

**EFFICIENT GROUP LIMITED**

(Incorporated in the Republic of South Africa)

(Registration Number: 2006/036947/06)

Share Code: EFG ISIN: ZAE 000151841

("Efficient")

**CONDENSED REVIEWED GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012****1. COMMENTARY**

Considering the changes that have taken place in the financial services industry over the past few years, we need to ensure that the practical roll-out of our business strategy is aligned with prevailing industry trends at all times. Whilst changes in the regulatory environment add additional costs to the business, they also provide us with an opportunity for accelerated growth. We have therefore, over the past two years and in line with our stated strategic intent, successfully invested in and implemented the infrastructure to support the additional regulatory requirements and the concomitant growth of our business, the scalability of which is now becoming evident.

Other changes and pressures affecting our industry include the uncertainty around global growth, changes in consumer savings and spending patterns, the use of technology, the multitude of regulatory initiatives, pressure on commissions and fees and the surfeit of similar investment products offered by numerous financial services providers.

The importance of a strong brand, distribution channel relationships, product competitiveness, the use of technology, product performance and differentiation, and staff retention will play an ever increasing important role in ensuring the sustainability of our business as a financial services provider. Over the past few years the Efficient Group has invested comprehensively in these areas and we are pleased to report on the substantial progress we have made with the majority of these key issues affecting our business. We can confidently report that we have built a foundation for growth.

**1.1 Financial Results**

In line with the group strategy to, amongst others, invest in the expansion of its distribution network (and the increase in support services associated with this growth), investment in our brand and the realignment of the asset management division, fixed expenses increased by 22%.

Although the success of the strategy rollout is already expressed in the growth in revenue from the financial services division and the increase in performance fees, the full effect of this strategy is expected to materialise in the next two financial years.

The poor performance of our investments in associates and the subsequent impairment of one of the investments is the main contributor to the loss reported by the group for

the year under review followed by the increase in expenses and lower fixed fees as a result of the assets under management.

A substantial share of the group's revenue is based on the value of assets under management, assets under administration and assets under advice.

Assets under management are represented by amounts invested in the unit trust funds, unit trust funds of funds and private share portfolios managed by the asset management division. The group has R 2 990 million (2011: R 2 965 million) assets under management. Assets under administration are represented by unit trust funds and unit trust funds of funds administered by the group.

Administration of assets includes liability administration and asset administration such as daily pricing of unit trust funds. The group administers assets amounting to R 2 177 million (2011: R 1 566 million).

Assets under advice are represented by client investments under a mandate in favour of Efficient Financial Services. Total investments by clients on a mandate amount to R 1 323 million (2011: R582 million).

Revenue increased by 14% compared to the previous financial year. For the 12 months ended 31 August 2012, the group generated R 55 million in revenue. Performance fees increased by 15%, in line with the growth in the JSE All Share Index.

The asset management division launched a fixed income fund to further enhance revenue. The positive effect of the performance fees and revenue from the new fund was eroded by lower fixed fees earned by the asset management division, mainly due to the cancellation of the ABSA mandates as reported in the previous integrated report, and lower fixed fee generating assets under management.

Asset administration revenue increased by 38% as a result of an increase in assets under management, and the increase in white label administration.

Financial services almost doubled its revenue by increasing the number of independent financial advisors from 17 to 36. In line with the increase in revenue the variable expenses also escalated and the net effect of the increase in revenue and variable expenses is the improvement of gross contribution (revenue less variable expenses) by financial services with 33%.

Fixed expenses increased by 22% due to the cost relating to the company's investment in its brand and distribution network and the realignment of the asset management division.

The company is reporting an operating loss for the financial year under review. The impairment of the investment in an associate and the losses from associates increased the operating loss. The operating loss was reduced by higher investment income on surplus funds and the profit with the sale of software developed by the Group.

Net tangible assets per share are reported at 59.94 cents (2011: 86.91 cents). The decrease in the net tangible assets per share is mainly due to the increase in the long-term liabilities (relating to the acquisitions of financial advisory client bases and the buy-out of the minority shareholder in Efficient Financial Services (Pty) Ltd) and the increase in trade and other receivables due to the increase in operational activities.

Cash and cash equivalents represent 66% (2011: 72%) of the net tangible assets. The reduction in cash and cash equivalents is due to the funding of the investment activities as detailed in the cash flow statement. The cash is reserved for the group's expansion and diversification strategy.

Cash of R 1.2 million (2011: R 8.7 million) was generated from operations for the 12 months ended 31 August 2012. Interest earned contributed R 1.5 million to the cash flow. The dividend paid in terms of the 2011 financial year and tax paid, reduced the cash inflow by R 1 million and R 1.1 million respectively. The cash utilised for investment activities of R9.8 million relates mainly to the acquisition of financial advisory client base and loans to Marion Technology (Pty) Ltd.

