF) had a negative impact on earnings, however this has been comfortably offset by above expected growth in training opportunities.

We are in the process of expanding the recently acquired Entrepreneur Survival Solutions (ESS) by rolling out this successful concept to areas outside of Kwazulu Natal, and look forward to a positive contribution from these new initiatives.

General Comments & Prospects

We have had some unexpected challenges in the past six months, but do expect a marked improvement in the second half of the year due to seasonal factors, an improved contribution from recent acquisitions and start-up operations and our core businesses are performing well. The executive committee has committed to reviewing our growth strategies and are taking steps to mitigate future risk.

Organic Growth Prospects

We believe the tough market conditions currently being experienced have hampered our organic growth from within our existing client base, and we expect these tough market conditions to prevail for at least the next six months. We have however managed to accrue new clients at a steady pace across the majority of our businesses and expect our improved customer relationship management system to assist us in optimising our cross-selling opportunities within the respective divisions.

We have been actively pursuing strategic alliances with various industry bodies as well as other service providers who offer complimentary services, and intend leveraging off this increased exposure and footprint.

Acquisitive Growth Prospects

In terms of acquisitions, even though the tougher conditions in the market have exerted downward pressure on selling prices of financial assets, sellers have in certain instances been resistant in adjusting their prices in line with the general market. However, we do anticipate that such resistance cannot be maintained indefinitely, as tough conditions continue and we believe there will be substantial opportunities to acquire well-priced assets. To this end we have arranged facilities with third party financiers so that we are in a position to take advantage of the ever-growing pipeline of opportunities.

Consolidated balance sheet

	Unaudited 31-Aug-08 R000	Unaudited 31-Aug-07 R000	Audited 29-Feb-08 R000
Assets			
Non-current assets	113 710	94 193	111 785
Property, plant and equipment	2 313	4 035	5 723
Intangible assets	95 988	86 376	89 370
Investments in associates	13 522	1 784	14 474
Investments	1	-	1
Deferred tax assets	1 886	1 998	2 217
Current assets	44 278	46 049	36 900
Work in progress	3 848	-	3 498
Current tax assets	-	-	575
Amounts owing by related parties	17 866	3	113
Trade and other receivables	20 025	12 218	16 299
Cash and cash equivalents	2 539	33 828	16 415
Total assets	157 988	140 242	148 685
Equity and liabilities			
Equity and reserves	132 144	127 685	130 297
Issued ordinary capital	103 810	108 914	100 831
Foreign currency translation reserve	(168)	(20)	(168)
Accumulated profits	25 664	18 189	25 747
Attributable to equity shareholders of the Company	129 306	127 083	126 410
Minority interest	2 838	602	3 887
Non-current liabilities	-	1 650	300
Long-term borrowings	-	1 650	-
Deferred tax liabilities	-	-	300
Current liabilities	25 844	10 907	18 088
Amounts owing to related parties	-	695	-
Current tax liabilities	2 874	3 207	2 790
Provisions	498	-	366
Short-term portion of borrowings	-	62	49
Trade and other payables	13 259	6 943	14 883
Bank overdraft	9 213	-	-
Total equity and liabilities	157 988	140 242	148 685
Consolidated income statement			
	Unaudited 31-Aug-08 R000	Unaudited 31-Aug-07 R000	Audited 29-Feb-08 R000

Continuing operations

Revenue	35 366	26 431	62 353
Other operating income	596	1 054	12
Operating expenses	(26 995)	(17 769)	(39 713)
Share of (losses) profits of associates	(147)	(945)	603
Operating profit	8 820	8 771	23 255
Investment income	2 221	559	1 748
Finance costs	(369)	(366)	(778)
Profit before taxation	10 672	8 964	24 225
Taxation	4 271	3 285	7 682
Profit for the period from continuing operations	6 402	5 679	16 543
Discontinued operations (Loss) / profit for the period from discontinued operations	(1 095)	808	679
Profit after taxation	5 307	6 487	17 222
Attributable to:	5 307	6 487	17 222
Minority shareholders	(226)	338	305
Equity shareholders of the Company	5 533	6 149	16 917
Basic and diluted earnings per ordinary share (cents)			
Continuing operations	23.6	22.9	62.8
Discontinued operations	(3.9)	3.5	2.6
Total basic earnings per share	19.7	26.4	65.4

