



A MESSAGE FROM THE CEO

Welcome to the first issue of *IQ News*. Our aim is to share information about trends and developments that are of interest to your business as well as ours.

BEE compliance remains a much discussed issue. Read more about the latest legislation [here](#). You'll also find features from some of the other strategic business units within IQad Group Limited.

Whatever role you play as a stakeholder in our Group, be it as a client, employee or supplier, in future we'd like to include your news and views too. Please let us have your feedback at info@iquad.co.za. We look forward to hearing from you.

Trevor Hayter,
IQAD Group Limited



BUSINESS BUZZES

ABOUT NEW BEE CODES

by Wade van Rooyen, IQad Verification Services (Pty) Ltd

No topic has repeatedly captured the attention of business more than the implementation of Broad Based Black

Economic Empowerment (B-BBEE). Unlike many other business issues, B-BBEE has been seen to cut to the heart of ownership structures, supply chains, growth strategies and personnel development. The publication of the codes of good practice in the government gazette on 9 February 2007 completed a series of processes in the implementation of the Broad Based Black Economic Empowerment Act 53 of 2003. These codes define the criteria a company must meet to be considered a contributor to B-BBEE.

While many of the principles remain unchanged, the codes have been simplified with a number of beneficial changes. These include exemption from compliance for companies with an annual turnover below R5million and an increased turnover limit to R35million for enterprises who qualify for compliance with a more relaxed scorecard. For the latter, Qualifying Small Enterprises (QSEs), there has been a shift of emphasis from the role of ownership in determining the B-BBEE status of a company to other aspects of empowerment like employment, skills development, procurement, enterprise development and corporate social investment. They can therefore determine their score using only four of the seven available indicators, making compliance easier.

Other beneficial changes include ongoing recognition for companies that have entered into ownership transactions, even after black shareholders have sold their shares. An adjusted gender recognition factor has also been implemented.

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DEALING WITH THE RAND

While companies and investors often look to economists for guidance on the outlook for financial markets there are times when economists appear to be uncertain in their views. This happens to be one of those times.

Although the merits for rand depreciation can be argued on grounds of a gradual global economic slowdown impacting on commodity prices and the local current account deficit, this would only be half the story.

The second half has to do with South Africa's ability to attract portfolio flows and fixed direct investment of the magnitude to finance the current account deficit. Doubt cast on how much more of these inflows SA can attract, has been contradicted by recent developments. Corporate SA remains for sale as many local companies continue to look attractive to foreigners who have instituted private equity deals and engineered significant merger and acquisition activity in order to take advantage of the country's growth prospects.

It is far from certain that the rand will simply succumb to the pressures of the current account deficit in 2007. Whilst the risk remains relatively high, uncertainty leaves many companies with a headache. How can they hedge their forex exposures when they have no clear cut view on the rand?


Holding a view on where the rand might end the year can be no more than an educated guess. In the best case scenario a company could find itself with a healthy FX profit; a result more likely of good fortune than great foresight. In the worst case scenario a company could find itself with a huge loss (remember SAA's hedging woes?) and in an uncompetitive position relative to its peers who may have adopted a different hedging technique.

Speculation is not the name of the game. The answer to dealing with rand volatility may lie more in the policy that a company adopts than the best economic forecast it may lay its hands on. For example, few companies calculate an acceptable costing rate for goods or services they are in the market to purchase or sell. Doing so would give a company a sense of the profit margins that could be gained or lost should the currency deviate from current levels.

