

HIGHLIGHTS

- Assets under management: R3,1 billion
- Assets under administration: R1,1 billion
- Profit after tax: R4,3 million
- Positive cash flow generated by operations: R6,8 million

Unaudited Interim Financial Results

for the six months ended 28 February 2009

OVERVIEW

Amid the global financial turmoil, Efficient Financial Holdings (EFH) produced interim results which were in line with expectations.

A decline of over 33% in the JSE All Share Index (ALSI) over the six months to 28 February 2009 contributed to performance fees coming under pressure. This, combined with a reduction in the assets under management due to the significant fall in JSE equity values over the period, resulted in headline earnings per share of 11,71 cents, compared to 50,29 cents for the previous period.

Despite one of the worst ever periods of decline in global equities, the Group remains profitable and enjoyed positive cash earnings throughout the first six months of the financial year. If ever there was a period in which the business and business model were stress-tested, it was during this period.

1. The listing

EFH listed on the JSE on 20 April 2009 through the listing of 39,6 million shares. R39 million was raised during the private placement showing that even in tremulous equity market conditions, certain investors are still willing to take a longer-term view and make new investments.

The purpose of the listing was, amongst other reasons, to exploit acquisition prospects often evident during a strenuous economic environment.

2. Financial results

Revenue decreased from R44,8 million to R24,3 million mainly due to a decline in performance fees and the value of assets under management which are closely linked to the performance of the equity markets. Notwithstanding this, fixed fee income generated by asset management was only 7% lower than the comparative six month period.

Costs were well maintained and decreased by 1% while operations generated cash of R6,8 million before tax. The Group maintains a cash reserve of at least three months fixed cash expenses with no long-term debt.

3. Business segmental results

The Group constitutes three divisions, namely Asset Management, Asset Administration and Financial Services.

Asset Management:

Asset Management consists of the following subsidiaries: Efficient Group, Efficient International Investment, Multigro Capital and Valugro Capital.

The focus of the asset management division is to deliver returns in line with investment objectives whilst complying with investable benchmarks through the management of unit trust funds, unit trust funds of funds and private share portfolios, both local and international.

The revenues of this division were strained due to the decline in the value of the equity markets.

Efficient Group's revenue declined as a result of its main source being performance fees. The EFH investment committee has addressed the underperformance of key products in the company by enhancing the investment process through implementation of investable benchmarks. Particularly, the unit trust products have considerable earnings potential.

Efficient Group also offers economic research. Revenue generated from economic research increased by 75%.

In response to volatile equity markets and investors' need for manager diversification, EFH is at present finalising a new portfolio management product, which will increase the product offering, and will be rolled out to a broad client base in due course.

A good performance was seen from *Efficient International Investment* which reported a small maiden profit. *Multigro Capital* saw an increase in revenue of 9% but profits were lower due to an additional cost allocation for the increase in asset management research. *Valugro Capital's* revenue, which consists of fixed and performance fees, decreased as performance fees declined. An important investment was made in developing the systems and processes used at Valugro in order to improve performance and increase competitiveness.

At the end of the reporting period EFH had approximately R3,1 billion under management.

Asset Administration:

Efficient Collective Investments is responsible for the administration of approximately one third of the unit trusts under the Group's management. Administration of assets includes liability administration and asset administration such as daily pricing of unit trust funds. Assets under administration decreased due to market movement, resulting in lower profits.

Efficient Collective Investments will, in future, extend its asset administration services to other group funds. It had approximately R1,1 billion under administration on 28 February 2009.

Financial Services:

Financial services are conducted through FHS Financial Services (Cape Town) and FHS Financial Services (EB). Financial Services includes financial planning, investment advice and risk cover. A full range of Employee Benefits is offered by FHS Financial Services (EB).

Currently financial services are mainly offered through a partnership with PKF in Cape Town. The division's strategic development plan includes rolling out financial services to further Professional Service Providers.

The Employee Benefit segment of the Financial Services division is a relatively new profit centre and has good growth potential. FHS Financial Services (EB) will continue to focus its marketing effort on attracting SMME pension funds.

4. Acquisition activities

During the reporting period EFH acquired a 25,1% interest in Thebe Securities from Thebe Investment Corporation. This transaction was financed from cash generated by operations.

Thebe Securities is an independent full service stockbroker. The acquisition will play an important role in the expansion of the Financial Services division. Since the effective date of the acquisition, Thebe Securities contributed R118 427 to the after tax profit of the Group.

As part of EFH's strategic plan to establish a BEE partnership, EFH vendors sold 25,1% shares to Thebe Investment Corporation prior to listing.

5. Prospects

As mentioned, financial services are currently mainly offered through a partnership with PKF (Cape Town). Strategic development plans entail rolling out financial services to other Professional Service Providers.

