

UNAUDITED INTERIM FINANCIAL RESULTS For the six months ended 28 February 2015

HIGHLIGHTS

- + Revenue growth of 651%
- + EPS growth of 152%
- + Assets under administration increased to R 51 billion
- + Assets under consulting increased to R 22 billion
- + Assets under management increased to R 15 billion
- + Assets under advice increased to R 10 billion

1. Nature of business

Efficient Group is the holding company of Efficient Advise, Verso Investment Services, Boutique Investment Partners, Boutique Collective Investments, Efficient Select and Naviga Solutions. The Group's businesses operate in the financial services sector and provide products and services relating to financial planning, asset management, asset administration and asset consulting to a diverse client base across southern Africa.

During the reporting period the Group operating structure was altered to better provide for the effective implementation of our corporate governance framework, the optimisation of cross-selling opportunities across the Group's businesses and the expected future growth. The new operating structure provides for 3 segments or divisions, comprising *Financial Services*, *Investments and Services and Solutions*.

2. Business segments

Business segments are made up of the following:

1. Financial Services

- a. Efficient Advise
- b. Verso Investment Services (VIS)

2. Investments

- a. Boutique Investment Partners (BIP)
- b. Boutique Collective Investments (BCI)
- c. Efficient Select

3. Services and Solutions

- a. Naviga Solutions

The *Financial Services division* includes our businesses that provide financial planning and financial products to our clients. VIS is currently being rebranded as Efficient Wealth.

The *Investments division* includes our businesses that offer asset administration, asset management and asset consulting services to a broad range of clients.

The *Services and Solutions division* includes our businesses that offer value-added financial services and solutions to

both our own Financial Services division as well as other financial services providers. Naviga Solutions offers a range of investment solutions to financial planners and clients with value-added services such as proposal- and report writing as well as software solutions for financial planning.

3. Commentary

Efficient Group has delivered sound interim results. Growth across the various divisions has been excellent with sustainable results achieved at all levels.

Confirming excellent sales performances, the growth in assets under advice, administration, consulting and management has been particularly pleasing, exceeding the 3.4% growth achieved by the JSE All Share Index over the reporting period.

We would like to thank our clients, business partners and staff for the contribution they have made towards this growth.

	Feb-15	Aug-14	Aug-13
Assets under advice	R 10.4 billion	R 8.9 billion	R 2.3 billion
Assets under administration	R 50.9 billion	R 41.0 billion	R 2.3 billion
Assets under consulting	R 21.9 billion	R 20.0 billion	-
Assets under management	R 15.3 billion	R 14.1 billion	R 2.5 billion

Financial Services

Assets under advice grew by 17% to R 10.4 billion over the reporting period. This is on the back of the continued growth in the number of advisors in the financial services businesses and the successful roll-out of our investment value propositions to clients of the financial services businesses. The current investment environment with low interest rates and positive equity markets also contributed to the growth.

Investments

The investments division delivered excellent results over the reporting period. Assets under administration grew by 24% to R 50.9 billion, assets under consulting by 10% to R 21.9 billion, and assets under management by 9% to R 15.3 billion. Notably, performance fees now make up less than 3% of our revenue.

Services and Solutions

During the reporting period Verso Multi Manager was rebranded as Naviga Solutions and the Efficient Select Fund of Funds Boutique was also incorporated into this entity. The value proposition of the business has been significantly enhanced and the entity is delivering good results. At the end of the reporting period this segment had R 6.2 billion of assets under management.

4. Financial results

Operating expenses consist of:

R'000	Unaudited Six Months ended 28-Feb-15	Unaudited Six Months ended 28-Feb-14	% Change	Audited Year ended 31-Aug-14
Operating expenses	330 075	44 760	>100%	226 673
- Variable expenses	245 968	15 734	>100%	123 710
- Fixed expenses	48 499	27 485	76%	83 750
- Profit share and staff incentives provision	29 602	(875)	(>100%)	10 572
- Non-cash flow expenses	6 006	2 416	>100%	8 641

Statement of Comprehensive Income

The Group generated a net profit after tax of R 12 million for the six months ended 28 February 2015 ("the reporting period"), compared to an after tax profit of R 2.7 million for the six months ended 28 February 2014 ("comparative period").

The Group reports headline earnings of R 12.8 million for the reporting period (R 2.5 million for the comparative period).

Revenue increased from R 46 million to R 345 million. The increase can be attributed to the following factors:

- ✦ Organic growth of the distribution network,
- ✦ The inclusion of the results from VIS acquired in the second half of the previous financial year,
- ✦ The substantial increase in assets under administration.

