

EFFICIENT FINANCIAL HOLDINGS LTD
Incorporated in the Republic of South Africa
(Registration number: 2006/036947/06)
Share code: EFF
ISIN: ZAE 000133286
("EFH" or "the company")

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST
2010

HIGHLIGHTS

- Revenue increased by 8%.
- Assets under management: R 3 billion
- Profit for the year: R 4.7 million.
- Maiden dividend of R 2 million declared.
- Positive cash flow generated from operating activities: R 7 million.

1. COMMENTARY

Our strategy of developing a diversified financial services business gained impetus with progress made in a number of key focus areas; the roll-out of our national distribution footprint, the continued development of our asset management business and the completion of a primary component of our leading edge information technology solution for financial planners.

The South African economy emerged from the recession during the third quarter of 2009. Indications are that investors have regained confidence while an improved risk appetite for emerging markets is well entrenched. Well-established asset management companies are likely to benefit from this and Efficient is particularly well positioned to capitalise on these trends.

Despite our optimism, risks of renewed financial uncertainty and a slowdown in global economic performance remain. However, we are of the opinion that the local business environment should continue to improve in the foreseeable future.

Financial Results

Notwithstanding the improvement in the group's profitability over the last two quarters, the group reported HEPS of 11.40 cents for the year ended 31 August 2010 compared to HEPS of 12.82 cents in the comparative period.

A large portion of the groups' revenue is based on the value of assets under management and administration.

Assets under management consist of investments in our unit trust funds, unit trust funds of funds and private share portfolios managed by the asset management division. The group has R 3 040 million (2009: R 2 916 million) under management.

Assets under administration consist of unit trust funds and unit trust funds of funds, administered by the group's collective investment schemes. Administration of assets includes liability administration and asset administration such as daily pricing of unit trust funds. The group administers assets to the value of R 1 468 million (2009: R 882 million).

This includes three additional funds amounting to R 628 million, which were amalgamated into the asset administration division near the end of the financial year.

Revenue for the 12 months ended 31 August 2010, increased by 8% compared to the same period of the previous financial year.

Both the JSE performance and assets under management affected the revenue of the asset management division. A consequence of improved financial market conditions in the period under review (12 months ending 31 August 2010) was the increase of performance fees of 34% compared to the same period of the previous financial year.

When excluding the funds emanating from the amalgamation process - due to the timing of the amalgamation close to the financial year-end - the assets under administration decreased marginally. Consequently, revenue in this division decreased. The benefits from the additional funds under administration will only flow to the asset administration division in the next financial year.

A comprehensive range of financial services is delivered through Efficient Advise. The success of the roll-out of the financial services distribution network and product expansion is evident in the increased revenue (38%) in this division. The financial services division is a fundamental component of the group's strategy to improve distribution, diversification and sustainability.

The groups fixed expenses increased by 14% over the comparative period. The increase in the cost base reflects the group's continued investment in expanding distribution, marketing and the development of the investment philosophy, process and people in the asset management division. The increase in revenue was countered by the cost of this investment resulting in profit after tax of R 4.7 million (2009: R4.9 million).

The group's operations generated cash of R7 million with a decrease in working capital of R0.4 million. Interest earned contributed another R1.6 million to the cash flow. The group investment activities included R0.3 million that was invested in new operating systems as part of the roll-out of the financial services offering and R0.3 million for the acquisition of the cash management book that was financed partially with cash.

Operational overview:

i) Asset Management

In line with our strategy, Efficient Select was created from the amalgamation of the asset management businesses of Valugro Capital (Pty) Ltd, Multigro Capital (Pty) Ltd and Efficient Group (Pty) Ltd.

The investment made in the previous financial year through the appointment of specialist external investment consultants to assist with the development of the investment process and, the creation of the various investment committees to oversee investment performance as well as the hard work of the investment team, has contributed to delivering improved performance, for both clients and EFH.

Efficient Select's international products continue to perform well, from both a fund performance and profitability viewpoint.

Despite challenging and volatile financial markets, especially in the second half of the financial year, Efficient Select delivered improved investment performance to clients invested in our range of funds, funds of funds and private client portfolios.

Distribution remained challenging with low fund inflows. This is being addressed by a more focussed sales approach, ongoing training for sales consultants and the marketing and branding program.

