

PRESCIENT LIMITED

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

HIGHLIGHTS

- LOCAL ASSETS UNDER MANAGEMENT OF R60.4 BILLION (SEPTEMBER 2013: R57.8 BILLION)
- LOCAL THIRD PARTY ASSETS UNDER ADMINISTRATION OF R52.0 BILLION (SEPTEMBER 2013: R18.1 BILLION AND OFFSHORE ASSETS UNDER ADMINISTRATION OF €812.5 MILLION (SEPTEMBER 2013: €279.4 MILLION)
- PROFIT FROM CONTINUING OPERATIONS OF R56.4 MILLION (SEPTEMBER 2013: R54.9 MILLION)
- PROFIT FOR THE PERIOD ENDED 30 SEPTEMBER 2014 OF R56.4 MILLION (SEPTEMBER 2013: R17.1 MILLION)
- HEADLINE EARNINGS PER SHARE OF 3.59 CENTS PER SHARE (SEPTEMBER 2013: 2.96 CENTS PER SHARE)
- INTERIM GROSS DIVIDEND OF 2.75 CENTS PER SHARE (SEPTEMBER 2013: 2.5 CENTS PER SHARE)



Notes to the unaudited condensed consolidated interim financial statements

Basis of preparation and accounting policies

Statement of compliance

The unaudited condensed consolidated interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*, as well as the AC 500 standards as issued by the Accounting Practices Board or its successor, the requirements of the South African Companies Act, Act 71 of 2008, and the Listings Requirements of the JSE. The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These unaudited condensed consolidated interim financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments and investment property which are stated at fair value. The unaudited condensed consolidated interim financial statements are presented in Rand, rounded to the nearest thousand. The accounting policies applied in the presentation of the unaudited condensed consolidated financial statements are in accordance with International Financial Reporting Standards and are consistent with those presented in the previous annual financial statements.

These unaudited condensed consolidated interim financial statements were prepared under the supervision of Michael Buckham, CA (SA), and approved by the Board of Directors on 21 November 2014.

Share based payments

During the current period the Group established a Forfeitable Share Plan (FSP). These payments are classified as equity-settled share-based payment transactions in respect of services received from employees.

The fair value of the services received is determined by reference to the fair value of the forfeitable shares on the grant date to the employee and the terms of the FSP. During the current period 20 208 904 shares were awarded in terms of the FSP. The shares are subject to a vesting period of 5 years and the achievement of performance and employment conditions.

Judgements and estimates

Preparing the unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2014.

Related party transactions

The Group, in the ordinary course of business, entered into various intercompany transactions with related parties.

Subsequent events

With the exception of the items disclosed in this report there were no material events subsequent to the reporting date.

Review of operations

Revenue for the period for continuing operations was R389.4 million (September 2013: R332.8 million) with profit before tax of R79.6 million (September 2013: R77.7 million).

Headline earnings per share for continuing operations for the period increased by 6% from 3.38 cents per share to 3.59 cents per share. The weighted average number of shares in issue for the six months ended 30 September 2014 was 1 579 783 732 (September 2013: 1 573 011 133).

Financial Services

The Financial Services segment has continued to diversify its earnings base with a number of new initiatives coming to the fore and with strong contributions coming through from certain business units.

Revenue for the segment was R151.1 million for the period (30 September 2013: R142.8 million) and profit before tax was R55.8 million (30 September 2013: R58.9 million).

The core driver of earnings in the Financial Services segment continues to be Prescient Investment Management ("PIM"). The performance of all our mandates against benchmark has improved considerably and this has started to reflect in the growth in assets under management ("AUM"). In the most recent months we have seen some strong retail flows into our income funds and we will look to expand this to other mandates as we continue to make inroads in the retail market where we believe our range of products is suitable for the retail investor. We have seen net flows into our retail funds of R1.3 billion in the last six months.

Other strong initiatives in PIM include the growth in the China mandates. We were allocated an additional \$100 million quota from the Chinese authorities earlier this year and we are in the process of filling that allocation. The equity market in China has been on a recovery path and we expect good performance from our China funds.

PIM had AUM of R60.4 billion at 30 September 2014 (September 2013: R57.8 billion).

