



**CAPE TOWN** | Coronation House, Boundary Terraces, 1 Mariendahl Lane, Newlands 7700, South Africa  
 PO Box 993, Cape Town 8000 Telephone: +27 (0)21 680 2000 Fax: +27 (0)21 680 2100

**JOHANNESBURG** | Coronation Place, Freestone Park, 135 Patricia Road, Sandown 2196, South Africa  
 PO Box 652643, Benmore 2010 Telephone: +27 (0)11 775 6400 Fax: +27 (0)11 775 6486

**GABORONE** | Lot 111/B Kgale View, Gaborone International Finance Park, Botswana  
 Postnet Kgaleview, Private Bag 149, Suite 277, Gaborone, Botswana Telephone: +267 (0)390 0152/3/4 Fax: +267 (0)390 0267

**LONDON** | Panton House, Second Floor, 25 Haymarket, London, SW1Y 4EN United Kingdom  
 Telephone: +44 (0)207 389 8840 Fax: +44 (0)207 389 8899

**DUBLIN** | 11 Central Hotel Chambers, Dame Court, Dublin 2, Ireland Telephone: +353 (0)1 674 5413 Fax: +353 (0)1 674 5411

**CORONATION**  
 FUND MANAGERS

Annual Report  
 2006

Encapsulated in the theme – it's all about the numbers – this year's report gives creative expression to the four key statistics which represent Coronation's highlights in the 2006 financial year.

## CONTENTS

Page

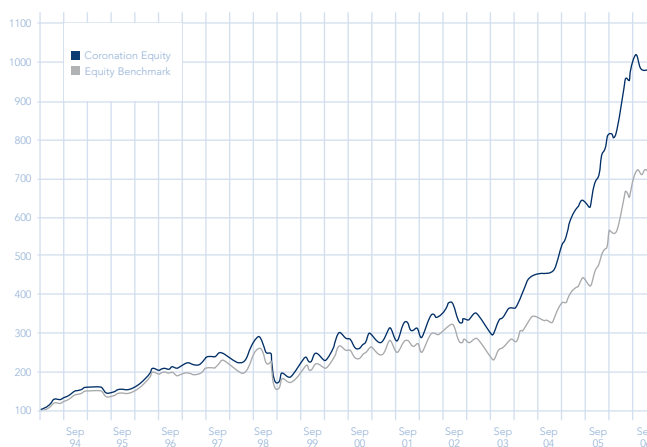
Business highlights	2
Corporate structure	4
Financial highlights	5
Chairman's statement	8
Chief executive officer's review	12
Transformation	17
Board of directors	22
Corporate governance	23
Risk management and control	27
Financial statements	33
Shareholders' information	
Analysis of shareholders	89
Notice to shareholders	91
Shareholders' diary	94
Corporate information	94
Form of proxy	95



## BUSINESS HIGHLIGHTS

Our vision is to deliver investment excellence to our clients – excellence of investment performance, innovative products and client service.

We are a business focused on the long term, with a strong culture of staff ownership and entrepreneurial flair. Our people are independent thinkers with shared values and the ability to achieve with passion and energy. With a singular focus on fund management, we strive to be the best in all we do.



Outperforming the SA equity market since 1993

Fund data is the equity carve-out of the Coronation Global Houseview composite and the benchmark is 50% Low Resources until Dec 2003 and FTSE/JSE Capped All Share Index at 10% from Jan 2004.

## ASSETS UNDER MANAGEMENT

Since inception in 1993 we have grown assets under management by remaining focused on producing long-term investment returns for our clients. Within the first year of operation we attracted R3 billion in institutional assets and in 2006 are responsible for more than R100 billion in assets under management.

Over the years we have challenged the industry norms to provide investment options that meet the changing needs of our clients, and are acknowledged as a market leader and innovator in the investment management industry.

## SUPERIOR LONG-TERM INVESTMENT PERFORMANCE

The strength of our investment philosophy and ability to outperform the market is best illustrated in the numerous industry awards and accolades received over the years.

In 2005 we were again named the Raging Bull Unit Trust Company of the Year, an award which we have won three times in the past four years.

Since 1993, our long-term investment track record of superior stockpicking has outperformed the SA equity market by an average of 10,52% per annum.



## OWNERSHIP

Throughout our history our success has been our ability to attract, retain and motivate talented individuals. We have developed and nurtured a culture of teamwork and excellence, and the entrepreneurial flair that was so evident in the early days remains a vital ingredient of our 'DNA' today.

We are a human capital intensive business and have entrenched the principle of ownership across all levels of staff. Building on the sale to staff of a significant shareholding in Coronation by our major shareholder in early 2005, combined with our BEE deal with the Imvula Trust, staff ownership in the business, subsequent to year-end, grew by 3% to 28%.

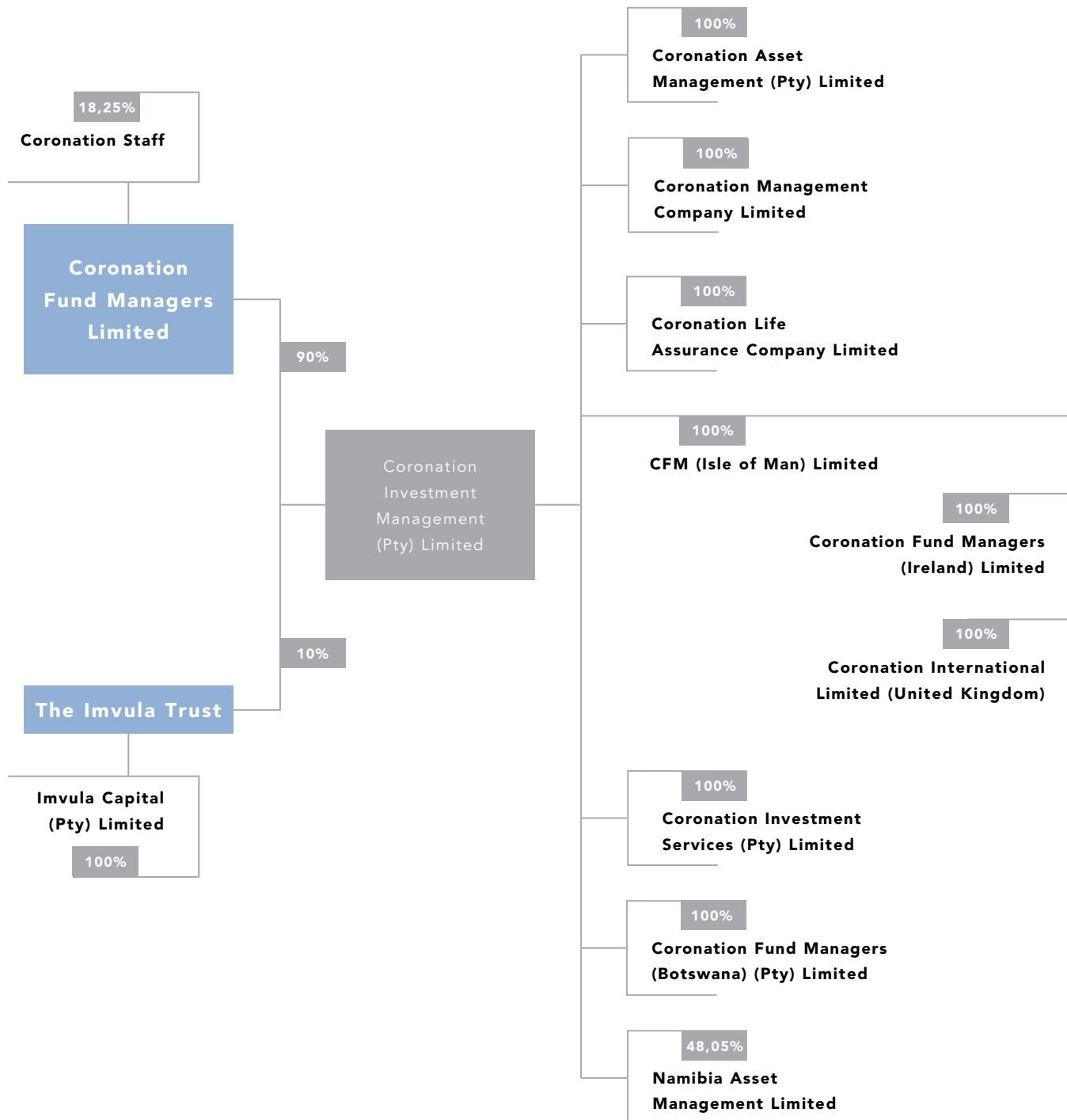
## TRANSFORMATION

The smarter and more diverse our people, the greater is our competitive advantage. We therefore seek to employ exceptional individuals and develop their potential to build capacity as a sustainable and successful business.

As at 30 September 2006, more than half our South African staff are black, with a high proportion at junior and middle management levels.



## CORPORATE STRUCTURE



## FINANCIAL HIGHLIGHTS

	2006	2005
<b>CLIENTS</b>		
Assets under management (Rbn)		
Opening market value (Rbn)	81,9	63,8
Net flows (Rbn)	1,9	(4,6)
Capital appreciation (Rbn)	17,6	22,7
Closing market value (Rbn)	101,4	81,9
<b>SHAREHOLDERS</b>		
Shareholders' equity (Rm)	1 250	1 308
Shares in issue (thousand)	349 577	382 275
Weighted average shares in issue (thousand)	376 671	382 275
Net asset value per share (cents)	357	342
Headline earnings per share (cents)	51,9	42,9
Earnings per share (excluding IFRS 2) (cents)	65,6	48,5
Capital distribution per share (cents) – payable	53,0	36,0
<b>FINANCIAL SUMMARY</b>		
Revenue (Rm)	706	588
Financial income (Rm)	36	31
Operating expenses (Rm)	437	361
Profit from fund management activities (Rm)	294	253
Cost-to-income ratio (excluding IFRS 2) (%)	49,3	53,2
Cash flow from operating activities (Rm)	311	161
<b>MARKET INFORMATION</b>		
Volume of shares traded (million)	118,3	56,9
Value of shares traded (Rm)	691	250
Closing share price (cents)	600	550
<b>NUMBER OF EMPLOYEES</b>		
	155	140





Coronation has been awarded the Raging Bull Unit Trust Company of the Year three times in the last four years.



## CHAIRMAN'S STATEMENT

Gavan Ryan



**W**e have again produced a solid set of results that confirm our position as one of the most successful fund management companies in the country. While robust domestic market conditions contributed to the health of the business, clear focus on fund management ensures that we remain resolute in our delivery of long-term investment excellence across all client portfolios.

The business is in excellent condition, and during the financial year exceeded the milestone of R100 billion in assets under management, reporting R101,4 billion as at 30 September 2006. This not only reflects a healthy rate of growth but an unyielding trust by clients in our ability to deliver investment performance.

We were once again crowned the Raging Bull Unit Trust Company of the Year, awarded for consistency of investment performance across the unit trust fund range. Our long-term investment performance remains strong, but we are disappointed with the one-year relative performance numbers. For the three and five-year periods institutional balanced portfolios ranked 3rd in the Alexander Forbes SA Large Manager Watch to end September 2006.

Over the period negotiations were concluded to acquire a 48% shareholding in Namibia Asset Management Limited.

In acquiring this stake we enhance the strategic partnership which has been in place since 1996 for the benefit of clients and shareholders.

In line with our dividend policy of paying out 75% of profits after tax adjusted for the non-cash portion of share-based payment charges, a capital distribution of 53 cents per share will be paid to shareholders, compared with 36 cents for last year.

## OWNERSHIP

A key asset of any fund management company is its people, and Coronation is no exception. In early 2005 we put in place the principle of staff ownership to better align the interests of shareholders and staff in building a sustainable business into the future.

We are pleased to report that, subsequent to year-end, the effective total staff ownership is 28%. This was achieved through the exercising of staff share options and conversion of preference shares. It also includes the 10% shareholding by staff through our empowerment vehicle, the Imvula Trust.

## TRANSFORMATION

As an industry leader we understand the importance of enabling increased black participation in business and that through well-directed social investment, opportunities can be created for participation by those otherwise excluded from the mainstream economy.

We see transformation as a long-term process in building a sustainable business and are proud of our Empowerdex 'A' rating based on the DTI Codes of Good Practice. To ensure that our transformation strategy is aligned with the objectives of the business and is measurable, non-executive director Shams Pather has been appointed chairman of the transformation committee. Further details of our achievements in this regard are detailed on pages 17 to 19 of this report.