Performance fees as a percentage of total revenue is 3% compared to 12% for the comparative period. The financial performance dependency on performance fees has decreased considerably and the Group generates cash on a sustainable basis.

Variable expenses consist mainly of commissions paid to our financial advisors who deliver products and services to a retail and corporate client base, and the asset and liability administration costs of BCI. The increase in these expenses is attributable to, and in line with our expansion plans and growth in revenue.

The increase in fixed expenses relates to the inclusion of VIS and additional costs at BCI associated with the increase in assets.

The profit share provision is linked to the financial performance of *Efficient Invest*. *Efficient Invest* consists of *BIP* and *BCI*. Due to start-up costs, this division made a loss in the comparative period. Following on the increase in the assets under administration and consulting *Efficient Invest* is now profitable. The staff incentive provision is based on individual and the business unit's performance, in-line with the Group's Remuneration Policy.

Non-cash flow expenses relate to the amortisation of

intangible assets and depreciation of equipment. Customer related intangible assets account for the bulk of the assets assumed in the VIS acquisition and amortisation of this intangible asset explains the increase in non-cash flow expenses.

Income from Associates is boosted by the profits from AS Sure Investment Services (Pty) Ltd, in which we acquired a 25.1% interest in August 2014.

Investment income includes interest received on cash generated through operations, and finance cost relates to the costs associated with external funding to provide for the increased working capital requirements.

Statement of Financial Position

The notable increase in current assets and liabilities is attributable to the increase in business activity, predominantly as a result of the asset consulting team joining the Group, the expansion to increase assets under administration and the VIS acquisition.

The net tangible asset value per share decreased from 104.95 cents per share for the comparative period, to 46.79 cents per share for the reporting period. The lower net tangible asset value per share is a result of cash utilised to acquire intangible assets and the increase in the number of shares in issue.

Cash flow

The Group generated cash of R 21 million from operations before taking into account the movement in working capital.

5. Business segmental results

Financial Services

The core business of this division entails the delivery of comprehensive financial planning for the benefit of individual and corporate clients. This is achieved through the provision of an integrated financial planning solution to appropriately address clients' requirements for financial planning, investment management, risk cover, cash management, asset finance and fiduciary services.

The distribution network increased to 100 financial advisors (65 for the comparative period) through organic growth and the acquisition of VIS.

The financial services division reported revenue growth of 155% for the period under review. The increase is directly related to the expansion of the distribution network. Variable costs increased in line with the growth in revenue. The increase in fixed expenses is related to the VIS acquisition.

The profitability of the financial services division has improved from a loss of R 1.7 million to a break-even. We expect the profitability of the financial services division to continue to improve as a result of the economies of scale.

Investments

The core business of this division includes the administration of assets, asset consulting and asset management. This business segment reported revenue of R 284 million for the period under review, mainly as a result of the new investment consulting activities and the increase in assets under administration. Margins increased during the comparative period and are in line with the increase in activities in this segment. The increase in expenses relates to the increase in capacity at BCI, as a result of the growth in assets under administration. The business segment posted a profit after tax of R 4 million for the reporting period compared to a break-even performance for the comparative period.

The growth in this division has been primarily in the high volume, low-margin asset administration business, impacting on the overall profitability of this division. The success and the growth of this division is structured on the performance of the core management team. A profit share agreement, associated with the growth of the assets under administration and management has been implemented to compensate the team.

Services and Solutions

The core business of this division includes the provision and structuring of investment solutions to advisors and clients. This business segment reported revenue of R 18 million and a profit after tax of R 10 million for the period under review.

6. Acquisition activities and Subsequent events

Effective 1 March 2015 Efficient Group acquired 71% of the shares in ARX Investment Partners (Pty) Ltd (ARX) for a maximum consideration of R 123 million based on the future financial performance of ARX. See Key developments below.

7. Strategy

With its expansionary and progressive strategy, as outlined in the company's Integrated Report for the year ended 31 August 2014, the Efficient Group remains well positioned for future growth.

Our key focus areas remain:

- + to optimise return on capital employed,
- + to drive the organic growth of our core businesses and to enhance continuity across our business divisions,
- + to successfully integrate the acquisitions made during the last 12 months,
- + to successfully roll out Naviga Solutions.

8. Key developments

The acquisition of ARX effective 1 March 2015 (ARX Acquisition)

ARX is the consolidated businesses of ARX Investment Partners (Pty) Ltd, Stead Wealth Management (Pty) Ltd, Exceed Asset Management (Pty) Ltd and Exceed Private Client Services (Pty) Ltd.