## **1.2 Operating overview**

Efficient Advise, our financial planning business, continued to make solid progress during the financial year, especially in the expansion of our distribution footprint across South Africa and in the expansion of its client base. Efficient Advise now has representation through branches and advisory agencies in all nine provinces across South Africa. During the year under review, 19 financial advisers joined Efficient Advise, growing the number of advisers to 36. Further infrastructure and support services have been put in place to underpin this division's rapid expansion. Going forward the focus will remain on increasing the number of advisers whilst ensuring that at Group level, through increased spending on branding, advertising and the roll-out of technology, we assist this distribution network to grow client numbers and revenue.

Efficient Advise was awarded Professional Practice status by the Financial Planning Institute of South Africa.

Efficient Select, our asset management business, delivered investment performance to clients in line with investment objectives and benchmarks. A fixed income division has also successfully been established, expanding the range of asset classes managed by Efficient Select.

Efficient Select received a Raging Bull award for the Efficient Active Allocation Fund in the Worldwide Asset Allocation Flexible Fund.

Efficient Transact, our asset administration business, remains focused on delivering administrative services of the highest quality. Our strategy for Efficient Transact provides for the acquisition or development of further administrative financial services offerings.

Efficient Capital, through its subsidiary Efficient Asset Finance, concluded the acquisition of Zeal Finance, expanding the number of asset finance intermediaries from two to twelve. With financing agreements with most financial institutions in place, Efficient Asset Finance is well positioned for servicing the white and yellow goods markets.

## **1.3 Cash Dividend**

A dividend of 2.60 cents per share was paid on 5 December 2011 from profits generated in the 2011 financial year. No dividend was declared in respect of the 2012 financial year.

#### **1.4 Changes to the board**

Jerry Mabena joined the board in August 2012 as a Non-Executive Director after the resignation of Lindiwe Gadd and her alternate Rapulane Mogototoane in June 2012. Ronald Paterson and his alternate, Linda Whitfield also resigned in September 2012. Mickey Giles resigned in October 2012.

#### **1.5 Basis of preparation**

The condensed preliminary group financial statements are prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards and presentation and disclosure requirements of IAS 34 (Interim Financial Reporting), the JSE Listing Requirements, the Companies Act of South Africa 2008 and the AC 500 series of Interpretation as issued by the APB. The accounting policies applied are consistent with those applied in the previous reporting periods.

The condensed group financial statements of Efficient Group Limited for the year ended 31 August 2012 have been reviewed by the company's auditor, KPMG Inc. In their review report dated 7 November 2012, which is available for inspection at the Company's Registered Office, KPMG Inc state that their review was conducted in accordance with the International Standard on Review Engagements 2410, Review of Interim Information Performed by the Independent Auditor of the Entity, which applies to a review of group preliminary financial information, and have expressed an unmodified conclusion on the condensed group preliminary financial statements.

The reviewed condensed group financial statements are prepared by Anton de Klerk (CA) SA, the Chief Financial Officer of Efficient Group.

**2. CONDENSED PRELIMINARY GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012**

<b>2.1 Condensed reviewed statements of financial position</b>	<b>Group 2012 R'000</b>	<b>Group 2011 R'000</b>	<b>Company 2012 R'000</b>	<b>Company 2011 R'000</b>
<b>Assets</b>				
<b>Non-Current Assets</b>				
Equipment (Note 1)	649	1 418	289	557
Goodwill	23 494	23 494	-	-
Intangible assets (Note 2)	20 784	21 803	-	-
Investments	5 625	3 297	152 509	143 574
Equity accounted investments (Note 3)	6 865	10 678	2 934	8 944
Long-term receivable (Note 4)	2 902	-	895	-
Deferred tax	256	250	168	125
	60 575	60 940	156 795	153 200
<b>Current Assets</b>				
Related party loans (Note 8.1)	-	-	26 396	21 754
Trade and other receivables	9 583	5 137	840	684
Cash and cash equivalents	15 861	25 070	589	11 916
Short-term portion of long-term receivables	1 042	-	494	-
Tax receivable	19	-	36	-
	26 505	30 207	28 355	34 354
<b>Total Assets</b>	<b>87 080</b>	<b>91 147</b>	<b>185 150</b>	<b>187 554</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital and share premium (Note 5)	58 657	57 221	171 862	170 426
Treasury shares	(149)	(149)	-	-
Accumulated income	9 933	22 938	8 777	15 839
Fair-value-adjustment reserve	39	(3)	-	-
<b>Total equity attributable to equity holders of the parent</b>	<b>68 480</b>	<b>80 007</b>	<b>180 639</b>	<b>186 265</b>
<b>Non-controlling interest</b>	(44)	69	-	-
<b>Non-Current Liabilities</b>				
Long-term liabilities (Note 6)	2 298	-	1 898	-
Deferred tax	4 854	5 721	-	-
	7 152	5 721	1 898	-
<b>Current Liabilities</b>				

