

EFFICIENT GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration Number: 2006/036947/06)
JSE share code: EFG ISIN: ZAE000151841
(“Efficient” or “the Group”)

SUMMARISED AUDITED ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2014

HIGHLIGHTS

- + Revenue increased by 195%
- + Profit for the year increased from R2.5 million to R5.0 million
- + Normalised headline earnings per share increased from 5.62 cents to 14.15 cents
- + Cash generated from operations increased by 15% to R13.5 million
- + Dividend of 2 cents per share

1. COMMENTARY

We remain focused on building a quality financial services business using product performance and personal relationships with our clients as our strategic guides. Our corporate structure is streamlined, enabling our decision making process and ensuring that we execute our strategy and provide products and services that meet and exceed our client’s expectations.

The successful delivery of our strategy to clients lies in the ease of use, the timely delivery and communication, and the consistent performance of products and services.

Our achievements and successes in 2014

- + We established Boutique Investment Partners and welcomed a team of highly skilled and experienced investment professionals.
- + We concluded the transformation of Efficient Collective Investments to Boutique Collective Investments, significantly strengthening our collective investments, investment consulting and multi management capabilities. The collective investments team was expanded from 4 to 19 employees.
- + We concluded the acquisition of Verso Investment Services (Pty) Ltd (“Verso Investment Services”).
- + Efficient Advise, continued to deliver on its growth in the number of financial planners and its assets under advice and concluded an exclusive distribution agreement with BKB Ltd.
- + Efficient Select continued to make progress in the fixed income and private client divisions, both in terms of performance as well as net inflows.
- + Peter Hewett, the managing director of Efficient Advise, won the coveted 2014 FPI Financial Planner of the Year award.

Where our performance has fallen short

- + Efficient Select’s defensive positioning did not yield benchmark beating returns over the short term.
- + Efficient Asset Finance, formerly structured as a stand-alone entity under Efficient Capital, experienced numerous challenges during the year which affected its sustainability. The asset finance division struggled to gain traction and was accordingly restructured.

1.1 Financial Results

In support of our philosophy to create a sustainable and profitable business, the Group invested R141 million to expand our distribution network, grow our asset administration division and expand our product offering to include asset consulting. Acquisition activities account for R97 million of this investment and R44 million relates to the increase in the expense base associated with the expansion of the asset administration division and the business combinations concluded during the reporting period.

A substantial share of the Group's revenue is based on the value of assets under management, assets under administration, assets under consulting 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 R13 888 million (2013: R2 544 million) 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 R41 041 million (2013: R2 253 million). Assets under consulting represent assets on which Boutique Investment Partners supply investment consulting services, primarily consisting of portfolio construction, strategic and tactical asset allocation, and manager selection services. The Group consults on assets totalling R19 691 million (2013: Nil). Assets under advice are represented by client investments made on the recommendation of or with the guidance of financial advisors employed by Efficient Financial Services. Total assets under advice amounts to R8 945 million (2013: R2 264 million).

Revenue increased from R79 million to R233 million. The increase in revenue is a combination of organic growth in financial services, the effect of the acquisitions made during the reporting period and the expansion of the asset administration division. Revenue increased by 45% in the Financial Services division due to organic growth, the appointment of 20 additional Independent financial advisors and as a result of the 21% increase in the average income per advisor. The acquisition of Verso Investment Services contributed R43 million in additional revenue to Financial Services. The increase in assets under consulting and administration at Efficient Invest contributed R114 million to Group revenue. Compared to the previous period, performance fees in asset management declined by 74% primarily resulting from the fee alignment project embarked on in 2013, and below benchmark fund performance. Asset management base fees remain constant.

Verso Investment Services offers its clients a range of unit trust solutions. Multi manager fees generated from the Verso Investment Services solutions are included in the Financial Services business, and contributed to an increase in gross margin for financial services of 4%. Following the implementation of industry best practices in 2013 relating to fee structures in asset management, Efficient Select delivered lower asset management margins. The lower margin at Boutique Collective Investments is consistent with the higher Assets under Administration. We however expect margins to remain at current levels.

The relatively low increase in fixed expenses is a result of cost savings in the asset management division and lower incentive payments throughout the Group. Fixed expenses associated with the Verso Investment Services acquisition and the increase in assets under administration and consulting doubled the fixed expense base of the Group. Management is focused on ensuring that future increases in the fixed expense base are kept at acceptable levels.