The businesses operate in our area of expertise, being financial services and investments. The acquisition is a sound strategic fit in the sense that the advisory businesses - Stead Wealth and Exceed - offer comprehensive quality investment advice to retail and corporate clients. The acquisition of the two advisory businesses further increase our national footprint. ARX also offers multi management to the clients of Stead Wealth, Exceed and other financial services providers. The advisory businesses have five representatives and the necessary support teams to service their client base.

ARX generated revenue of R 53 million for the 12 months ending Feb 2015 and made a profit after tax of R 24 million. ARX has more than R 2.35 billion in assets under management.

In phase 1 of the transaction Efficient has acquired 71% of the A shares in ARX. The A shares are made up of all business generated by Stead Wealth, Exceed Asset Management and Exceed Wealth. This includes the advisory as well as the asset management of these businesses. The purchase consideration will be settled in cash in four tranches between 1 September 2015 and 1 March 2018.

Efficient will acquire the remaining 29% of the A shares in ARX on 1 March 2018, based on actual Profit After Tax of the A Shares at that point in time. This part of the acquisition will be settled in cash.

Efficient will also acquire 100% of the B Shares, which consists of asset management fees generated by external

clients of ARX, on 1 March 2018. This value will be calculated on the normalised sustainable profit generated for the 12 months ending 28 February 2018. This part of the acquisition will be settled through the issue of Efficient Group shares.

The total maximum consideration for the transaction is capped at R 123 million.

Sale of shares in Marion Technology

On 9 March 2015, Efficient Group concluded a sale of share agreement by which it sold its shareholding in Marion Technology to Athol Trust for R 60.00 and the settlement of our claims against Marion Technology of R 8.33 million. The claims will be settled through the payment of R 1.75 million in cash by 31 August 2015 and Efficient obtaining immediate joint ownership of software packages known collectively as FutureSight.

- + the issued share capital of the company is 90 592 973 shares of R0.00000277; and
- + the company's tax reference number is 9071679170.

10. Basis of preparation

The interim results for the six months ended 28 February 2015 are presented on a consolidated basis and 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 Listings Requirements, the Companies Act of South Africa and the SAICA Financial Reporting Guides as issued by the Accounting Practices Board. The accounting policies applied are consistent with those applied in the previous interim period and previous financial year-end, except where indicated differently. No material events occurred after the interim period which requires an adjustment to the financial information. These interim results have not been audited or reviewed by the Group's auditors, KPMG Inc. The condensed unaudited interim financial results are prepared by Anton de Klerk, the Chief Financial Officer of Efficient Group.

11. Changes to the board of directors

Mr F Liedtke and Ms M Cassim resigned as alternate directors of the Company on 1 September 2014 and 13 November 2014 respectively.

Steve Booyens
Chairman
 14 April 2015

Heiko Weidhase
Chief Executive Officer

9. Dividends

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 free cash flow is paid as a dividend. Based on this guideline the directors determined that an interim dividend of 5.88235 cents per share will be paid based on the interim results. No dividend was declared for the comparative period.

The salient dates for this dividend payment are as follows:

Last date to trade "cum" dividend	Thursday, 30 April 2015
Securities trade "ex" dividend	Monday, 4 May 2015
Record date	Friday, 8 May 2015
Payment date	Monday, 11 May 2015

Share certificates may not be dematerialised or rematerialized between Monday, 4 May 2015 and Friday, 8 May 2015, both days inclusive.

Shareholders are advised of the following additional information:

- + the dividend has been declared out of profits generated during the reporting period
- + the local dividend tax rate is 15%;
- + there are no secondary tax companies credits utilised against the dividend;
- + the gross local dividend amount is 5.88235 cents per share;
- + the net local dividend amount for shareholders:
 - + exempt from payment of dividend tax is 5.88235 cents per share
 - + liable to pay the dividends tax is 5.00000 cents per share