Trade and other payables	9 615	5 078	2 613	1 289
Short-term portion of long-term liability	1 250	-	-	-
Tax payable	627	272	-	-
	<b>11 492</b>	<b>5 350</b>	<b>2 613</b>	<b>1 289</b>
<b>Total Liabilities</b>	<b>18 644</b>	<b>11 071</b>	<b>4 511</b>	<b>1 289</b>
<b>Total Equity and Liabilities</b>	<b>87 080</b>	<b>91 147</b>	<b>185 150</b>	<b>187 554</b>
Net asset value per share (cent)	169.59	200.32		
Net tangible asset value per share (cent)	59.94	86.91		

<b>2.2 Condensed reviewed statements of comprehensive income</b>	<b>Group 2012 R'000</b>	<b>Group 2011 R'000</b>	<b>Company 2012 R'000</b>	<b>Company 2011 R'000</b>
<b>Continuing operations</b>				
<b>Revenue</b>	55 433	48 782	11 758	10 687
Operating expenses	(58 516)	(45 190)	(13 133)	(11 461)
<b>Operating (loss)/profit</b>	(3 083)	3 592	(1 375)	(774)
Dividends received	-	110	-	-
Finance income	1 537	1 451	815	700
Finance cost	(26)	(165)	-	-
Profit on sale of equipment	436	48	4	34
Other expenses	(3)	-	1	-
Realised fair value adjustment of investment designated at fair value through profit or loss	247	-	-	-
Unrealised fair value adjustment of investment designated at fair value through profit or loss	285	-	285	-
Remeasurement of long-term liability	316	-	316	-
Impairment of investment in associates	(6 010)	-	(6 010)	-
Share of losses from associates	(1 983)	(241)	-	-
<b>(Loss)/profit before taxation</b>	<b>(8 284)</b>	<b>4 795</b>	<b>(5 964)</b>	<b>(40)</b>
Taxation	(147)	(1 704)	(60)	(310)
<b>(Loss)/profit for the year</b>	<b>(8 431)</b>	<b>3 091</b>	<b>(6 024)</b>	<b>(350)</b>
<b>Other comprehensive income:</b>				
Realised fair value adjustment of available-for-sale financial assets	(6)	-	-	-
Unrealised fair value adjustment of available-for-sale financial assets	48	(22)	-	-
<b>Total comprehensive (loss)/income for the year</b>	<b>(8 389)</b>	<b>3 069</b>	<b>(6 024)</b>	<b>(350)</b>
<b>(Loss)/profit for the year attributable to:</b>				
Equity holders of the parent	(8 407)	3 104	(6 024)	(350)
Non-controlling interest	(24)	(13)	-	-
	<b>(8 431)</b>	<b>3 091</b>	<b>(6 024 )</b>	<b>(350)</b>
<b>Total comprehensive (loss)/income for the year attributable to:</b>				
Equity holders of the parent	(8 365)	3 082	(6 024)	(350)
Non-controlling interest	(24)	(13)	-	-
	<b>(8 389)</b>	<b>3 069</b>	<b>(6 024)</b>	<b>(350)</b>
(Loss)/Earnings per share (cents) (Note 7)	(20.82)	7.77		
Diluted (loss)/earnings per share (cents) (Note 7)	(21.38)	7.77		