## CORPORATE GOVERNANCE

Good corporate governance is an integral component of doing business. We subscribe to the highest standards of business integrity, ethical values and professional practices and remain committed to creating value for clients, shareholders, employees and society. We encourage and support a more robust and transparent approach to corporate conduct in South Africa and within the industry.

## OUR BRAND

This past financial year saw the introduction of Coronation Fund Managers to the broader public through its advertising campaign on television, cinema, print and press. This more public persona was characterised through the works of Vincent van Gogh and the concept of 'recognising investment opportunities'.

While we are now in our 14th year of operation, our investment in the brand has moved to the next level. By taking this considered approach to building the Coronation brand beyond our traditional niche markets, we strengthen the long-term sustainability of the business.

## PROSPECTS

The fund management industry, and Coronation in particular, has benefited from strong domestic market conditions, the continuance of which is difficult to predict. It is our aim to continue to strive to achieve sustainable investment performance and to create a business which extends beyond financial market cyclicity.

## ACKNOWLEDGEMENTS

I thank our staff for the passion and loyalty which has contributed to yet another successful year for Coronation. I also thank our clients and shareholders for their continued support and belief in our ability to deliver investment excellence.





R100 billion in assets under management  
and 100% commitment to our clients.

## CHIEF EXECUTIVE OFFICER'S REVIEW

Thys du Toit



The past financial year was both eventful and challenging. Until May 2006 we witnessed the continuation of buoyant domestic markets supported by strong international portfolio flows – then everything changed. Triggered by investor fears regarding lower global growth and higher inflation, world markets slumped and emerging markets temporarily fell out of favour.

All asset classes recovered incredibly quickly, with the FTSE/JSE All Share Index returning 36,1% for the year and the All Bond Index 5,0%. On the international markets, the MSCI World returned 14,7% in US dollars and 40,4% in rands. The rand return reflects the sharp fall in the currency, which declined by 18,3% against the US dollar, 22,9% against sterling, and 22,2% against the euro over the year.

Amidst all this market volatility, at Coronation the integrity of our investment philosophy was truly put to the test. We invest with a long-term time horizon based on sound research, and take high-conviction positions which are implemented across all client portfolios. While not acknowledged by the market over the past 12-month period, we hold firm that our investment calls will reward clients with strong long-term returns.

The DTI faced continued pressure to finalise and gazette the Broad-Based Black Economic Empowerment (BBBEE) Codes of Good Practice. Controversy raged over a few elements on which we still await clarity. The gazetting of the Codes is expected during the course of next year, therein providing a common platform for prospective and existing clients to fairly assess the BEE credentials of investment managers.

## INSTITUTIONAL

Institutional assets grew by R13,2 billion to R74,5 billion over the year. Our commitment to deliver strong long-term returns to our clients, comprising some of the largest retirement funds, medical schemes, empowerment trusts, charities and multimanager organisations in the country, contributed significantly to our exceeding R100 billion in total assets under management.

Over the year, we attracted R14 billion in new client mandates across our equity, fixed interest and hedge fund offerings. As at year-end, R4 billion of this total had not yet been transferred.

## LANDSCAPE

2005 very much paved the way for retirement reform, while 2006 simply marched to the same beat; but while changes in Regulation 28 and legislation remain incomplete, the focus on corporate governance has increased dramatically. As such, the financial services industry has faced much scrutiny over the last year on a number of different issues. This resulted in a significant increase in client interactions, servicing and administration.

We still await the second reform paper from Government, without which we are unlikely to see any other changes within the retirement fund industry. The dramatic move in the currency over the year has once again highlighted the viability and necessity of an international allocation within a fund's investment strategy, and we await potential further relaxation of exchange controls for the industry.

Against this backdrop, Coronation has once again received an 'A' rating from Empowerdex, re-affirming the broad-based transformation strategies which we have embraced.

## INVESTMENT PERFORMANCE

Our flagship domestic balanced portfolios continued to perform strongly over the longer term, ending in 3rd position in the Alexander Forbes SA Large Manager Watch for the three and five-year periods. The exceptional performance of our fixed interest franchise is reflected in our upper quartile position within the SA Bond Manager Watch. While the absolute return funds remain closed to new business, our longest-standing fund, the Coronation Absolute Fund, yielded a compelling active return of 8,3% per annum since inception in August 1999 over its inflation plus 7% benchmark. Within our growing hedge fund range, the Coronation Granite Fixed Income Fund won the Symmetry Hedge Fund Award for the best performing Fixed Interest Hedge Fund in 2005.

## CLIENT-CENTRIC FOCUS AND PRODUCT DEVELOPMENT

We appreciate the importance of our fiduciary responsibility and the role we play in assisting clients with complex investment issues. Our focus on 'non-investment' alpha ensures that our team of investment professionals remain abreast of market developments and the relative valuation of asset classes in their delivery of superior service to clients. Furthermore, we have forged improved synergies between the institutional, retail and international teams, with renewed emphasis on servicing our premier and private client base.

The increasing awareness of the benefits of alternative investments within an overall portfolio has resulted in our hedge fund range receiving much interest. In February 2006 the market neutral Coronation pH7 Fund was added to the range. Our Granite Fixed Income Fund has quadrupled its asset base since September 2005.



We were also pleased to note the general success of our medical aid products which, after the initial years of market education, have witnessed a significant increase in flows and interest within the market. On the equity side, we continue to be a manager of choice and our established South African brand has led to many opportunities which have arisen from offshore funds. We have also used our equity expertise to widen our existing equity product range.

While we have been successful in attracting new clients and portfolios over the year, the increase in equity markets has continued to result in outflows from strategic re-balancing of some equity mandates.

Our penetration within the South African market continues to grow, with our fixed interest presence attracting significantly more attention from the institutional market than before.

Furthermore, our strong capability in managing domestic assets has opened up the opportunity for our London-based team to position our domestic South African market skills to international investors.

## RETAIL

This year we celebrated a decade of participation in the unit trust industry, and were again awarded the coveted Raging Bull Unit Trust Company of the Year (2005). This is the third time in the past four years that we have won this highly-regarded industry accolade, awarded for consistency of investment performance across the entire fund range.

For the period, assets under management grew to R17,8 billion. Our range of managed funds and the Coronation Strategic Income Fund attracted R3,1 billion in net inflows, exceeding the level of net inflows in 2005 by 29% and 19% respectively. The Coronation Property Equity Fund experienced a high level of outflows over the period, due in large to the pressure on performance of the asset class. The

net inflow inclusive of all funds amounted to R2 billion for the year.

Following on the successful launch of the Coronation individual retirement products and endowment plan, we have entered into a business venture with the Professional Provident Society (PPS), one of our longest-standing institutional clients, to create PPS Investments. The business will provide investment products which are competitively priced, flexible, transparent and offer access to superior returns predominantly on a multimanager basis exclusively to PPS members. Coronation will have a 49% shareholding in PPS Investments which is to be launched in early 2007.

## THE LANDSCAPE

Unit trusts have grown to become one of the most efficient and widely held formal savings mechanisms in South Africa. Figures released by the Association of Collective Investments show that as at end September 2006, assets under management had grown to almost R500 billion, and since the launch of the first unit trust in South Africa in 1965, the industry had achieved an annual growth rate of 34%, attributable to significant inflows and market movement.

While the level of growth in total assets is very pleasing, what remains of concern is the largely conservative approach of most investors. Managed funds continue to be the firm favourite, but of these funds it is those with low levels of exposure to equities which are attracting the majority of assets. Statistical studies show that equities, over time, hold the most growth potential of all asset classes worldwide. Investors with longer time horizons are especially vulnerable to incurring substantial opportunity costs by emphasising short-term capital preservation at the expense of maximising long-term growth.

Further, hidden in the numbers is the disconcerting level of churn. The industry turnover rate over the last year exceeded 100%. This means that the combined inflows and outflows from funds over the past 12 months was more than the asset base of the industry. While the high turnover rate can be

partially explained by the growth of the industry, and while some withdrawals are to be expected, it also indicates that a significant amount of unit trust investments are regularly switched between different funds. That even growth-oriented managed funds are not immune to high turnover levels is of notable concern. Many of these switches are inappropriately motivated and will reduce, rather than improve, investment outcomes to the ultimate investor.

## INVESTMENT PERFORMANCE

---

Our philosophy of long-term investing was again rewarded, where Coronation funds dominate 1st and 2nd position in their respective peer group categories since inception.

Over the short term, relative performance has been disappointing in selected funds, particularly in the Equity, Financial and Top 20 funds. The Strategic Income, Bond, Optimum Growth, Capital Plus and Balanced Plus funds all produced commendable returns for the year to end September.

In addition to our being named the Raging Bull Unit Trust Company of the Year, we received a total of 14 Raging Bull and Standard & Poor's individual fund awards, and were again ranked 'best provider of retail asset management services' in the PwC Strategic and Emerging Issues in South African Banking Survey for 2005.

## CLIENT-CENTRIC FOCUS AND PRODUCT DEVELOPMENT

---

The continued education of the intermediaries who recommend our products is a vital component of our business. Thus we continued with our highly successful *Conversations with Coronation* series of workshops in each of the major centres during the course of the year. Also with the aim of providing greater access to information about Coronation and the products that we offer, *Coronation Online Services* was enhanced to give investors a single view across all their Coronation investments, and transaction functionality for investors in our individual retirement

products. In addition, intermediaries have also been provided with this facility, enabling them to better serve their clients.

From a product development perspective, we capitalised on the opportunity in the market for greater certainty around dividend income unit trusts by introducing the Coronation Preference Share Fund to the range. The objective of this fund is to optimise high-yielding dividend income to produce attractive after-tax returns for individual investors in the higher end of the income tax bracket.

## INTERNATIONAL

---

Coronation International continues to focus on providing clients with well constructed funds of funds through the selection of world-class managers. The primary objective of the business is to meet the specific needs of our predominantly institutional South African client base. Assets under management total US\$1,2 billion.

## THE LANDSCAPE

---

Most of the positive returns from global equities in 2006 were predicated on a growing belief that the US economy will achieve a soft landing, causing sentiment to improve markedly following the volatile markets of May and June. Investor sentiment throughout the period has been dominated by macro-economic issues, in particular the ongoing debate surrounding the US housing market, consumer confidence and inflation. The key areas of contention are the scale and level of excess in the US housing market, the consequent shape and depth of any correction in that market, and the role that the boom and subsequent correction has had, and will have, on consumer expenditure.

In keeping with the positive outlook of investors, the market chose to interpret the economic weakness in a positive way; assuming that rate rises are now over and that the next move in rates is downward – Fed Fund Futures point to



this happening in the first half of 2007. This supposes that the inflationary threat is dissipating, something we wonder about since many companies seem to boast about a return to pricing power after years of deflation. The market's relaxed view also supposes that the slowdown in growth leads to a soft landing. This may be the case, but it feels premature to draw such a conclusion. Although the sharp fall in bond yields certainly acknowledges that a slowdown is taking place and/or inflationary threats are receding, this is not necessarily good for equities at this stage in the cycle.

Given the strong performance of the international equity markets, many observers predicted a decline in interest in direct hedge funds and funds of hedge funds. In reality, flows continue to be strong with more than US\$44,5 billion in new assets being invested during the third quarter of 2006 alone. The most popular strategies have been Relative Value Arbitrage, Equity Hedge, and Event-Driven, a sign that investors continue to seek methods of diversifying away from passive equity and bond exposure. According to a recent report from Hedge Fund Research Inc., total industry assets stood at US\$1,34 trillion at the end of September, up from US\$1,08 trillion at the same time last year.

## INVESTMENT PERFORMANCE

---

Our flagship Coronation Global Equity Alternative Strategy Fund celebrated its 10-year anniversary in August. It is one of the longest-running specialist global long/short funds of hedge funds in the world and also one of the largest, with US\$440 million under management. The fund has produced an annualised US dollar return of over 11% per annum since inception at a far lower level of volatility than that of the market.

The Coronation Global Equity Fund of Funds, which was launched in July 2000, has outperformed the MSCI World by 2% per annum since inception (net of all fees). This product has started to attract the interest of a number of large South African clients who are seeking international equity exposure and, in many instances, are choosing Coronation over the

larger well-known multimanager brand names as well as some high-profile single manager solutions.

The Coronation Global Bond Fund of Funds continues to outperform its benchmark, the Citigroup Global Bond Index, by 1,7% per annum (net of all fees) since launch in July 2003; a significant number considering the generally tight dispersion in bond fund returns.