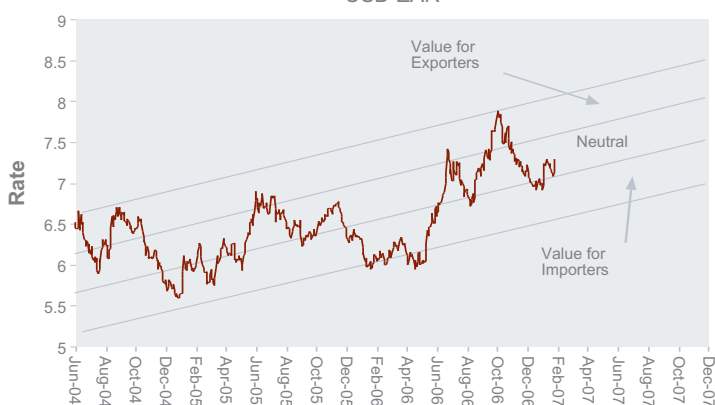
How much a company is willing to forego in terms of lost profit margin to expose themselves to the possibility of FX profits can be seen as the value at risk with which a company is prepared to "speculate". The idea is to reduce the hedging decision to some objective calculations and to remove from the

decision making process, as far as possible, feelings of greed and fear.

With this information, a company can have a better sense of whether the market has moved in their favour or not, given fresh developments. This, plus a non-biased view of the risks and opportunities that abound, can place a company in a stronger position to build a respectable hedging strategy.

Focusing on value bands relative to your company's costing rate can be of greater use to help achieve a foreign exchange related profit rather than focusing on just one forecasted data point for a specific date. 

USD-ZAR



by George Glynos, Econometrix Treasury Management (Pty) Ltd



(continued from page 1)

Procurement exclusions will benefit companies importing capital goods, components, and goods or services with exclusion being granted regardless of similar products being available in SA.

A revamp of criteria for Broad Based ownership schemes and trusts will place additional limitations on the extent to which they may be recognized and in future foreign owned multinationals may be exempted from Black ownership requirements if they comply with certain other pre-defined 'equity-equivalents'.

Before your company commences a

B-BBEE compliance strategy you should first identify whether you need a rating. The next step is to determine your current level of compliance and to identify weak areas that influence your score. It's advisable to conduct a scenario analysis to determine which changes will have the greatest impact on your scorecard at the lowest cost.

IQUAD Verification Services operates in accordance with combined DTI and SANAS criteria for the operation of Verification Agencies and can provide Verification Certificates, as well as offer scenario analysis and internal BEE training. 

The availability of attractive investment incentives must be recognized as an integral part of any local and foreign investment decisions...

THE FUTURE OF INCENTIVES...



by Dave Edwards, Indevco Business Consultants (Pty) Ltd

The Small Medium Enterprise Development Programme, temporarily suspended since August 2006, has since inception resulted in the Department of Trade and Industry (DTI) approving over 7 000 projects with a total investment of R36 billion and the creation of over 195 000 jobs.

The DTI is currently reviewing the programme in order to introduce a new package of incentives. Key sectors for incentivisation have been identified based on competitive advantage and the ability to create employment opportunities.

Government, when developing policy for future incentives, needs to consider other developing countries like Brazil, Chile, Poland, Hungary, India and Malaysia, for example, where incentives to attract investment include cash grants, corporate tax reductions, loan guarantees, training funds and infrastructure subsidies.

Because South Africa needs to compete with countries like these, the availability of attractive investment incentives must be recognized as an integral part of any investment decision. In addition, the

South African economy faces some unique challenges including skills and demographic challenges, high rates of unemployment, currency volatility and, most notably HIV/Aids. These challenges must be considered when developing policy for future incentive schemes.

In the past, delivery under the SMEDP has suffered with delays in the approval of applications and claims processing. A replacement incentive programme needs administrative processes to be streamlined and electronic submission of data enabled.

Finally, South Africa's population demographics and high unemployment levels necessitate that investment incentives be accompanied by skills development and training programmes such as the Workplace Skills Development Support Programme.

South Africa faces notable challenges in comparison to other developing countries with unemployment at 28% in comparison to comparator countries at only 9%. Foreign direct investment at 1.6% lags behind similar countries who are averaging 2.4% of GDP. 

Q&A

RISKY BUSINESS

Answered by Pierre Scholtz, IQuad Treasury Solutions (Pty) Ltd

Q What is Currency Risk?

"Risk" is defined as the possibility of incurring misfortune or loss as a result of an unexpected event or circumstance.

When applied to currency markets, risk refers to an unexpected movement in the exchange rate, contrary to what you were expecting or planning for and which can have a detrimental impact on your profitability.