The Group reports an operating profit of R6.7 million (2013: R2.2 million) for the financial year under review. The impairment of the investments in an associate and the losses from associates further decreased the operating profit. The profit after tax for the year ended 31 August 2014 is R5 million (2013: R2.5 million)

Net tangible assets per share are reported at 30.84 cents (2013: 72.38 cents). The lower net tangible assets per share is a result of cash utilised to acquire intangible assets and the increase in shares issued. At 31 August 2014 the Group had R34 million (2013: R19 million) cash and cash equivalents.

Cash of R13.5 million (2013: R11.7 million) was generated from operations for the 12 months ended 31 August 2014. The increase in working capital decreased cash and cash equivalents by R4.7 million. Net finance income earned contributed R1.4 million to the cash flow. Tax paid reduced the cash by R8 million. The cash utilised for investment activities relates mainly to the Verso Investment Services acquisition and the acquisition of financial advisory client bases. Net cash outflow from investing activities reduced cash by R42 million. The investments and working capital requirements were financed through a rights offer and borrowings from Standard Bank.

1.2 Operating overview

Efficient Advise (including Verso Investment Services) continues to deliver on its strategy of aggressively growing the distribution network, assets under advice and delivering quality financial planning and products to its client base. The business currently has 84 financial planners servicing clients in more than 30 towns and cities throughout South Africa. Our strategy remains to grow the distribution business to 135 financial planners by the end of 2015. Assets under Advice have grown to R8.7 billion through both organic growth as well as the acquisition of Verso Investment Services. The cross-selling of products and services across the client base has continued to improve and we expect this to accelerate going forward.

The core focus of the Efficient Select asset management division remains the achievement of consistent, long-term investment performance for its clients. In the past year further refinements were made to the Efficient Select strategy to enhance the services and products that are offered to clients. Changes to the fee structures, although necessary, unfortunately had a negative impact on the company's financial performance. However, from a strategic perspective Efficient Select is well poised to take advantage of opportunities in the boutique investment environment. In order to conclude the transformation from both a fund and fund of fund manager to a specialist fund manager, the management of the fund of funds (i.e. core solutions) has recently been outsourced to a specialist multi-manager, Boutique Investment Partners. Efficient Select will now focus solely on the management of specialist funds and private client portfolios. Whilst Efficient Select has delivered on a number of key objectives in the roll-out of its strategy, the business's key focus going forward remains the delivery of consistent investment performance in line with its objectives, growing assets under management and growing profitability.

Efficient Invest, consisting of Boutique Collective Investments (formerly Efficient Collective Investments) and Boutique Investment Partners, offer asset administration, asset management and asset consulting to their respective clients. Boutique Collective Investments focuses on the savings and investments needs of institutional and retail clients in South Africa, overlaid by a focus on boutique manager partnerships. The initial expectations for these two businesses have already been exceeded and we believe that Efficient Invest will make significant contributions to the Group's profitability going forward.

1.3 Conclusion

In line with our strategy we will continue to concentrate on growing our business organically, delivering quality investment products and services to our client base

| Key performance targets | 2015 target | 2014 |
|------------------------------|---------------|---------------|
| Number of financial planners | 135 | 84 |
| Assets under advice | R9.5 billion | R8.9 billion |
| Assets under management | R16.9 billion | R13.8 billion |
| Assets under administration | R45 billion | R41 billion |
| Assets under consulting | R23 billion | R20 billion |

Further key focus areas will be driving business revenue synergies and continuing the process of diversifying and expanding our business through appropriate transactions.

Going forward, we expect our financial results to continue to improve as the recent transactions are bedded down, revenue growth continues to accelerate and we benefit from the scalability of our cost structure.

1.4 Cash Dividend

Dividends are declared at the discretion of the board of directors, after taking the financial position of the group into consideration. As a guideline 80% of the free cash flow is paid as a dividend. Based on this policy the directors determined that a dividend of 2 cents per share will be paid.

The salient dates for this dividend payment are as follows:

| | |
|-----------------------------------|--------------------------|
| Last date to trade "cum" dividend | Friday, 28 November 2014 |
| Securities trade "ex" dividend | Monday, 1 December 2014 |
| Record date | Friday, 5 December 2014 |
| Payment date | Monday 8 December 2014 |

Share certificates may not be dematerialised or rematerialised between Monday, 1 December 2014 and Friday, 5 December 2014, both days inclusive.

Shareholders are advised of the following additional information:

- the dividend has been declared out of the 2014 profits;
- the local dividend tax rate is 15%;
- there is no secondary tax on companies credits utilised against the dividend;
- the gross local dividend amount is 2 cents per share;
- the net local dividend amount for shareholders:
 - exempt from payments of dividend tax is 2 cents per share
 - liable to pay the dividends tax is 1.7 cents per share
- the issued share capital of the company is 90 592 973 shares of R0.00000277 each; and
- the company's tax reference number is 9071679170.