## FUTURE FOCUS

---

While we continue to seek opportunities to strengthen the business and provide clients with relevant and innovative products, we will remain single-minded in our delivery of long-term investment excellence across all areas of our business.





Staff at work with Habitat for Humanity, Wallacedene 2006.



## TRANSFORMATION

As a leader in the investment management industry and an active participant in the formulation of the Financial Sector Charter, our aim is to ensure that broad-based black economic empowerment (BBBEE) and transformation provide benefits to our business, our people and the economy.

We view sustainable transformation as critical to the development challenges facing the country and to the empowering of those individuals previously disenfranchised. At Coronation, transformation is a journey upon which we embarked at the formation of our business in 1993 and is a strategy that is woven throughout every aspect of our business.

In developing our objectives the four key areas of focus are:

Ownership and Control

Human Resource Development

Procurement and Enterprise Development

Corporate Social Investment

### OWNERSHIP AND CONTROL

#### Ownership:

We were one of the first fund management companies to initiate a staff-only BEE deal for existing and future black staff. Through the Imvula Trust, black staff collectively own a direct 10% shareholding in Coronation Investment Management (Pty) Limited.

More than 50% of our South African staff complement are black, and all are beneficiaries of the Imvula Trust. There is no doubt that the Imvula Trust is enabling black staff to experience the benefits of ownership, including dividend distributions and wealth creation. As at 30 September, the net asset value of the Imvula Trust is R86 million.



### Control:

We are committed to the creation of diversity across all areas of the business, with particular emphasis on the teams of individuals who control the strategic direction and day-to-day activities of the company. Black representation on the board is currently 20%, and 33% at management team level.

### HUMAN RESOURCE DEVELOPMENT

As a human capital intensive business we attribute the success of the company to the strength and diversity of our people. To ensure that our staff complement reflects the demographics of South Africa, we follow a strict recruitment and selection process. Furthermore, we believe that effective skills transfer and individual skills development are essential to the transformation of the industry; as such, mentoring and career planning play integral roles in the development of staff at Coronation.

	White male	White female	Black male	Black female
Executive management	60%	0%	20%	20%
Senior management	60%	16%	16%	8%
Middle management	17%	34%	35%	14%
Junior management	5%	34%	22%	39%
Other staff	0%	6%	25%	69%

Over the years we have attracted and retained a large number of black investment professionals and continue to attract young black talent. Most recently, three members of our investment team were recognised by the Association for Black Security and Investment Professionals (ABSIP) for their contribution in their

respective fields of expertise. Hugo Nelson was awarded Top Portfolio Manager and both Pallavi Ambekar and Quinton Ivan were finalists for the Young Talent Development Award.

Our specialist focus and success in skills transfer also extends beyond our borders. Coronation’s presence in Namibia and Botswana has enabled us to train and empower local staff to achieve their full potential.

### PROCUREMENT AND ENTERPRISE DEVELOPMENT

At Coronation we have embraced BBBEE as a fundamental principle in the success of our business. This is reflected in our adoption of a procurement policy that promotes the usage of BEE suppliers. This provides a real opportunity for the redistribution of wealth.

The procurement of financial services essential in conducting our business is also shaped by this policy. As a fund management company, Coronation has a responsibility for the procurement of stockbroking services on behalf of clients, and it is upon this platform that the Coronation Business Support Programme was officially launched in February 2006. This innovative initiative sees the allocation of a minimum portion of client brokerage to six black stockbroking firms based on quality of service and empowerment credentials over a period of three to five years.

To ensure that we maintain our current high levels of BEE procurement, regular audits are conducted on both existing and potential suppliers.

### CORPORATE SOCIAL INVESTMENT

Social investment at Coronation predates BEE law and the Financial Sector Charter, and continues to be an area about which we are extremely passionate. Our primary aim is to support initiatives that lead to the empowerment of historically disadvantaged communities as we believe that it is through sustainable empowerment projects that the social and economic displacement of poor communities can be alleviated.

### Bursaries:

Education is crucial to the development of any society. South Africa is burdened with the reality that some of our brightest young prospects come from households who do not have the means to pay for education.

Since 1993 we have provided a number of black students with the opportunity to study at various universities across the country. Funding is awarded on merit to students studying towards Business Science, Accounting, Finance, Business Economics and Economics degrees; and for those bursars who see a future career in the investment industry we offer vacation work as well as provide individual mentorship for those students with special circumstances.

### Coronation Growing Entrepreneurs Programme:

In partnership with the South African Institute for Entrepreneurship we pioneered the Coronation Growing Entrepreneurs Programme in 2004, which provides subsistence farmers with the skills and knowledge to become profitable and successful businesses through the use of the Agriplanner tool.

The programme has been instrumental in teaching black small-scale farmers to plan, produce and market their produce more effectively. Those organisations which have been given assistance over the past financial year include The Rural Action Committee (Mpumalanga), Siyasizisa (KwaZulu-Natal), Umthathi (Eastern Cape) and Abalimi (Western Cape).

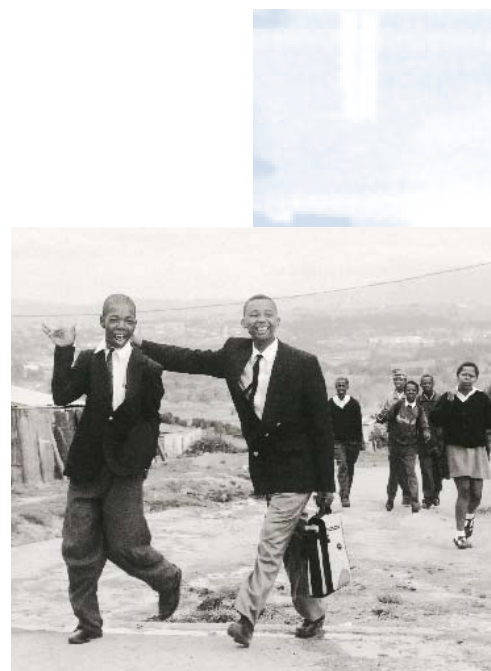
Following on this success, plans are afoot to develop and implement the second phase of this innovative programme.

### Not for Profit:

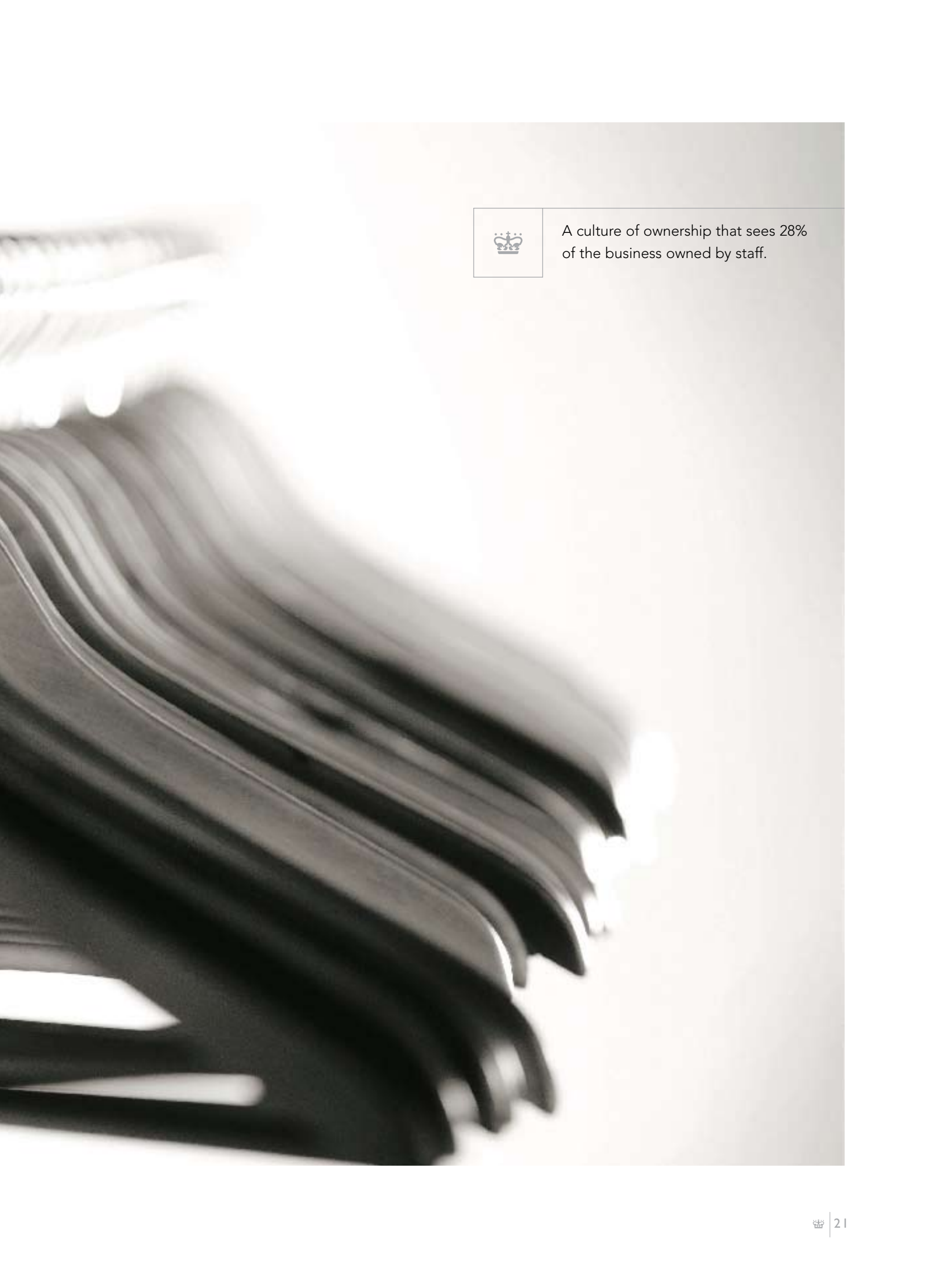
Much-needed financial assistance was also extended to a number of not-for-profit organisations, and once again 60 Coronation staff supported the Habitat for Humanity project by building a house in Wallacedene, Cape Town.

### CONCLUSION

We continue to make good progress in our efforts to redress the inequalities of the past, and will actively develop and implement a transformation strategy that is people-centred and builds capacity to create a sustainable business.







A culture of ownership that sees 28% of the business owned by staff.



## BOARD OF DIRECTORS

---

### **GAVAN RYAN (chairman) (58)**

**BCom, CTA, CA(SA), MBA**

Gavan is an executive director of Coronation Investments and Trading Limited, the investment banking group formerly listed as Coronation Holdings Limited. He was a director of the Coronation Holdings Limited group from 1992, serving as chairman from 1993 to 2001. Prior to joining Coronation, Gavan had over 20 years experience in investment banking in South Africa.

### **THYS DU TOIT (chief executive officer) (47)**

**BSc, MBA**

Thys is one of the founding members of Coronation Fund Managers and was appointed as chief executive officer in 1997. Prior to joining Coronation Fund Managers, he spent four years with Syfrets Managed Assets as a portfolio manager, and six years (three as a director) with George Huysamer & Partners (later bought out by ABN Amro) in the fields of capital and derivative markets, equity research and portfolio management.

### **SHAMS PATHER (director) (56)**

**BBusSc, BCom (Hons), MBA**

Shams has 30 years experience in the asset management industry. From 1974 to 2003 he was with Norwich Union, Colonial Mutual Life Assurance, Southern Life and Real Africa Asset Management. Other directorships include Oceana Group Limited, Sunshine Street Investments 63 (Pty) Limited, The RARE Group (Pty) Limited, Lungisa Industrials (Pty) Limited, Lungisa Technologies (Pty) Limited and Lungisa Investment Holdings (Pty) Limited. Shams is also a member of the UCT Joint Investment Council.

### **WINSTON FLOQUET (director) (65)**

**CA(SA), MBA**

Winston is chairman of Flagship Private Asset Management (Pty) Limited, a position he has held for the past five years (2001 to present). Prior to this, he held the position of deputy chairman of Fleming Martin South Africa (now JP Morgan) for seven years (1995 to 2001) and the position of chief executive officer of Martin & Co Inc. for 10 years (1986 to 1995). He is a former chairman of the Investment Analysts Society and a former member of the Accounting Practices Board.

