EFFICIENT GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number: 2006/036947/06)
JSE share code: EFG   ISIN: ZAE 000151841
(the "**company**")

ACQUISITION BY THE COMPANY OF SHARES IN ARX INVESTMENT PARTNERS PROPRIETARY LIMITED AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. Introduction

Efficient shareholders are referred to the cautionary announcement dated 24 February 2015 and are advised that Efficient has entered into a sale of shares agreement between Efficient, ARX Investment Partners Proprietary Limited ("**ARX**") and Pangaia Holdings Proprietary Limited ("**Pangaia**"), Exceed Group Limited, The Pieteva Trust, The Jomajaro Trust, The Di Thaba Trust and Pieter de la Rouviere Stead (collectively, the "**sellers**"), dated 7 April 2015 (the "**sale of shares agreement**"), in terms of which, *inter alia*, Efficient purchases from the sellers, in two phases over a three year period, 100% of the issued share capital of ARX (the "**sale shares**") (the "**transaction**").

2. Business of ARX

2.1. ARX is the holding company of Stead Wealth Management Proprietary Limited, Exceed Asset Management Proprietary Limited and Exceed Private Client Services Proprietary Limited, all of which are wholly-owned subsidiaries of ARX (the "**ARX subsidiaries**").

2.2. ARX is a Category II discretionary financial services provider that manages more than R2.35 billion in various unit trust portfolios. ARX markets its products, branded as "Select Manager", through the ARX subsidiaries, all of which are authorised financial services providers, as well as through various other independent financial advisors located throughout South Africa.

2.3. Prior to the transaction, the business division of ARX specialising in investment advice for ultra-high net worth clients was sold to Pangaia, and this business division is therefore excluded from the transaction.

3. Rationale for the transaction

3.1. The transaction is in line with Efficient's acquisitive growth strategy. ARX and the ARX subsidiaries (the "**ARX group**") operate within Efficient's area of expertise, being financial services and investments, and offer multi-management to the clients of both the ARX subsidiaries and other independent financial services providers. The transaction is a good strategic fit for Efficient, in the sense that the advisory business of ARX, operated through the ARX subsidiaries, offers comprehensive quality investment advice to retail and corporate clients, which fits within Efficient's financial services strategy. The transaction will also increase Efficient's national footprint.

3.2. The positive impact of the transaction on Efficient as a business can best be illustrated as follows:

	Before transaction	*After transaction*
Financial planners	100	105
Assets under advice	R10.3bn	R11.9bn
Assets under management	R15.3bn	R17.7bn
Assets under administration	R50.9bn	R53.3bn

4. Share capital conversion

4.1. The transaction is subject to ARX dividing its current issued share capital into the following two classes of shares:

4.1.1. A shares, being ordinary no par value shares with full voting rights, carrying rights associated with the business and profit derived by ARX from financial service providers in which ARX has a controlling interest as at 1 March 2015 ("**internal FSPs**") ("**A shares**"); and

4.1.2. B shares, being ordinary no par value shares with no voting rights, carrying rights associated with the business and profit derived by ARX from financial service providers other than internal FSPs ("**external FSPs**") ("**B shares**"),

such classes of share representing two ring-fenced profit centres in respect of the business derived from internal FSPs and external FSPs, respectively.

5. Terms and conditions of the transaction

5.1. **The purchase of ARX shares**

5.1.1. Subject to the fulfilment or waiver, if applicable, of the conditions precedent set out in paragraph 5.2 below, Efficient will purchase the sale shares from the sellers as follows:

5.1.1.1. with effect from the date upon which the new ARX MoI (as defined in paragraph 5.2.1 below) is accepted and placed on file at the Companies and Intellectual Property Commission (the "**CIPC**"), Efficient will purchase from the sellers 71.127% of the issued A shares (or such other percentage of the issued A shares determined with reference to the audited profit after tax of the ARX group for the year ended 28 February 2015 attributable to internal FSPs, which other percentage is not expected to materially differ from 71.127%), for a purchase price payable in cash in the following tranches:

5.1.1.1.1. R15 000 000 on the date on which all the conditions precedent set out in paragraph 5.2 have been fulfilled or waived, as the case may be (which date is expected to be 30 April 2015);

5.1.1.1.2. R15 000 000 on 1 September 2015;

5.1.1.1.3. R15 000 000, plus 25% of annual profit after tax of the ARX group attributable to internal FSPs for the 12 month period ending 28 February 2016 less R14 461 106, on 1 March 2016;