1.5 Changes to the board

During the period under review there was only one change to the membership of the board and that was the appointment of Christo Burger as an executive director of the company on 1 April 2014. Christo was supported by an alternate, Fred Liedtke, until 31 August 2014. Subsequent to year end Mariam Cassim resigned and her resignation follows from her employment resignation at Thebe Investment Corporation.

1.6 Basis of preparation

These summarised Group financial results for the year ended 31 August 2014 constitute a summary, prepared in accordance with the framework concepts of the JSE Listings Requirements; the Companies Act 71 of 2008; the recognition and measurement requirements of International Financial Reporting Standards; the presentation and disclosure requirements of International Accounting Standard 34, excluding paragraph 16A(j), and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, of the Group's audited financial statements.

The accounting policies are in terms of International Financial Reporting Standards and consistent, except where new standards have been adopted, with those of the previous financial statements. New accounting standards adopted during the financial year had no significant impact on the measurement of the Group's assets and liabilities.

These summarised Group financial results do not include all of the information required for full financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 August 2014.

This summarised report is extracted from audited information, but is not itself audited. The audited consolidated financial statements and unmodified report, as issued by KPMG Inc., are available for inspection at the company's registered office. The directors take full responsibility for the presentation of the summarised report and for ensuring that the financial information has been correctly extracted from the audited consolidated financial statements.

The summarised financial results were prepared by Anton de Klerk CA (SA), the Chief Financial Officer of Efficient.

SUMMARISED STATEMENT OF FINANCIAL POSITION

| AS AT 31 AUGUST 2014 | | |
|--|------------------------|------------------------|
| | Group 2014 R'000 | Group 2013 R'000 |
| Assets | | |
| Non-Current Assets | | |
| Property and Equipment | 2 668 | 658 |
| Goodwill | 66 255 | 23 703 |
| Intangible assets | 102 637 | 17 821 |
| Investments | 6 761 | 9 252 |
| Equity accounted investments | 16 973 | 6 313 |
| Long-term receivables | 3 889 | 1 518 |
| Deferred tax | 3 736 | 1 344 |
| | 202 919 | 60 609 |
| Current Assets | | |
| Trade and other receivables | 56 507 | 8 565 |
| Cash and cash equivalents | 33 552 | 19 260 |
| Short-term portion of long-term receivables | 727 | 915 |
| Tax receivable | 1 231 | 302 |
| | 92 017 | 29 042 |
| Total Assets | 294 936 | 89 651 |
| Equity and Liabilities | | |
| Equity | | |
| Share capital and share premium | 150 325 | 58 657 |
| Treasury shares | (149) | (149) |
| Accumulated income | 18 441 | 12 453 |
| Fair-value-adjustment-reserve | 98 | 65 |
| Equity attributable to equity holders of the parent | 168 715 | 71 026 |
| Non-controlling interest | (1 041) | (13) |
| Total Equity | 167 674 | 71 013 |
| Non-Current Liabilities | | |
| Long-term liabilities | 25 244 | 715 |
| Deferred tax | 26 407 | 3 217 |
| | 51 651 | 3 932 |
| Current Liabilities | | |
| Trade and other payables | 64 485 | 13 460 |
| Short-term portion of long-term liabilities | 8 754 | 482 |
| Tax payable | 2 372 | 764 |
| | 75 611 | 14 706 |
| Total Liabilities | 127 262 | 18 638 |
| Total Equity and Liabilities | 294 936 | 89 651 |
| Net asset value per share (cent) | 186.23 | 174.25 |
| Net tangible asset value per share (cent) | 30.84 | 72.38 |