Contributions from the asset management division are dependent on fund performance relative to fund benchmarks on a high watermark basis, and assets under management. The improvement in fund performance was rewarded with an increase in performance fees of 34%. The slight increase in assets under management to R3 040 million (2009: R 2 916 million), resulted in fixed asset management fees received remaining at the same levels as in the previous financial year. Profitability was affected by the expansion of the marketing capacity.

ii) Asset Administration

Efficient Transact houses the asset administration divisions of the group. This includes the collective investment scheme business, Efficient Collective Investments (ECI).

The amalgamation of the Valugro Funds enhanced our fund offering with the Valugro Property Fund, the Valugro General Equity Fund and the Valugro Active Allocation Fund.

At the end of the financial year ECI had R 1 468 million under administration, 66% more than the previous year. The additional assets under management emanated from the amalgamation of the Valugro unit trusts in June 2010. Prior to the amalgamation, the value of assets administered by the collective investment scheme was less than that of the previous year, explaining the lower revenue from asset administration. Tight expense control ensured that the same level of after tax profitability of 14% was achieved compared to the 2009 financial year.

iii) Financial Services

The focus of Efficient Advise over the last year was the establishment of the new brand, the development of our product offering, development of state of the art technological systems and the expansion of our geographic representation.

The financial services division reported revenue growth of 38% compared to the previous financial year. The increased activity is the result of the successful implementation of our strategy to expand the distribution network and improve the financial services product range. The investment in this strategy was financed by utilising the increased revenue that resulted in a lower profit before tax compared to the comparative period.

iv) Shared Services

Sharing services is the group's organisational response to creating more efficient service delivery, optimising cost structures and increasing client focus. Efficient Access provides the shared services required for the effective

delivery of the group's products and services in terms of economic research and analysis, marketing, distribution, compliance, financial support, human resources and information technology.

The shared services division's investment in-group strategy, primarily to increase the group's marketing and distribution capacity, resulted in a 22% increase in expenses.

Acquisition Activities

During the financial year ended 31 August 2010, the group acquired a cash management book for a total purchase price of R0.7 million. The total purchase price was settled with 50% cash and 50% by issuing EFH shares to the vendors.

The business acquired contributed revenues of R 86 thousand and profit after tax of R 62 thousand to the group from the date of acquisition to 31 August 2010. If the acquisition had occurred on 1 September 2009 the contribution to the revenue would have been R 107 thousand and contribution to profit after tax would have been R 77 thousand.

Strategy

In the new financial year the Group strategy will focus on the following key areas:

- Diversifying revenue streams through our vertical integration strategy.
- Enhancing distribution through the development of the distribution network, a focused sales approach and brand building.
- Commercialising the client administration system to create an additional income stream.

Cash Dividend

The company's dividend policy is to declare dividends biannually at the discretion of the board of directors, determined by the financial position of the group and equal to 80% of the free cash flow of the group. Free cash flow is calculated after making provision for cash reserves equal to three months' operating expenses, capital expenditure and planned acquisitions.

Based on this policy, the directors calculated the company's maiden dividend at R2 million (5 cents per share). The dividend was approved by the directors on 10 November 2010, and will be paid on 6 of December 2010.

The salient dates for this dividend payment are as follows:

Last day to trade 'cum' dividend on	Friday, 26 November 2010
Shares trade 'ex' dividend on	Monday, 29 November 2010
Record date on	Friday, 3 December 2010
Payment of dividend on	Monday, 6 December 2010

Shareholders may not dematerialise or rematerialise their shares between Monday, 29 November 2010 and Friday, 3 December 2010.

Basis of preparation

The audited consolidated Annual Financial Statements have been presented on a consolidated basis and have been prepared in accordance with the International Financial Reporting Standards, the AC 500 Series of Interpretations, the JSE Listing Requirements and the Companies Act of South Africa. The accounting policies applied are consistent with those applied in the previous reporting periods. The Consolidated Annual Financial Statements have been audited by PKF (JHB) Inc. The 2010 unqualified audit report is available for inspection at the registered office of the company.

The Condensed Audited Annual Financial Statements are prepared in accordance with the JSE Listing Requirements with specific reference to IAS 34 "Interim Financial Reporting"

Events after reporting date

As part of the extension of the financial services distribution network Efficient Financial Services (Pty) Ltd acquired 100% of the issued share capital of Fisher Hoffmann Financial Planning Services PE (Pty) Ltd for a total purchase price of R2.4 million with effect from 1 September 2010. An amount of R1.2 million of the purchase price was settled in cash and the balance of the purchase price was settled by issuing Efficient Financial Holdings Ltd shares to the vendors. At 31 August 2010 the effective date statement of financial position has not been completed and therefore the fair value of the assets and liabilities assumed is not finalised.