<b>2.3 Condensed reviewed statements of changes in equity</b>	Ordinary shares and share premium	Treasury shares	Non-controlling interest	Accumulated income	Fair value adjustment for available-for-sale-assets reserve	Total equity
Group	R'000	R'000	R'000	R'000	R'000	R'000
<b>Balance at 31 August 2010</b>	<b>54 189</b>	<b>(7 200)</b>	<b>672</b>	<b>30 699</b>	<b>19</b>	<b>78 379</b>
Prior year adjustment						
- Issue of share capital	1 763	-	-	-	-	1 763
<b>Restated balance as at 31 August</b>	<b>55 952</b>	<b>(7 200)</b>	<b>672</b>	<b>30 699</b>	<b>19</b>	<b>80 142</b>
Issue of share capital	1 269	-	-	-	-	1 269
Share repurchase by the Share Incentive	-	(149)	-	-	-	(149)
Acquisition of minority interest in Efficient Collective Investments (Pty) Ltd	-	-	(476)	(424)	-	(900)
Cancellation of treasury shares	-	7 200	-	(7 200)	-	-
Dividend paid	-	-	(114)	(3 241)	-	(3 355)
Total comprehensive income for the year	-	-	(13)	3 104	(22)	3 069
<b>Balance at 31 August 2011</b>	<b>57 221</b>	<b>(149)</b>	<b>69</b>	<b>22 938</b>	<b>(3)</b>	<b>80 076</b>
Issue of share capital	1 436	-	-	-	-	1 436
Acquisition of minority interest in Efficient Financial Services (Pty) Ltd	-	-	(69)	(3 580)	-	(3 649)
Disposal of 20% of the investment in Efficient Asset Finance (Pty) Ltd	-	-	(20)	20	-	-
Dividend paid	-	-	-	(1 038)	-	(1 038)
Total comprehensive loss for the year	-	-	(24)	(8 407)	42	(8 389)
<b>Balance at 31 August 2012</b>	<b>58 657</b>	<b>(149)</b>	<b>(44)</b>	<b>9 933</b>	<b>39</b>	<b>68 436</b>
Company	R'000	R'000	R'000	R'000	R'000	R'000
<b>Balance at 31 August 2010</b>	<b>167 394</b>	<b>-</b>	<b>-</b>	<b>19 324</b>	<b>-</b>	<b>186 718</b>
Prior year adjustment						
- Issue of share capital	1 763	-	-	-	-	1 763
<b>Restated balance as at 31 August</b>	<b>169 157</b>	<b>-</b>	<b>-</b>	<b>19 324</b>	<b>-</b>	<b>188 481</b>
Issue of share capital	1 269	-	-	-	-	1 269
Dividend paid	-	-	-	(3 135)	-	(3 135)
Total comprehensive loss for the year	-	-	-	(350)	-	(350)
<b>Balance at 31 August 2011</b>	<b>170 426</b>	<b>-</b>	<b>-</b>	<b>15 839</b>	<b>-</b>	<b>186 265</b>
Issue of share capital	1 436	-	-	-	-	1 436
Dividend paid	-	-	-	(1 038)	-	(1 038)
Total comprehensive loss for the year	-	-	-	(6 024)	-	(6 024)
<b>Balance at 31 August 2012</b>	<b>171 862</b>	<b>-</b>	<b>-</b>	<b>8 777</b>	<b>-</b>	<b>180 639</b>



<b>2.4 Condensed reviewed statements of cash flows</b>	<b>Group 2012 R'000</b>	<b>Group 2011 R'000</b>	<b>Company 2012 R'000</b>	<b>Company 2011 R'000</b>
<b>Cash flows from operating activities</b>				
Cash receipts from customers	50 987	49 480	11 602	10 622
Cash paid to suppliers and employees	(49 746)	(40 758)	(11 444)	(10 745)
Cash generated by /(utilised from) from operations	1 241	8 722	158	(123)
Finance income	1 537	1 451	815	700
Interest paid	(26)	(165)	-	-
Dividends received	-	110	-	-
Dividends paid	(1 038)	(3 355)	(1 038)	(3 135)
Taxation paid	(1 154)	(742)	(140)	(321)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>560</b>	<b>6 021</b>	<b>(205)</b>	<b>(2 879)</b>
<b>Cash flows from investing activities</b>				
Acquisition of business	(2 453)	(1 193)	-	-
Long-term loan to associate	(2 265)	-	-	-
Increase in long-term receivable	(1 624)	-	(1 389)	-
Acquisition of available-for-sale financial asset	(5 000)	(2 300)	(5 000)	-
Proceeds on the disposal of available-for-sale financial assets	3 247	-	-	-
Acquisition of non-controlling interest	-	(900)	-	-
Proceeds from disposal of equipment	1	-	-	-
Acquisition of equipment	(1 675)	(772)	(2 212)	(233)
	<b>(9 769)</b>	<b>(5 165)</b>	<b>(8 601)</b>	<b>(233)</b>
<b>Cash flows from financing activities</b>				
Share repurchase	-	(149)	-	-
(Decrease) / increase in related party loans	-	-	(2 521)	4 693
	<b>-</b>	<b>(149)</b>	<b>(2 521)</b>	<b>4 693</b>
<b>Total cash and cash equivalents movement for the year</b>	<b>(9 209)</b>	<b>707</b>	<b>(11 327)</b>	<b>1 581</b>
Total cash and cash equivalents at the beginning of year	25 070	24 363	11 916	10 335
<b>Total cash and cash equivalents at the end of the year</b>	<b>15 861</b>	<b>25 070</b>	<b>589</b>	<b>11 916</b>

