

# ANCHOR GROUP

**ANCHOR GROUP LIMITED**  
**(formerly Andotorque Investments Proprietary Limited)**  
(Incorporated in the Republic of South Africa)  
(Registration number 2009/005413/06)  
("Anchor" or "the Company")  
ISIN Code: ZAE000193389                      JSE Code: ACG

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### HIGHLIGHTS

- Adjusted HEPS grew by 283% to 13.73 cents per share.
- Assets under management grew by 171% to R4.6bn at 30 June 2014.
- Listed on the Alternative Exchange of the JSE on 16 September 2014, raising R60m
- Declaration of maiden interim dividend of 3 cents per share.

### Condensed consolidated statements of financial position

Figures in Rand	% Change	Unaudited 30-Jun-14	Unaudited 30-Jun-13	Audited 31-Dec-13
<b>Assets</b>				
<b>Non-Current Assets</b>				
Plant and equipment	402%	1 645 388	327 507	508 882
Goodwill	0%	3 118 776	3 118 776	3 118 776
Intangible assets	103%	555 148	273 031	447 617
Investments in subsidiaries		748 614	-	-
Deferred tax	67%	432 430	259 154	808 172
		<u>6 500 356</u>	<u>3 978 468</u>	<u>4 883 447</u>
<b>Current Assets</b>				
Financials assets	285%	3 832 156	994 124	3 339 859
Trade and other receivables	222%	7 862 372	2 443 591	6 329 130
Cash and cash equivalents	246%	11 728 243	3 388 425	6 999 865
		<u>23 422 773</u>	<u>6 826 140</u>	<u>16 668 854</u>
<b>Total Assets</b>		<b><u>29 923 130</u></b>	<b><u>10 804 608</u></b>	<b><u>21 552 301</u></b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Stated Capital / Share Capital		8 765 737	500	500
Retained income				
	393%	13 060 209	2 021 330	5 945 685
Reserve		(3 099 376)	-	-
Equity Attributable to Equity Holders of Parent	826%	<u>18 726 570</u>	<u>2 021 830</u>	<u>5 946 185</u>

Non-controlling interest		-	344 681	2 088 939
		<b>18 726 570</b>	<b>2 366 511</b>	<b>8 035 124</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Other financial liabilities	-25%	4 123 174	5 497 402	6 493 057
Trade and other payables	144%	4 635 192	1 898 119	5 657 059
Current tax payable	134%	2 438 193	1 042 576	1 367 061
		<b>11 196 559</b>	<b>8 438 097</b>	<b>13 517 177</b>
<b>Total Equity and Liabilities</b>		<b>29 923 130</b>	<b>10 804 608</b>	<b>21 552 301</b>

## Condensed consolidated statements of comprehensive income

Figures in Rand	%	Unaudited	Unaudited	Audited
	change	30-Jun-14	30-Jun-13	31-Dec-13
Revenue	<b>169%</b>	28 172 333	10 470 504	31 642 624
Operating Expenses	<b>138%</b>	(17 965 422)	(7 557 992)	(24 453 181)
<b>Operating profit</b>	<b>250%</b>	<b>10 206 911</b>	<b>2 912 512</b>	<b>7 189 443</b>
Finance Costs		(125 686)	(108 734)	(173 772)
Share of losses from associates		(402 576)		
<b>Profit before taxation</b>	<b>245%</b>	<b>9 678 649</b>	<b>2 803 778</b>	<b>7 015 671</b>
Taxation expense		2 564 125	750 590	2 234 222
<b>Total comprehensive income period / year</b>	<b>247%</b>	<b>7 114 524</b>	<b>2 053 188</b>	<b>4 781 449</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent		7 114 524	1 793 540	3 754 453
Non-controlling interest		0	259 648	1 026 996
		<b>7 114 524</b>	<b>2 053 188</b>	<b>4 781 449</b>
<b>Headline earnings reconciliation:</b>				
<b>Earnings attributable to shareholders</b>		<b>7 114 524</b>	<b>2 053 188</b>	<b>4 781 449</b>
Non-controlling interest		-	(259 648)	(1 026 996)
<b>Earnings and headline earnings attributable to ordinary shareholders</b>	<b>364%</b>	<b>7 114 524</b>	<b>1 793 540</b>	<b>3 754 453</b>
Share based Payment Expense		1 391 324	-	-
<b>Adjusted headline earnings attributable to ordinary shareholders</b>	<b>455%</b>	<b>8 505 848</b>	<b>1 793 540</b>	<b>3 754 453</b>
<b>Earnings per share</b>				
<b>Earnings per share and diluted earnings per share (cents)</b>	<b>220%</b>	<b>11.49</b>	<b>3.59</b>	<b>7.51</b>
<b>Headline earnings per share and diluted headline earnings per share (cents)</b>	<b>220%</b>	<b>11.49</b>	<b>3.59</b>	<b>7.51</b>
<b>Adjusted headline earnings per share and diluted adjusted headline earnings per share (cents)</b>	<b>283%</b>	<b>13.73</b>	<b>3.59</b>	<b>7.51</b>
Number of shares in issue		62 600 000	500	500
Weighted average number of shares in issue		61 933 333	50 000 000	50 000 000