5.1.1.1.4. R15 000 000, plus 25% of annual profit after tax of the ARX group attributable to internal FSPs for the 12 month period ending 28 February 2017 less R15 907 217, on 1 March 2017; and

5.1.1.1.5. 25% of annual profit after tax of the ARX group attributable to internal FSPs for the 12 month period ending 28 February 2018 less R17 497 939, on 1 March 2018; and

5.1.1.2. with effect from 1 March 2018, Efficient will purchase:

5.1.1.2.1. the remainder of the A shares held by the sellers as at 1 March 2018 (such that Efficient will then hold 100% of the issued A shares), for a purchase price equivalent to the market value of such A shares as at that date (calculated as set out in paragraph 5.1.2 below) (the "**A share purchase price**"), payable in cash; and

5.1.1.2.2. all B shares held by the sellers as at 1 March 2018 (such that Efficient will then hold 100% of the issued B shares), for a purchase price equivalent to the market value of such B shares as at that date (calculated as set out in paragraph 5.1.3 below) (the "**B share purchase price**"), payable as set out in paragraph5.1.4.

5.1.2. The market value of the A shares to be purchased, as contemplated in paragraph 5.1.1.2.1 above, will be calculated as 7 x PAT, where PAT is the profit after tax of the ARX group attributed to the A shares (i.e. the profit after tax in respect of the internal FSPs), calculated with reference to the 12 month period ending 28 February 2018.

5.1.3. The market value of the B shares to be purchased, as contemplated in paragraph 5.1.1.2.2 above, will be calculated as 4.5 x PAT, where PAT is the profit after tax of the ARX group attributed to the B shares (i.e. the profit after tax in respect of the external FSPs), calculated with reference to the 12 month period ending 28 February 2018. However, insofar as a controlling interest in an external FSP has been acquired by either ARX or the company at any time after 1 March 2015 but prior to 1 March 2018 (such external FSP then being referred to as a "**converted FSP**"), the market value of that portion of the B shares as is equivalent to the portion of profit after tax of the ARX group attributed to the B shares that is generated by converted FSPs (the "**converted FSP B shares**") will instead be calculated as 7 x PAT, where PAT is the profit after tax of the ARX group in respect of the converted FSPs only.

5.1.4. The B share purchase price (excluding that portion of the B share purchase price payable in respect of converted FSP B shares, if any) (the "**unconverted FSP B share purchase price**") shall be settled 90 days following the effective date of the company's purchase of the B shares, being 1 March 2018 (the "**Phase 2 completion date**"), by the *pro rata* allotment and issue of Efficient shares (the "**consideration shares**") to each of the sellers. The purchase price payable in respect of converted FSP B shares (the "**converted FSP B share purchase price**"), if any, shall be settled on the Phase 2 completion date, as to 65% thereof by way of the allotment and issue of consideration shares to each of the sellers, with the remaining 35% thereof payable in cash to the sellers. The total number of consideration shares issued (in respect of the settlement of both the unconverted FSP B share purchase price and the converted FSP B share purchase price) shall be determined by dividing the unconverted FSP B share purchase price or converted FSP B share purchase price, as the case may be, by (i) the 30 day VWAP of Efficient shares as at 1 March 2018 or, (ii) if either Efficient or any of the sellers deems such 30 day VWAP not to represent a fair value for the consideration shares, such other value determined by the parties in accordance with the provisions of the sale of shares agreement (the "**agreed value of consideration shares**"). If the agreed value of consideration shares is more than 10% lower than the 30 day VWAP of Efficient shares as at 1 March 2018, any issue of consideration shares in settlement of the B share purchase price beyond those consideration shares which would be issued on the basis of a 30 day VWAP calculation will require the approval of Efficient shareholders (i.e. where the proposed issue of consideration shares will dilute the shareholding of Efficient shareholders by more than 10% of what that dilution would be on the basis of a 30 day VWAP calculation, such dilution will require shareholder approval). Insofar as such approval is not obtained, the excess portion of the B share purchase price will instead be settled in cash.