Prescient Administration Services was renamed Prescient Fund Services ("PFS") during the period and this more accurately reflects the range of solutions offered by this company within the Group. The core of the business remains third party investment administration that couples accurate fund accounting services with unitholder administration, supported by a range of other services (hence the name change). We have launched a hedge fund administration offering which has already signed up a number of third party hedge fund managers as clients and we expect this to complement many of the services we already offer. We have also bedded down the RECM relationship with the full administration coming across from 1 June 2014. This implementation was an important milestone for the business as we now have a comprehensive offering which includes fund accounting, a front office service and a flexible reporting solution that we are now able to offer asset managers. We will continue to look for growth in this area.

Through the rollout of these additional services we have seen a considerable growth in the external revenue generated by PFS and this will continue to diversify our earnings.

PFS has also launched a division called Prescient Global Execution Services which is a niche business offering efficient dealing services to our third party clients. Trade cost analyses have shown that trading efficiency is considerably improved through this new offering and is a great enhancement for our clients. We are also offering transition services through this new venture.

Our Irish domiciled administration business, Stadia Fund Management Services ("Stadia"), continues to mirror the services we offer locally. We are seeing an increase in growth of third party clients in offshore domiciles seeking efficient, well-priced administration services. The increase in the regulatory burden in the offshore market has created opportunities for our Irish business and the hard work put into building the operations is starting to deliver results. Stadia continued to contribute well to Group profitability.

The administration businesses, overall, made a far greater contribution to Group profitability in the most recent six-month period. In the prior period we had high consulting costs with the ongoing take on of some large business flows and system implementation whilst we also did not yet have the full effect of the revenue generated from those new clients. The current period reflected a more stable cost base as well as enhanced revenue for a greater portion of the period. We are mindful of the foreign denominated costs going forward, especially in the weak rand environment, but we do believe that our staff complement is strong and we do not foresee too many additional fixed costs being added.

Third party assets under administration ("AUA") was R52.0 billion at 30 September 2014 (September 2013: R18.1 billion) whilst Stadia had third party assets under administration of €812.5 million (September 2013: €279.4 million).

Prescient Life has had a strong focus on its seamless transition product as well as platform services to third party clients. The seamless transition product (that transitions members from

pre-retirement to post-retirement seamlessly) has been well received with a large union fund and we are looking to take on a number of clients into the new calendar year. This product has been designed to be market leading for the implementation of Retirement Reform by National Treasury and although this reform has been delayed (following the recent announcement by National Treasury) the clients we are engaging with are committed to a process that embraces the key points of this Reform and will be going ahead regardless of the implementation date.

Prescient Life has also seen a significant growth in its policyholder assets that is due to the growth in the third party platform business. The Life Company's policyholder assets at 30 September 2014 were R8.8 billion (30 September 2013: R6.6 billion). The company is also well capitalised to accommodate growth that is expected to come through in the next financial period.

Prescient Securities faced a challenging period over the last six months. Revenues were down on the previous period resulting in a reduced contribution to Group profits. The division continues to face pressures on margins as well as reduced volumes, but a restructured environment is tasked with facing these challenges. The company remains profitable and recently performed extremely well in the Spire Awards which is the benchmark awards for Agency brokers. The results of the awards were as follows:

- #1 – Best Agency Broker House
- #1 – Best Agency Broker – Bonds
- #1 – Best Agency Broker – Listed Interest Rate Derivatives
- #2 – Best Agency Broker – Listed FX Derivatives
- #1 – Best Research Team – Quantitative Research

Prescient Wealth made strong progress in developing its product offerings and established a strong administrative base for the writing of new business. The revenue is starting to come through and we are excited about the future of this new diversified offering in the Prescient Group.

Information Management Services

Total revenue for the six months ended 30 September 2014 amounted to R238.3 million compared to R190.0 million for the corresponding period ending 30 September 2013. Profit before tax amounted to R23.7 million (September 2013: R18.8 million).

The Information Management Services segment continues to cement its position as data specialists and as the foremost provider of professional services in this area. Increased focus on our traditional services is continuing to result in recurring contracts and stable revenue. Demand for these services remains very high and all indications are that this trend will continue for an extended period of time.

Dividend

An interim gross dividend of 2.75 cents per share, in respect of the six months ended 30 September 2014, was declared on 27 November 2014.

Biannually, the directors will consider the payment of a dividend, taking into account prevailing circumstances and future cash and capital requirements of the Group in order to determine the appropriate dividend in respect of a particular financial reporting period.

There are 1 648 615 093 shares in issue at the dividend declaration date, of which 26 710 245 are held as treasury shares. The total dividend amount payable is R45.3 million (30 September 2013: R40.0 million).

