

EFFICIENT GROUP LIMITED
(Formerly Efficient Financial Holdings Limited)
Incorporated in the Republic of South Africa
(Registration nr: 2006/036947/06)
Share code: EFG
ISIN: ZAE 000151841
("EFG" or "the Group")

UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

HIGHLIGHTS

- HEPS growth:130%
- Revenue growth:32%
- Assets Under Management: R3.4 billion
- Profit for the period growth:135%

During the six months ended 28 February 2011 ("the reporting period") an 18% improvement of the JSE All Share Index (ALSI); improvements in fund management results; advances in sales activity and higher revenue in the financial services business impacted positively on the Group's performance. Performance fees increased by 54% and fixed fees (including fees generated by asset administration) by 39% compared to the six months ended 28 February 2010 ("comparative period").

Financial Results

The Group reported revenue growth of 32% for the period under review. The increased revenue emanated from good fund performance that converted into performance fees and higher fixed fees. The 23% increase in financial services revenue is a result of the successful roll out of our distribution network.

The 15% increase in the fixed cost base reflects the Group's strategy to increase its marketing and distribution capacity and the expansion of the financial services offering. The non-cash flow expense consisted mainly of the amortisation of intangible assets that resulted from business combinations. The increase in this expense is related to the acquisition activities.

The operating profit of the Group, for the reporting period, was enhanced by interest received at the same level as in the comparative period. Income generated by associates decreased by 127%. The Group reported a profit after tax (including STC on the dividend paid) of R2.7 million.

1. Business Segmental Results

The Group consist of three divisions namely asset management, asset administration and financial services.

Asset Management:

The focus of the asset management division, Efficient Select, is to deliver returns in line with investment objectives whilst complying with investable benchmarks. The assets are managed through unit trust funds, unit trust funds of funds (both local and international) and private client portfolios.

The contribution from the asset management division is dependent on the amount of assets under management, fund performance relative to fund benchmarks and where applicable, a high watermark.

Product performance varied relative to their respective benchmarks and objectives, with approximately 60% of funds, funds of funds and private client portfolios outperforming their benchmarks. Outperformance of product benchmarks is directly related to fees earned and more specifically performance fees. The outperformance of the product benchmarks resulted in performance fees earned where the high watermark was exceeded and in other products, resulted in a reduction in the high watermark deficit.

As a result of improved financial markets the group's assets under management increased by R288 million. The net fund inflow from our distribution network contributed another R85 million to the Group's assets under management.

The higher performance fees, countered by a 9.9% increase in fixed expenses, enhanced the results of Efficient Select and resulted in a rise of profit before tax.

At the end of the reporting period Efficient Select had approximately R3.4 billion of assets under management.

Asset Administration:

Efficient Collective Investments (ECI) is responsible for the administration of approximately half of the unit trusts under the Group's management. Administration of assets includes liability administration and asset administration, for example the daily pricing of unit trust funds.

The assets under administration at ECI increased due to the transfer of three additional portfolios. The profits remained at similar levels to the comparative period due to the increased fees paid to Efficient Select, the asset manager.

Efficient Collective Investments had approximately R1.6 billion of assets under administration at 28 February 2011.

Financial Services:

A comprehensive range of financial services is delivered through Efficient Financial Services trading as Efficient Advise. Financial services includes financial planning, investment advice and risk cover. A full range of employee benefits is offered and the current product offering has recently been extended to include short-term insurance, medical insurance, cash management, stock broking, asset finance and fiduciary services.

Efficient Advise is focused on establishing a distribution network throughout the country. A number of Independent Financial Advisers were recruited during the period and three branches were opened in Port Elizabeth, Bloemfontein and in the West Rand. Efficient Advise acquired the Port Elizabeth branch while the other two branches were established as greenfield operations.

A significant part of the investment in establishing the distribution network, represented by an increase in expenses, was recovered by higher revenue.

Part of the financial services offering is stockbroking through an associate. This associate reported a loss for the reporting period contributing to the loss in this division.

Efficient Advise is expected to report profits in the following financial year.

2. Acquisition Activities

As part of the extension of the financial services distribution network Efficient Financial Services (Pty) Ltd, with effect from 1 September 2010, 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. Of the purchase price R1.2 million was settled in cash and the balance by issuing Efficient Group Ltd shares. The purchase price allocation has not yet been completed.