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2014

| | Group 2014 R'000 | Group 2013 R'000 |
|---|------------------------|------------------------|
| Revenue | 233 360 | 79 012 |
| Operating expenses | (226 673) | (76 772) |
| Operating profit | 6 687 | 2 240 |
| Dividends received | - | 88 |
| Finance income | 2 797 | 1 284 |
| Finance cost | (1 210) | (12) |
| Profit on sale of equipment | 24 | 60 |
| Profit on sale of shares in associate | 527 | - |
| Profit on sale of financial advisory client base | 35 | - |
| Other income/(expenses) | 619 | (3) |
| Realised fair value adjustment of available-for-sale financial assets | - | 51 |
| Fair value adjustment of investment designated at fair value through profit or loss | 926 | 1 301 |
| Re-measurement of liabilities | - | 2 222 |
| Re-measurement of loan to associate | - | 500 |
| Impairment of intangible asset | (1 070) | - |
| Impairment of investment in associate and loan to associate | (194) | (2 837) |
| Share of losses from associates, net of taxation | (839) | (1 091) |
| Profit before taxation | 8 302 | 3 803 |
| Taxation | (3 342) | (1 302) |
| Profit for the year | 4 960 | 2 501 |
| Other comprehensive income: | | |
| Items that may be reclassified subsequently to profit and loss | 33 | 26 |
| Realised fair value adjustment of available-for-sale financial assets | - | (51) |
| Unrealised fair value adjustment of available-for-sale financial assets | 33 | 77 |
| Total comprehensive income for the year | 4 993 | 2 527 |
| Profit for the year attributable to: | | |
| Equity holders of the parent | 5 988 | 2 520 |
| Non-controlling interest | (1 028) | (19) |
| | 4 960 | 2 501 |
| Total comprehensive income for the year attributable to: | | |
| Equity holders of the parent | 6 021 | 2 546 |
| Non-controlling interest | (1 028) | (19) |
| | 4 993 | 2 527 |
| Basic and diluted earnings per share (cents) | 8.53 | 5.57 |

SUMMARISED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2014

| | Ordinary shares and share premium | Treasury shares | Accumulated income | Fair value adjustment for available- for-sale- assets reserve | Total | Non- controlling interest | Total equity |
|---|--|--------------------|-----------------------|---|----------------|---------------------------------|----------------|
| Group | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Balance at 31 August 2012 | 58 657 | (149) | 9 933 | 39 | 68 480 | (44) | 68 436 |
| Non-controlling interest share of the issue of share capital by Efficient Asset Finance (Pty) Ltd | - | - | - | - | - | 50 | 50 |
| Total comprehensive income for the year | | | | | | | |
| - Profit / (loss) | - | - | 2 520 | - | 2 520 | (19) | 2 501 |
| - Other comprehensive income | - | - | - | 26 | 26 | - | 26 |
| Balance at 31 August 2013 | 58 657 | (149) | 12 453 | 65 | 71 026 | (13) | 71 013 |
| Issue of shares | 91 668 | - | - | - | 91 668 | - | 91 668 |
| Total comprehensive income for the year | | | | | | | |
| - Profit/ (loss) | - | - | 5 988 | - | 5 988 | (1 028) | 4 960 |
| - Other comprehensive income | - | - | - | 33 | 33 | - | 33 |
| Balance at 31 August 2014 | 150 325 | (149) | 18 441 | 98 | 168 715 | (1 041) | 167 674 |

SUMMARISED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2014

| | Group 2014 R'000 | Group 2013 R'000 |
|--|------------------------|------------------------|
| Cash flows from operating activities | | |
| Cash receipts from customers | 185 418 | 80 030 |
| Cash paid to suppliers and employees | (171 828) | (68 279) |
| Cash generated by operations | 13 590 | 11 751 |
| Interest received | 2 671 | 1 280 |
| Interest paid | (1 210) | (12) |
| Dividends received from associates | 216 | - |
| Taxation paid | (7 922) | (4 398) |
| Net cash inflow from operating activities | 7 345 | 8 621 |
| Cash flows from investing activities | | |
| (Acquisition)/disposal of business | (34 044) | (382) |
| Investment in associate | (7 751) | - |
| Long-term loan to associate | (1 062) | (1 059) |
| Decrease in long-term receivable | 511 | 123 |
| Acquisition of investments | - | (2 596) |
| Acquisition of financial assets | (1 065) | - |
| Decrease in long-term liabilities | (606) | (1 250) |
| Proceeds on the disposal of financial assets | 4 514 | 441 |
| Proceeds on sale of investment in associate | 527 | - |
| Proceeds from disposal of equipment | 34 | 63 |
| Acquisition of equipment | (2 693) | (612) |
| Acquisition of intangible asset | (14) | - |
| Net cash outflow from investing activities | (41 649) | (5 272) |
| Cash flows from financing activities | | |
| Decrease in long-term liabilities | (1 652) | - |
| Increase in loans from minority shareholding of subsidiaries | 1 324 | - |
| Issue of share capital | 48 924 | - |
| Non-controlling interest portion of share capital issued in subsidiary | - | 50 |
| Net cash inflow from financing activities | 48 596 | 50 |
| Total cash and cash equivalents movement for the year | 14 292 | 3 399 |
| Total cash and cash equivalents at the beginning of year | 19 260 | 15 861 |
| Total cash and cash equivalents at the end of the year | 33 552 | 19 260 |