Consolidated statement of changes in equity

	Total R000	Minority interests R000	Total equity R000
Balance at 1 March 2007 – audited	89 864	843	90 707
Issue of share capital	33 918	–	33 918
Treasury shares	(357)	–	(357)
Net profit for the period	6 129	311	6 440
Dividends	(2 523)	(500)	(3 023)
Business combinations	52	(52)	–
Balance at 31 August 2007 – unaudited	127 083	602	127 685
Net profit for the period	10 716	(269)	10 447
Share buy-back	(4 855)	–	(4 855)
Treasury shares	(3 227)	–	(3 227)
FCTR	(148)	–	(148)
Dividends	(3 158)	–	(3 158)
Business combinations	–	3 555	3 555
Balance at 1 March 2008 – audited	126 411	3 888	130 299
Treasury shares utilised in	2 979	–	2 979

business combinations			
Net profit for the period	5 533	(226)	5 307
Dividends	(5 617)	(1 794)	(7 411)
Business combinations	-	970	970
Balance at 31 August 2008 - unaudited	129 306	2 838	132 144

Consolidated cash flow statement

	Unaudited 31-Aug-08 R000	Unaudited 31-Aug-07 R000	Audited 29-Feb-08 R000
Cash flows from operating activities	4 407	7 825	10 851
Cash generated from operations	6 074	7 868	15 412
Investment income	2 221	559	1 748
Finance costs	(369)	(366)	(778)
Taxation paid	(3 519)	(236)	(5 531)
Cash flows from investing activities	(6 586)	(3 824)	(23 931)
Acquisition of property, plant and equipment	(1 099)	(3 167)	(5 514)
Acquisition of treasury shares	-	-	(3 584)
Acquisition of investments	-	-	(1)
Investment in subsidiaries	(5 487)	(110)	(11 643)
Investment in associates	-	(547)	(3 189)
Cash flows from financing activities	(20 910)	22 931	22 597
Proceeds from issue of shares, net of cash expenses	-	33 561	33 668
Share buy-back	-	-	(4 605)
Minority shareholders' loans (repaid) / advanced	(521)	-	575
Loans receivable (advanced) repaid	(12 978)	148	(275)
Loans payable repaid	-	(7 755)	(585)
Dividends paid	(7 411)	(3 023)	(6 181)
(Decrease)/increase in cash and cash equivalents	(23 089)	26 932	9 517
Cash and cash equivalents at beginning of the period	16 415	6 898	6 898
Cash and cash equivalents at end of the period	(6 674)	33 830	16 415

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 29 February 2008.

Financial results

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

Business combinations and disposals

On 1 March, the Group acquired a 60% interest in Entrepreneurs Survival Solutions (Pty) Ltd (ESS) for a purchase consideration of R7.8 million. The purchase price was settled partly by R5.2 million cash and the balance was paid for by the allocation of 512 820 ordinary treasury shares to the value of R2.6 million. The share price was determined with reference to IQquad Group Limited's share price during February 2008.

	Unaudited 31-Aug-08 R	Unaudited 31-Aug-07 R	Audited 29-Feb-08 R
Fair value of assets acquired:			
Property, plant and equipment	184	217	275
Intangible assets	-	79	158
Investments in associates	-	-	9 889
Loans receivable	181	-	-
Deferred tax assets	13	-	-
Trade and other receivables	3 199	1 604	1 648
Cash and cash equivalents	61	35	461
Minority interests	(568)	258	(2 618)
Long-term borrowings	(919)	(2 309)	(528)
Trade and other payables	(952)	(233)	(234)
Bank overdraft	(348)	-	-
Net assets acquired	851	(349)	9 051
Goodwill	6 949	494	3 053
Purchase consideration	7 800	145	12 104
Cash and cash equivalents	287	(35)	(461)
Paid by issue of ordinary shares	(2 600)	-	-
Net cash outflow on acquisition	5 487	110	11 643

On 1 March the Group disposed of 50% of its shareholding in IQquad Property Investment (Pty) Ltd for a cash consideration of R150 000, at a profit of R149 940.

The remaining 50% interest is equity-accounted.

The Group has advanced funds to IQquad Property Investment (Pty) Ltd to the value of R14 million. The loan bears interest at a market-related interest rate.

Dividends

The directors of IQquad are pleased to announce that they declared a

dividend of 11 cents per share on 23 September 2008 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, 17 October 2008
Trading ex dividend commences	Monday, 20 October 2008
Record date	Friday, 24 October 2008
Payment date	Monday, 27 October 2008

Share certificates may not be dematerialised or rematerialised between Monday, 20 October 2008, and Friday, 24 October 2008, both days included.