Supplementary to the expansion plans of the Financial Services division, EFH is in the process of acquiring 100% of FH Financial Services (Newlands) which, while having a negligible impact on historic *pro-forma* headline earnings, could bring significant investment business income to the Group. This transaction falls below the JSE Listings Requirements threshold for categorisation.

Subsequent to the interim period, the JSE ALSI enjoyed an increase in equity prices. If sustained, this bodes well for the company. The "rolling period" and "high watermark" nature of the performance fee calculations of many of the Group's unit trust funds will however only benefit the company in its next financial year.

Management is confident that within the next 12 to 24 months, both global equity market asset values and the company's profitability will be much enhanced.

6. Strategy

The Group's strategy will be focused on the following key areas:

- Continuous product innovation
- Development of fund management systems and procedures
- Development of the Asset Management division's marketing and distribution capabilities across all areas
- Joint ventures with third party asset managers particularly with regard to marketing and distribution capabilities
- Financial Services roll-out through development of the relationship with PKF.

7. Dividends

The Group's dividend policy is to declare dividends bi-annually at the discretion of the board of directors, determined by the financial position of the Group and equal to 80% of the free cash flow of the Group. Free cash flow is calculated after making provision for a cash reserve equal to three months operating expenses, capital expenditure and budgeted acquisitions. Listing proceeds are excluded from free cash flow. In line with company policy no dividend has been declared for the current period.

8. Basis of preparation

The interim results have been presented on a consolidated basis and have been prepared in accordance with the International Financial Reporting Standards, the requirements of IAS 34 (Interim Financial Reporting), the JSE Listings Requirements, and the Companies Act of South Africa. The accounting policies applied are consistent with those applied in the previous interim and financial year end periods. These interim results have not been audited or reviewed by the Group's auditors, PKF (Jhb) Inc.

9. Changes to the board of directors

EFH restructured its board of directors shortly before listing in order to ensure a composition more closely aligned with the King Commission's recommendations and sound corporate governance principles. The number of executive directors was reduced from six to three with all the Group's fund managers stepping down to allow for the appointment of four additional non-executive directors. This will also allow the Group fund managers to focus their time on the future performance of funds and growth in assets.

The changes to the board are summarised below:

Appointment as non-executive directors:

- MC Khwinana – 30 January 2009
- LN Gadd – 30 January 2009
- M Cassim – 30 January 2009
- R Paterson – 17 March 2009

Resignations:

- B Bishop – 17 March 2009
- HB Hopking – 17 March 2009
- CN Snyman – 17 March 2009

Dawie Roodt

Chairman

Heiko Weidhase

Managing Director

28 May 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited six months ended 28 Feb 2009 R'000	Unaudited six months ended 29 Feb 2008 R'000	%	Audited 18 months ended 31 Aug 2008 R'000
			Change	
Revenue	24 290	44 780	(46)	101 079
Asset management fees				
– Fixed fees	6 285	6 791	(7)	14 904
– Performance fees	7 734	22 173	(65)	43 535
Asset administration fees	7 559	11 538	(34)	22 057
Financial services	2 503	4 158	(40)	20 012
Other	209	120	74	571
Investment income	1 174	2 088	(44)	4 961
– Interest received	1 174	1 598	(27)	4 085
– Profit on sale of investment	–	490	(100)	876
Total income	25 464	46 868	(46)	106 040
Operating expenses	(19 710)	(19 888)	1	(54 557)
– Commission, management fees and rebates	(4 201)	(6 206)	32	(17 932)
– Fixed expenses	(12 938)	(11 035)	(17)	(30 749)
– Non cash flow expenses	(2 571)	(2 647)	3	(5 876)
Income from associates	188	52	262	104
Profit before tax	5 942	27 032	(78)	51 587
Taxation	(1 651)	(8 669)		(16 923)
Net profit after tax	4 291	18 363	(77)	34 664
Attributable to:				
Equity holders	4 232	18 173		34 156
Minority interest	59	189		508
	4 291	18 362		34 664
Number of shares in issue	36 135	36 135		36 135
Weighted average number of shares	36 135	36 135		36 135
Earnings per share (cents)	11,71	50,29	(77)	94,52
Headline earnings per share (cents)	11,71	50,29	(77)	94,52

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited as at 28 Feb 2009 R'000	Unaudited as at 29 Feb 2008 R'000	%	Audited as at 31 Aug 2008 R'000
			Change	
Non-current assets				
Property, plant and equipment	1 953	2 687		2 199
Investment in associates	9 348	52		104
Other intangible assets	27 986	31 175		29 581
Goodwill	20 259	20 259		20 259
Deferred tax asset	1 778	391		497
	61 324	54 564		52 640
Current assets				
Trade and other receivables	5 166	5 894		5 366
Cash and cash equivalents	4 780	23 999		14 998
	9 946	29 893		20 364
Total assets	71 270	84 457		73 004
Equity				
Capital and reserves	58 530	59 884		53 732
Share capital and share premium	37 880	37 880		37 880
Treasury shares	(7 200)	(7 200)		(7 200)
Share-based payment reserve	1 984	661		1 477
Minority interest	96	189		37
Accumulated profits	25 770	28 354		21 538
Deferred tax liabilities	7 835	9 527		8 299
Current liabilities	4 905	15 046		10 973
– Trade and other payables	4 219	5 129		4 709
– Taxation payable	686	9 917		6 264
Total equity and liabilities	71 270	84 457		73 004
Net asset value per share (cents)	161,71	165,20		148,60
Net tangible asset value per share (cents)	28,20	22,86		10,67