### **LOUIS STASSEN (chief investment officer) (43)**

**BSc, BCom (Hons), CFA**

Louis is a founder member and chief investment officer of Coronation Fund Managers. He has more than 16 years industry experience and has worked in the investment teams of Allan Gray, Syfrets Managed Assets and Standard Bank in London. Louis joined Coronation in 1993 and from 1999 to 2001 held the position of chief investment officer (South Africa). Until September 2004 he headed up the absolute investments unit which he established in 1999, and became chief investment officer in January 2005.

## CORPORATE GOVERNANCE

### INTRODUCTION

Coronation maintains its balanced approach in its application of effective Corporate Governance principles.

The directors are of the opinion that, during the 2006 financial year, Coronation has complied in all material respects with the Code of Corporate Practices and Conduct as set out in King II.

### BOARD OF DIRECTORS

Coronation has a unitary board, comprising two executive directors and three non-executive directors, two of whom are independent. The chairman is non-executive but not regarded as independent in terms of the definition in King II. The roles of chairman and chief executive officer have been specifically separated. Profiles of the directors are detailed on the preceding page.

The board's primary responsibility is to increase shareholder wealth. The board is accountable to shareholders and is responsible for actively managing relationships with its various stakeholders. In fulfilling its primary responsibility, the board is aware of the importance of achieving a balance between conformance to governance principles and economic performance. The board is fairly balanced between executive and non-executive directors and complies with the recommendations of King II.

The board is responsible for appointing the chief executive officer, guiding and reviewing corporate strategy, considering major initiatives and for risk policy. The executive committee is accountable to the board for the development and implementation of strategy and policies. The board regularly reviews group performance, matters of strategic concern and any other matters it regards as material.

The board is responsible for nominating and recommending to shareholders all new directors. There are no service contracts for non-executive directors. The executive directors have contracts with the group terminable upon one-month's written notice to the board. It is company policy that at least a third of the directors are required to retire from their appointment each year. The retiring directors may make themselves eligible for re-election. The board has full and effective control of the group, which is exercised through senior management and the subsidiary boards.

Disclosure of the individual executive and non-executive directors' emoluments and shareholdings is contained in the annual financial statements.

The board meets quarterly and additional meetings are convened as required. Material decisions may be taken between meetings by way of written resolution, as provided for in the Articles of Association. The non-executive directors are provided with comprehensive information on the business and a summary of any developments between board meetings. The board met on five occasions during the 2006 financial year.

The composition of the board and its three committees, the audit and risk committee, transformation committee and the remuneration committee, are as follows:

	<b>Board of directors</b>	<b>Audit &amp; Risk committee</b>	<b>RemCom*</b>	<b>TransCom*</b>
Gavan Ryan <sup>2</sup>	Chairman	Member	Chairman	
Thys du Toit <sup>3</sup>	CEO	Member		Member
Louis Stassen <sup>3</sup>	CIO			
Shams Pather <sup>1</sup>	Director			Chairman
Winston Floquet <sup>1</sup>	Director	Chairman	Member	

\*RemCom – Remuneration Committee | \*TransCom – Transformation Committee

<sup>1</sup> Independent non-executive | <sup>2</sup> Non-executive | <sup>3</sup> Executive



Attendances at the meetings of the board and the committees were as follows:

	<b>Board of directors</b>	<b>Audit &amp; Risk committee</b>	<b>RemCom</b>	<b>TransCom</b>
Gavan Ryan	5/5	3/3	3/3	
Thys du Toit	5/5	3/3		3/3
Louis Stassen	5/5			
Shams Pather	5/5			3/3
Winston Floquet	5/5	3/3	3/3	

#### REMUNERATION COMMITTEE

The remuneration committee is chaired by a non-executive director, but not by an independent director, which is not consistent with the recommendations of King II. In compliance with King II, Thys du Toit, the chief executive officer, is not a member of the committee but does attend all meetings by invitation.

The committee meets twice a year, in April and October, to coincide with the bonus payment times of the year and may also meet on an ad hoc basis if required. Three meetings of the committee were held during the 2006 financial year.

The committee's primary objective is to ensure that the appropriate calibre of management is recruited and retained. It approves the company's remuneration philosophy and policies and ensures that directors, senior executives and other employees are appropriately rewarded for their contribution to the performance of the business. Local and international remuneration levels and trends are also taken into consideration.

Non-executive directors receive fees for their services as directors and for services as members of committees of the board. These fees were determined and agreed by the board on the recommendations of the remuneration committee.

#### TRANSFORMATION COMMITTEE

At Coronation we view transformation as an integral part of our business. We recognise that broad-based sustainable transformation is not only important to the continued growth and success of our business, but it also has a positive social impact on South Africa. As a patriotic corporate citizen Coronation does not regard transformation as an onerous obligation, rather it is seen as an opportunity to harness our diversities for the greater benefit of our clients, the company and South Africa.

The board of directors has therefore established a transformation committee that drives all processes related to our transformation commitments and the challenges that this brings. The transformation committee is accountable to the board, reporting on all issues pertaining to transformation, including company-specific initiatives and the relevant scorecards. Minutes of meetings held by the transformation committee are made available at board meetings.

The purpose of the transformation committee is to establish and maintain an understanding of transformation in respect of the company's objectives. In line with corporate governance requirements, the transformation committee identifies business areas where transformation will be effected. It also monitors all transformation strategies and measures their respective impact.

The transformation committee is tasked with establishing targets and monitoring the implementation of the transformation strategy at Coronation. In discharging these responsibilities it considers the legal and regulatory frameworks, industry scorecards and the vision of the company. The transformation committee also reviews and signs off on the transformation report included in the company's annual report. It reviews the results of any surveys undertaken and assesses management's response to transformation initiatives. Ultimately it ensures that true transformation is taking place within Coronation with regard to recruitment, staff retention, work environment and career development.

The committee consists of a non-executive director (chairman), the chief executive officer, chief operating officer and human resources manager. Meetings are held three times a year.

The transformation committee relies on management structures for the implementation of strategies and initiatives, of which the primary parties are the executive committee and the transformation task team.

#### AUDIT AND RISK COMMITTEE

The board acknowledges its responsibility for the overall process of risk management and monitoring of the system of internal control. Management is accountable to the audit and risk committee for ensuring that the risk management process is incorporated into the day-to-day activities of the business, which includes design, implementation and monitoring thereof. The chairman of the audit and risk committee reports on the status of the internal audit, compliance and risk management functions at the meetings of the board of directors.

The audit and risk committee is chaired by an independent non-executive director and consists of a further two members, namely, the non-executive chairman of the board and the chief executive officer.

The internal and external auditors as well as the risk manager have unrestricted access to the chairman of the audit and risk committee, which ensures that their independence is in no way impaired.

Meetings are held three times a year and are also attended by the internal and external auditors and appropriate members of management.

The primary role of the audit and risk committee is to ensure the integrity of the audit process and financial reporting and to maintain a sound risk management and internal control system. In fulfilling its responsibility of assisting the board in discharging its duty to shareholders, the following are

considered to be the main responsibilities within the audit and risk committee:

---

Monitoring the integrity of financial reporting by reviewing and providing guidance on accounting principles and policies adopted, reporting and disclosure as well as the examination of documentation supporting the annual report.

---

Setting out the nature, role, responsibility and authority of the risk management function within the group and outlining the scope of risk management work.

---

Reviewing and assessing the effectiveness of the risk control systems and ensuring that the risk policies and strategies are effectively managed.

---

Reviewing the group internal audit, compliance and risk management plans, reports and findings.

---

Reviewing and approving external audit plans, findings and reports.

---

Ensuring compliance with the applicable legislation and the requirements of regulatory authorities.

---

During the year the committee approved the external auditors' terms of engagement and scope of work and also reviewed the internal auditors' coverage plan. The committee received regular internal and external audit reports on the results of the audits conducted. The committee's terms of reference also include various aspects of risk management and compliance. The audit and risk committee met three times during the 2006 financial year.

Based on the recommendations of King II, the board reviewed the performance of the audit and risk committee and is of the opinion that the committee has effectively discharged its responsibilities, as contained in its terms of reference, for the year under review.



Whilst the audit and risk committee believes that the company benefits from an internal audit function, it does not believe that it is necessary for the performance of the actual work to be conducted by an in-house function. The business therefore contracts an auditing firm to fulfil the internal audit functions at the relevant subsidiaries. This role is provided by Deloitte Enterprise Risk Services. Deloitte provides the appropriate independence and objectivity to assist the board in discharging its responsibilities.

The internal audit function performs an independent appraisal with the full co-operation of the board and management. Its objective is to assist members of executive management in the effective execution of their responsibilities through an examination and evaluation of the subsidiaries' activities, business risks and systems of internal control. Any material or significant control weaknesses are brought to the attention of management and the audit and risk committee. The internal audit function does not assume the function of risk management but provides an independent assessment of the effectiveness of the internal controls.

Consultation takes place between the internal and external auditors during the year to ensure that all identified financial, operational and compliance controls are appropriately covered, and to minimise duplication of effort. At the start of each year an internal audit plan is developed and presented to the audit and risk committee for approval. The plan is based on a formal risk assessment together with issues identified by management and the audit and risk committee. Planning is of a continuous nature to identify new risk areas as the business develops.

A compliance function exists to provide assurance in respect of compliance with applicable laws, regulations and supervisory requirements. The regulatory environment has continued to become increasingly more stringent, impacting both the business and its clients.



## RISK MANAGEMENT AND CONTROL

---

As risk is an inherent part of any business, risk management within Coronation is a multi-faceted process which involves independent monitoring, frequent communication, the application of judgement and detailed knowledge of specialised products and markets. Senior management takes an active role in the risk management process and is responsible for the maintenance of, and ultimately compliance with, the risk management framework. The business recognises that in a complex financial services environment, risk management processes are evolutionary and should be subject to ongoing review and modification. In addition, the responsibilities of the audit and risk committee also include independent monitoring of risk management and compliance.

The board has delegated responsibility for the implementation of the risk framework to senior management in the operating companies. This function, which is subject to review by the audit and risk committee, is responsible for identifying the risks faced by the company, ensuring that the controls established to manage those risks are effective, and for the monitoring of their application. The risk management function is also responsible for ensuring that consistent policies and procedures are established for measuring, managing and reporting risk. The board is kept informed through interaction between the executive members of the board and senior management for the risk management function. A more structured feedback at quarterly board meetings is provided by the chairman of the audit and risk committee.

Coronation's risk management objectives are to:

---

create the right awareness and understanding of risk at all levels of the group.

---

instil a culture of risk management and risk ownership.

---

proactively engage risks and manage risks within the risk appetite of the business.

---

---

embed risk management in the manner in which the business is run.

---

comply with appropriate risk management practices in terms of corporate governance guidelines.

---

comply with the requirements of the King Report on Corporate Governance.

---

Coronation has identified various risks as being of particular significance to its business. Some of these risk categories are applicable to the management of client funds and form an integral part of risk management for which the board is ultimately responsible.

**Credit risk:** This is the risk of loss resulting from when a counterparty is unable to service or pay its debt on time. The business has a credit risk committee that is responsible for preparing the credit policy, preparing and monitoring credit risk limits and authorisations, reviewing concentrations of credit risk and making decisions in cases requiring the highest level of authority.

The committee is chaired by an independent chairman to provide an unbiased and fresh perspective to the credit selection process. The remaining members of the committee comprise the risk manager, credit analyst, fixed interest portfolio managers and the financial analyst. Members of the equity research team are consulted where required.

A dedicated credit analyst utilises conservative credit analysis methodologies together with proprietary credit models. Factors such as capital adequacy, asset quality, management and ownership, earnings and liquidity are taken into account when considering acceptable risk profiles. Exposure to high-risk counterparties and excessive exposure to any single counterparty, rating class or product is avoided.



**Market risk:** This is the risk that the value of Coronation's positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices. The company's revenue is dependent on the value of assets under management, which is subject to these market risk factors. The business manages market risk through its structured investment process.

**Operational risk:** In addition to the risks described above, Coronation recognises the existence of a number of other risks which affect its business and which are often referred to as 'operational risk'. The key elements of operational risk are considered to be transaction-processing risk, legal risk, compliance risk, information technology risk and key personnel risk. These risks are regularly assessed and are managed in the context of their likelihood of occurrence and their potential impact on the business.

**Reputational risk:** The business recognises the importance of its reputation and devotes considerable effort, at a senior level, to managing all aspects of that reputation. Risks of reputational damage are assessed and measures are taken to ensure that these risks are effectively managed.