**Condensed statements  
of changes in equity**

	Share capital / Stated Capital	Equity reserve due to change in control of interest	Retained income / (loss)	Total attributable to equity holders of the group / company	Non- controlling interest	Total equity
Figures in Rand						
<b>Group</b>						
<b>Balance at 01 January 2013</b>	<b>500</b>	-	<b>(31 858)</b>	<b>(31 358)</b>	<b>85 033</b>	<b>53 675</b>
<i>Changes in equity</i>						
Total comprehensive income for the six month period	-	-	2 053 188	2 053 188	259 648	2 312 837
Total changes	-	-	2 053 188	2 053 188	259 648	2 312 837
<b>Balance at 30 June 2013</b>	<b>500</b>		<b>2 021 330</b>	<b>2 021 830</b>	<b>344 681</b>	<b>2 366 511</b>
<i>Changes in equity</i>						
Total comprehensive income for the six month period	-	-	1 701 265	1 701 265	767 348	2 468 612
Sale of shares in subsidiary to non- controlling interest	-	-	2 223 090	2 223 090	976 910	3 200 000
Total changes	-	-	3 924 355	3 924 355	1 744 258	5 668 612
<b>Balance at 31 December 2013</b>	<b>500</b>	-	<b>5 945 685</b>	<b>5 946 185</b>	<b>2 088 939</b>	<b>8 035 124</b>
<i>Changes in equity</i>						
Issue of shares to acquire non-controlling interest	8 973 913	(3 099 376)		5 874 537	(2 088 939)	3 785 598
Buy back of shares	(1 600 000)	-	-	(1 600 000)	-	(1 600 000)
Issue of shares to employee	1 391 324	-	-	1 391 324	-	1 391 324
Total comprehensive income for the six month period	-	-	7 114 524	7 114 524	-	7 114 524
Total changes	8 765 237	(3 099 376)	7 114 524	12 780 385	(2 088 939)	10 691 446
<b>Balance at 30 June 2014</b>	<b>8 765 737</b>	<b>(3 099 376)</b>	<b>13 060 209</b>	<b>18 726 570</b>	<b>-</b>	<b>18 726 570</b>