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 28 Feb 2009 R'000	Unaudited six months ended 29 Feb 2008 R'000	%	Audited 18 months ended 31 Aug 2008 R'000
			Change	
Net cash inflow from operating activities				
Cash generated from operations	6 861	25 935		57 560
Finance income received	1 174	1 598		4 085
Dividends received from associates	69	–		–
Dividends paid	–	(6 502)		(25 888)
Tax paid	(8 975)	(9 330)		(20 759)
Net cash flow from operating activities	(871)	11 701		14 998
Acquisition of subsidiaries/associates	(9 124)	10 958		10 958
Proceeds from the sale of investments	–	11 093		13 898
Purchase of equipment	(223)	(1 698)		(2 070)
	(9 347)	20 353		22 786
Cash flow from financing activities	–	(9 563)		(26 419)
Cash and cash equivalents for the period	(10 218)	22 491		11 365
Cash and cash equivalents at the beginning of the period	14 998	1 508		3 633
Cash and cash equivalents at the end of the period	4 780	23 999		14 998

SEGMENTAL ANALYSIS

	Revenue		Profit before tax		Net asset value	
	Feb 2009 R'000	Feb 2008 R'000	Feb 2009 R'000	Feb 2008 R'000	Feb 2009 R'000	Feb 2008 R'000
Asset management	14 228	29 084	3 818	21 602	23 567	24 988
Asset administration	7 559	11 538	1 706	5 291	1 913	3 776
Financial services	2 503	4 158	1 682	2 543	3 795	2 279
Unallocated corporate expenses/net assets	–	–	(1 264)	(2 404)	29 255	28 841
	24 290	44 780	5 942	27 032	58 530	59 884

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Treasury shares R'000	Fair value adjustment assets – available-for-sale reserve R'000	Share-based payment reserve R'000	Minority interest R'000	Accumulated profits R'000	Total equity R'000
Opening balance							
March 2006	–	–	605	–	–	12 546	13 151
Fair value gains on financial instruments	–	–	1 809	–	–	–	1 809
Deferred tax on financial instruments fair value adjustments	–	–	(700)	–	–	–	(700)
Profit for the year	–	–	–	–	92	10 246	10 338
Dividends paid	–	–	–	–	–	(7 000)	(7 000)
Balance at 28 February 2007	–	–	1 714	–	92	15 792	17 598
Profit for the period	–	–	–	–	157	10 975	11 132
Dividends paid	–	–	–	–	(247)	(7 000)	(7 247)
Balance at 31 August 2007	–	–	1 714	–	2	19 767	21 483
Issue of share capital	37 880	–	–	–	–	–	37 880
Share repurchase	–	–	–	–	–	(4 800)	(4 800)
Amortisation of share-based payments	–	–	–	661	–	–	661
Treasury share	–	(7 200)	–	–	–	–	(7 200)
Transfer of fair value adjustment reserve on sale of asset	–	–	(1 714)	–	–	1 714	–
Profit for the period	–	–	–	–	189	18 173	18 362
Dividends paid	–	–	–	–	(2)	(6 500)	(6 502)
Balance at 29 February 2008	37 880	(7 200)	–	661	189	28 354	59 884
Amortisation of share-based payments	–	–	–	816	–	–	816
Profit for the period	–	–	–	–	162	5 008	5 170
Dividends paid	–	–	–	–	(314)	(11 824)	(12 138)
Balance at 31 August 2008	37 880	(7 200)	–	1 477	37	21 538	53 732
Amortisation of share-based payments	–	–	–	507	–	–	507
Profit for the period	–	–	–	–	59	4 232	4 291
Balance at 28 February 2009	37 880	(7 200)	–	1 984	96	25 770	58 530

EFFICIENT FINANCIAL HOLDINGS

Incorporated in the Republic of South Africa
(Registration number: 2006/036947/06)
Share code: EFF
ISIN: ZAE000133286

Non-executive directors

EA Hern*, MJ Giles*, MC Khwinana, LN Gadd, M Cassim, R Paterson
* Independent

Executive directors

DD Roodt, H Weidhase, AT de Klerk

Registered address

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Company secretary

AT de Klerk CA(SA)

Transfer secretaries

Link Market Services South Africa (Pty) Limited

Sponsor

Java Capital (Pty) Limited