Had the acquisition occurred on 1 September 2009 it would have contributed one cent to the group's HEPS.

Changes to the board of directors

The following board changes took place during the year under review. Mr Matsobane Khwinana resigned as a non-executive director of EFH and was replaced by Ms Zee Cele as an independent, non-executive director. Mr Rapulane Mogototoane was appointed as an alternate director and Ms Linda Whitfield resigned as non-executive director, and accepted the appointment as an alternate director.

2. CONDENSED AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2010

	2010	2009
	R'000	R'000
Assets		
Non - Current Assets		
Plant and equipment	1,409	1,631
Goodwill	20,259	20,259
Intangible assets	23,947	26,357
Investments	1,020	-
Equity accounted investments	10,919	9,880
Deferred tax	2,032	1,936
	59,586	60,063

Current Assets

Trade and other receivables	5,835	4,535
Cash and cash equivalents	24,363	18,762
Tax receivable	171	962
	30,369	24,259
Total Assets	89,955	84,322
Equity and Liabilities		
Equity		
Ordinary shares and share premium	54,189	53,839
Treasury Shares	(7,200)	(7,200)
Non-controlling interest	672	81
Accumulated income	30,699	26,269
Fair value adjustment	19	-
Total equity	78,379	72,989
Non - Current Liabilities		
Deferred tax	6,619	7,365
	6,619	7,365
Current Liabilities		
Trade and other payables	4,868	3,968
Tax payable	89	-
	4,957	3,968
Total Liabilities	11,576	11,333
Total Equity and Liabilities	89,955	84,322
Net asset value per share (cents)	195.76	194.90
Net tangible asset value per share (cents)	84.40	70.28

3. CONDENSED AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2010

	Group	
	2010	2009
	R'000	R'000
Continuing operations		
Revenue	43,981	40,836
Asset management fees		
- Performance fees	13,180	9,820
- Fixed fees	13,064	12,886

Asset administration fee	10,634	12,745
Financial services fees	6,686	4,861
Research and administration fees	417	524
	(40,771)	(37,496)
Operating expenses))
- Variable expenses	(6,899)	(7,718)
	(33,872)	(29,778)
- Fixed expenses))
Operating profit	3,210	3,340
Finance income	1,622	2,283
Finance cost	-	(43)
Other income	-	53
Share of comprehensive income of associates	1,039	947
Profit before taxation	5,871	6,580
Taxation	(1,145)	(1,714)
Profit for the year	4,726	4,866
Other comprehensive income:		
Fair value adjustment of available-for-sale financial assets	20	-
Total comprehensive income for the year	4,746	4,866
Profit for the year attributable to:		
Equity holders of the parent	4,530	4,785
Non - controlling interest	196	81
	4,726	4,866
Total comprehensive income for the year attributable to:		
Equity holders of the parent	4,549	4,785
Non - controlling interest	197	81
	4,746	4,866
Earnings per share (cents)	11.41	12.79
Headline earnings per share (cents)	11.40	12.82
Headline earnings are calculated as follows		
Attributable earnings	4,530	4,785
Add: (Disposal)/Scrapping of PPE	(6)	13
Less: Taxation on disposal/(scrapping) of PPE	2	(4)
Headline earnings	4,526	4,794
Number of ordinary shares in issue at the end of the year	39,706	39,641
Weighted average number of ordinary shares in issue	39,695	37,408

4. CONDENSED AUDITED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2010

Group	Share Capital & Share Premium R'000	Treasury Shares R'000	Share base payment Reserve R'000	Non-control ling Interest R'000	Accumul ated Income R'000	Fair value adjustm ent for availab le - for-sale - assets reserve R'000	Total Equity R'000
Balance at 31 August 2008	37,880	(7,200)	1,477	36	21,538	-	53,731
Issue of Share Capital	14,622	-	-	-	-	-	14,622
Repurchase of shares	-	-	-	-	(62)	-	(62)
Amortisatio n of Share Based Payments	-	-	(140)	-	-	-	(140)
Transfer of Share based payment reserve	1,337	-	(1,337)	-	-	-	-
Pre acquisition reserves acquired	-	-	-	-	8	-	8
Total Comprehensive income for the year	-	-	-	81	4,785	-	4,866
Dividends paid	-	-	-	(36)	-	-	(36)
Balance at 31 August 2009	53,839	(7,200)	-	81	26,269	-	72,989
Issue of Share Capital	350	-	-	-	-	-	350
Increase in share premium of subsidiary	-	-	-	294	-	-	294