## Abridged statement of cash flows

Figures in Rand	Unaudited 30-Jun-14	Unaudited 30-Jun-13	Audited 31-Dec-13
<b>Cash flows from operating activities</b>			
Cash generated from / (utilised in) operations	9 451 521	2 828 244	10 158 585
Interest Income	35 711	5 496	23 444
Dividends Received			44 702
Finance Costs	(133 232)	(108 734)	(173 772)
Tax Paid			(1 708 166)
<b>Net Cash from / (utilised in) operating activities</b>	<b>9 354 000</b>	<b>2 725 006</b>	<b>8 344 793</b>
<b>Cash flows from / (utilised in) investing activities</b>			
Purchase of Plant and Equipment	(1 136 506)	(141 030)	(420 385)
Expenditure on product development	(107 531)	(273 031)	(447 617)
Decrease / (increase) in loans to associates	(1 151 164)		
Acquisition of financial assets	(492 297)	(40 442)	(2 386 177)
<b>Net Cash from / (utilised in) investing activities</b>	<b>(2 887 498)</b>	<b>(454 503)</b>	<b>3 254 179</b>
<b>Cash flows from financing activities</b>			
Movement in other financial liabilities	(1 738 124)	(2 218 439)	(1 427 110)
<b>Net Cash from financing activities</b>	<b>(1 738 124)</b>	<b>(2 218 439)</b>	<b>(1 427 110)</b>
<b>Total cash and cash equivalents movement for the year</b>	<b>4 728 378</b>	<b>52 064</b>	<b>3 663 504</b>
Cash and cash equivalents at the beginning of the year	6 999 865	3 336 361	3 336 361
<b>Total cash and cash equivalents at end of the year</b>	<b>11 728 243</b>	<b>3 388 425</b>	<b>6 999 865</b>

## Segmental information

	Anchor	Ripple Effect 4	Total group revenue
<b>30 June 2014</b>			
Asset Management Fees	27 120 261		27 120 261
Sale of courses and course materials		1 052 072	1 052 072
	27 120 261	1 052 072	28 172 333
<b>31 December 2013</b>			
Asset Management Fees	28 882 789		28 882 789
Sale of courses and course materials		2 759 835	2 759 835
	28 882 789	2 759 835	31 642 624
<b>30 June 2013</b>			
Asset Management Fees	9 579 235		9 579 235
Sale of courses and course materials		891 269	891 269
	9 579 235	891 269	10 470 504

## COMMENTARY

The Anchor Group is primarily an asset manager. It began managing assets in 2012 and has grown rapidly to reach group-wide assets under management of R6bn. These are primarily private client and retail assets, with recent growth in the corporate and institutional markets.

The asset management subsidiary Anchor Capital Proprietary Limited ("Anchor Capital"), which is the primary business in the group, runs segregated portfolios (both locally and internationally) and has a series of funds in both the Collective Investment Scheme ("CIS") and hedge categories.

In addition, the group also has the following subsidiaries, associates and investments:

- Ripple Effect 4 Proprietary Limited (65% held), which provides financial services education and research, primarily to Anchor Capital.
- Anchor Securities Proprietary Limited (25% held), which provides trading and portfolio management services, primarily to private clients.
- Cartesian Capital Proprietary Limited (19.9% held), which is a majority black-owned asset management business.

The long term strategy of the Anchor Group is to become a major player in South African asset management. This will be achieved by both organic and acquisitive growth.

## **RESULTS**

The turnover of the group grew by 169% to R28.2 million (2013: R10.5 million) for the six months ended 30 June 2014. This was driven by growth in assets under management, which ended the period at R4.6bn (2013: R1.7bn). This represents 171% growth on a year ago and 64% growth on the assets under management of R2.8bn at the end of 2013. The yield on average assets for the period was 1.31% (2013: 1.4%).

Costs grew by 138% to R18 million (2013: R7.6 million), as the business grew its research, sales and administration capabilities.

The business achieved positive operating leverage, as turnover grew faster than costs, to achieve an operating margin of 36.2% (2013: 27.8%). Operating profits grew by 250% to R10.2 million (2013: R2.9 million).

The share of losses from equity accounted associates was R0.4 million. (2013: nil). This was due to the establishment costs of Anchor Securities during the period.

Headline earnings grew by 220% to R7.1 million (2013: R1.5 million), while adjusted headline earnings grew by 283% to R8.5 million (2013: R1.8 million). Adjusted headline earnings per share grew 234% to 13.73 cents (2013: 3.59 cents).

The adjustment to headline earnings arises from an IFRS charge of R1.4 million due to the issue of 2 million shares to key staff ahead of the listing in relation to a pre-existing commitment.

The business is highly cash generative and 86% of operating profits were generated in cash. The rapid growth resulted in an increase of R2.8 million in net working capital. Debtors are routinely collected within 15 days of month end.

Shareholders' equity grew by 826% to R18.7 million (2013: R2 million), as a result of the profit generated and the issue of 2 million shares. R15.6 million of this is represented by liquid assets (Cash of R11.7 million and Financial Instruments of R3.8 million).