## 2.5 Notes to condensed reviewed group financial statements

<b>1. Equipment</b>	<b>Opening Balance</b>	<b>Disposals</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Closing Balance</b>
Group - Aug 2012	R'000	R'000	R'000	R'000	R'000
Furniture, fixtures and office equipment	421	(2)	83	(218)	284
Computer equipment	828	(1 545)	1 592	(552)	323
Leasehold improvements	132	-	-	(99)	33
Other fixed assets	37	-	-	(28)	9
<b>Total</b>	<b>1 418</b>	<b>(1 547)</b>	<b>1 675</b>	<b>(897)</b>	<b>648</b>
Group - Aug 2011	R'000	R'000	R'000	R'000	R'000
Furniture, fixtures and office equipment	448	-	184	(211)	421
Computer equipment	657	8	582	(419)	828
Leasehold improvements	231	-	-	(99)	132
Other fixed assets	73	-	6	(42)	37
<b>Total</b>	<b>1 409</b>	<b>8</b>	<b>772</b>	<b>(771)</b>	<b>1 418</b>
Company - Aug 2012	R'000	R'000	R'000	R'000	R'000
Furniture, fixtures and office equipment	242	-	12	(109)	145
Computer equipment	176	(2 121)	2 199	(149)	105
Leasehold improvements	132	-	-	(99)	33
Other fixed assets	7	-	1	(2)	6
<b>Total</b>	<b>557</b>	<b>(2 121)</b>	<b>2 212</b>	<b>(359)</b>	<b>289</b>
Company - Aug 2011	R'000	R'000	R'000	R'000	R'000
Furniture, fixtures and office equipment	289	-	51	(98)	242
Computer equipment	138	-	182	(144)	176
Leasehold improvements	231	-	-	(99)	132
Other fixed assets	9	-	-	(2)	7
<b>Total</b>	<b>667</b>	<b>-</b>	<b>233</b>	<b>(343)</b>	<b>557</b>

A register containing the information required by paragraph 25(3) of Part C of Chapter 2 of the Companies Regulations 2011 is available for inspection at the registered office of the Company

	<b>Opening Balance</b>	<b>Disposals</b>	<b>Acquired through</b>	<b>Amortisation</b>	<b>Closing Balance</b>
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2. Intangible assets		business combination			
		R'000	R'000	R'000	R'000
Group - Aug 2012					
Trade Names	1 039	-	-	(66)	973
Customer contracts and customer relationships	20 764	(2 320)	4 833	(3 466)	19 811
<b>Total</b>	<b>21 803</b>	<b>(2 320)</b>	<b>4 833</b>	<b>(3 532)</b>	<b>20 784</b>
Group - Aug 2011					
Trade Names	1 105	-	-	(66)	1 039
Customer contracts and customer relationships	22 842	-	1 274	(3 352)	20 764
<b>Total</b>	<b>23 947</b>	<b>-</b>	<b>1 274</b>	<b>(3 418)</b>	<b>21 803</b>

The remaining useful life of the trade names is 15 years, and customer contracts and customer relationships are between 5 and 9 years.

### 3. Equity accounted investments

Name	Country of incorporation	Proportion of ownership interest	Principal activities
C & A Financial Services (Pty) Ltd	RSA	49.0%	Financial Services
Thebe Stockbroking (Pty) Ltd	RSA	25.1%	Financial Services
Marion Technology (Pty) Ltd	RSA	50.0%	IT Services
Efficient Financial Services (Namibia) (Pty) Ltd	NAM	50.0%	Financial Services

The Equity accounted investment consists of:	Group		Company	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
C & A Financial Services (Pty) Ltd	434	316	-	-
Thebe Stockbroking (Pty) Ltd	2 837	10 362	2 841	8 944
Marion Technology (Pty) Ltd	3 594	-	-	-
Efficient Financial Services (Namibia) (Pty) Ltd	-	-	93	-
	<b>6 865</b>	<b>10 678</b>	<b>2 934</b>	<b>8 944</b>

Reconciliation of the Equity	Group	Company
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accounted investments	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Opening balance	10 678	10 919	8 944	8 944
Loss for the year	(1 983)	(241)	-	-
Impairment of investment in associate	(6 010)	-	(6 010)	-
Elimination of inter-company profit on sale of equipment to associate	(285)	-	-	-
Realisation of inter-company profit on sale of equipment to associate	75	-	-	-
	2 475	10 678	2 934	8 944
Long-term loan to associate	4 390	-	-	-
<b>Investment in associate</b>	<b>6 865</b>	<b>10 678</b>	<b>2 934</b>	<b>8 944</b>

4. Long-term receivable	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
<b>Marion Technology (Pty) Ltd</b>	1 389	-	1 389	-
The loan to Marion Technology forms part of the acquisition of the 50% share in Marion Technology (Pty) Ltd. This loan is unsecured and repayable in 36 monthly instalments of R43 460.65 and bears interest at prime plus 2%				
<b>L. Benade</b>	2 555	-	-	-
The loan to L. Benade forms part of the acquisition of a customer base. This loan is unsecured and repayable in seven monthly instalments of R20 758.36, and then in 53 monthly instalments of R60 477.18. The loan bears interest at prime rate				
Less: Short-term portion of long-term receivable	(1 042)	-	(494)	-
	<b>2 902</b>	<b>-</b>	<b>895</b>	<b>-</b>

During the year under review, the number of shares authorised and in issue changed as follows:

5. Share Capital	Number of shares '000	R/share	R'000
<b>Authorised</b>			
As at 31 August 2011	361 350	0.00000277	1.0
<b>Issued:</b>			
At beginning of year	39 939	0.00000277	0.11
Add: Issue of ordinary shares (February 2012)	821	0.00000277	0.02
Issued share capital at the end of year	40 760	0.00000277	0.13

6. Long-term liabilities	Group		Company	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
<b>Vendor finance</b>	1 650	-	-	-
<p>This liability forms part of the acquisition of a customer base as referred to in the business combination note. This loan is unsecured and interest free. It is repayable in two instalments, one of R1 250 000 on 1 March 2013 and the balance on 1 March 2014.</p>				
<b>Shares to be issued</b>	1 898	-	1 898	-
<p>This liability relates to the acquisition of the non-controlling share (10%) held in Efficient Financial Services (Pty) Ltd from the managing director of that company. The amount is re-measured at the end of each reporting period.</p>				
	<b>3 548</b>	<b>-</b>	<b>1 898</b>	<b>-</b>
Less: Short-term portion	(1 250)	-	-	-
	<b>2 298</b>	<b>-</b>	<b>1 898</b>	<b>-</b>

7. Earnings per ordinary share	Group 2012 R'000	Group 2011 R'000
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### Weighted average number of ordinary shares

Number of shares in issue at the end of the year	40 760	39 939
Less: issue of ordinary shares during the year	(821)	(233)

	39 939	39 706
Add: Weighted average number of ordinary shares issued during the year	441	233

### Weighted average number of ordinary shares in issue

### (Loss)/Earnings per share (cents)

Attributable (loss)/earnings	(8 407)	3 104
Weighted average number of ordinary shares in issue	40 380	39 939

### Diluted (loss)/earnings per share (cents)

Diluted (loss)/earnings	(8 635)	3 104
Weighted average number of ordinary shares in issue	40 380	39 939

### Diluted (loss)/earnings are calculated as follows

Attributable (loss)/earnings	(8 407)	3 104
Less: Re-measurement of long-term liability	(316)	-
Add: Taxation on re-measurement of long-term liability	88	-

### Headline (loss)/earnings per share

Headline (loss)/earnings	(2 711)	3 104
Weighted average number of ordinary shares in issue	40 380	39 939

### Diluted headline (loss)/earnings per share

Diluted headline (loss)/earnings	(2 939)	3 104
Weighted average number of ordinary shares in issue	40 380	39 939

### Headline (loss)/earnings are calculated as follows

Attributable (loss)/earnings	(8 407)	3 104
Add: Impairment of investment in associate	6 010	-
Less: Profit on disposal of equipment	(436)	-
Add: Taxation on profit on disposal of equipment	122	-

### Diluted headline (loss)/earnings are calculated as follows

Headline (loss)/earnings	(2 711)	3 104
Less: Re-measurement of long-term liability	(316)	-
Add: Taxation on re-measurement of long-term liability	88	-

## 8. Related Parties

Group

Company

8.1 Loans to related parties	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
Efficient Collective Investments (Pty) Ltd	-	-	2 639	2 367
Efficient Select (Pty) Ltd	-	-	11 960	16 235
Efficient Financial Services (Pty) Ltd	-	-	6 118	2 459
Efficient Asset Finance (Pty) Ltd	-	-	921	278
Efficient Share Incentive Scheme Trust	-	-	149	149
Efficient Capital (Pty) Ltd	-	-	4 537	-
C & A Financial Services (Pty) Ltd	-	-	21	-
Efficient International Investments (Pty) Ltd	-	-	51	266
	-	-	<b>26 396</b>	<b>21 754</b>

The loans are unsecured, bear no interest and have no fixed repayment terms.

Included in the equity accounted investments is an amount of R93 000 owed by Efficient Financial Services (Namibia) (Pty) Ltd to Efficient Financial Services (Pty) Ltd and an amount of R4 297 000 owed by Marion Technology (Pty) Ltd to the Group.

Included in long-term receivable is an amount of R1 389 000 owed by Marion Technology (Pty) Ltd. Included in trade and other receivables is an amount of R260 809 owed by Marion Technology (Pty) Ltd, and included in trade and other payables an amount of R155 616 owed to Marion Technology (Pty) Ltd.

Included in long-term liability is an amount of R1 898 000 that relates to a share-base payment with a prescribed officer of the company.