Change in ownership	-	-	-	100	(100)	-	-
Total Comprehensive income for the year	-	-	-	197	4,530	19	4,746
Balance at 31 August 2010	54,189	(7,200)	-	672	30,699	19	78,379

5. CONDENSED AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2010

	2010 R'000	2009 R'000
Cash flows from operating activities		
Cash generated from operations	6,986	7,858
Finance income	1,622	2,283
Interest paid	-	(43)
Dividends received from associates	-	118
Dividends paid	-	(36)
Taxation paid	(1,304)	(11,476)
Net cash inflow/(outflow) from operating activities	7,304	(1,296)
Cash flows from investing activities		
Acquisition of subsidiaries	-	(57)
Acquisition of associates	-	(8,944)
Acquisition of intangible asset	(350)	-
Acquisition of available-for-sale financial asset	(1,000)	-
Purchase of equipment	(647)	(370)
	(1,997)	(9,371)
Cash flows from financing activities		
Issuing of share capital	-	14,622
Increase in share premium of non-controlling interest	294	-
Repurchase of shares	-	(62)
Decrease in interest free liabilities	-	(129)
	294	14,431
Total cash and cash equivalents movement for the year	5,601	3,764
Total cash and cash equivalents at the beginning of year	18,762	14,998
Total cash and cash equivalents at the end of year	24,363	18,762

6. SEGMENTAL ANALYSIS FOR THE YEAR ENDED 31 AUGUST 2010
 Segmental analysis for the year ended 31 August 2010
 2010

	Asset Management	Asset Administra tion	Financial Services	Other	Total
Revenue	27,333	11,011	6,698	(1,061)	43,981
- External	25,930	11,011	6,698	342	43,981
- Inter - segment	1,403	-	-	(1,403)	-
Expenses	24,196	9,227	5,256	2,092	40,771
Total Comprehensive Income	2,592	1,569	2,170	(1,605)	4,726
Assets	43,015	7,037	2,968	36,935	89,955
Liabilities	28,604	3,924	1,193	(22,145)	11,576
Acquisition of PPE	45	3	400	199	647
Depreciation and amortisation	1,290	16	116	2,748	4,170
Aggregated share of profit from associates	-	-	1,039	-	1,039

2009

	Asset Management	Asset Administra tion	Financial Services	Other	Total
Revenue	23,605	12,834	4,861	(464)	40,836
- External	23,141	12,834	4,861	-	40,836
- Inter - segment	464	-	-	(464)	-
Expenses	19,430	10,964	2,763	4,339	37,496
Total Comprehensive Income	3,586	1,619	2,992	(3,331)	4,866
Assets	5,865	2,723	1,530	74,204	84,322
Liabilities	(19,240)	1,198	1,050	28,325	11,333
Acquisition of PPE	217	8	6	139	370

Depreciation, amortisation and share based payments	447	22	57	3,986	4,512
Aggregated share of profit from associates	-	-	947	-	947

7. NOTICE OF ANNUAL GENERAL MEETING

Shareholders are advised that the EFH annual report will be dispatched on 26 November 2010 and will contain notice of the Annual General Meeting for the company which will be held in the Efficient Financial Holdings Boardroom at 81 Dely Road, Hazelwood, Pretoria on Friday, 21 January 2011 at 10h00.

8. CORPORATE INFORMATION

Non-executive directors

Dr S Booysen (Chairman)*, E Hern*, MJ Giles*, L Gadd,
R Paterson, Z Cele*.

*Independent

Alternate

L Whitfield, R Mogototoane

Executive Directors

DD Roodt, H Weidhase, AT de Klerk

Registered and Business address

81 Dely Road, Hazelwood, 0181

Company Secretary

Ithemba Governance and Statutory Solutions (Pty) Limited

Corporate advisor, legal advisor and sponsor

Java Capital (Proprietary) Limited

Reporting accountants and auditors

PKF (JHB) Inc.

Transfer secretaries

Link Market Services South Africa

11 November 2010

Sponsor

Java Capital