This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. Dividends are subject to a 15% Dividends Tax (DT) which is a withholding tax levied on non-exempt shareholder recipients of the dividend. The net dividend payable to shareholders who are subject to dividend tax is 2.3375 cents per share, while it is 2.75 cents per share to those shareholders who are exempt from Dividend Tax. Prescient's income tax reference number is 9725/148/71/3.

In compliance with the Listings Requirements of the JSE Limited, the following dates are applicable:

Last day to trade <i>cum</i> dividend	Friday, 16 January 2015
Shares trade <i>ex</i> dividend	Monday, 19 January 2015
Record date	Friday, 23 January 2015
Payment date	Monday, 26 January 2015

Share certificates may not be dematerialised or rematerialised between Monday, 19 January 2015 and Friday, 23 January 2015, both dates inclusive.

Prospects

Financial Services

The Financial Services segment continues to focus on service excellence to clients across all business units. Our entrepreneurial culture and innovative teams will seek opportunities in areas that we believe will deliver the best possible solutions for those clients.

In Prescient Investment Management, the strengthening of the China offering across an additional mandate is a growth area and we are also looking for opportunities in alternative investments. We are in the process of finalising our Clean Energy and Infrastructure Fund that is an investment asset that fits extremely well into our investment philosophy and will complement many of our fixed income and real return mandates. We have also launched a Market Neutral Hedge Fund which provides our clients with a vehicle to take advantage of pricing arbitrage opportunities in the local equity market. The Prescient Africa Equity Fund represents untapped potential and we strongly believe in the African continent as a massive growth area into the future.

Prescient Fund Services continues to evolve its offering and we believe we have the most comprehensive service to the market. Our core is the investment administration offering but with peripheral services such as hedge fund administration, global dealing services and private equity administration our client universe has grown substantially. We expect strong growth from Prescient Fund Services, locally and globally, in the year to come.

Prescient Life Limited is also on the cusp of strong growth. We have seen significant interest in our seamless transition offering but we are also looking to grow the platform services which we have already seen generating strong interest in the last few months.

Prescient Securities' service offering remains very competitive and highly regarded by our clients and efficient trade execution, premium research and high levels of service will remain the key factors that continue to generate profitability.

Prescient Wealth is well staffed, has established a strong administrative base and is well positioned for significant revenue growth.

Information Management Services

Traditional services continue to form the basis of stable revenue and earnings and this focus will continue into the future, however, new services, as an extension of our current successful service offering, have been launched with satisfying results, paving the way for additional revenue streams over the next two years.

Changes to the Board of Directors

During the period under review the following changes were made to the Board of Directors: Monty Kaplan retired from the Board, effective from 15 August 2014. The Directors and Management thank Monty for the valuable contribution made to the Company. Zane Meyer was appointed as the lead independent non-executive director. Zane has been on the Board since 10 July 2012 and is the Chairman of the Audit Committee.

Forward-looking statements

This announcement contains certain forward-looking statements with respect to the financial condition and results of the operations of Prescient Limited that, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. These may relate to future prospects, opportunities and strategies. If one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may differ from those anticipated. By consequence, none of the forward-looking statements have been reviewed or reported on by the Group's auditors.

Unaudited condensed consolidated statement of profit or loss and other comprehensive income

	Six months unaudited 30 Sep 2014 R'000	% Change	Six months unaudited 30 Sep 2013 R'000
Continuing operations			
Total income	389,370	17	332,841
Expenses	(306,762)	21	(254,553)
Profit from operations	82,608	6	78,288
Other income	2,601		2,780
Share of loss of equity-accounted investees, (net of tax)	(1,223)		(364)
Finance costs	(4,401)		(3,002)
Profit before taxation	79,585		77,702
Income tax expense	(23,169)		(22,792)
Profit from continuing operations	56,416	3	54,910
Discontinued operation			
Loss for the period from discontinued operation	–		(6,649)
Goodwill impairment on discontinued operation	–		(31,143)
Profit for the period	56,416	230	17,118
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences – foreign operations	(702)	(172)	970
Tax on other comprehensive income	–		–
Other comprehensive income for the period, net of tax	(702)		970
Total comprehensive income for the period	55,714	208	18,088
Profit attributable to:			
Owners of the Company	56,708	280	14,911
Non-controlling interests	(292)		2,207
Profit for the period	56,416		17,118
Total comprehensive income attributable to:			
Owners of the Company	56,006	253	15,881
Non-controlling interests	(292)		2,207
Total comprehensive income for the period	55,714		18,088
Basic earnings per share (cents)			
Continuing operations	3.59	6	3.38
Discontinued operation	–		(2.42)
	3.59		0.96
Diluted earnings per share (cents)			
Continuing operations	3.59		3.38
Discontinued operation	–		(2.42)
	3.59		0.96
Notes to the statement of comprehensive income			
Headline earnings per share (cents)			
Continuing operations	3.59	6	3.38
Discontinued operation	–		(0.42)
	3.59		2.96
Diluted headline earnings per share (cents)			
Continuing operations	3.59		3.38
Discontinued operation	–		(0.42)
	3.59		2.96
Dividend per share (cents)			
Interim	2.75		2.50