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unaudited Six Months ended 28-Feb-15	Unaudited Six Months ended 28-Feb-14	% Change	Audited Year ended 31-Aug-14
Revenue	344 556	45 888	>100%	233 360
Operating expenses	(330 075)	(44 760)	>100%	(226 673)
Operating profit	14 481	1 128	>100%	6 687
Dividends received	24	-	-	-
Finance income	3 412	979	>100%	2 797
Finance cost	(1 963)	-	-	(1 210)
Profit on sale of equipment	-	-	-	24
Profit on sale of share in associate	-	527	(100%)	527
Profit on sale of Financial Advisory Client base	-	-	-	35
Fair value adjustment of investment designated at fair value through profit or loss	250	697	(64%)	926
Other income	240	38	>100%	619
Impairment of intangible asset	-	-	-	(1 070)
Impairment of investment in associate and loan to associate	-	-	-	(194)
Share of profit/(losses) from associates, net of taxation	536	201	>100%	(839)
Profit before taxation	16 980	3 570	>100%	8 302
Taxation	(4 947)	(904)	>100%	(3 342)
Profit for the period	12 033	2 666	>100%	4 960
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Unrealised fair value adjustment of available-for-sale financial assets	362	-	-	33
Total comprehensive income for the period	12 395	2 666		4 993
Profit for the period attributable to:				
Equity holders of the parent	12 779	2 866		5 988
Non-controlling interest	(746)	(200)		(1 028)
	12 033	2 666		4 960
<i>Total Comprehensive income for the period attributable to:</i>				
Equity holders of the parent	13 141	2 866		6 021
Non-controlling interest	(746)	(200)		(1 028)
	12 395	2 666		4 993
Number of shares in issue ('000)	90 593	53 446		90 593
Weighted average number of shares ('000)	90 593	51 132		70 211
Diluted Weighted average number of shares ('000)	90 593	51 132		70 211
Basic and diluted earnings per share (cents)	14,11	5,61	>100%	8,53
Headline and diluted headline earnings per share (cents)	14,11	4,86	>100%	9,37
Headline and diluted headline earnings are calculated as follows:				
Attributable earnings	12 779	2 866		5 988
Impairment of intangible asset	-	-		1 070
Profit on sale of equipment	-	-		(24)
Taxation on profit on sale of equipment	-	-		7
Profit on sale of share in associate	-	(527)		(527)
Taxation on Profit on sale of share in associate	-	148		98
Profit on sale of Financial Advisor client base	-	-		(35)
Headline earnings	12 779	2 487		6 577

SUMMARISED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited as at 28-Feb-15	Unaudited as at 28-Feb-14	Audited as at 31-Aug-14
Assets			
<i>Non-current assets</i>			
Property and equipment	2 361	1 702	2 668
Goodwill	66 353	23 726	66 255
Intangible assets	97 670	15 779	102 637
Investments	7 877	5 228	6 761
Equity accounted investments	17 341	6 481	16 973
Long-term receivables	3 204	6 134	3 889
Deferred tax	9 256	2 014	3 736
	204 062	61 064	202 919
<i>Current assets</i>			
Trade and other receivables	64 084	19 271	56 507
Cash and cash equivalents	31 316	28 816	33 552
Investments	22 832	-	-
Short-term portion of long-term receivables	708	725	727
Tax receivable	378	366	1 231
	119 318	49 178	92 017
Total assets	323 380	110 242	294 936
<i>Equity and Liability</i>			
Equity attributable to equity holders of the parent	180 044	93 170	168 715
Share capital and share premium	150 325	77 935	150 325
Treasury shares	(149)	(149)	(149)
Fair-value adjustment reserve	460	65	98
Accumulated income	29 408	15 319	18 441
Non-controlling interest	(1 787)	(213)	(1 041)
Total Equity	178 257	92 957	167 674
<i>Non-current liability</i>			
Long-term liabilities	44 962	3 701	51 651
Deferred tax	20 298	992	25 244
	24 664	2 709	26 407
<i>Current liabilities</i>			
Trade and other payables	100 161	13 584	75 611
Short-term portion of long-term liability	86 853	11 014	64 485
Tax payable	7 650	482	8 754
	5 658	2 088	2 372
Total equity and liabilities	323 380	110 242	294 936
Net asset value per share (cents)	198,74	182,21	186,23
Net tangible asset value per share (cents)	46,79	104,95	30,84

SEGMENTAL ANALYSIS

R'000	Asset Management, Consulting and Administration	Financial Services	Services and Solutions	Other	Total
For the six months ended 28 February 2015:					
Revenue	283 501	52 813	17 977	(9 735)	344 556
- External	280 493	52 813	11 077	173	344 556
- Internal	3 008	-	6 900	(9 908)	-
Profit for the period	4 120	41	10 318	(2 446)	12 033
Asset	119 906	36 600	15 813	151 061	323 380
Liability	86 539	44 936	8 364	5 284	145 123

For the six months ended 28 February 2014:

Revenue	31 971	20 720	-	(6 803)	45 888
- External	25 045	20 550	-	293	45 888
- Inter-segment	6 926	170	-	(7 096)	-
Profit for the period	3 893	(1 746)	-	519	2 666
Asset	54 968	16 513	-	38 761	110 242
Liability	24 219	19 508	-	(26 442)	17 285