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

| 1. Goodwill | Group 2014 R'000 | Group 2013 R'000 |
|--|---------------------------------|---------------------------------|
| Recognised on acquisition of business combinations | 66 255 | 23 703 |
| Impairment testing for cash-generating units containing goodwill: For the purpose of impairment testing, goodwill is allocated to the group's operating divisions which represents the lowest level within the group at which the goodwill is monitored for internal management purposes. | | |
| The aggregate carrying amounts of goodwill allocated to each cash generating unit are as follows: | | |
| Efficient Financial Services (Pty) Ltd | 10 622 | 10 428 |
| Efficient Select (Pty) Ltd | 13 275 | 13 275 |
| Verso Investment Services (Pty) Ltd | 42 358 | - |
| | 66 255 | 23 703 |
| Reconciliation of Goodwill: | | |
| Opening balance | 23 703 | 23 494 |
| Acquisitions | | |
| - Independent financial advisor client bases | 194 | 209 |
| - Verso Investment Services (Pty) Ltd | 42 358 | - |
| | 66 255 | 23 703 |
| Closing balance | 66 255 | 23 703 |

| 2. Intangible assets | Cost | Accumulated Amortisation and Impairment | Carrying Value |
|---|----------------|--|---------------------------|
| Group - Aug 2014 | R'000 | R'000 | R'000 |
| Trade names | 5 112 | (1 476) | 3 636 |
| Customer contracts and customer relationships | 126 928 | (27 927) | 99 001 |
| Total | 132 040 | (29 403) | 102 637 |
| Group - Aug 2013 | R'000 | R'000 | R'000 |
| Trade names | 1 758 | (851) | 907 |
| Customer contracts and customer relationships | 36 799 | (19 885) | 16 914 |
| Total | 38 557 | (20 736) | 17 821 |

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

| Reconciliation of intangible assets | Opening Balance | Impairment of intangible assets | Disposals | Acquisitions | Acquired through business combination | Amortisation | Closing balance |
|---|-----------------|---------------------------------|--------------|--------------|---------------------------------------|----------------|-----------------|
| Group - Aug 2014 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Trade names | 907 | - | - | - | 3 354 | (625) | 3 636 |
| Customer contracts and customer relationships | 16 914 | (1 070) | (264) | 14 | 90 088 | (6 681) | 99 001 |
| Total | 17 821 | (1 070) | (264) | 14 | 93 442 | (7 306) | 102 637 |
| Group - Aug 2013 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Trade names | 973 | - | - | - | - | (66) | 907 |
| Customer contracts and customer relationships | 19 811 | - | - | - | 746 | (3 643) | 16 914 |
| Total | 20 784 | - | - | - | 746 | (3 709) | 17 821 |

The remaining useful life of the trade names are between 3 and 13 years (2013: 14 years), and customer contracts and customer relationships are between 3 and 15 years (2013: 4 - 10 years). In 2012, Efficient Asset Finance (Pty) Ltd acquired an asset-based finance business to expand the product offering of the group. Due to industry changes the asset based finance product was scaled down to the extent that the acquired business was no longer profitable. The customer-related intangible assets were impaired to zero and the statement of comprehensive income debited with R1 052 000. Other impairments amounted to R18 000. All impairments costs were recognised in profit and loss.

3. Equity accounted investments

| Name | Country of Incorporation | Ownership interest | Principal activities |
|--|--------------------------|--------------------|----------------------|
| C & A F Financial Services (Pty) Ltd | | RSA 49.0% | Financial Services |
| Rudarius Capital Management (Pty) Ltd | | RSA 30.0% | Financial Services |
| Rebalance Fund Managers (Pty) Ltd | | RSA 28.0% | Financial Services |
| A S Sure Investment Services (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 |

Marion Technology (Pty) Ltd and Efficient Financial Services (Namibia) (Pty) Ltd are equity accounted investments because the group does not hold the majority of the voting rights nor does it have the authority to appoint the majority of the board.

| The Equity accounted investment consists of | Group 2014 R'000 | Group 2013 R'000 |
|--|------------------|------------------|
| C & A F Financial Services (Pty) Ltd | - | 487 |
| Rudarius Capital Management (Pty) Ltd | 329 | - |
| Rebalance Fund Managers (Pty) Ltd | 40 | - |
| A S Sure Investment Services (Pty) Ltd | 11 012 | - |
| Marion Technology (Pty) Ltd | 5 592 | 5 826 |
| Efficient Financial Services (Namibia) (Pty) Ltd | - | - |
| | 16 973 | 6 313 |