## DEALING IN SECURITIES AND PERSONAL ACCOUNT TRADING

Coronation complies with the continuing obligations of the Listings Requirements of the JSE Limited (the JSE Listings Requirements) as they apply to dealing in securities by the directors and company secretary as well as the directors and company secretaries of major subsidiary companies within Coronation. The executive directors and non-executive directors as well as the company secretaries are required to obtain prior written approval from the chairman for all dealings in the company's shares (including off-market transactions). For the chairman's own dealings, prior written approval must be obtained from an independent non-executive director (the chairman of the audit and risk committee, Winston Floquet, has been nominated as the designated director for this purpose).

Once clearance has been obtained, the company secretary files a written record of such clearance, and as soon as the trade has been executed, ensures that disclosure is made on SENS in terms of the JSE Listings Requirements, where required.

These conditions apply to shares held directly, indirectly, beneficially or non-beneficially and also apply to:

any associate of the director as defined in the JSE Listings Requirements.

any independent entity, in terms of which any director, associate or the company secretary may derive any beneficial or non-beneficial interest either now or in the future.

In terms of the company's 'closed period' policy, all directors and staff are prohibited from dealing in Coronation Fund Managers shares from the date such a period is declared prior to the interim or year-end until the announcement of the interim or final results on SENS, and during times when a cautionary announcement is in place.

The company has stringent personal account trading rules for staff. All trades are pre-approved by the compliance officer upon completion of a client order check by the order implementation unit. Personal account trades are permitted where there are client orders only if the security in question is included in the FTSE/JSE Top 40 Index, since these securities are considered to be highly liquid and a personal account trade would not be to the detriment of any client. Personal account trades in securities falling outside of the FTSE/JSE Top 40 Index (illiquid) are not permitted if client orders are in place, irrespective of any price limits at which these orders may have been placed.

Staff are required to hold shares for 12 months. All staff may only open accounts with the company's designated broker for personal account trading, which facilitates the monitoring process.

## GOING CONCERN

---

After making due enquiries, the directors expect that the company has adequate resources to continue to operate for the foreseeable future. For this reason, the financial statements have been prepared on the going concern basis.

## INVESTOR RELATIONS

---

The company understands the information needs of shareholders and strives to ensure that they are kept appropriately informed on matters relevant to the business. A comprehensive programme of meetings with major shareholders and analysts is held annually following the release of the annual results. The chief executive officer, chief operating officer and chief financial officer are the only persons authorised to speak to analysts, investors and the media on the financial affairs of the company.

## CODE OF ETHICS

---

The company's code of ethics is designed to set standards of behaviour and focuses on respecting client confidentiality, avoiding conflicts of interest and on conducting business with total integrity and honesty.

## ENVIRONMENTAL PROGRAMME

---

The company believes that integrating economic growth with respect for the environment is good business practice and is committed to the principles of sustainable development.

As a South African company with specialist international capabilities, Coronation recognises its corporate responsibilities towards both the environment and the community in its various roles as investor, employer and consumer.

Unlike a manufacturing or mining company, the company's business activities do not have a significant environmental impact. However, direct and indirect impacts can still be identified and managed in a responsible manner.

The company is committed to the ongoing assessment of the environmental impact of its activities, the setting of appropriate objectives and targets, the monitoring and continuous improvement of its environmental performance, as well as ensuring compliance with local, national and international law.

The company is committed to:

---

integrating environmental considerations into:  
corporate policy  
business decision making, and  
purchasing and supplier management.

---

continual improvement of its policy and  
performance in line with good practice.

---

promoting good environmental practice in the  
financial services sector.

---

## COMPANY SECRETARY AND PROFESSIONAL ADVICE

---

All directors have unlimited access to the services of the company secretary, who in turn has access to appropriate resources in the provision of this support. All directors are also entitled to seek independent professional advice with regard to the affairs of the company.

## AUDITOR INDEPENDENCE

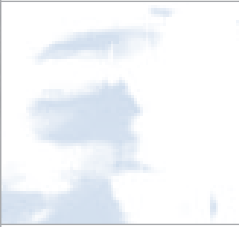
---

The group financial statements have been audited by the independent auditors KPMG Inc. The company has no reason to believe that KPMG Inc. has not at all times acted with unimpaired independence. Details of fees paid for audit and non-audit services are disclosed in the financial statements.





The smarter and more diverse our people,  
the greater is our competitive advantage.  
51% of our staff are black.



## CONTENTS OF THE FINANCIAL STATEMENTS



Approval of the financial statements		34
Report of the independent auditors		35
Declaration by the company secretary		35
<b>CORONATION FUND MANAGERS LIMITED GROUP</b>		
Directors' report		36
Glossary of financial reporting terms		40
Accounting policies		43
Consolidated income statement		52
Consolidated balance sheet		53
Consolidated statement of changes in equity		54
Consolidated statement of cash flows		56
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>		
Segment information		57
Change in accounting policy		60
Revenue		61
Interest and dividend income		61
Other income		61
Operating expenses		61
Share-based payment expense		62
Income tax expense		65
Earnings per share		66
Goodwill		67
Equipment		68
Investment in associate		69
Deferred tax		69
Investments backing policyholder funds and investments held through investment partnerships		70
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships		71
Financial assets		72
Interest-bearing borrowing		72
Share capital		73
Financial risk disclosures		74
Commitments and contingent liabilities		77
Related parties		77
Principal subsidiary and associate companies		78
Transition to International Financial Reporting Standards		79
Note to the consolidated statement of cash flows		81
<b>CORONATION FUND MANAGERS LIMITED COMPANY</b>		
Company income statement		82
Company balance sheet		83
Company statement of changes in equity		84
Company statement of cash flows		85
Notes to Coronation Fund Managers Limited company accounts		86



## APPROVAL OF THE FINANCIAL STATEMENTS

In accordance with Companies Act requirements, the directors are responsible for the preparation of the financial statements and related information which comply with International Financial Reporting Standards and the Companies Act in South Africa and which fairly present the state of affairs of the company and the group as at the end of the financial year, and the net income and cash flows for that year.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

The directors are ultimately responsible for the internal controls. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for group assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, are applied on a consistent basis.

Based on the information and explanations given by management and the internal and external auditors, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group, has occurred during the period and up to the date of this report.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements which appear on pages 36 to 88 were approved by the board of directors on 15 December 2006 and are signed on its behalf by

**Gavan Ryan**  
*Chairman*

**Thys du Toit**  
*Chief executive officer*

## REPORT OF THE INDEPENDENT AUDITORS

to the members of Coronation Fund Managers Limited



We have audited the annual financial statements and group annual financial statements of Coronation Fund Managers Limited as set out on pages 36 to 88 for the year ended 30 September 2006.

These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as of 30 September 2006, and of the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

KPMG Inc.  
Registered Auditor

Per SR Crisp  
Chartered Accountant (SA)  
Registered Auditor  
Director  
Cape Town  
15 December 2006

## DECLARATION BY THE COMPANY SECRETARY



In terms of the Companies Act, No. 61 of 1973 (the Act), and for the year ended 30 September 2006, I certify that Coronation Fund Managers Limited has lodged all returns required by the Act with the Registrar of Companies and that all such returns are true, correct and up to date.

John Snalam  
Company secretary  
15 December 2006



## DIRECTORS' REPORT

for the year ended 30 September 2006

### BUSINESS ACTIVITIES

Coronation Fund Managers Limited (Coronation) is one of the largest third-party asset management companies in the country and regarded as a leader in the industry. We are a South African company with specialist international capabilities, offering a complete range of traditional fund management and international multimanager investment products to institutional and individual investors. Our clients include some of the largest retirement funds, medical schemes and multi-manager companies in South Africa, many of the major banking and insurance groups, selected investment advisory businesses, prominent independent financial advisors, high-net-worth individuals and direct unit trust account holders.

Located in Southern Africa, the United Kingdom and Ireland, Coronation is also the only asset management company listed on the JSE.

### GROUP RESULTS

The strong financial results produced by Coronation for the 2006 financial year, confirm it as one of the most successful fund management companies in the country. While robust domestic market conditions contributed to the health of the business, clear focus on fund management ensures that the company remains single-minded in its delivery of long-term investment excellence across all client portfolios.

Coronation has reached a significant milestone with assets under management as at 30 September 2006, surpassing R100 billion. The growth in Coronation's assets under management reflects an unyielding trust by clients in our ability to deliver long-term investment performance.

The 2006 financial year sees the first-time adoption of the International Financial Reporting Standards (IFRS) by Coronation. The main effect on reported earnings resulting from the transition to IFRS, is the share-based payment charge in terms of IFRS 2 *Share-based Payment* (IFRS 2). For the year ended 30 September 2006, this totals R51 million, compared to a charge for the comparable year to 30 September 2005 of R18 million. These charges are not tax deductible. If these charges are added back, attributable earnings per share, for the year ended 30 September 2006, are 35% up on the previous year.

In the year under review, profit from fund management activities increased by 16% to R294 million from R253 million in 2005. Headline earnings per share increased by 21% to 51,9 cents (2005: 42,9 cents) and diluted headline earnings per share by 14% to 46,8 cents (2005: 40,9 cents).

A general review of the operations of institutional, retail and international business segments is provided on pages 12 to 16.

### FINANCIAL STATEMENTS

The financial statements for the year ended 30 September 2006 have been prepared in accordance with the requirements of IFRS and the Companies Act in South Africa. The full effect of transition to IFRS is presented in note 23.

### CAPITAL STRUCTURE

Coronation embarked on a share buy-back programme, whereby in the period June to August 2006 a total of 35 315 852 shares were bought back at a total cost of R200 million. These shares were all cancelled. Together with additional shares issued during the year in terms of the exercise of 2 618 324 options granted to staff in December 2003, this resulted in a weighted average



number of shares in issue for the financial year of 376 670 543 (2005: 382 274 930). Actual shares in issue at 30 September 2006 were 349 577 402 (2005: 382 274 930).

Following the financial year-end, 4 560 000 of the 7 600 000 convertible cumulative redeemable preference shares in issue were converted into ordinary shares. These shares will not participate in the capital distribution detailed below. The balance of 3 040 000 preference shares were redeemed on 24 November 2006.

## SHAREHOLDER ANALYSIS

The shareholder analysis is presented on page 89. The following shareholder has a beneficial ownership of more than 5% of the issued ordinary shares of the company as at 30 September 2006:

Coronation Investments and Trading Limited – 27,23%

## SUBSIDIARY AND ASSOCIATE COMPANIES

Details of the principal subsidiary and associate companies are set out in note 22.

On 1 October 2005, Coronation Investment Management (Pty) Limited acquired 47,14% of the issued share capital of Namibia Asset Management Limited (formerly Namibian Harvest Investments Limited), a company listed on the Namibian Stock Exchange. Subsequently a further 0,91% was acquired by Coronation Investment Management (Pty) Limited.

Namibia Asset Management Limited is treated as an associate in the group accounts.

## DIRECTORS AND SECRETARY

Shams Pather joined the board as a non-executive director and Louis Stassen as an executive director, replacing Eric Molobi (non-executive director) and Tony Gibson (executive director). These changes were effective from 9 November 2005. Profiles of directors are provided on page 22.

Jacob Mahlangu resigned as company secretary on 31 August 2006. He was replaced by John Snalam who was appointed company secretary on 28 September 2006.

Details of the company secretary and the company's registered address are set out on page 94. The business address of the company secretary is the same as the company's registered address.

## DIRECTORS' INTERESTS

The only material contract entered into during the financial year in which a director or officer of the company had an interest, was the repurchase by Coronation of its own ordinary shares from Coronation Investments and Trading Limited, a company in which Gavan Ryan holds a 15,72% interest.