## **OPERATIONAL REVIEW**

### **Asset management**

The asset management business under Anchor Capital is proceeding well. The asset management business of the group started managing external assets in 2012 with just less than R1bn in group-wide

assets under management at the end of 2012. This increased to over R2.8bn at the end of 2013, and was R4.6bn at the end of July 2014. This is expected to exceed R6bn by the end of September 2014, which represents R3.2bn (over 100%) growth in assets under management in the first nine months of 2014. Collective Investment Scheme ("CIS") assets have increased from R91m at the end of December 2013 to over R600m currently.

The marketing initiatives are proving effective and Anchor Capital has achieved net inflows of around R100 to R150 million per month consistently over the last two years.

The investment performance of the Group has been excellent since inception and it is ahead of stipulated benchmarks across all investment mandates. The majority of assets are managed in segregated portfolios where the average client performance has been excellent. The flagship Anchor BCI Equity Fund is in the top 10 funds (out of +/-180) in its category for the 12 months to June 2014, as measured by Morningstar, a recognised rating agency.

Anchor Capital has received support from over 25 Financial Advisor groups and has begun interactions with some of the country's largest asset advisors and multi-managers.

Anchor Capital has a long term strategy of being a meaningful South African asset management company and places a great deal of emphasis on fundamental research. Accordingly it has constructed a large investment team relative to its size. The group has five CA's and four CFA's among its 15-strong investment team.

#### **Other businesses / associates / investments**

- Ripple Effect 4 grew turnover by 18%, but incurred a loss for the period. This business is primarily servicing the needs of Anchor Capital, but has incurred costs in developing a range of products for the broader market.
- Anchor Securities launched during the period and was granted its own FSP (Financial Services Provider) licence by the Financial Services Board ("FSB"). It has achieved great success in signing on new private clients and has exceeded R1bn in assets.
- Cartesian Capital launched during the period (after being established in 2013) and was granted its own FSP licence by the FSB. It has embarked on its initial marketing initiatives and has over R375m under management.

#### **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The financial information has been prepared in accordance with the framework concepts and the measurements and recognition requirements of the International Financial Reporting Standards ("IFRS"); the International Accounting Standard 34 Interim Financial Reporting; the Listings Requirements of the Johannesburg Stock Exchange ("JSE"); the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the South African Companies Act, 2008 (Act 71 of 2008). The condensed consolidated financial statements are unaudited and have not been reviewed by the Company's auditors.

These condensed consolidated financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments which are stated at fair value. The condensed consolidated financial statements are presented in rand.

The consolidated condensed financial statements have taken into account the requirements of IFRS 13 and the amended IAS 34, which became effective during the current period. In terms of IFRS 13, the financial assets are carried at fair value, level 1. Other standards that have become effective have been considered and have no material impact. The accounting policies applied in the presentation of the condensed financial statements are in terms of IFRS and, except as noted above, are consistent with those presented in the previous annual financial statements.

These interim results have been prepared under the supervision of financial manager, O Khan CA(SA).

## STRATEGY AND NEW INITIATIVES

Anchor Capital has a large and highly skilled investment team, which it will continue to develop. This is largely established and the business can achieve financial leverage by growing its base of assets under management. The growth of assets will be driven by existing marketing methods, expanding the current marketing force, expanding into new investment segments and by strategic acquisitions.

Planned initiatives include:

- **Utilising information technology:** The group intends launching an internet-based investment offering, targeted at the 25-35 year-old category. It aims to be first to market in this category in South Africa.
- **New geographies:** The group currently has sales forces in Sandton and Cape Town. Anchor Capital intends increasing its stake in Anchor Capital Cape Town from 18% to 100% and a separate announcement will be made in this regard once an agreement has been signed. It also intends expanding its marketing force to Pretoria and Durban in the next three months.
- **New asset classes:** The group has plans to expand its fixed income capabilities in coming months and has expanded its skills in the global macro hedge category.
- **New funds:** The group will continually expand its investment offering to service its targeted client bases. Anchor Capital will launch its first two global funds, domiciled in Ireland, in coming months to supplement its segregated portfolio offering (global equity and global macro hedge). Further new local Collective Investment Scheme funds will be launched in the next year.
- **New market segments:** The group is investigating the best way to approach offering its services to the retirement industry and intends launching these initiatives in the next 6-12 months.
- **New businesses:** Anchor is a young, entrepreneurial group and will partner with other business, in various stage of development. Asset management is not a capital intensive industry and significant value can be created by backing talented individuals who have the skills to deliver investment performance and attract assets under management.