3. Strategy

The Group's strategy is focused on:

- Diversifying revenue streams through vertical integration;
- 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.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	Unaudited Six Months ended 28-Feb-11 R'000	Unaudited Six Months ended 28-Feb-10 R'000	% Chang e	Audited Year ended 31-Aug-10 R'000
Revenue	26 092	19 819	32%	43 981
Asset Management fees				
- Fixed fees	9 544	6 590	45%	13 064
- Performance fees	7 991	5 174	54%	13 181
Asset Administration fees	4 184	4 573	-9%	10 634
Financial Services fees	4 167	3 378	23%	6 686
Other	206	104	98%	416
Operating expenses	(22 412)	(20 108)	11%	(40 771)
- Variable expenses	(3 483)	(3 490)	0%	(6 899)
- Fixed expenses	(16 790)	(14 586)	15%	(29 700)
- Non-cash flow expenses (Depreciation and amortisation)	(2 139)	(2 032)	5%	(4 172)
Operating (loss)/profit	3 680	(289)	1373%	3 210
Interest received	791	778	2%	1 622
Interest paid	(98)	-		-
Share of comprehensive (loss) / income from associates	(203)	742	127%	1 039
Profit before taxation	4 170	1 231	239%	5 871
Taxation	(1 439)	(71)		(1 145)
Profit for the period	2 731	1 160	135%	4 726
Other comprehensive income:				

Fair value adjustment of available-for-sale financial assets	49	-		20
Total comprehensive income for the period	2 780	1 160	140%	4 746
Profit for the year attributable to:				
Equity holders of the parent	2 717	1 176		4 530
Non-controlling interest	14	(16)		196
	2 731	1 160		4 726
Total Comprehensive income for the year attributable to:				
Equity holders of the parent	2 764	1176		4549
Non-controlling interest	16	(16)		197
	2 780	1 160		4 746
Number of shares in issue ('000)	39 939	39 706		39 706
Weighted average number of shares ('000)	39 939	39 684		39 695
Earnings per share (cents)	6.80	2.96	130%	11.41
Headline earnings per share (cents)	6.80	2.96	130%	11.40
Dividend per share (cents)	5.00	-		-

Reconciliation of earnings to headline earnings				
Profit for the period attributable to equity holders of the parent	2 717	1 176		4 530
Disposal of PPE	-	-		(6)
Less: Taxation on disposal of PPE	-	-		2
Headline earnings	2 717	1 176		4 526

CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION

Non-current assets				
Property, plant and equipment	1 507	1 407		1 409
Investments	3 063	-		1 020
Investment in associates	10 716	10 620		10 919
Intangible assets	25 302	25 444		23 947
Goodwill	20 259	20 259		20 259
Deferred taxation asset	985	2 633		2 032
	61 832	60 363		59 586
Current assets				
Trade and other receivables	8 391	4 885		5 835
Cash and cash equivalents	22 639	20 767		24 363
Taxation receivable	-	-		171
	31 030	25 652		30 369
Total assets	92 862	86 015		89 955
Equity				
Capital and reserves	80 211	74 792		78 379
Share capital and share premium	55 458	54 189		54 189
Treasury shares	(7 200)	(7 200)		(7 200)
Fair value adjustment for available-for-sale assets	66	-		19
Non-controlling interest	565	195		672
Accumulated income	31 322	27 608		30 699

Non-current liability			
Deferred taxation liability	6 796	6 914	6 619
Current liabilities	5 855	4 309	4 957
Trade and other payables	5 567	4 187	4 868
Taxation payable	288	122	89
Total equity and liabilities	92 862	86 015	89 955
Net asset value per share (cents)	199.42	187.98	195.76
Net tangible asset value per share (cents)	85.34	72.81	84.40

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

R'000	Share capital	Treasury shares	Fair value adjustment for available-for-sale assets	Non-controlling interest	Accumulated income	Total equity
Balance at 31 August 2009	53 839	(7 200)	-	81	26 269	72 989
Issue of share capital	350	-	-	-	-	350
Change in ownership	-	-	-	130	163	293
Total comprehensive income for the period	-	-	-	(16)	1 176	1 160
Balance at 28 February 2009	54 189	(7 200)	-	195	27 608	74 792
Increase in share premium of subsidiary	-	-	-	294	-	294
Change in ownership	-	-	-	(30)	(263)	(293)
Total comprehensive income for the period	-	-	19	213	3 354	3 586
Balance at 31 August 2010	54 189	(7 200)	19	672	30 699	78 379
Issue of share capital	1 269	-	-	-	-	1 269