## DIRECTORS' REPORT

for the year ended 30 September 2006

The directors' direct and indirect beneficial interests in the issued share capital of the company were:

2006	Beneficial		%
	Direct	Indirect	
<b>Ordinary shares</b>			
Gavan Ryan	–	14 965 119	4,28
Louis Stassen	2 641 495	13 500 000	4,62
Thys du Toit	–	9 308 805	2,66
<b>Preference shares</b>			
Thys du Toit	–	7 600 000	100,00

2005	Beneficial		%
	Direct	Indirect	
<b>Ordinary shares</b>			
Gavan Ryan	–	23 033 616	6,03
Thys du Toit	–	5 091 605	1,33
Tony Gibson	1 000	1 500 000	0,39
<b>Preference shares</b>			
Thys du Toit	–	7 600 000	100,00

### DIRECTORS' EMOLUMENTS

Payments to directors for services rendered for the year ended 30 September 2006 were as follows:

	Salary and other benefits R'000	Bonus R'000	Total 2006 R'000	Accounting IFRS 2 charge R'000	Total 2006 R'000	Total 2005 R'000
<b>Executive directors</b>						
Thys du Toit	770	4 842	5 612	14 717	20 329	4 008
Louis Stassen	706	1 680	2 386	9 675	12 061	–
Tony Gibson	–	–	–	–	–	4 678
<b>Total</b>	<b>1 476</b>	<b>6 522</b>	<b>7 998</b>	<b>24 392</b>	<b>32 390</b>	<b>8 686</b>

	Basic fee R'000	Board meetings R'000	Audit and risk committee meetings R'000	Remuneration committee meetings R'000	Transformation committee meetings R'000	Total 2006 R'000	Total 2005 R'000
<b>Non-executive directors</b>							
Gavan Ryan	25	75	30	45	–	175	170
Winston Floquet	25	30	45	15	–	115	120
Shams Pather	25	50	–	–	30	105	–
Eric Molobi	–	–	–	–	–	–	35
<b>Total</b>	<b>75</b>	<b>155</b>	<b>75</b>	<b>60</b>	<b>30</b>	<b>395</b>	<b>325</b>



## PREFERENCE DIVIDEND

On 30 September 2006, in accordance with the Articles of Association, a dividend of R926 217 (2005: R926 515) became due and payable to the holder of the convertible cumulative redeemable preference shares. The dividend was paid on 30 September 2006.

## SPECIAL RESOLUTIONS

At the annual general meeting of the company held on 25 January 2006 a special resolution was passed, giving the board of directors the general authority to approve the purchase of its own ordinary shares.

This general authority is limited to a repurchase of up to 20% of the issued share capital of the company and is valid for the shorter of 15 months or until the date of the next annual general meeting.

## EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

### CAPITAL DISTRIBUTION

The cash-generating ability of the business remains exceptional and the board of directors wishes to continue its policy of generous distributions to shareholders. As in the past, this will be calculated as 75% of profits after tax but, for the year under review, will be increased to take account of the non-cash impact of share-based payment charges.

The resultant distribution for the 2006 financial year will be R185 million and will be based on the actual shares in issue of 349 577 402 as at 30 September 2006. This equates to a cash distribution per share of 53 cents. This represents an increase of 47% over the capital distribution for the 2005 financial year of 36 cents per share.

The distribution will once again take the form of a capital distribution, which will be paid out of the share premium account in the company. Capital distributions were approved by shareholders at the annual general meeting held in January 2006. This is in lieu of a dividend.

### CONVERSION AND REDEMPTION OF PREFERENCE SHARES

On 24 November 2006, 4 560 000 of the 7 600 000 convertible cumulative redeemable preference shares were converted into an equivalent number of ordinary shares in Coronation. The remaining 3 040 000 preference shares were redeemed at the original consideration of R1,72 per share on 24 November 2006.



## GLOSSARY OF FINANCIAL REPORTING TERMS

for the year ended 30 September 2006

This glossary of financial reporting terms is provided to ensure clarity of meaning and interpretation.

### GROUP STRUCTURES

<i>Associate</i>	An entity, other than a subsidiary or joint venture, in which the group has significant influence over the financial and operating policies.
<i>Company</i>	A legal business entity registered in terms of the applicable legislation of that country.
<i>Entity</i>	Coronation Fund Managers Limited, a subsidiary or associate.
<i>Group</i>	The company and its subsidiaries.
<i>Operation</i>	A component of the group that: <ul style="list-style-type: none"><li>– represents a separate major line of business or geographical area of operation; and</li><li>– can be distinguished separately for financial and operating purposes.</li></ul>
<i>Business unit</i>	A distinguishable component of the group engaged in providing similar services that are different to those provided by other business units. The strategic business units are: <ul style="list-style-type: none"><li>– Institutional</li><li>– Retail</li><li>– International</li></ul>
<i>Subsidiary</i>	Any entity over which the group has the power to exercise control.

### GENERAL ACCOUNTING TERMS

<i>Acquisition date of a business</i>	The date on which control in respect of subsidiaries and significant influence in respect of associates commences.
<i>Commissioning date</i>	The date that an item of equipment is brought into use.
<i>Consolidated financial statements</i>	The financial results of the group which comprise the financial results of Coronation Fund Managers Limited and its subsidiaries and its interest in associates.
<i>Control</i>	The ability, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefit from its activities. When assessing the ability to control an entity, the existence and effect of potential voting rights that are presently exercisable or convertible are taken into account.
<i>Discount rate</i>	The rate used for purposes of determining discounted cash flows defined as the yield at balance sheet date on AAA credit rated bonds (for entities outside South Africa) and relevant South African Government bonds (for South African entities) that have maturity dates approximating the term of the related cash flows. This pre-tax interest rate reflects the current market assessment of the time value of money. When determining the cash flows, to the extent that the risks specific to the asset or liability are taken into account in determining those cash flows, they are not included in determining the discount rate.
<i>Disposal date</i>	The date on which the control in respect of subsidiaries and significant influence in respect of associates ceases.



<i>Fair value</i>	The value for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
<i>Financial results</i>	Comprise the financial position (assets, liabilities and equity), results of operations (revenue and expenses) and cash flows of the group or an entity within the group.
<i>Functional currency</i>	The currency of the primary economic environment in which the entity operates.
<i>Long term</i>	A period longer than twelve months from balance sheet date.
<i>Presentation currency</i>	The currency in which the financial statements are presented.
<i>Recoverable amount</i>	The amount that reflects the greater of the fair value less costs to sell and value in use that can be attributed to an asset as a result of its ongoing use by the entity. In determining the value in use, expected pre-tax future cash flows are discounted to their present values using the appropriate discount rate.
<i>Related parties</i>	The following entities or parties are considered related parties to the reporting entity: <ul style="list-style-type: none"><li>– a subsidiary, fellow subsidiary or associate in relation to the reporting entity; and</li><li>– key management personnel and their close members of family and entities which they control, jointly control or over which they exercise significant influence.</li></ul>
<i>Significant influence</i>	The ability, directly or indirectly, to participate in, but not exercise control over, the financial and operating policy decisions of an entity.
<b>FINANCIAL INSTRUMENT TERMS</b>	
<i>Financial assets available-for-sale</i>	A financial asset, other than the following: <ul style="list-style-type: none"><li>– a loan or receivable issued by an originating entity;</li><li>– an investment acquired for trading purposes;</li><li>– held-to-maturity financial assets;</li><li>– derivative instrument; and</li><li>– a financial asset at fair value through profit or loss.</li></ul>
<i>Cash and cash equivalents</i>	Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.
<i>Derivative instrument</i>	A financial instrument: <ul style="list-style-type: none"><li>– whose value changes in response to movements in a specified interest rate, commodity price, instrument price, foreign exchange rate or similar variable;</li><li>– that requires minimal initial net investment; and</li><li>– whose terms require or permit net settlement at a future date.</li></ul>
<i>Effective interest rate</i>	The rate that discounts the expected future cash flows to the current net carrying amount of the financial asset or financial liability.
<i>Equity instrument</i>	Any financial instrument (including investments) that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities.



## GLOSSARY OF FINANCIAL REPORTING TERMS

for the year ended 30 September 2006

<i>Financial asset</i>	Cash or cash equivalents, a right to receive cash or cash equivalents, an equity instrument of another entity or a right to exchange a financial instrument under favourable conditions.
<i>Financial liability</i>	A contractual obligation to pay cash or transfer other benefits or an obligation to exchange a financial instrument under unfavourable conditions.
<i>Financial instruments classified as held for trading</i>	Instruments that are held with the intention of short-term disposal or held with the intention of generating short-term profits.
<i>Financial assets and liabilities at fair value through profit or loss</i>	Financial instruments held at fair value through profit or loss include all instruments classified as held for trading and those instruments designated as held at fair value through profit or loss.
<i>Financial instruments issued by the group classified as liabilities</i>	Financial instruments issued by the group are classified as liabilities if they contain an obligation to transfer economic benefits.
<i>Financial instruments issued by the group classified as equity</i>	Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group.
<i>Held-to-maturity financial assets</i>	An investment, with a fixed maturity and fixed or determinable future payments, that management has the positive intent and ability to hold to maturity.
<i>Loans and receivables</i>	Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude: <ul style="list-style-type: none"><li>– those that the group intends to trade in, which are classified as held for trading, and those that the group designates as at fair value through profit or loss; and</li><li>– those that the group designates as available-for-sale.</li></ul>
<i>Monetary asset</i>	Units of currency held or an asset which will be received in a fixed or determinable amount of money.
<i>Monetary liability</i>	A liability which will be settled in a fixed or easily determinable amount of money.
<i>Transaction date</i>	The date when the entity becomes a party to the contractual provisions of the instrument.



Coronation is incorporated in South Africa. The consolidated financial statements of the company for the year ended 30 September 2006 comprise the company and its subsidiaries and the group's interest in associates. The financial statements were authorised for issue by the directors on 15 December 2006.

#### STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB) together with the Companies Act in South Africa. IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1) has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the group is provided in note 23.

#### BASIS OF PREPARATION

The financial statements are presented in South African rand, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at fair value: derivative financial instruments, financial assets designated at fair value through profit or loss and financial assets classified as available-for-sale.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 October 2004 for the purposes of the transition to IFRS.

The accounting policies have been applied consistently by group entities.

#### ELECTIONS MADE UNDER IFRS 1

The group has applied the following transitional provisions as contained in IFRS 1 in arriving at the opening balances at the date of transition, which is 1 October 2004 (date of transition):

##### BUSINESS COMBINATIONS

The group has elected not to apply IFRS 3 *Business Combinations* (IFRS 3) retrospectively to business combinations prior to the date of transition. The net carrying value of goodwill at 30 September 2004 has therefore been brought forward and is tested annually for impairment. The group has however reconsidered the accounting policy applied to common control transactions under its previous South African Statements of Generally Accepted Accounting Practice (SA GAAP), prior to transition to IFRS (refer note 2).

##### CUMULATIVE FOREIGN CURRENCY TRANSLATION RESERVE

The group has elected not to deem the cumulative currency translation differences for foreign operations to be nil at the date of transition.

##### SHARE-BASED PAYMENT TRANSACTIONS

The group has applied the provisions of IFRS 2 *Share-based Payment* (IFRS 2) retrospectively to all share-based payment transactions granted after 7 November 2002 and that vested after 1 January 2005.

##### DESIGNATION OF PREVIOUSLY RECOGNISED FINANCIAL INSTRUMENTS

The group has elected to designate certain financial instruments within the scope of IAS 39 *Financial Instruments – Recognition and Measurement* (IAS 39) as at fair value through profit or loss or as available-for-sale at 1 October 2004.



# ACCOUNTING POLICIES

for the year ended 30 September 2006

## BASIS OF CONSOLIDATION

### SUBSIDIARIES

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the case of the company, investments in subsidiaries are carried at fair value as financial assets available-for-sale.

### ASSOCIATES

The consolidated financial statements include the group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

### TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## FOREIGN CURRENCY

### FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to rand at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to rand at foreign exchange rates ruling at the dates the fair value was determined.

### FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to rand at foreign exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated to rand at rates approximating foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

### NET INVESTMENT IN FOREIGN OPERATIONS

Exchange differences arising from the translation of the net investment in foreign operations are taken to a foreign currency translation reserve. They are released into the income statement upon disposal.

## FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial instruments are initially recognised at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.



Purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at trade date.

Where available, market prices provide the best basis of fair value. Where market prices are not available, the fair value is determined by discounting the expected cash flows, using market interest rates taking into account the credit quality and duration of the investment.

#### FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified as held for trading or designated as at fair value through profit or loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments designated as at fair value through profit or loss are designated as such on initial recognition of the instrument (or on initial adoption of IFRS) and remain in this classification until derecognition.

All investment contracts issued by the group are designated on initial recognition as at fair value through profit or loss. This designation significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value.

Contributions received from policyholders and benefit payments made to policyholders are not recognised in the income statement but are accounted for as deposits. Changes in the fair value of these financial instruments are recognised in the income statement in the period in which they arise. The fair value of linked investment contract liabilities is determined based on the fair value of the associated linked financial assets and is net of the taxation payable on investment gains. The taxation payable is separately disclosed as part of taxation in the income statement.

#### HELD-TO-MATURITY FINANCIAL ASSETS

Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less impairment losses.

#### LOANS AND RECEIVABLES

Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method.