## PROSPECTS

The prospects for the second half of the 2014 financial year are positive. The key driver for the business is assets under management, which averaged R3.7bn for the period under review. The second six month period of 2014 began with assets under management of R4.6bn and they are currently R6bn. The results for the second six months will also be influenced by:

- The issue of a further 30 million shares, which will have a dilutory impact on earnings per share until the additional cash balance is deployed,
- The performance of local and global markets,
- The exchange rate between the Rand and other currencies (we estimate across the business that the Rand hedge base is approximately 60%), and
- An improved performance from Anchor Securities which has now reached critical mass.

In its listing prospectus, Anchor Group published a forecast of headline earnings per share of 21.72c for the financial year ended 31 December 2014 and 27.61c for the financial year ended 31 December 2015.

## CHANGES TO THE BOARD OF DIRECTORS

The following changes were made to the board of directors during the period under review:

- Andrew Blades and David Polkinghorne (alternate) resigned as non-executive directors,
- Ivan Clark changed his role to a non-executive director,
- Mike Teke was appointed as non-executive Chairman,
- Alastair Adams was appointed as an independent non-executive director,
- Paul Nkuna was appointed as an independent non-executive director,
- Todd Kaplan was appointed as an executive director.

## LISTING



The Anchor Group listed on the Alternative Exchange (“AltX”) of the JSE on 16 September 2014. R60 million was raised by the issue of 30 million shares at an issue price of 200 cents per share. Subsequent to the listing, the company has 92.6 million shares in issue.

## DIVIDEND

The company has an intention of paying out half of its earnings as a dividend going forward as a listed business.

For the period under review the company has declared an interim gross dividend (Number 1) of 3 cents per share (2013: Nil) for the six months ended 30 June 2014. The dividend has been declared out of income reserves.

The dividend will be subject to a dividend withholding tax rate of 15% or 0.45 cents per ordinary share. As no STC credits are available for utilisation, shareholders, unless exempt or qualifying for a reduced withholding tax rate, will receive a net dividend of 2.55 cents per share.

Anchor’s tax reference number is 9527/450/16/8. The number of ordinary shares in issue at the declaration date is 92 600 000.

The salient dates for the dividend will be as follows:

Last date to trade ‘cum’ dividend	Friday, 31 October 2014
Shares commence trading ‘ex’ the dividend	Monday, 3 November 2014
Record date (date shareholders recorded in share register)	Friday, 7 November 2014
Payment date	Monday, 10 November 2014

Shareholders may not dematerialise or rematerialise their share certificates between Monday, 3 November 2014 and Friday, 7 November 2014, both dates inclusive.

For and on behalf of the Board

**Peter Armitage**  
Chief Executive Officer  
29 September 2014


**Todd Kaplan**  
Financial Director

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## DIRECTORS

Executive Directors: Peter Armitage (Chief Executive Officer), Todd Kaplan (Financial Director)

Non-executive directors: Mike Teke (Chairman), Ivan Clark, Paul Nkuna (independent), Alastair Adams (independent)

<p>DESIGNATED ADVISOR Arcay Moela Sponsors Proprietary Limited (t/a Arbor Capital Sponsors Proprietary Limited)</p> 	<p>TRANSFER SECRETARIES Link Market Services South Africa Proprietary Limited (Registration number 2000/007239/07) 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000)</p>
<p>REGISTERED OFFICE 25 Culross Road, Bryanston, Sandton, 2191 POSTAL ADDRESS PO Box 1337, Gallo Manor, 2052</p>	<p>WEBSITE: <a href="http://www.anchorgroup.co.za">www.anchorgroup.co.za</a></p>