Earnings per share

	Unaudited 30 Sep 2014	Unaudited 30 Sep 2013
Actual number of shares in issue at the end of the period	1,645,915,093	1,598,022,450
Weighted average number of shares in issue at the end of the period	1,579,783,732	1,573,011,133
Treasury shares	26,710,245	25,011,317
Continuing operations	R'000	R'000
Earnings attributable to shareholders	56,416	54,910
Non-controlling interests	292	(2,207)
Earnings attributable to ordinary shareholders	56,708	52,703
Headline earnings attributable to ordinary shareholders	56,708	52,703
Discontinued operation		
Earnings attributable to shareholders	–	(37,792)
Non-controlling interests	–	–
Earnings attributable to ordinary shareholders from discontinued operation	–	(37,792)
Headline earnings attributable to ordinary shareholders from discontinued operation	–	(6,649)

Unaudited condensed consolidated statement of financial position

	Unaudited 30 Sep 2014 R'000	Unaudited 30 Sep 2013 R'000	Audited 31 March 2014 R'000
Assets			
Non-current assets	9,457,779	7,237,398	7,331,567
Property and equipment	26,724	7,534	11,210
Investment property	24,279	20,460	24,724
Goodwill and intangible assets	411,061	424,428	423,361
Deferred tax asset	7,589	5,145	4,841
Long-term loans and other receivables	30,586	72,138	70,288
Investment in equity-accounted investees	8,523	1,184	1,493
Financial assets at fair value through profit or loss	144,374	112,013	105,842
Linked investments backing policyholder funds	8,804,643	6,594,496	6,689,808
Current assets	637,915	740,344	527,764
Inventory	17,764	22,294	10,506
Trade and other receivables	189,142	126,375	171,692
Amounts owing by clients and clearing houses	354,213	414,753	287,082
Taxation receivable	2,676	4,719	3,398
Cash and cash equivalents	74,120	71,244	55,086
Assets held for sale	–	100,959	–
Total assets	10,095,694	7,977,742	7,859,331
Equity			
Stated capital	660,600	637,062	637,062
Reserves	(2,266)	1,181	(841)
Retained income	111,593	87,434	96,367
Total equity attributable to owners of the Company	769,927	725,677	732,588
Non-controlling interests	4,019	10,788	8,461
Total equity	773,946	736,465	741,049
Liabilities			
Non-current liabilities	8,857,635	6,709,194	6,732,401
Deferred tax liability	7,402	7,197	5,480
Policyholder investment contract liabilities	8,802,649	6,594,496	6,685,086
Loans payable	47,584	107,501	41,835
Current liabilities	464,113	532,083	385,881
Trade and other payables	83,770	78,235	57,594
Amounts owing to clients and clearing houses	352,219	412,087	286,654
Loans payable	–	–	12,865
Current tax payable	10,803	8,088	6,726
Bank overdraft	17,321	5,389	22,042
Liabilities held for sale	–	28,284	–
Total liabilities	9,321,748	7,241,277	7,118,282
Total equity and liabilities	10,095,694	7,977,742	7,859,331

Unaudited condensed consolidated segment report

	Financial Services				Information Management Services				Group			
	Six months unaudited 30 Sep 2014		Six months unaudited 30 Sep 2013		Six months unaudited 30 Sep 2014		Six months unaudited 30 Sep 2013		Six months unaudited 30 Sep 2014		Six months unaudited 30 Sep 2013	
	Conti- nuing R'000	Discon- tinued R'000										
Segment external revenue	151,117	–	142,807	64,899	238,253	–	190,034	–	389,370	–	332,841	64,899
Segment profit before tax	55,841	–	58,934	(37,792)	23,744	–	18,768	–	79,585	–	77,702	(37,792)