8.2 Related party transactions	Group		Company	
	2012	2011	2012	2011

	R'000	R'000	R'000	R'000
Rent paid - Midnight Storm Investments 299 (Pty) Ltd	735	600	448	340
Administration fees and rent received - Efficient Select (Pty) Ltd	-	-	5 171	6 752
Administration fees and rent received - Efficient International Investments (Pty) Ltd	-	-	474	834
Administration fees and rent received - Efficient Collective Investments (Pty) Ltd	-	-	1 666	1 063
Administration fees and rent received - Efficient Financial Services (Pty) Ltd	-	-	5 177	1 794
Information Technology services paid - Marion Technology (Pty) Ltd	761	-	618	-
Rent received from Marion Technology (Pty) Ltd	13	-	-	-
Interest received from Marion Technology (Pty) Ltd	72	-	-	-
Service fees received by Efficient Collective Investments (Pty) Ltd from:	-	-	-	-
Efficient Prudential Fund	2 101	1 289	-	-
Efficient Prudential Fund of Funds	5 660	3 684	-	-
Efficient Flexible Fund of Funds	1 781	2 157	-	-
Efficient Money Market Fund	256	305	-	-
Efficient CPI + 2% Fund of Funds	394	163	-	-
Efficient CPI + 4% Fund of Funds	1 661	97	-	-
Efficient CPI + 6% Fund of Funds	596	109	-	-
Efficient Active Quant Fund	784	1 673	-	-
Efficient General Equity Fund	2 029	2 258	-	-
Efficient Active Allocation Fund	1 341	1 393	-	-
Efficient Fixed Income Fund	628	-	-	-
Efficient Property Fund	1 487	2 732	-	-

8.3 Transactions with directors and prescribed officers (including their families)	Group		Company	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
<b>Remuneration paid to executive directors and prescribed officers</b>				
- Remuneration	9 800	9 353	5 693	4 545
- Share-based payment	(49)	99	(28)	(40)
	<b>9 751</b>	<b>9 452</b>	<b>5 665</b>	<b>4 505</b>

## 9. Business Combinations



The group had the following business combinations and other acquisitions during the year under review:

On 1 September 2011 the Group purchased the non-controlling share (10%) held in Efficient Financial Services (Pty) Ltd from the managing director of that company. The total acquisition price is R3 649 625, and will be settled by issuing 820 500 Efficient Group Ltd shares on fulfilment of the suspensive conditions and a further allocation of shares when certain performance conditions are met over the next three years. This transaction forms part of the group's initiative to incentivise senior personnel on a group level rather than on a subsidiary level. This additional allocation will be limited to 1 265 000 shares.

The Group purchased a 50% share in Marion Technology (Pty) Ltd, an Information Technology company, in partnership with Marion IT Solutions (Pty) Ltd effective 1 April 2012. The acquisition price of R5 625 000 was settled in cash of R3,5 million and the balance by transferring software developed by Efficient Group Ltd to the acquired entity. The acquisition price was credited to a loan in favour of Efficient Group Ltd. This was a strategic acquisition that is important to support our information technology needs and the commercialisation of the Efficient Group investment reporting and information software.

Acquisition of a Financial Advisory Client base was purchased for a net amount of R580 000 and is payable in 4 instalments which is reviewed on the due date based on the profit guaranteed by the financial advisor. Efficient Financial Services (Pty) Ltd appointed an Independent Financial Adviser to service the acquired client base. The effective date of this transaction was 1 November 2011.

The Group also purchased 6 other Financial Advisory Client bases from various Independent Financial Advisers for a total purchase price of R450 653 which will be settled on different dates, in cash, based on the agreements.

Efficient Asset Finance acquired an asset-based finance business for a total purchase consideration of R1 08 million. Part of the purchase consideration (R756 000) was paid in cash on fulfilment of the suspensive conditions. The balance is payable on the first anniversary of the agreement subject to the achievement of anticipated turnover. The transaction was effective 1 June 2012.

The fair value acquisition is as follows:

	Group	
	2011	2012
	R'000	R'000
<b>Acquisition</b>		
Cash and cash equivalents	-	4
Gross trade receivables	643	103
Equipment	18	8
Intangible assets	4 833	1 274
Deferred tax	(550)	(238)
Trade payables	(517)	(112)
Net assets acquired	4 427	994
Goodwill	-	1 472
Less: Fair value of shares issued	-	(1 269)
Less: Long-term liability raised as part of the purchase price	(1 650)	-
Less: Other creditors raised as part of the purchase price	(324)	-
Less: Cash of business acquired	-	(4)
Cash paid on acquisition	2 453	1 193

**Disposal**

Intangible assets	(2 320)	-
Long-term receivable	2 320	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
<b>Net cash paid (received) on aquisition/(disposal) of business</b>	<b>2 453</b>	<b>1 193</b>
	<hr/>	<hr/>

## 10. Dividend paid

A dividend of 2.60 cents per share was paid on 5 December 2011 from profits generated in the 2011 financial year.

## 11. Impairment of investment in associate

Thebe Stockbroking (Pty) Ltd is a black empowered stockbroking company focusing on both the retail (private wealth) and institutional market. The institutional division is not profitable due to low volumes and the research cost required to attract institutional business.

The value in use was determined by discounting the future cash flows generated from the continuing use of the private wealth division and was based on cash flows that were projected on a 4-year forecast. Cash flows beyond this were extrapolated using a constant growth rate of 5%, which does not exceed the long-term average growth rate for the industry. The cash flows are discounted using a WACC of 21.31%.