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

| 4. Long-term liabilities | GROUP | |
|---|---------|-------|
| | 2014 | 2013 |
| | R'000 | R'000 |
| 4.1 Vendor finance | 652 | 647 |
| These liabilities form part of the acquisition of customer bases. These loans are unsecured and interest free. These loans are repayable on various instalment dates and with various amounts. The last instalment is payable in September 2016. | | |
| Less: Short-term portion | (285) | (482) |
| | 367 | 165 |
| 4.2 Incentive liability | 928 | 550 |
| This liability relates to a percentage of an incentive scheme payment that is due to the asset managers, that is retained and payable after an agreed employment period. | | |
| Less: Short-term portion | (607) | - |
| | 321 | 550 |
| 4.3 Working capital loan | 28 687 | - |
| This liability relates to an amortising term loan from Standard Bank of South Africa to assist the subsidiaries with their respective working capital requirements. The loan bears interest at JIBAR plus 3.75% per annum and is repayable in 16 (sixteen) equal and quarterly payments of R1 912 500 plus interest accrued for the period. The loan is guaranteed by Verso Investment Services (Pty) Ltd, Verso Multi Managers (Pty) Ltd, Boutique Investment Partners (Pty) Ltd and Efficient Financial Services (Pty) Ltd. All loan covenants have been met. | | |
| Less: Short-term portion | (7 650) | - |
| | 21 037 | - |
| 4.4 PSJ Dynes and Associates | 635 | - |
| This loan is unsecured and bears no interest. The capital is repayable in 10 instalments, with a payment every 6 months, with the first instalment paid on 1 Dec 2011 and the last instalment payable on 1 June 2016. | | |
| Less: Short-term portion | (212) | - |
| | 423 | - |
| 4.5 A Knowles | 3 096 | - |
| On 1 August 2014 the company acquired 25.1% of the shares and voting interest in A S Sure Investment Services (Pty) Ltd. R 7 750 000 of the purchase price was settled in cash. The balance is payable on 1 August 2017 subject to the achievement of a profit target. No interest is charged on this liability | | |
| | 25 244 | 715 |

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

| 5. Earnings and diluted earnings per ordinary share | 2014 | GROUP | |
|---|-------|------------------------|-----------------------------------|
| | R'000 | 2013 Restated R'000 | 2013 Previously Reported R'000 |

Basic and diluted earnings per ordinary share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

Weighted average number of ordinary shares in issue

| | | | |
|--|---------------|---------------|---------------|
| Number of shares in issue at the end of the year | 90 593 | 40 760 | 40 760 |
| Less: issue of ordinary shares during the year | (49 833) | - | - |
| | 40 760 | 40 760 | 40 760 |
| Add: Rights issue bonus element | 4 476 | 4 476 | - |
| Add: Weighted average number of ordinary shares issued during the year | 24 975 | - | - |
| Weighted average number of ordinary shares in issue | 70 211 | 45 236 | 40 760 |

Basic and diluted earnings per share (cents)

| | | | |
|---|--------|--------|--------|
| Attributable earnings | 5 988 | 2 520 | 2 520 |
| Weighted average number of ordinary shares in issue | 70 211 | 45 236 | 40 760 |

Headline and diluted headline earnings per share (cents)

| | | | |
|---|--------|--------|--------|
| Headline earnings | 9.37 | 11.75 | 13.04 |
| Headline earnings | 6 577 | 5 314 | 5 314 |
| Weighted average number of ordinary shares in issue | 70 211 | 45 236 | 40 760 |

Headline and diluted headline earnings are calculated as follows

| | | | |
|---|-------|-------|-------|
| Attributable earnings | 6 577 | 5 314 | 5 314 |
| Attributable earnings | 5 988 | 2 520 | 2 520 |
| Profit on sale of equipment | (24) | (60) | (60) |
| Taxation on profit on sale of equipment | 7 | 17 | 17 |
| Profit on sale of shares in associate | (527) | - | - |
| Taxation on profit on sale of shares in associate | 98 | - | - |
| Impairment of intangible asset | 1 070 | - | - |
| Impairment of loan to associate | - | 2 837 | 2 837 |
| Profit on sale of financial advisory client base | (35) | - | - |

The weighted average number of ordinary shares in issue were amended to take account of the bonus element of the rights issue concluded in the 2014 financial year.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

6. Acquisition/(Disposal) of business

During the period under review the group acquired 100% of the voting rights in Verso Investment Services, and various financial advisory customer bases from independent financial advisors. A previously acquired customer base was sold during the year. In the 2013 financial year the group acquired various financial advisory customer bases from independent financial advisors.

