

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")

Preliminary condensed financial statements for the year ended 28 February 2010

#### Highlights

Dividend per share up 12%  
Headline earnings per share down 8.3%  
Net tangible assets per share up 42%

#### Commentary

##### Investment incentives

The last year has seen a marked improvement in client payouts (up 33%) from the Department of Trade and Industry ("DTI"), largely due to a substantial improvement in the DTI's processing efficiencies. The Company continues to make good progress in securing approvals for the new Enterprise Investment Programme ("EIP"), with the first payments from the DTI expected in the last quarter of 2010. The DTI recently reduced some of the qualifying criteria for the EIP, which will increase the number of companies that can participate under the EIP.

The anticipated slowdown in activity in the motor industry, coupled with a stronger Rand, resulted in a reduction of average fees per client in terms of administration of the Motor Industry Development Programme ("MIDP"). The reduction in fees was to an extent offset by the securing of a number of new clients.

With the final guidelines of the MIDP replacement programme, the new Automotive Production and Development Programme ("APDP"), expected to be released in the coming year, a key focus area is to become a knowledge centre with respect to the APDP, further enhancing our status of being a leading service provider to the Motor Industry.

##### Global Trade Services

The global economic downturn, coupled with a stronger Rand had a negative impact on revenues from existing clients of the currency management and duty optimisation business units.

Reduced revenue from currency management services was partly countered by effective cost control, but not to the extent that a net decline in profits could be avoided. This business unit, however, retained over 95% of its clients during a period when many clients would be looking to cut non core-services.

Despite the challenges of softer economic conditions, fees from duty optimisation and general import/export consulting services increased. The increase in revenue was largely due to the recruitment of a record number of new clients during the period under review, which more than offset the reduction in fees due to tough trading conditions. The increased client base, plus the addition of new aligned product offerings related to import and exports, positions this business unit well for the future.

Our joint venture with International Trade Institute of South Africa ("ITRISA") in Global Trade training is progressing satisfactorily, and we expect this business unit to create new client opportunities for other global trade business units of the Group in the years ahead.

#### Audit and verification

The BEE Verification business turned profitable on a monthly basis in the latter half of the year, and this business is well positioned for growth in the year ahead.

Formal accreditation as a BEE verification agency was achieved in April 2009, and as at year end the business was one of only 29 officially accredited verification agencies. This business is the only nationally represented BEE verification business, with offices in Johannesburg, Cape Town, Durban, Port Elizabeth and Bloemfontein.

Growth is expected to come from organic growth, acquisitions and expansion of the accreditation scope to include all gazetted sector codes.

#### Business development

Both business units, Entrepreneurs Survival Solutions (Proprietary) Limited ("ESS") and IQuad Integrated Management Systems (Proprietary) Limited ("IMS") performed below expectations.

The expected recapitalisation of the Umsobomvu Youth Fund ("UYF") which was announced in the 2009 Budget Speech did not materialise, resulting in a dramatic decline in revenues from business development services. As a result, a decision was taken to disinvest in this area of business, resulting in the sale of the Group's stake in ESS.

#### General comments and prospects

##### Organic and acquisitive growth prospects

The Group is focussed primarily on organic growth within its business units for the year ahead and accordingly the Group has recently employed a number of new marketing resources across most business units, with a specific emphasis on our biggest market opportunity being Gauteng. Mr David Edwards was appointed as CEO of the Group at 1 March 2010 and has relocated to Johannesburg from Port Elizabeth to mine organic growth opportunities.

We maintain our focus on strategic alliances with complementary service companies and related industry bodies.

No material acquisitions were made during the past year, and although acquisitive growth is not the core growth focus, IQuad will consider opportunities that are fairly priced and aligned to existing Group services.

##### Cash flow and sustainability

The Group's net cash position increased by R14.5 million during the year.

The Group's ability to generate cash remained strong. Cash generated from operations, before working capital changes amounts to R9 million.

Working capital increased by R1.6 million, where the increase in incentive receivables of R4 million was largely off-set by a decrease in work in progress and an increase in trade and other payables. Incentive receivables are tradeable assets consumed in the Group's normal business activities. Increased focus on the collection of trade receivables was achieved through

the establishment of a debtors' collection committee consisting of executive management.

The proceeds from the sale of the Group's investment in Afropulse 366 (Proprietary) Limited and the sale and exercise of guarantees of ESS had a healthy impact of R14.1 million on the Group's net cash position.

Dividends of R6.7 million were paid to shareholders during the year.

