

EFFICIENT FINANCIAL HOLDINGS LTD
Incorporated in the Republic of South Africa
(Registration number: 2006/036947/06)
Share code: EFF
ISIN: ZAE000133286
("EFH" or "the company")

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2009

1. COMMENTARY

Overview

That all was not well with the world became clear in the second half of 2007 when one after the other giant financial institution imploded in the United States. The impact of the crisis was little understood at the time, but gradually the size and scope of developments on financial markets became apparent as months progressed to years.

Despite one of the worst ever periods of decline in global equities, the Group remains profitable and enjoyed positive cash earnings before finance charges and tax paid.

Financial Results

The current financial year ended 31 August 2009 for 12 months, is compared to the previous reporting period of 18 months for the period ended 31 August 2008. It is important to note this difference in reporting periods when analysing the financial results.

A decline of over 30% in the JSE All Share Index (ALSI) in the first half of the financial year under review contributed to performance fees coming under pressure. This was exacerbated by a reduction in assets under management due to a significant fall in JSE equity values over the period. A resultant drop in revenue occurred from R101.0 million for the 18 months ended in August 2008 to R 40.8 million for the current financial year.

Due to the risks associated with performance fees, diversification of product offerings was included in the Group's strategic plan. The success of this approach is evident in the revenue growth of the Financial Services division, (as a percentage of total revenue) from 8% in the previous financial period to 12% in the current financial year.

In the contents of declining revenue expenses were curtailed, resulting in an after-tax profit of R 4.9 million for the year under review. As of the end of the financial year, assets under management amounted to just under R3 billion.

Operational headline earnings per share track the earnings performance for the year under review. Lower revenue countered by savings in expenses resulted in headline earnings per share of 12.82 cents, compared to 94.52 cents (calculated over 18 months) in the previous financial year. Headline earnings per share for the comparable 12 month period were 65.34 cents.

Despite global financial turmoil and unfavourable equity market conditions, the Group's core operations still generated cash of R 7.9 million.

Divisional overview

Asset Management

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

Their focus is on the risk/return profiles and objectives of the various investment products that are managed by the group, i.e. twelve unit trusts and a number of segregated investment mandates. Included are equity funds of various descriptions, both local and international, and a money market fund. Under normal market conditions, performance fees are an important source of revenue for Efficient Financial Holdings (EFH). Efficient Group also offers economic research to corporate clients.

The past financial year was a challenging year, exacerbated by the financial crisis, worldwide stock market collapses and a synchronized recession in many parts of the world.

Over the reporting period:

- Asset management contributed 58% to EFH revenue vs. 59% in 2008.
- The profit before tax contribution was 75% vs. 68% in 2008.
- Assets under management decreased by 30% against a backdrop of a 33% drop in the All Share Index up to March 2009. Outflows of funds were experienced across a range of products, from both institutional investors and private clients. More recently this trend has turned, with investors, in general, more optimistic about equity markets.
- Efficient International contributed 7% to profit before tax of asset management vs. 0% in 2008 which is included in the profit before tax contribution of 75% mentioned above.

A number of programs were initiated and/or implemented in the course of the past financial year:

- At Valugro external consultants were appointed to add value to the portfolio management systems and process, and to help define it in simple "industry" terms for easier marketing purposes. We anticipate an expansion in Valugro's client base going forward, especially with two fully focussed experienced sales consultants now in place.
- The EFH investment committee further enhanced its reporting and monitoring competence for all of the EFH investment products. The introduction of investable Benchmarks for all unit trusts early in 2009 was a major milestone for the committee. Going forward this should result in the profits of Asset Management being much more resilient in any future equity market "crashes".
- Marketing and distribution capabilities were expanded in the last quarter of the financial year. We expect this development to contribute significantly to sales in the next financial year.
- Product development continues with a new portfolio management product due for launch in the first quarter of the 2010 financial year.

Asset Administration

Efficient Collective Investments (ECI) is tasked with the administration of the unit trusts of the whole group. This includes liability administration (unit administration) and asset administration (daily pricing, etc.). Assets under administration decreased due to equity market movements, resulting in reduced revenue.