Total comprehensive income for the period	-	-	47	16	2 717	2 780
Dividend paid	-	-	-	(123)	(2 094)	(2 217)
Balance at 28 February 2011	55 458	(7 200)	66	565	31 322	80 211

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited Six Months ended 28-Feb-11 R'000	Unaudited Six Months ended 28-Feb-10 R'000	Audited Year Ended 31-Aug-10 R'000
Cash generated from operations	3 962	1 905	6 986
Finance income received	791	778	1 622
Interest paid	(98)	-	-
Dividends received from associates	-	-	-
Dividends paid	(2 217)	-	-
Tax paid	(525)	(135)	(1 304)
Net cash flow from operating activities	1 913	2 548	7 304
Acquisition of available-for-sale financial asset	(1 994)	-	(1 000)
Acquisition of intangible asset	(1 205)	(350)	(350)
Purchase of equipment	(438)	(193)	(647)
Net cash outflow from investing activities	(3 637)	(543)	(1 997)
Net cash flow from financing activities	-	-	294
Movement in cash and cash equivalents for the period	(1 724)	2 005	5 601
Cash and cash equivalents at the beginning of the period	24 363	18 762	18 762
Cash and Cash equivalents at the end of the period	22 639	20 767	24 363
	-	-	-

SEGMENTAL ANALYSIS

R'000	Revenue		Profit before tax		Net asset value	
	Feb-11	Feb-10	Feb-11	Feb-10	Feb-11	Feb-10
Asset Management	17 535	11 992	4 809	841	20 017	25 776
- External	13 702	11 764	-	-	-	-
- Inter-segment	3 833	228	-	-	-	-
Asset Administration	4 184	4 573	11	81	910	1 584
Financial Services	4 167	3 378	(311)	1 726	1 594	953
Unallocated corporate revenue/expenses/ net assets	206	(124)	(339)	(1 417)	57 690	46 479
	26 092	19 819	4 170	1 231	80 211	74 792
	-	-	-	-	-	-

4. Cash Dividends

The Group's dividend policy is to declare dividends bi-annually 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 a cash reserve equal to three months operating expenses, capital expenditure and budgeted acquisitions.

Based on this policy, the directors calculated the interim dividend of R1.138 million (2.85 cents per share). The interim dividend for the six months ended 28 February 2011 was approved by the directors on 15 March 2011, and will be paid on Monday, 11 April 2011.

The salient dates for this dividend payment are as follows:

	2011
Last day to trade 'cum' dividend	Friday, 1 April
Share trade 'ex' dividend on	Monday, 4 April
Record date on	Friday, 8 April
Payment of dividend on	Monday, 11 April

Shareholders may not dematerialise or rematerialise their shares between Monday, 4 April 2011 and Friday, 8 April 2011.

5. Basis of preparation

The interim results are presented on a consolidated basis and are prepared in accordance with the International Financial Reporting Standards, the requirements of IAS 34 (Interim Financial Reporting), the JSE Listings Requirements, and the Companies Act of South Africa and the AC 500 series of Interpretation as issued by APB. The accounting policies applied are consistent with those applied in the previous interim period and previous financial year end. 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, PKF (Jhb) Inc.

6. Change to the board of directors

On 15 March 2011 the board approved the appointment of Ms L Taylor as an independent non-executive director.

Steve Booysen
Chairman

Heiko Weidhase
Managing Director

16 March 2011

Non-executive directors: S Booysen*, MJ Giles*, Z Cele*, L Taylor*, L Gadd, M Cassim and R Paterson.

Alternate non-executive directors: L Whitfield and RS Mogototoane
* Independent

Executive directors: DD Roodt, H Weidhase, AT de Klerk

Registration number: 2006/036947/06

Registered address: 81 Dely Road, Hazelwood, 0081

Business address: 81 Dely Road, Hazelwood, Pretoria, 0081

Company secretary: Adv Rudi Barnard

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

Sponsor: Java Capital