Consolidated statement of financial position

	Reviewed 28 Feb 10 R000	Audited 28 Feb 09 R000
<b>Assets</b>		
Non-current assets	120 393	133 688
Investment property	13 091	-
Property, plant and equipment	12 694	31 230
Goodwill	87 006	95 746
Intangible assets	2 930	2 842
Investments in associates	-	426
Available-for-sale financial asset	-	401
Loan receivable	1 000	-
Deferred tax assets	3 672	3 043
Current assets	35 523	31 316
Work in progress	1 997	4 083
Current tax assets	496	30
Trade and other receivables	25 150	21 901
Loan receivable	584	113
Amounts owing by associates and joint ventures	117	85
Cash and cash equivalents	7 179	5 104
Non-current assets held for sale	16 328	10 000
Total assets	172 244	175 004
<b>Equity and liabilities</b>		
Equity and reserves	137 967	136 108
Share capital and reserves	135 954	130 984
Non-controlling interest	2 013	5 124
Non-current liabilities	21 102	12 464
Operating lease liability	606	666
Deferred tax liabilities	406	939
Borrowings	20 090	10 859
Current liabilities	12 813	26 432
Current tax liabilities	129	2 402
Trade and other payables	11 053	10 585
Provisions	229	276
Dividend payable	-	572

Borrowings	1 402	12 597
Liabilities held for sale	362	-
Total liabilities	34 277	38 896
Total equity and liabilities	172 244	175 004

Consolidated statement of comprehensive income

	Reviewed 28 Feb 10 R000	Audited 28 Feb 09 R000
Continuing operations		
Revenue	79 970	80 051
Cost of services rendered	(36 010)	(36 974)
Gross profit	43 960	43 077
Other operating income	166	125
Operating expenses	(26 167)	(23 598)
Operating profit	17 959	19 604
Investment income	4 231	4 417
Share of (losses)/profits from associates and joint ventures	(124)	44
Finance costs	(2 423)	(1 421)
Profit before taxation	19 643	22 644
Taxation	(6 315)	(8 074)
Profit for the year from continuing operations	13 328	14 570
Discontinued operations		
Loss for the year from discontinued operations	-	(4 482)
Profit for the year	13 328	10 088
Exchange differences on translating foreign operation	(30)	338
Total comprehensive income for the year	13 298	10 426
Profit for the year attributable to:	13 328	10 088
Non-controlling interests	(831)	42
Equity shareholders of the company	14 159	10 046
Total comprehensive income for the year attributable to:	13 298	10 426
Non-controlling interests	(831)	182
Equity shareholders of the company	14 129	10 244
Basic and diluted earnings per ordinary share (cents)		
Continuing operations	50.6	51.7
Discontinued operations	-	(15.8)

Total basic earnings per share	50.6	35.9
Weighted average number of shares in issue ('000)	27 979	27 979

#### Consolidated statement of changes in equity

	Equity shareholders R000	Non-controlling interests R000	Total equity R000
Balance at 1 March 2008 - audited	126 410	3 887	130 297
Total comprehensive income for the year	10 244	182	10 426
Treasury shares utilised in business combinations	3 036	-	3 036
Dividends	(8 706)	(2 366)	(11 072)
Non-controlling interests on business combinations	-	3 421	3 421
Balance at 1 March 2009 - audited	130 984	5 124	136 108
Total comprehensive income for the year	14 129	(831)	13 298
Adjustments to contingent purchase considerations	(3 036)	-	(3 036)
Dividends	(6 123)	(500)	(6 623)
Disposal of shares in subsidiaries	-	(1 777)	(1 777)
Other changes in non-controlling interests	-	(3)	(3)
Balance at 28 February 2010 - reviewed	135 954	2 013	137 967

#### Consolidated statement of cash flows

	Reviewed 28 Feb 10 R000	Audited 28 Feb 09 R000
Cash flows from operating activities	7 444	6 404
Cash generated from operations	18 610	13 688
Investment income	2 057	2 711
Finance costs	(2 632)	(1 521)
Taxation paid	(10 591)	(8 474)
Cash flows from investing activities	2 962	(10 785)
Acquisition of property, plant and equipment	(7 778)	(3 793)
Proceeds on disposal of property, plant and equipment	250	119
Proceeds on disposal of non-current asset held for sale	10 000	-
Acquisition of intangible assets	(1 429)	(1 941)
Proceeds on disposal of intangible assets	-	163
Proceeds on disposal of associate	-	200
Contingent considerations received	2 765	-
Proceeds on disposal of subsidiaries	2 344	-
Investment in subsidiaries	(3 161)	(5 277)

Investment in associates	(29)	(256)
Cash flows from financing activities	4 058	(19 319)
Amounts advanced to associate	(330)	(11 913)
Amounts received from associate	-	5
Non-controlling interests' loans advanced	1 064	601
Loans receivable advanced	(406)	-
Loans payable advanced	10 425	2 488
Dividends paid	(6 695)	(10 500)
Increase / (decrease) in cash and cash equivalents	14 464	(23 700)
Cash and cash equivalents at beginning of the year	(7 285)	16 415
Cash and cash equivalents at end of the year	7 179	(7 285)

#### Selected explanatory notes

##### Basis of preparation and accounting policies

The preliminary condensed financial statements have been prepared in compliance with IAS 34: Interim Financial Reporting and the JSE Limited Listings Requirements.