Asset administration contributed 31% to EFH revenue vs. 33% in 2008. The profit after tax contribution was 34% vs. 29% in 2008.

Financial Services

Financial services are conducted through Efficient Financial Services (EFS), FH Financial Services (EB) and C&A Financial Services. Financial services include financial planning, investment advice and risk cover. A full range of employee benefits is offered by FHS Financial Services (EB).

Financial Services contributed 12% to EFH revenue vs. 8% in 2008.

The profit after tax contribution was 50% vs. 10% in 2008.

EFS is focused on delivering a comprehensive financial solution in partnership with professional service providers and independent financial planners. The solution includes a comprehensive range of financial planning products and services covering investments, risk, fiduciary services and complimentary products and services. The objective is to leverage the Efficient brand and in the process expand and diversify the distribution of a range of products and services.

Acquisition activities

R 9.2 million was invested in expanding the Group's Financial Services product offering.

This investment was mainly applied to secure a 25.1% share in the BEE stock broker Thebe Securities on 1 December 2008 for a cash amount of R 8.9 million.

As part of the strategic plan to expand our financial services offering EFH acquired the remaining 60% share in the financial services company FH Financial Services (Newlands) (Pty) Ltd on 1 June 2009 for a cash amount of R 0.3 million. This company acquired contributed revenues of R 22 k and profit after tax of R 16 k to the group from the date of effective control to 31 August 2009. If the acquisition had occurred on 1 September 2008 the contribution to group revenue would have been R 149 k and the contribution to profit after tax would have been R 107k. The fair value of identifiable assets acquired and liabilities assumed were as follows:

Cash and cash equivalents	243
Trade receivables	13
Intangible assets	363
Deferred tax	(84)
Interest free liabilities	(126)
Tax payable	(86)
Trade payables	(23)
Net assets	300

Listing

EFH listed on the JSE on 20 April 2009 and raised net capital of R 14.6 million. The purpose of the listing, among other reasons, was to exploit acquisition prospects often prevalent in a strained economic environment. It also served to expand the Financial Services offering.

Prospects

Since March 2009, the JSE ALSI enjoyed an increase in equity prices and this bodes well for the Group, if sustained. The 'rolling period' and 'high watermark' nature of the performance fee calculation of many of the Group's unit trust funds, will also benefit the group in its next financial year.

Strategy

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

- Focusing on the Asset Management division's marketing and distribution capabilities across all areas
- Continuous product development
- Increase assets under administration
- Further expanding Financial Services through the development of relations with provisional service providers

Dividends

In line with company policy and after making provision for capital expenditure and the cash reserves from cash generated by operations, no dividend has been declared for the current period. The decision by the directors not to declare a dividend is supported by a prudent approach amidst uncertainty in financial markets.

The company'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 cash reserves equal to three months operating expenses, capital expenditure and budgeted acquisitions.

A dividend of R 36 thousand was distributed to the minority shareholder by a subsidiary of the Group, not wholly owned, during the period under review.

Basis of preparation

The audited consolidated Annual Financial Statements have been presented on a consolidated basis and have been prepared in accordance with the International Financial Reporting Standards, the JSE Listing Requirements and the Companies Act of South Africa. The accounting policies applied are consistent with those applied in previous reporting periods. The Consolidated Annual Financial Statements have been audited by PKF (Jhb) Inc. The 2009 unqualified audit report is available for inspection at the registered office of the company.

The condensed audited annual financial statements are prepared in accordance with the JSE Listing Requirements with specific reference to IAS 34 "Interim financial Reporting".

No significant events occurred subsequent to the financial year that requires any additional disclosure or adjustment to the annual financial statements.

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 additional non-executive directors.