#### FINANCIAL ASSETS AVAILABLE-FOR-SALE

Subsequent to initial recognition financial assets classified as available-for-sale are measured at fair value on the balance sheet, with unrealised gains and losses recognised in equity, except for impairment losses. Realised gains and losses are recognised in income in the period in which the asset is realised. If an available-for-sale financial asset is determined to be impaired, the respective cumulative unrealised losses previously recognised in equity are included in the income statement in the period in which the impairment is identified.

Impairment losses on available-for-sale equity instruments are not reversed through profit or loss once recognised in the income statement.

#### OTHER FINANCIAL LIABILITIES

Other financial liabilities are recorded at amortised cost applying the effective interest method.

#### DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset, or a portion thereof, is derecognised when the group's contractual rights to cash flows has expired; or when the group has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.



## ACCOUNTING POLICIES

for the year ended 30 September 2006

### DERIVATIVE INSTRUMENTS

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The group does not speculate in derivative financial instruments. Derivatives that do not qualify for hedge accounting are accounted for as financial assets at fair value through profit or loss.

### OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset when there is both an intention to settle on a net basis and a legal right to offset exists.

### ISSUED DEBT AND EQUITY FINANCIAL INSTRUMENTS

The components of compound issued financial instruments are accounted for separately, with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Coronation are recorded as minority interests on balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity of Coronation repurchased by a group company which have not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity in the period in which they are declared to the shareholders.

### EQUIPMENT

Equipment is recorded at cost less accumulated depreciation and impairment losses.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset of similar age and condition as expected at the end of its useful life. The residual values and estimated useful lives of equipment are reassessed annually.

The current annual depreciation rates of each class of equipment is as follows:

– Computer equipment	33% – 50%
– Furniture and fittings	10% – 20%
– Office equipment	20%

Leasehold improvement depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the operating lease.

Routine maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that additional future economic benefits associated with the item will flow to the group.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

At each balance sheet date the group assesses whether there is any indication that an asset may be impaired. The recoverable amount, being the higher of fair value less costs to sell and value in use, is determined for any asset for which an indication of impairment is identified. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.



Impairment losses are recognised as an expense in the income statement in the period in which they are identified. An impairment loss in respect of goodwill is not reversed. In respect of other assets, reversal of impairment losses is recognised in income in the period in which the reversal is identified, to the extent that the asset is not revalued to a carrying value higher than it would have been had no impairment loss been recognised for the asset in prior years.

## INTANGIBLE ASSETS

### GOODWILL

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. In respect of business acquisitions that have occurred since 1 October 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous SA GAAP.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

### OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

### SUBSEQUENT EXPENDITURE

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### AMORTISATION

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use.

### DERECOGNITION

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

## EMPLOYEE BENEFITS

### SHORT-TERM EMPLOYEE BENEFITS

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service. The accrual for employee entitlements to remuneration and annual leave represents the amount which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. These accruals have been calculated at undiscounted amounts based on current salary rates.

### DEFINED CONTRIBUTION PLANS

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.



## ACCOUNTING POLICIES

for the year ended 30 September 2006

### SHARE-BASED PAYMENT TRANSACTIONS WITH EMPLOYEES

The group engages in equity-settled share-based payment transactions in respect of services received from employees.

The fair value of the services received in respect of equity-settled share-based payment transactions is determined by reference to the fair value of the shares or share options on the grant date to the employee. The cost of the share-based payment is recognised as an employee expense, with a corresponding increase in equity, over the vesting period of the grant. The amount recognised as an expense is adjusted to reflect the actual number of instruments that are expected to vest.

The grant date fair value measurement is based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends, share prices as at grant date and any market-based performance conditions attaching to the grant.

### PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the group has created a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Contingent assets and contingent liabilities are not recognised.

### REVENUE

Revenue from fund management activities comprises fund management fees, service fees and initial charges.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is determined by reference to services rendered in terms of the relevant agreements.

Performance fee income is included in management fee income and is recognised as and when the group is unconditionally entitled to the revenue and no contingency with respect to future performance exists.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax and rebates.

### FINANCIAL INCOME

Financial income comprises interest and dividend income, realised and unrealised profits and losses on disposal or revaluation of financial assets, realised and unrealised foreign exchange gains and losses and other sundry income.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payment is established.

### EXPENSES

#### OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### INTEREST EXPENSE

Interest expense comprises interest payable on borrowings calculated using the effective interest method.



## INCOME TAX EXPENSE

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries and associates to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends (secondary tax on companies) are recognised at the same time as the liability to pay the related dividend.

## EARNINGS PER SHARE

The group presents basic, diluted and headline earnings per share data for its ordinary shares. Basic earnings per share is based on profit or loss attributable to ordinary shareholders and calculated on the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible cumulative redeemable preference shares and share options granted to employees.

## SEGMENT REPORTING

A segment is a distinguishable component of the group that is engaged in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

## BLACK ECONOMIC EMPOWERMENT TRANSACTIONS

### TRANSACTION RECOGNITION CRITERIA

In circumstances where a portion of the equity in a subsidiary company is disposed of and serves as security for the funding of the proceeds receivable, the accounting recognition of the disposal of such shares in the group financial statements is deferred until the funding, subject to the security of the equity sold, has been fully repaid.

### SHARE-BASED PAYMENT TRANSACTIONS

The group is extending the scope of IFRS 2 to include the group's BEE ownership initiatives in accordance with international interpretations in this regard. Where goods or services are received from black economic empowerment partners as consideration for equity instruments of the group, then these transactions are accounted for in terms of IFRS 2, even when the goods and services cannot be specifically identified, in accordance with IFRIC Interpretation 8 *Scope of IFRS 2*.



## ACCOUNTING POLICIES

for the year ended 30 September 2006

### MANAGED FUNDS AND TRUST ACTIVITIES

Certain companies within the group operate unit trusts and hold and invest funds on behalf of clients. Assets and liabilities representing such activities are not reflected on the balance sheet, as these relate directly to clients. The value of these items are disclosed in the notes. Income from these activities is brought to account over the period to which the service relates.

### KEY MANAGEMENT ASSUMPTIONS

The preparation of financial statements in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key areas in which judgement is applied include:

- The group is party to a multi-class open-ended investment company registered offshore. The directors believe that the funds underpinning this structure are special purpose entities, the majority of the benefits of which accrue to the holders of participating shares in each class, being the investors and external clients of the group. This structure has not been consolidated.
- Valuation of the share-based payment expense where inputs are based on observable market inputs, adjusted for factors that specifically apply to the transaction and recognising market volatility (refer note 7).

### NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

There are Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the business of the group and may have an impact on future financial statements:

IFRS 7 *Financial Instruments: Disclosures* (IFRS 7) and amendments to IAS 1 *Presentation of Financial Statements* (IAS 1), which will be effective for the year ending 30 September 2008, require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amendments to IAS 1 will require additional disclosures with respect to the group's financial assets and capital.

IFRIC 4 *Determining whether an arrangement contains a lease* (IFRIC 4), which will be effective for the year ending 30 September 2007, provides guidance on determining whether an arrangement that does not take the legal form of a lease contains a lease and should be accounted for in terms of IAS 17 *Leases*. There are no contracts currently to which IFRIC 4 is expected to apply.

IAS 39 *Amendment Financial Instruments: Recognition and Measurement – Fair value option* will be effective for the year ending 30 September 2007. The revisions to IAS 39 restrict the extent which an entity can designate a financial asset or liability as at fair value through profit or loss to certain specific situations. The fair value option amendment to IAS 39 is not expected to have any impact on the consolidated financial statements since the group's financial assets and liabilities designated at fair value through profit or loss already meet the requirements in terms of the amendment.



The amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation*, which will be effective for the year ending 30 September 2007, requires exchange differences arising from the translation of a monetary item that is denominated in any currency to be recognised in equity in the consolidated financial statements when the monetary item is part of the entity's net investment in that foreign operation. The amendment is not expected to have any impact on the consolidated financial statements.



# CONSOLIDATED INCOME STATEMENT

for the year ended 30 September 2006

	Note	2006 R'000	2005 R'000
<b>Fund management activities</b>			
Revenue	3	706 238	588 249
Financial income		36 054	30 640
Interest and dividend income	4	21 614	12 686
Other income	5	14 440	17 954
Operating expenses	6	(436 593)	(360 580)
Share-based payment expense	7	(51 384)	(18 038)
Other expenses		(385 209)	(342 542)
Interest expense		(13 005)	(6 009)
Share of profit of associate	12	1 799	967
Profit from fund management		294 493	253 267
Income attributable to policyholder linked assets and investment partnerships		43 168	18 641
Net fair value gains on policyholder and investment partnership financial instruments	14	48 982	40 847
Administration expenses borne by policyholders and investors in investment partnerships	15	(5 814)	(22 206)
Profit before tax		337 661	271 908
Income tax expense		(141 207)	(103 039)
Taxation on shareholder profits	8	(98 039)	(84 398)
Taxation on policyholder investment contracts	8	(43 168)	(18 641)
Profit for the year		196 454	168 869
Attributable to:			
– equity holders of the company		196 454	168 283
– minority interest		–	586
Profit for the year		196 454	168 869
Earnings per share (cents)			
– basic	9	51,9	43,8
– diluted	9	46,8	41,7

# CONSOLIDATED BALANCE SHEET

as at 30 September 2006



	Note	2006 R'000	2005 R'000
<b>Assets</b>			
Goodwill	10	1 087 772	1 087 772
Equipment	11	5 932	5 539
Investment in associate	12	11 021	–
Deferred tax asset	13	2 044	5 466
Investments backing policyholder funds and investments held through investment partnerships	14	15 782 142	13 625 022
Financial assets available-for-sale	16	87 327	65 382
Financial assets at fair value through profit or loss	16	64 804	77 627
Trade and other receivables		97 637	110 348
Cash and cash equivalents		253 590	245 752
<b>Total assets</b>		<b>17 392 269</b>	<b>15 222 908</b>
<b>Liabilities</b>			
Interest-bearing borrowing	17	139 533	148 000
Deferred tax liabilities	13	39 906	18 764
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	15	15 743 747	13 607 747
Income tax payable		78 955	31 635
Trade and other payables		140 092	108 320
<b>Total liabilities</b>		<b>16 142 233</b>	<b>13 914 466</b>
<b>Net assets</b>		<b>1 250 036</b>	<b>1 308 442</b>
<b>Equity</b>			
Share capital and premium		843 153	1 172 550
Accumulated earnings		316 892	121 657
Reserves		89 991	13 649
<b>Total equity attributable to equity holders of the company</b>		<b>1 250 036</b>	<b>1 307 856</b>
Minority interest		–	586
<b>Total equity</b>		<b>1 250 036</b>	<b>1 308 442</b>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2006

R'000	Share capital	Share premium	Foreign currency translation reserve
<b>Balance at 30 September 2004 – as previously reported</b>	39	93 561	(9 242)
Change in accounting policy (refer note 2)		1 170 696	
<b>Balance at 30 September 2004 – SA GAAP restated</b>	39	1 264 257	(9 242)
Adoption of IFRS 2			
<b>Balance at 30 September 2004 – under IFRS</b>	39	1 264 257	(9 242)
Currency translation differences			(2 005)
Revaluation of financial assets available-for-sale			
Net income recognised directly in equity			(2 005)
Profit for the year			
– SA GAAP			
– Adoption of IFRS 2			
Total recognised income and expense for the year			(2 005)
Share-based payment reserve			
Dividends paid			
Capital distribution		(91 746)	
<b>Balance at 30 September 2005</b>	39	1 172 511	(11 247)
Currency translation differences			22 444
Revaluation of financial assets available-for-sale			
– Revaluation gains taken to equity			
– Transferred to profit or loss on disposal			
Net income recognised directly in equity			22 444
Profit for the year			
Total recognised income and expense for the year			22 444
Share-based payment reserve			
Dividends paid			
Capital distribution		(138 197)	
Shares issued		8 967	
Shares repurchased and cancelled	(3)	(200 164)	
Acquisition of minority interest			
<b>Balance at 30 September 2006</b>	36	843 117	11 197