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.

##### Independent review

The Company's auditors, PricewaterhouseCoopers Inc., have reviewed the preliminary condensed consolidated financial statements for the year ended 28 February 2010. Their unqualified report is available for inspection at the registered office of the Company.

##### Acquisition and disposals of subsidiaries

On 1 December 2009 the Group increased its shareholding in National Money Transfer (Proprietary) Limited ("NMT") from 17% to 83%. The increase was achieved through the acquisition of 49% equity for R1 960 and a further 17% through a share swap to the value of R680.

In addition, the Group acquired loan accounts for R1 798 040, and has advanced loans during the year of R1 361 498 (2009: R400 000), which have subsequently been capitalised to the cost of the investment.

The subsidiary was acquired with the intention to re-sell and accordingly has met the criteria to be consolidated on the basis of recording the fair value of the assets and liabilities of the held for sale disposal group as a single investment.

Refer to the note on non-current assets held for sale for further information regarding the disclosure of this transaction.

On 1 December 2009, the Group disposed of a 44.8% interest (previously 94.9%) in IQquad Technologies (Proprietary) Limited through a share swap in the NMT transaction.

A loss of R4 417 was made on the disposal.

On 1 March 2008 IQquad entered into an agreement to acquire 60% in ESS. Pursuant to the subscription and sale agreement, the ESS vendors warranted the consolidated audited normalised profits after tax of ESS for the financial years ending 28 February 2009 to 28 February 2011. The aforementioned profit warranties had not been achieved and therefore IQquad has elected to exercise its rights in terms of the subscription and sale agreement whereby:

- cash in the amount of R2 660 000 previously held in escrow was released to IQquad on 28 February 2010; and
- subject to shareholder approval, the IQquad shares transferred to the vendors will be re-acquired by IQquad, for no consideration, in terms of a specific repurchase. Shareholder approval will be sought to authorise the specific repurchase, however, this approval has not yet been obtained.
- this adjustment to the purchase consideration resulted in a reduction to goodwill of R5 251 000, which is included in the goodwill reconciliation below.

On 1 December 2009, the Group disposed of its entire shareholding in ESS. The selling price was R3 000 000 and the Group made a profit of R334 574 on the transaction.

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

	Reviewed 28 Feb 10 R000	Audited 28 Feb 09 R000
Balance at beginning of year	95 746	88 892
Additions through business combinations	-	9 837
Foreign exchange differences	-	(34)
Impairments	(233)	(2 949)
Adjustments to purchase price considerations	(6 692)	-
Disposals of shares in subsidiaries	(1 815)	-
Closing balance at end of year	87 006	95 746

Non-current assets held for sale and liabilities of disposal groups

	Reviewed 28 Feb 10 R000	Audited 28 Feb 09 R000
Non-current assets held for sale		
Investment in subsidiary	4 035	-
Investment in associate	-	10 000
Investment property	12 293	-
	16 328	10 000
Liabilities of disposal group (NMT)		
Available-for-sale liabilities	(362)	-

The Group acquired NMT with the intention to re-sell and as a result the investment and its related liabilities have been disclosed as held for sale.

Refer to the note on acquisitions and disposals of subsidiaries above for further information regarding this transaction.

At year end, the Company was involved in negotiations to dispose of a portion of the Port Elizabeth property which has been disclosed as held for sale. The sale was concluded subsequent to year end as set out below.

#### Other significant matters

Following completion of construction of the Group's office in Port Elizabeth, a section of the building has been allocated for purposes of rental earnings and capital appreciation. Accordingly, R13 million has been reclassified from property, plant and equipment to investment property in the consolidated statement of financial position.

Non-current borrowings have increased due to the additional draw down on the mortgage bond over this property with a corresponding decrease in current borrowings.

#### Contingent asset

Future revenue approximating R13 million (2009: R27 million), to be earned from incentive applications submitted to regulatory authorities but still awaiting approval for payment as at the statement of financial position date, has not been recognised as income in these financial statements in accordance with the Group's accounting policy on revenue recognition.