Headline earnings and dividend per share

	Unaudited 31-Aug-08 Cents	Unaudited 31-Aug-07 Cents	Audited 29-Feb-08 Cents
Headline and diluted headline earnings per share			
Headline earnings per share from continuing operations	23.7	22.9	62.8
Headline earnings per share from discontinuing operations	(3.3)	3.5	2.6
Total headline earnings per share	20.4	26.4	65.4
Dividend per share			
Interim	11.0	10.0	10.0
Final	-	-	20.0
Total dividend per share	11.0	10.0	30.0
Number of shares			
Issued	28 085	28 937	28 085
Weighted	28 085	23 313	25 842
Headline earnings reconciliation			
Basic earnings attributable to ordinary shareholders	5 533	6 149	16 917
Profit on disposal of subsidiary	(129)	-	-
Profit on disposal of property, plant and equipment	(10)	-	(5)
Impairment of property, plant and equipment	-	-	7
Impairment of goodwill	163	-	-
Impairment of investment in associate	181	-	-
Headline earnings	5 737	6 149	16 919

Discontinued operations

Earnings for the six months ended 31 August 2008 were negatively affected by the Group's 35% interest in Cullinan Industrial Porcelain (Pty) Ltd ("CIP").

The investment in CIP has accordingly been impaired and is accounted for as a discontinued operation.

Unaudited 31-Aug-08	Unaudited 31-Aug-07	Audited 29-Feb-08
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	R	R	R
Analysis of the result of the discontinued operation			
Impairment of carrying value of associate	(1 144)	-	-
Equity-accounted profits of associate	-	945	794
Net (loss) / profit before taxation	(1 144)	945	794
Taxation	(49)	137	115
Profit for the period from the discontinued operation	(1 095)	808	679

There were no cash flows during the period resulting from the discontinued operation.

Segment report

The Group has four reportable segments which are the Group's strategic business units (SBUs). 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

Includes consulting services aimed at enabling clients to maximise the benefits they can receive from government investment incentive programmes.

Global trade services

Includes providing clients, mainly exporters and importers, with specialised risk management services that meet their specific operational and management requirements, including administration and support.

Business development

Includes business improvement and turnaround services as well as leadership assessment and training.

Verification services

These services provide critical certification for a broad spectrum of business requirements and opportunities.

	Segment revenue	Segment profit before taxation	Segment assets
Operating segments	R000	R000	R000
For the period ended 31 August 2008 – unaudited			
Investment incentives	18 438	7 895	14 566
Global trade services	11 162	3 065	11 199
Business development	4 472	(1 315)	17 634
Verification services	1 861	113	1 832
Total	35 933	9 758	45 231

For the period ended 31 August 2007 –

unaudited			
Investment incentives	14 702	6 770	18 347
Global trade services	8 232	2 076	11 846
Business development	402	403	1 485
Verification services	3 360	1 943	3 580
Total	26 696	11 192	35 258

For the period ended 29 February 2008

– audited

Investment incentives	34 787	16 632	17 569
Global trade services	20 473	6 378	19 023
Business development	1 226	(611)	1 027
Verification services	5 867	2 887	4 774
Total	62 353	25 286	42 393

	Unaudited 31-Aug-08 R000	Unaudited 31-Aug-07 R000	Audited 29-Feb-08 R000
Reconciliation of segment profit			
Total profit before tax for reportable segments	9 758	11 192	25 286
Unallocated (losses) / profits	(328)	2 067	(267)
Elimination of intersegment profits / (losses)	98	(3 350)	-
Discontinued operation disclosed separately	1 144	(945)	(794)
Group profit before tax as per income statement	10 672	8 964	24 225

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

For and on behalf of the board

Trevor Hayter
Chief Executive Officer

Frans Botha
Financial Director

Registered office: 5 Mangold Street, Newton Park, Port Elizabeth, 6045
 Directors: TB Hayter (CEO), A da Costa (Chairman)*, P Malan#,
 DM Edwards, FJ Botha, ZL Combi#*, M Shaik Amod#* Non-executive *
 Independent ^ Alternate to DM Edwards
 Transfer Secretaries: Computershare Investor Services (Pty) Ltd
 Designated Advisor: PSG Capital (Pty) Ltd