Consideration transferred

The table below summarises the acquisition date fair value of each major class of consideration transferred:

| | Verso Investment Services | Financial advisory client bases | Total |
|--------------------------|---------------------------|---------------------------------|--------|
| Cash | 45 780 | 487 | 46 267 |
| Share capital | 38 272 | - | 38 272 |
| Contingent consideration | - | 208 | 208 |
| | 84 052 | 695 | 84 747 |

Share capital issued

Efficient Group Ltd's shares are closely held and the trade volumes are significantly lower than that of its peers. For this reason management believes that the listed share price of Efficient Group Ltd does not represent the fair value of the share. An independent valuation of Efficient Group Ltd was performed on 7 March 2014 to determine the fair value of Efficient Group shares at that date. The valuation was based on a discounted cash flow model. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 19.85%. Cash flows beyond that five-year period have been extrapolated using a steady 4% growth rate. This growth rate does not exceed the long-term average rate for the market in which the company operates. Management then applied a 20% lack of liquidity discount to determine the fair value.

Contingent consideration

The Group agreed to pay some of the Independent Financial Advisors that sold the customer bases to the group an additional consideration over the next 12 to 24 months when certain targets are met.

Acquisition-related cost

The Group incurred acquisition-related cost on legal fees, due diligence cost and other expenses. The table below summarises the cost:

| | Verso Investment Services | Financial advisory client bases | Total |
|---|---------------------------|---------------------------------|----------|
| Cost included in operating expenses | 2 184 | - | 2 184 |
| Cost deducted from share premium | 1 675 | - | 1 675 |
| | 3 859 | - | 3 859 |
| Identifiable assets acquired and liabilities assumed | | | |
| Identifiable assets acquired and liabilities assumed | 67 223 | 696 | 67 919 |
| Less: Deferred tax raised on intangible assets | (25 529) | (195) | (25 724) |
| | 41 694 | 501 | 42 195 |

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

6. Acquisition/(Disposal) of business (continued)

The valuation techniques used for measuring the fair value of intangible assets acquired were as follows:

Trade names

Relief-from-royalty method was used to calculate the intangible asset for trade names. This method considers the discounted estimated royalty payments that are expected to be avoided as a result of trade names being owned.

Customer related intangible assets

Multi-period excess earnings method was used to calculate the customer related intangible assets. This method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

| | Verso Investment Services | Financial advisory client bases | Total |
|---------------------------------------|----------------------------------|--|--------------|
| Consideration transferred | 84 052 | 695 | 84 747 |
| Fair value of identifiable net assets | (41 694) | (501) | (42 195) |
| Goodwill | 42 358 | 194 | 42 552 |

The goodwill is attributable mainly to the skills and technical talent of Verso Investment Services and the synergies expected to be achieved from integrating the company into Efficient Group's existing Financial Services business. None of the goodwill recognised is expected to be deductible for tax purposes.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

| 6. Acquisition/(Disposal) of business (continued) | GROUP | |
|---|---------------|---------------|
| | 2014 R'000 | 2013 R'000 |
| Net cash paid on acquisition of business: | | |
| Gross trade receivables | 2 510 | 1 140 |
| Equipment | 660 | - |
| Intangible assets | 93 443 | 746 |
| Deferred tax asset | 161 | - |
| Trade payable | (8 828) | (912) |
| Taxation payable | (480) | - |
| Cash and cash equivalents | 11 927 | - |
| Long-term liabilities | (31 474) | - |
| Identifiable assets acquired and liabilities assumed | 67 919 | 974 |
| Goodwill | 42 551 | 209 |
| Investment in subsidiary | - | - |
| Add: Long-term receivable raised as part of the purchase price | 280 | - |
| Less: Long-term liability raised as part of the purchase price | (488) | (247) |
| Less: Other creditors raised as part of the purchase price | - | (345) |
| Less: Deferred tax raised on intangible asset acquired | (25 721) | (209) |
| Less: Cash acquired | (11 927) | - |
| Less: Fair value of shares issued as part of the purchase price | (38 272) | - |
| Net cash paid on acquisition | 34 342 | 382 |
| Disposal | | |
| Intangible assets | (298) | - |
| Net cash received on disposal of business | (298) | - |
| Net cash paid on acquisition of business | 34 044 | 382 |

| 6.1 Related party transactions | GROUP | |
|---|---------------|---------------|
| | 2014 R'000 | 2013 R'000 |
| Rent paid - Midnight Storm Investments 299 (Pty) Ltd | 830 | 760 |
| Marion Technology (Pty) Ltd: | | |
| Information technology services paid and software development | 1 416 | 1 464 |
| Rent received | - | 32 |
| Interest received | 59 | 35 |
| Service fees paid to Rudiarius Capital Management (Pty) Ltd by Boutique Collective Investments RF (Pty) Ltd | 2 021 | - |

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

7. SEGMENTAL ANALYSIS

The group changed the reporting segments from the previous financial year, by separately disclosing Asset Administration and Consulting previously included in Asset Management. Asset Finance was consolidated with Financial Services and Verso Investment Services, acquired during the year, is also included in Financial Services.