Unaudited condensed consolidated statement of changes in equity

R'000	Stated capital	Translation reserve	Treasury shares	Share-based payment reserve	Retained income	Total	Non-controlling interests	Total equity
Balance at 1 April 2013	637,062	12,396	(12,116)	–	93,595	730,937	9,781	740,718
Total comprehensive income for the period								
Profit for the period	–	–	–	–	14,911	14,911	2,207	17,118
Total other comprehensive income	–	970	–	–	–	970	–	970
Total comprehensive income for the period	–	970	–	–	14,911	15,881	2,207	18,088
Transactions with owners recognised directly in equity								
Contributions by and distributions to owners of the Company								
Treasury shares sold	–	–	(69)	–	–	(69)	–	(69)
Dividends declared during the period	–	–	–	–	(21,072)	(21,072)	(1,200)	(22,272)
Total contributions by and distributions to owners of the Company	–	–	(69)	–	(21,072)	(21,141)	(1,200)	(22,341)
Total transactions with owners of the Company	–	–	(69)	–	(21,072)	(21,141)	(1,200)	(22,341)
Balance at 30 September 2013	637,062	13,366	(12,185)	–	87,434	725,677	10,788	736,465
Balance at 1 April 2014	637,062	11,013	(11,854)	–	96,367	732,588	8,461	741,049
Total comprehensive income for the period								
Profit for the period	–	–	–	–	56,708	56,708	(292)	56,416
Total other comprehensive income	–	(702)	–	–	–	(702)	–	(702)
Total comprehensive income for the period	–	(702)	–	–	56,708	56,006	(292)	55,714
Transactions with owners recognised directly in equity								
Contributions by and distributions to owners of the Company								
Treasury shares sold	–	–	(837)	–	–	(837)	–	(837)
Dividends declared during the period	–	–	–	–	(41,482)	(41,482)	(978)	(42,460)
Issue of ordinary shares	23,538	–	–	–	–	23,538	–	23,538
Equity-settled share based payments	–	–	–	114	–	114	–	114
Total contributions by and distributions to owners of the Company	23,538	–	(837)	114	(41,482)	(18,667)	(978)	(19,645)
Changes in ownership interests in subsidiaries								
Loss of control	–	–	–	–	–	–	(3,172)	(3,172)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	(3,172)	(3,172)
Total transactions with owners of the Company	23,538	–	(837)	114	(41,482)	(18,667)	(4,150)	(22,817)
Balance at 30 September 2014	660,600	10,311	(12,691)	114	111,593	769,927	4,019	773,946

Unaudited condensed consolidated statement of cash flows

	Six months unaudited 30 Sep 2014 R'000	Six months unaudited 30 Sep 2013 R'000
Cash flows from operating activities		
Profit for the period	56,416	17,118
Income tax expense	23,169	22,792
Non-cash movements and adjustments to profit before tax	(4,622)	1,708
Changes in working capital	17,212	(24,528)
Dividends received	1,288	6
Dividends paid	(42,460)	(21,072)
Interest received	8,371	8,267
Interest paid	(4,401)	(3,002)
Tax paid	(18,838)	(22,416)
Cash flows from operating activities from discontinued operation	–	32,424
Net cash inflow from operating activities	36,135	11,297
Cash outflow from investing activities	(6,039)	(10,335)
Cash flows from investing activities from discontinued operation	–	(1,422)
Cash (outflow)/inflow from financing activities	(6,278)	5,350
Cash flows from financing activities from discontinued operation	–	(554)
Net increase in cash and cash equivalents	23,818	4,336
Effect of exchange rate fluctuations on cash held	(63)	7,263
Net cash and cash equivalents at the beginning of the period	33,044	100,641
Net cash and cash equivalents at the end of the period	56,799	112,240
Comprising		
Cash and cash equivalents	74,120	71,244
Bank overdraft	(17,321)	(5,389)
Cash and cash equivalents held for sale	–	46,385
Net cash and cash equivalents at end of the period	56,799	112,240

Company information

Directors:	AM Louw (Chairman), H Steyn (CEO), M Buckham (Financial Director), Z Meyer (Lead Independent Non-executive), H Sonn (Independent Non-executive), K Moloko (Independent Non-executive), R van Rooyen (Non-executive)
Registered office:	Prescient House, Westlake Business Park, Otto Close, Westlake, 7945, South Africa
Postal address:	PO Box 31142, Tokai, 7966
Registration number:	1936/008278/06
Sponsor	Bridge Capital Advisors Proprietary Limited
Transfer secretaries:	Link Market Services
JSE share code:	PCT
ISIN:	ZAE000163531
Website:	www.prescient.co.za