The changes to the board are summarised below:

Appointed as non-executive directors:

- Dr S Booysen (Independent Chairman) - 1 September 2009
- MC Khwinana - 30 January 2009
- LN Gadd - 30 January 2009
- M Cassim - 30 January 2009
- R Paterson - 17 March 2009
- L Whitfield - 1 September 2009

Resignations from the board:

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

Steve Booysen
Chairman

H Weidhase
Managing Director

2. CONDENSED AUDITED CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2009

	31-Aug-09	31-Aug-08
	R'000	R'000
Non-current assets		
Property plant and equipment	1,631	2,199
Goodwill	20,259	20,259
Other intangible assets	26,357	29,581
Equity accounted investments	9,880	104
Deferred tax	1,936	480
	60,063	52,623
Current assets		
Trade and other receivables	4,535	5,366
Cash and cash equivalents	18,762	14,998
Tax receivable	962	-
	24,259	20,364
Total assets	84,322	72,987
Equity		
Capital and reserves	72,989	53,731
Share capital and share premium	53,839	37,880
Treasury shares	(7,200)	(7,200)
Share base payment reserve	-	1,477
Minority interest	81	36
Retained income	26,269	21,538
Non-current liabilities		
Deferred tax liabilities	7,365	8,282
Current liabilities	3,968	10,974
- Trade and other payables	3,968	4,709
- Taxation payable	-	6,265
Total Equity and Liabilities	84,322	72,987

Weighted-average ordinary shares in issue (000)	37 408	36 135
Net asset value per share (cents)	194.90	148.60
Net tangible asset value per share (cents)	70.280	10.67

3. CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 AUGUST 2009

	12 Months ended 31-Aug-09 R'000	18 Months ended 31-Aug-08 R'000
Revenue	40 836	101 079
Asset management fees		
- Performance fees	9 820	29 720
- Fixed fees	12 886	14 748
Asset Administration fees	12 745	22 057
Financial Services	4 861	9 414
Other	524	25 140
Operating Expenses	(37 496)	(54 558)
- Variable expenses	(7 718)	(17 932)
- Fixed expenses	(29 778)	(36 626)
Operating profit	3 340	46 521
Finance income	2 283	4 085
Other Income	53	877
Income from Associates	947	104
Profit before interest and tax paid	6 623	51 587
Finance cost	(43)	-
Profit Before Tax	6 580	51 587
Taxation	(1 714)	(16 923)
Net Profit After Tax	4 866	34 664
Attributable to:		
Equity holders	4 785	34 156
Minority interest	81	508
	4 866	34 664
Earnings per share (cents)	12.79	94.52
Headline Earnings per share (cents)	12.82	94.52

	31-Aug-09 R'000	31-Aug-08 R'000
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Headline earnings are calculated as follows:

- Attributable earnings	4 785	34 156
- Add: Scrapping of PPE	13	-
- Less: Taxation on scrapping of PPE	(4)	-
Headline earnings	4 794	34 156
Number of ordinary shares in issue at the end of the year	39 641	36 135
Weighted average number of ordinary shares in issue	37 408	36 135

4. CONDENSED AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2009

	Share Capital & Share premium R'000	Treasury shares R'000	Share base payment reserve R'000	Minority interest R'000	Retained income R'000	Fair value adjustme nt for avail- able - for-sale - assets reserve R'000	Total equity R'000
Opening balance - 1 March 2007	-	-	-	92	15,792	1,714	17,598
Issue of Share Capital	37,880	-	-	-	-	-	37,880
Repurchase of shares	-	-	-	-	(4,800)	-	(4,800)
Amortisatio n of share based payments	-	-	1,477	-	-	-	1,477
Treasury Share	-	(7,200)	-	-	-	-	(7,200)
Transfer of fair value adjustment reserve on sale of assets	-	-	-	-	1,714	(1,714)	-
Profit for the period	-	-	-	508	34,156	-	34,664
Dividends paid	-	-	-	(564)	(25,324)	-	(25,888)
Balance at 31 August 2008	37,880	(7,200)	1,477	36	21,538	-	53,731
Issue of Share Capital	14,622	-	-	-	-	-	14,622
Repurchase of shares	-	-	-	-	(62)	-	(62)
Amortisatio n of share based payments	-	-	(140)	-	-	-	(140)
Transfer of share based payment reserve	1,337	-	(1,337)	-	-	-	-
Pre acquisition	-	-	-	-	8	-	8

reserves acquired Profit for the period	-	-	-	81	4,785	-	4,866
Dividends paid	-	-	-	(36)	-	-	(36)
Balance at 31 August 2009	53,839	(7,200)	-	81	26,269	-	72,989