Group		Company	
2012	2011	2012	2011
R'000	R'000	R'000	R'000
6 010	-	6 010	-

## 12. Events after reporting date

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

## 13. Contingent liabilities and capital commitments

The company issued a guarantee in favour of Old Mutual properties in terms of a lease agreement for Efficient Select (Pty) Ltd offices in Cape Town. Thebe Stockbroking (Pty) Ltd is a co-defendant in a matter in which the plaintiff is claiming damages of R 17.6 million plus interest. Thebe Stockbroking (Pty) Ltd disputes this claim and has, to this extent, instructed its lawyers to vigorously defend the claim. At the reporting date the litigation matter was yet to be resolved. The carrying amount of the investment is R2.8 million.

## 14. Prior period error

During the 2008 financial year, Efficient Group acquired FHS Financial Services (Pty) Ltd. The purchase consideration was settled by issuing Efficient Group shares. As part of the acquisition shares were issued to an option holder of FHS Financial Services (Pty) Ltd. This issue was not previously recognised. As a result the calculation of goodwill did not include the fair value of these shares. The following adjustment has been made at the beginning of the 2010 financial year:

	<b>Group</b>	<b>Company</b>
	<b>R'000</b>	<b>R'000</b>
	<b>Dr/(Cr)</b>	<b>Dr/(Cr)</b>
<b>Statement of financial position</b>		
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	1763	-
Investment in subsidiaries	-	1763
<b>Equity</b>		
Share capital and premium	(1763)	(1763)

Other than the entries above, no further changes were made to the 2010, 2011 and 2012 periods presented.

No impairment of this goodwill or investments were necessary in any of these years and as the consideration does not vary subsequent to the issue of the shares, there is no further impact on profit or loss. There has been no impact on basic or diluted earnings per share and headline earnings per share as the shares issued as consideration were previously included in the calculations.

## 15. Segmental analysis

### The Group is organised into 3 main business segments:

**1. Asset management**, and includes the following companies and divisions:  
Efficient Select and Efficient International Investments.

**2. Asset administration**, and includes the following companies:  
Efficient Collective Investments.

**3. Financial services**, and includes the following companies  
Efficient Financial Services, C&A Financial Services, Efficient Asset Finance and Thebe Stockbroking.

	Asset Management	Asset Administration	Financial Services	Other	Total
2012	R'000	R'000	R'000	R'000	R'000
<b>Revenue</b>	26 097	19 000	19 633	(9 297)	55 433
- External	18 983	19 000	17 008	442	55 433
- Inter - segment	7 114	-	2 625	(9 739)	-
Expenses	27 606	16 362	15 424	(876)	58 516
Interest received / (paid)	201	354	284	672	1 511
Net loss for the year	(683)	2 286	(8 673)	(1 361)	(8 431)
Assets	26 213	6 422	5 073	49 372	87 080
Liabilities	6 259	2 615	4 661	5 109	18 644
Acquisition of equipment	350	47	139	1 139	1 675
Depreciation and amortisation	2 488	52	474	1 415	4 429
Share of loss from associates	-	-	(1 489)	(494)	(1 983)
Impairment of investment in associate	-	-	(6 010)	-	(6 010)

	Asset Management	Asset Administration	Financial Services	Other	Total
2011	R'000	R'000	R'000	R'000	R'000
<b>Revenue</b>	30 643	15 943	8 916	(6 720)	48 782
- External	23 363	15 943	8 916	560	48 782
- Inter - segment	7 280	-	-	(7 280)	-
Expenses	25 503	14 638	9 721	(4 672)	45 190
Interest received / (paid)	430	229	131	496	1 286
Net profit for the year	4 063	1 141	(876)	(1 237)	3 091
Assets	42 496	5 356	5 190	38 105	91 147
Liabilities	21 906	3 354	4 074	(18 263)	11 071
Acquisition of equipment	383	27	132	238	780
Depreciation and amortisation	2 479	22	294	1 394	4 189
Share of profit from associates	-	-	(241)	-	(241)

Other consists of consolidation entries, amortisation of intangible assets and Efficient Capital. Transactions between segments take place at arm's length.

### **3. CORPORATE INFORMATION**

#### Non-Executive Directors

Dr S Booysen (Chairman) \*, Z Cele\*, L Taylor \*, M Cassim, J Mabena  
(\* ) Independent

#### Executive Directors

DD Roodt, H Weidhase, AT De Klerk

#### Registered and Business address

81 Dely Road, Hazelwood, 0081

#### Company Secretary

Adv Rudi Barnard

#### Corporate Advisor, Legal Advisor and Sponsor

Java Capital (Pty) Ltd

#### Reporting Accountants and Auditors

KPMG Inc.

#### Transfer Secretaries

Link Market Services South Africa

09 November 2012

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