The group is organised into 3 main business segments:

- 1. Asset management**, and includes the following companies and divisions: Efficient Select, Efficient Select Swaziland and Efficient International Investments.
- 2. Asset Administration and Consultation**, and includes the following companies and divisions: Boutique Collective Investments and Boutique Investment Partners.
- 3. Financial Services**, and includes Efficient Advise, Verso Investment Services, Verso Multi Managers, Efficient Asset Finance and C & A F Financial Services.

| | Asset Management | Asset Administration and Consultation | Financial Services | Other | Total |
|--|------------------|---------------------------------------|--------------------|----------|---------|
| 2014 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Revenue | 20 541 | 145 162 | 90 800 | (23 143) | 233 360 |
| - External | 7 950 | 143 925 | 80 998 | 487 | 233 360 |
| - Inter - segment | 12 591 | 1 237 | 9 802 | (23 630) | - |
| Operating expenses | 25 392 | 141 647 | 76 430 | (16 796) | 226 673 |
| Finance cost | - | 3 | 913 | 294 | 1 210 |
| Finance income | 175 | 1 092 | 799 | 731 | 2 797 |
| Impairment of investment in associates | - | - | 101 | 93 | 194 |
| Impairment of intangible assets | - | - | 1 070 | - | 1 070 |
| Net profit for the year | (3 327) | 3 251 | 9 349 | (4 313) | 4 960 |
| Taxation | (1 253) | 1 353 | 4 409 | (1 167) | 3 342 |
| Net Asset Value | 23 982 | 4 904 | (15 842) | 154 630 | 167 674 |
| Assets | 42 346 | 66 915 | 36 326 | 149 349 | 294 936 |
| Liabilities | 18 363 | 62 011 | 52 177 | (5 289) | 127 262 |
| Depreciation and amortisation | 2 570 | 344 | 966 | 4 761 | 8 641 |
| Share of profit/(loss) from associates | - | - | (2) | (837) | (839) |

| 2013 (Restated) | R'000 | R'000 | R'000 | R'000 | R'000 |
|--|--------|--------|---------|----------|---------|
| Revenue | 37 169 | 23 744 | 32 848 | (14 749) | 79 012 |
| - External | 23 969 | 23 744 | 30 876 | 423 | 79 012 |
| - Inter - segment | 13 200 | - | 1 972 | (15 172) | - |
| Operating expenses | 27 353 | 23 170 | 36 250 | (9 991) | 76 772 |
| Finance cost | 4 | 2 | - | 6 | 12 |
| Finance income | 274 | 426 | 266 | 318 | 1 284 |
| Impairment of investment in associates | - | - | - | 2 837 | 2 837 |
| Impairment of intangible assets | - | - | - | - | - |
| Net profit for the year | 7 300 | 845 | (1 910) | (3 734) | 2 501 |
| Taxation | 2 854 | 154 | (848) | (858) | 1 302 |
| Net Asset Value | 27 281 | 4 653 | (1 249) | 40 328 | 71 013 |
| Assets | 33 335 | 7 924 | 4 211 | 44 181 | 89 651 |
| Liabilities | 6 054 | 3 271 | 5 460 | 3 853 | 18 638 |
| Depreciation and amortisation | 2 396 | 15 | 601 | 1 297 | 4 309 |
| Share of profit/(loss) from associates | - | - | 53 | (1 144) | (1 091) |

Other consists of consolidation entries, amortisation of intangible assets, investments in associates, Efficient Capital and Efficient Group. All operations take place in southern Africa.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

8. Events after reporting date

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

2. CORPORATE INFORMATION

Non-Executive Directors

Dr SF Booyesen (Chairman)*, LC Cele*, L Taylor*, J Rosen*, JA Mabena , AP du Preez and MM du Preez#.

(*) Independent; (#) Alternate

Executive Directors

DD Roodt, H Weidhase, AT De Klerk, RH Walton and CP Burger.

Registered and Business address

81 Dely Road, Hazelwood, 0081

Company Secretary

Adv Rudi Barnard

Sponsor

Java Capital

Reporting Accountants and Auditors

KPMG Inc.

Transfer Secretaries

Link Market Services South Africa (Pty) Ltd

13 November 2014