5. CONDENSED AUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2009

	12 Months Ended 31-Aug-09 R'000	18 Months ended 31-Aug-08 R'000
Cash generated from operations	7,858	57,519
Finance income	2,283	4,085
Interest paid	(43)	-
Dividends received from associates	118	-
Dividends paid	(36)	(25,888)
Tax paid	(11,476)	(20,760)
Cash inflow/(outflow) from operating activities	(1,296)	14,956
Acquisition of subsidiaries	(57)	10,958
Acquisition of associates	(8,944)	-
Proceeds from the sale of investments	-	13,898
Purchase of equipment	(370)	(2,071)
Cash inflow/(outflow) from investing activities	(9,371)	22,785
Issue of Share capital	14,622	-
Repurchase of shares	(62)	-
Interest free liabilities	(129)	(4,975)
Other loan payable	-	(5,688)
Loan receivable	-	(15,714)
Cash inflow/(outflow) from financing activities	14,431	(26,377)
Cash and cash equivalents for the year	3,764	11,364
Cash and cash equivalents at the beginning of the year	14,998	3,634
Cash and Cash equivalents at the end of the year	18,762	14,998

6. SEGMENTAL ANALYSIS FOR THE YEAR ENDED 31 AUGUST 2009

August 2009	Asset Manage- ment R'000	Asset Admini- stration R'000	Financial Services R'000	Other R'000	Total R'000
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Revenue	23,605	12,834	4,861	(464)	40,836
- External	23,141	12,834	4,861	-	40,836
- Inter - segment	464	-	-	(464)	-
Profit before tax	4,948	2,261	3,307	(3,936)	6,580
Assets	5,865	2,723	1,530	74,204	84,322
Liabilities	(19,240)	1,198	1,050	28,325	11,333
Acquisition of PPE	217	8	6	139	370
Depreciation and amortisation	447	22	57	3,986	4,512
Aggregated share of profit from associates	-	-	947	-	947

August 2008	Asset Management	Asset Administration	Financial Services	Other	Total
	R'000	R'000	R'000	R'000	R'000
Revenue	59,885	33,543	8,526	(875)	101,079
- External	59,010	33,543	8,526	-	101,079
- Inter - segment	875	-	-	(875)	-
Profit before tax	34,861	14,886	4,967	(3,127)	51,587
Assets	14,554	2,995	25,927	29,511	72,987
Liabilities	(6,216)	2,305	23,285	(118)	19,256
Acquisition of PPE	466	35	73	1,496	2,070
Depreciation, amortisation and share based payments	813	29	67	3,491	4,400
Aggregated share of profit from associates	-	-	104	-	104

7. CORPORATE INFORMATION

Non- executive directors

Dr S Booysen (Chairman)*, E Hern*, MJ Giles*, LN Gadd, MC Khiwana, M Cassim, R Paterson, L Whitfield.

*Independent

Executive directors

DD Roodt, H Weidhase, AT de Klerk

Registered and Business address

81 Dely Road, Hazelwood, 0181

Company secretary

Ithemba Governance and Statutory Solutions (Pty) Limited

Corporate advisor, legal advisor and sponsor

Java Capital (Proprietary) Limited

Reporting accountants and auditors

PKF (JHB) Inc.

Transfer secretaries

Link Market Services South Africa

NOTICE OF ANNUAL GENERAL MEETING

Shareholders are advised that EFH's annual report was dispatched today and contains a notice of Annual General Meeting for the company which will be held in the Efficient Financial Holdings Boardroom at 81 Dely Road, Hazelwood, Pretoria on Friday, 22 January 2010 at 10h00.

27 November 2009

Sponsor
Java Capital (Proprietary) Limited