#### Subsequent events

As set out in the commentary above, the Group disposed of a portion of the Port Elizabeth property for R 14 million. A detailed SENS announcement, incorporating pro forma financial effects on the Group, will be disclosed to shareholders in due course. No other material events have been identified subsequent to the statement of financial position date of the Group up to the date of this report.

#### Dividends

The directors of IQuad are pleased to announce that they declared a dividend of 20 cents per share on 15 April 2010 and wish to ensure that shareholders receive payment thereof as expeditiously as possible in terms of the JSE Limited Listings Requirements.

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

Last day to trade cum-dividend	Friday, 7 May 2010
Trading ex-dividend commences	Monday, 10 May 2010
Record date	Friday, 14 May 2010
Payment date	Monday, 17 May 2010

Share certificates may not be dematerialised or rematerialised between Monday, 10 May 2010 and Friday, 14 May 2010, both days included.

#### Earnings, dividend and net asset value per share

	Reviewed 28 Feb 10 Cents	Audited 28 Feb 09 Cents
Headline earnings per share		
Headline earnings per share from continuing operations	46.2	56.4
Headline earnings per share from discontinuing operations	-	(6.0)
	46.2	50.4
Dividend per share		
Interim	8.0	11.0
Final	20.0	14.0
	28.0	25.0

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

	Reviewed R000 28 Feb 10	Audited R000 28 Feb 09
Profit attributable to equity shareholders of the Company	14 159	10 046
Goodwill impairments	233	2 949
Goodwill impairment of associate	-	986
Impairment of other intangible assets	-	460
Loss on disposal of property, plant and equipment	27	31
Fair value adjustment on remeasurement of disposal group held for sale	(95)	-
Revaluation of property, plant and equipment	-	(181)
Impairment of investment in associates	274	-
Profit on disposal of investments	(1 670)	(186)
Headline earnings for the year	12 928	14 105
	Unaudited 28 Feb 10	Unaudited 28 Feb 09
Net asset value per ordinary share	Cents	Cents
Net asset value per share	485.9	468.2
Net tangible asset value per share	164.5	115.8
Number of shares in issue ('000)	27 979	27 979

#### Discontinued operations

During the year the Group acquired a subsidiary with the intention to re-sell: the investment and its related liabilities have been disclosed as held for sale.

Discontinued operations related to the previous financial year have ceased operating or were disposed of shortly after year end.

	Reviewed 28 Feb 10 R000	Audited 28 Feb 09 R000
Analysis of the results of discontinued operations		
Revenue	-	1 279
Impairment of carrying value of associate	-	(1 486)
Equity-accounted losses of associate	-	(1 244)
Investment income	-	222
Finance costs	-	(100)
Other operating expenses	-	(3 204)
Net loss before taxation	-	(4 533)
Taxation	-	51
Loss for the year from discontinued operations	-	(4 482)

#### Segment report

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

The SBUs offer different services and are managed separately as they require different technology and marketing strategies.

#### Investment incentives

Includes 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

Offers import and export business solutions, including customs consulting, rebate administration, interest rate and forex risk management.

#### Business development

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

#### Verification services

Verifies BEE compliance, conducts quality assurance, VAT and customs audits

	Investment incentives	Global trade services	Business development	Verifi-cation services	Total
Operating segments					
2010 - reviewed	R000	R000	R000	R000	R000

#### Results

Revenue - internal	360	-	993	182	1 535
Revenue - external	39 892	26 695	8 580	4 234	79 401
Segment profit/(loss) before tax	16 077	8 722	(1 736)	(1 587)	21 476

	Investment incentives	Global trade services	Business development	Verifi-cation services	Total
Operating segments					
2009 - audited	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/(loss) before tax	14 444	12 076	(3 496)	(10)	23 014

	Reviewed 28 Feb 10 R000	Audited 28 Feb 09 R000
Segmental reconciliations		
Profit reconciliation		
Total profit before tax for reportable segments	21 476	23 014
Unallocated profits	7 639	17 720
Elimination of intersegment profits	(9 472)	(22 623)
Discontinued operations disclosed separately	-	4 533
Group profit before tax per statement of comprehensive income	19 643	22 644

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

For and on behalf of the board.

Dave Edwards  
(Chief Executive Officer)

Frans Botha  
(Financial Director)

15 April 2010

Port Elizabeth

Registered Office: 56 Mangold Street, Newton Park, Port Elizabeth, 6045

Directors: TB Hayter (Chairman); A da Costa#\*; FW Swart#; DM Edwards (CEO);  
S Totaram#; FJ Botha (FD); ZL Combi#; M Shaik Amod#\*

# Non-executive

\* Independent

Transfer Secretaries: Computershare Investor Services (Pty) Limited

Auditors: PricewaterhouseCoopers Inc.

Designated Adviser: PSG Capital (Pty) Limited