Q How can I protect my company against currency risk?

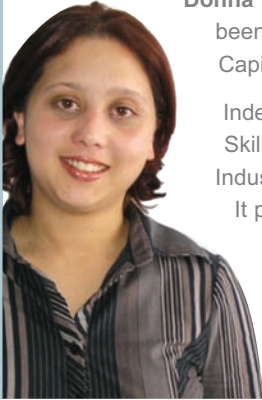
How you manage unexpected risk is vital in determining the impact currency movements will have on your business.

Various tools and products are available to importers and exporters that offer protection (hedging) against adverse currency market movements. Using one or a combination of these, can limit the impact of unexpected currency movements on your foreign exchange portfolio by locking into a fixed exchange rate.

Protection is provided by the effective use of hedging instruments and by offsetting same-currency assets and liabilities. The product you choose needs to be weighed up against your company's risk profile.

With active treasury management your company can employ strategies that track currency movements with trailing stop-losses, which means your portfolio can be ratcheted in line with favourable currency movements. When the market turns, impact can be limited by triggering trailing stop-loss that prompt the use of an appropriate hedging product.


It's best to determine how uncertainty will be managed before it happens. A risk management policy specifies the procedures and actions (and hedging instruments) to be taken when risk manifests. In this way, decisions can be made in terms of a policy that steers your company through a volatile market instead of being based on an emotional response. 



Donna Packham, an HR Honours graduate has been appointed to coordinate the Indevco Human Capital division.

Indevco Human Capital promotes and processes the Workplace Skills Development Support Programme, a Department of Trade and Industry (DTI) incentive, that is administered by the Department of Labour.

It provides training incentives for new or expanded companies. Up to 100% of some training costs are subsidised under the WSDSP, along with 50% of the salaries and wages of both trainees and trainers, over a three year period.

The Human Capital division advises clients on a range of training and human resource matters. 

IQUAD MERGES WITH IMS

IQUAD Group Limited recently increased its scope of business by signing a deal to acquire a stake in Integrated Management Systems (IMS), based in Port Elizabeth.

Since its inception in 1998, IMS has grown from strength to strength, boasting an impressive client base of both South African and International companies.

Mark Bodley, CEO of IMS and a founder member of The House of Quality Management Consultants, says "We offer extensive knowledge and experience in the implementation, maintenance and auditing of Quality and Safety Management Systems, as well as delivering the applicable training. We also use a core of highly experienced, qualified consultants and registered auditors."

IMS offers a high level of expertise in a number of professional and specialised services to SME's and large organisations.

With IMS, clients can enhance and manage the quality of their business by:

- Improving the company's performance
- Increasing customer confidence
- Improving process flow and productivity
- Implementing, maintaining and auditing Business, Environmental and Food Safety Management Systems. 



Mark Bodley (CEO of Integrated Management Systems (Pty) Ltd) and Trevor Hayter (CEO of IQUAD Group Limited) signing the merger agreement.

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Send your comments to:

The Editor, *IQ News*, PO Box 27253, Greenacres 6057
Telephone: +27 41 363 4169, Fax: +27 42 363 5173,
Email: info@iquad.co.za

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Help us make *IQ News* even more relevant

- What business or technical issues would you like to read more about in future?
- Would you prefer an electronic version or a printed version of *IQ News*?
- Let us know if there are any special areas of interest you would like covered in the 'Daily Economic Update' by Econometrix Treasury Management we will be releasing shortly.

Please send your feedback marked **For attention The Editor** to info@iquad.co.za



THE RELENTLESS PURSUIT OF MUTUAL VALUE

HEAD OFFICE
5 Mangold Street
Newton Park
Port Elizabeth
6045

POSTAL ADDRESS
PO Box 27253
Greenacres
6057

TELEPHONE
PE: +27 41 363 4169
CT: +27 21 657 2810
DB: +27 31 562 1500
JHB: +27 11 797 8400

E-MAIL: info@iquad.co.za
WEBSITE: www.iquad.co.za
FAX: 27 41 363 5173