For the year ended 31 August 2014:

Revenue	165 703	68 630	22 170	(23 143)	233 360
- External	151 875	68 630	12 430	425	233 360
- Inter-segment	13 828	-	9 740	(23 568)	-
Net profit for the period	(76)	(1 174)	10 523	(4 313)	4 960
Asset	109 261	36 326	-	149 349	294 936
Liability	80 374	52 177	-	(5 289)	127 262

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

The segmental analysis was aligned to the new operating structure as described above. The following changes were effected since the previous period that ended 31 August 2014:

- ↔ The Asset Management Segment and the Asset Administration & Consulting segment was consolidated for the reporting period; and
- ↔ The Services and Solutions segment was separated from the Financial Services segment.

The comparative financial information was restated reflect these changes.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital and share premium	Treasury shares	Fair-value adjustment reserve	Accumulated income	Total	Non-controlling interest	Total Equity
Balance at 31 August 2013	58 657	(149)	65	12 453	71 026	(13)	71 013
Issue of shares	19 278	-	-	-	19 278	-	19 278
Total comprehensive income for the period - Profit/(loss)	-	-	-	2 866	2 866	(200)	2 666
Balance at 28 February 2014	77 935	(149)	65	15 319	93 170	(213)	92 957
Issue of shares	72 390	-	-	-	72 390	-	72 390
Total comprehensive income for the period	-	-	-	3 122	3 122	(828)	2 294
- Profit/(loss)	-	-	-	3 122	3 122	(828)	2 294
- Other comprehensive income	-	-	33	-	33	-	33
Balance at 31 August 2014	150 325	(149)	98	18 441	168 715	(1 041)	167 674
Dividend paid	-	-	-	(1 812)	(1 812)	-	(1 812)
Total comprehensive income for the period	-	-	-	12 779	12 779	(746)	12 033
- Profit/(loss)	-	-	-	12 779	12 779	(746)	12 033
- Other comprehensive income	-	-	362	-	362	-	362
Balance at 28 February 2015	150 325	(149)	460	29 408	180 044	(1 787)	178 257

SUMMARISED STATEMENT OF CASH FLOWS

R'000	Unaudited Six Months ended 28-Feb-15	Unaudited Six Months ended 28 Feb-14	Audited year ended 31-Aug-14
Cash flows from operating activities			
Cash generated by/(utilised from) operations	35 518	(9 646)	13 590
Interest received	3 412	652	2 671
Interest paid	(1 963)	-	(1 210)
Tax paid	(8 210)	(845)	(7 922)
Dividends received	24	-	216
Dividend paid	(1 812)	-	-
Net cash inflow/(outflow) from operating activities	26 969	(9 839)	7 345
Cash flows from investing activities			
Acquisition of business	(281)	(42)	(34 044)
Investment in associate	-	-	(7 751)
Long-term loan repayment from/(advance to) associate	168	33	(1 062)
Decrease/(Increase) in long-term receivable	704	(4 099)	511
Acquisition of financial asset	(23 336)	-	(1 065)
(Decrease)/Increase in long-term liabilities	(6 050)	277	(606)
Proceeds on disposal of financial asset	-	4 721	4 514
Proceeds on disposal of equipment	-	-	34
Proceeds on disposal of client base	-	298	-
Proceeds on disposal of investment in associate	-	527	527
Acquisition of intangible asset	-	-	(14)
Acquisition of equipment	(410)	(1 598)	(2 693)
Net cash (outflow)/inflow from investing activities	(29 205)	117	(41 649)
Cash flows from financing activities			
Issue of share capital	-	19 278	48 924
Decrease in long-term liabilities	-	-	(1 652)
Increase in loans from minority shareholders of subsidiaries	-	-	1 324
Net cash inflow from financing activities	-	19 278	48 596
Movement in cash and cash equivalents for the period	(2 236)	9 556	14 292
Cash and cash equivalents at the beginning of the period	33 552	19 260	19 260
Cash and Cash equivalents at the end of the period	31 316	28 816	33 552

Non-executive directors: S Booysen*, Z Cele*, L Taylor*, J Rosen*, J Mabena, A du Preez (* Independent)
 Alternate director: T du Preez

Executive directors: DD Roodt, H Weidhase, AT de Klerk, R Walton, C Burger.

Company secretary: Adv Rudi Barnard

Transfer secretaries: Link Market Services South Africa (Pty) Ltd

Sponsor: Java Capital



Efficient Group Ltd is a JSE-listed financial services company.

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