5.1.5. Notwithstanding the aforegoing, the aggregate purchase price payable for all A shares and B shares purchased in terms of the transaction (the "**aggregate purchase price**") shall be capped at R122 200 000 (the "**capped purchase price**"). To the extent that the aggregate purchase price calculated pursuant to paragraphs 5.1.1 to 5.1.3 above exceeds the capped purchase price, the difference between the aggregate purchase price and the capped purchase price shall be set off firstly against that portion of the B share purchase price to be settled by way of the issue of consideration shares and thereafter, if necessary, against that portion of the B share purchase price to be settled in cash.

5.2. **Conditions precedent**

The transaction is subject to the fulfilment or waiver, if applicable, of the following conditions precedent (the "**conditions precedent**") by no later than 30 April 2015, or such later date as the parties may agree:

5.2.1. a new memorandum of incorporation (the "**new ARX MoI**") being adopted by ARX and lodged at the CIPC;

5.2.2. a shareholders agreement between the parties, in relation to their shareholding in ARX, being executed and such agreement becoming unconditional (save for any condition that requires the sale of shares agreement to become unconditional);

5.2.3. non-compete and restraint agreement(s) being executed between each of the sellers and Efficient in terms of which each of the sellers is, *inter alia*, restrained in respect of certain activities pursuant to the transaction and such agreement(s) becoming unconditional (save for any condition that requires the sale of shares agreement to become unconditional);

5.2.4. a three year exclusive licence agreement being executed with Exceed Group Limited, in respect of the use of the 'Exceed' name, and such agreement becoming unconditional (save for any condition that requires the sale of shares agreement to become unconditional);

5.2.5. an executive service level and/or restraint of trade agreement being executed between ARX and each of Ina Dugmore, Kobus Human, Pieter Stead, Suzette van Niekerk, Tenk Loubser and Johan van Heerden and such agreements becoming unconditional (save for any condition that requires the sale of shares agreement to become unconditional);

5.2.6. signed undertakings by the subsidiaries of ARX, in terms of which such subsidiaries agree to be bound by the provisions of the sale of shares agreement, being delivered to Efficient;

5.2.7. the parties to the sale of shares agreement, other than ARX and Efficient, providing Efficient with a written waiver of any rights they have in terms of section 123 of the Companies Act, 71 of 2008 (the "**Companies Act**"), to the extent applicable to the transaction;

5.2.8. the parties obtaining and/or fulfiling any other regulatory requirements, to the extent applicable for the purposes of the transaction, including compliance with any applicable requirements under the JSE Listing Requirements as well as in terms of section 122 of the Companies Act with regard to any filing requirements with the Takeover Regulations Panel;

5.2.9. ARX cancelling its co-naming agreement (and any addendums or other ancilliary agreements thereto) with MET Collective Investments (RF) Proprietary Limited;

5.2.10. the parties agreeing on a final dividend to be paid to the sellers, in respect of profits earned prior to 1 March 2015, as well as on the statement of financial position as at 1 March 2015, which the parties acknowledge can only be attended to once the statutory audit in respect of the financial year ended 28 February 2015 has been concluded;

5.2.11. the sellers providing Efficient with their respective banking details;

5.2.12. the sellers disclosing any and all matters that they deem necessary for purposes of the undertakings made and warranties given in terms of the sale of shares agreement;

5.2.13. the sellers providing Efficient with a comprehensive client list for each of ARX, Pangaia and the ARX subsidiaries; and

5.2.14. the parties agreeing on the allocation method to be applied to allocate operating expenses between A shares and B shares.

6. Financial information

	Total	Attributable to non-controlling interest	Attributable to equity holders of parents
The value of the net assets that are the subject of the transaction (as at 28 February 2015)	16 328 646	8 773 815	7 554 831
The profits attributable to the net assets that are the subject of the transaction (assuming the transaction was implemented as at 1 March 2014)	23 890 414	10 083 729	13 806 685

7. Compliance with the JSE Listings Requirements

7.1. The new ARX MoI will not frustrate the company in any way from compliance with its obligations in terms of the JSE Listings Requirements, and Efficient shall ensure that the memoranda of incorporation of the subsidiaries of ARX are, to the extent necessary, amended in order to ensure that such compliance is not frustrated.

7.2. Nothing contained in the new ARX MoI shall relieve the company from compliance with the JSE Listings Requirements.

8. Categorisation

The transaction will be categorised as a Category 2 acquisition in terms of the JSE Listings Requirements and accordingly will not require the approval of Efficient shareholders.

9. Withdrawal of cautionary

Shareholders are no longer required to exercise caution when dealing in their Efficient shares.

8 April 2015

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