Accumulated earnings	Share-based payment reserve	Revaluation reserve	Issued capital and reserves attributable to equity holders of the company	Minority interest	Total equity
140 185 (82 924)	–	1 188	225 731 1 087 772	–	225 731 1 087 772
57 261 (3 569)	– 3 569	1 188	1 313 503 –	–	1 313 503 –
53 692	3 569	1 188	1 313 503 (2 005)	–	1 313 503 (2 005)
		2 101	2 101	–	2 101
168 283		2 101	96 168 283	– 586	96 168 869
186 321 (18 038)			– –	– –	– –
168 283 (100 318)	18 038	2 101	168 379 18 038 (100 318) (91 746)	586 – – –	168 965 18 038 (100 318) (91 746)
121 657	21 607	3 289	1 307 856	586	1 308 442
		–	22 444	–	22 444
		2 514	2 514	–	2 514
		7 430 (4 916)	7 430 (4 916)	– –	7 430 (4 916)
196 454		2 514	24 958 196 454	–	24 958 196 454
196 454 (1 219)	– 51 384	2 514	221 412 51 384 (1 219) (138 197) 8 967 (200 167) –	– – – – – – (586)	221 412 51 384 (1 219) (138 197) 8 967 (200 167) (586)
316 892	72 991	5 803	1 250 036	–	1 250 036



# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2006

	Note	2006 R'000	2005 R'000
<b>Cash flows from operating activities</b>			
Profit for the year		196 454	168 869
Income tax expense		141 207	103 039
Non-cash and other adjustments	24	11 397	(2 538)
<b>Operating profit before changes in working capital</b>		<b>349 058</b>	<b>269 370</b>
<b>Working capital changes</b>		<b>45 352</b>	<b>15 737</b>
Decrease/(increase) in trade and other receivables		12 711	(18 008)
Increase in trade and other payables		32 641	33 745
<b>Cash generated from operations</b>		<b>394 410</b>	<b>285 107</b>
Interest paid		(13 874)	(480)
Income taxes paid		(69 323)	(123 382)
<b>Net cash from operating activities</b>		<b>311 213</b>	<b>161 245</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of investment in associates		–	9 989
Investment income		21 614	12 686
Acquisition and disposal of equipment		(3 636)	(2 843)
Acquisition of interest in associate		(9 222)	–
Proceeds on disposal/(acquisition) of other financial assets		4 508	(32 923)
<b>Net cash from investing activities</b>		<b>13 264</b>	<b>(13 091)</b>
<b>Cash flows from financing activities</b>			
(Decrease)/increase in interest-bearing borrowing		(8 467)	148 000
Shares repurchased and cancelled		(200 167)	–
Shares issued		8 967	–
Capital distribution		(138 197)	(91 746)
Dividends paid		(1 219)	(100 318)
<b>Net cash from financing activities</b>		<b>(339 083)</b>	<b>(44 064)</b>
Net (decrease)/increase in cash and cash equivalents		(14 606)	104 090
Cash and cash equivalents at beginning of year		245 752	143 667
Exchange rate adjustments		22 444	(2 005)
<b>Cash and cash equivalents at end of year</b>		<b>253 590</b>	<b>245 752</b>



## 1 SEGMENT INFORMATION

Segment information is presented in respect of the group's geographical and business segments. The primary format, geographical segments, is based on the group's management and internal reporting structure.

Intersegment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

### GEOGRAPHICAL SEGMENTS

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the investment manager. Segment assets are based on the geographical location of the assets.

### BUSINESS SEGMENTS

The group comprises the following main secondary business segments:

- Institutional
- Retail
- International



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

	South Africa		International		Group	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000
<b>1 SEGMENT INFORMATION (continued)</b>						
SEGMENT REPORT						
for the year ended 30 September 2006						
<b>Fund management</b>						
Segment revenue	632 833	510 518	73 405	77 731	706 238	588 249
Segment operating expenses	(372 776)	(300 343)	(63 817)	(60 237)	(436 593)	(360 580)
Share-based payment expense	(51 384)	(18 038)	–	–	(51 384)	(18 038)
Other expenses	(321 392)	(282 305)	(63 817)	(60 237)	(385 209)	(342 542)
Segment result	260 057	210 175	9 588	17 494	269 645	227 669
Segment financial income	27 444	30 245	8 610	395	36 054	30 640
Interest and dividend income	21 007	12 620	607	66	21 614	12 686
Other income	6 437	17 625	8 003	329	14 440	17 954
Segment interest expense	(13 000)	(5 956)	(5)	(53)	(13 005)	(6 009)
Segment share of profit of associate	1 799	967	–	–	1 799	967
Segment profit from fund management	276 300	235 431	18 193	17 836	294 493	253 267
Income attributable to policyholder linked assets and investment partnerships					43 168	18 641
Net fair value gains on policyholder and investment partnership financial instruments					48 982	40 847
Administration expenses borne by policyholders and investors in investment partnerships					(5 814)	(22 206)
Profit before tax					337 661	271 908
Income tax expense					(141 207)	(103 039)
Taxation on shareholder profits					(98 039)	(84 398)
Taxation on policyholder investment contracts					(43 168)	(18 641)
Profit for the year					196 454	168 869
Attributable to:						
– equity holders of the company					196 454	168 283
– minority interest					–	586
Profit for the year					196 454	168 869



	South Africa		International		Group	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000
1 SEGMENT INFORMATION <i>(continued)</i>						
SEGMENT REPORT <i>(continued)</i> for the year ended 30 September 2006						
<b>Segment assets</b>	<b>395 633</b>	<b>375 065</b>	<b>113 657</b>	<b>129 583</b>	<b>509 290</b>	<b>504 648</b>
Goodwill					1 087 772	1 087 772
Investment in associate					11 021	–
Deferred tax asset					2 044	5 466
Investments backing policyholder funds and investments held through investment partnerships					15 782 142	13 625 022
<b>Total assets</b>					<b>17 392 269</b>	<b>15 222 908</b>
<b>Segment liabilities</b>	<b>260 266</b>	<b>224 885</b>	<b>19 359</b>	<b>31 435</b>	<b>279 625</b>	<b>256 320</b>
Deferred tax liabilities					39 906	18 764
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships					15 743 747	13 607 747
Income tax payable					78 955	31 635
<b>Total liabilities</b>					<b>16 142 233</b>	<b>13 914 466</b>
Capital expenditure	2 468	2 013	752	978	3 220	2 991
Depreciation	1 907	1 494	1 349	1 269	3 256	2 763



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

## 1 SEGMENT INFORMATION (continued)

SEGMENT REPORT (continued)

for the year ended 30 September 2006

	Institutional		Retail		International		Group	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000
<b>Business segments</b>								
Segment revenue	361 664	325 381	271 169	185 137	73 405	77 731	706 238	588 249
<b>Segment assets</b>	252 655	121 234	78 174	176 204	113 657	129 583	444 486	427 021
Goodwill							1 087 772	1 087 772
Investment in associate							11 021	–
Deferred tax asset							2 044	5 466
Investments backing policyholder funds and investments held through investment partnerships							15 782 142	13 625 022
Financial assets at fair value through profit or loss							64 804	77 627
<b>Total assets</b>							17 392 269	15 222 908

## 2 CHANGE IN ACCOUNTING POLICY

During the current year the board has reconsidered the accounting treatment applied under the company's previous SA GAAP, to the common control transaction that resulted in the acquisition of its operating subsidiaries prior to the company's listing in 2003. Having previously accounted for this common control transaction at net book value, the board has elected to restate this acquisition by applying the requirements of AC 131 *Business Combinations* (AC 131), which was the most relevant standard effective at that time, so as to more accurately reflect the value at which the transaction was concluded.

The change in accounting policy results in the recognition of goodwill on the balance sheet prior to the adoption of IFRS and the amortisation of goodwill in the income statement over 20 years from the effective date of the transaction until the date of transition to IFRS on 1 October 2004.

The transaction has been restated so as to be recorded at R1,26 billion in the group financial statements, being the value at which the 382 274 930 ordinary shares that were issued in settlement of the purchase consideration, listed on 13 June 2003.

This change in accounting policy has been accounted for retrospectively and the comparatives have been restated. The effect of the change is detailed below.

### EFFECT ON 2006

There is no effect on profit after tax for 2006. On transition to IFRS, goodwill is no longer amortised and is carried at deemed cost which represents the amount recorded under previous SA GAAP.

### EFFECT ON PERIODS PRIOR TO 2006

Increase in goodwill – 1 October 2004	R'000 1 170 696
Decrease in opening retained income – 1 October 2004	(82 924)
Increase in total equity – 1 October 2004	<u>1 087 772</u>



	2006 R'000	2005 R'000
<b>3 REVENUE</b>		
Management fees	435 069	403 112
Service fees	259 588	174 635
Initial charges	11 581	10 502
	<b>706 238</b>	<b>588 249</b>
<b>4 INTEREST AND DIVIDEND INCOME</b>		
Interest income	19 001	12 039
Dividend income	2 613	647
	<b>21 614</b>	<b>12 686</b>
<b>5 OTHER INCOME</b>		
Profit on disposal of associates	–	5 316
Profit on disposal of financial assets	2 770	3 453
Profit/(loss) on disposal of equipment	13	(225)
Realised and unrealised foreign exchange gains/(losses)	3 817	(2 923)
Revaluation of financial assets at fair value through profit or loss	8 932	10 271
Other sundry (losses)/gains	(1 092)	2 062
	<b>14 440</b>	<b>17 954</b>
<b>6 OPERATING EXPENSES</b>		
are stated after taking into account:		
Auditors' remuneration		
<i>Audit fees</i>		
– current year	1 098	514
– current year (borne by policyholders and investors in investment partnerships)	225	160
– prior year underprovision	980	1 114
<i>Fees for other services</i>	842	958
Distribution expenses	61 606	40 531
Fund administration services	31 680	25 629
Information technology and communication	18 383	13 732
Marketing expenses	27 424	14 325
Operating lease payments	7 298	5 952
Personnel expenses (including directors' emoluments)		
– salaries and incentive compensation	181 399	170 112
– provident fund contributions	8 393	7 426
– social security costs	3 419	2 244
– restraint of trade payments	2 550	28 275
– share-based payment expense	51 384	18 038

Details of the directors' remuneration and their interests are disclosed in the directors' report on pages 37 and 38.

#### CORONATION RETIREMENT FUND

All staff are members of a defined contribution provident fund, which is governed by the Pension Funds Act, No. 24 of 1956, as amended. No valuation is performed as the liabilities of the fund cannot exceed its assets. Other than ongoing contributions charged against income as incurred, the group has no further retirement benefit obligations.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

## 7 SHARE-BASED PAYMENT EXPENSE

### SHARE OPTIONS

On 18 December 2003, share options were granted to eligible employees. The scheme provides for the grant to employees of options of a maximum of 10% of Coronation shares in issue. The options become unconditional in equal tranches over a three-year period commencing 1 January 2006, if certain performance targets are met. Should the option holder resign from the group prior to the vesting dates, the shares for options will not be issued, payment will therefore not be required, and the options will be forfeited.

On 1 February 2005, Coronation Investments and Trading Limited offered options to Coronation employees to acquire Coronation shares. The options become unconditional in equal tranches over a three-year period commencing 1 February 2006. Should the option holder resign from the group prior to the exercise dates, payment will not be required, and the options will be forfeited. This transaction will have no effect on the number of shares in issue.

On 30 September 2003, 7 600 000 convertible cumulative redeemable preference shares were issued at 172 cents per share on terms and conditions as defined in the company's Memorandum and Articles of Association. The conversion terms of the first tranche of shares were revised as per a resolution passed by the directors of the company on 11 November 2005 and have been treated as a modification in terms of IFRS 2. The conversion of these shares was dependent on the achievement of predetermined earnings per share and share price growth targets. The resolution of 11 November 2005 had the effect of reducing the earnings per share and share price growth targets in respect of 4 560 000 shares.

On 24 November 2006, 4 560 000 of the 7 600 000 preference shares were converted into ordinary shares and the balance of 3 040 000 preference shares was redeemed.

The fair value of options granted was estimated at the date of the grant or at the date on which a significant modification took place, using an appropriate valuation model.

The inputs into the models were as follows:

	18 December 2003	1 February 2005	Preference shares
– Assumed employee turnover rate per annum	5,0%	5,0%	5,0%
– Expected volatility	30,0%	39,3%	30,0%
– Risk-free interest rate	8,8% – 9,2%	7,2% – 7,5%	8,57% – 8,82%
– Dividend yield	4,5%	6,5%	4,5%
– Expected life	3,5 – 4,5 years	3 – 5 years	3 – 5 years
– Subscription price (cents per share)	342	150	172
– Weighted average fair value at grant date (cents per share)	340	402	460
– Weighted average share price on options exercised during the year (cents per share)	608	625	–



	2006 Number	2005 Number
<b>7 SHARE-BASED PAYMENT EXPENSE (continued)</b>		
<i>SHARE OPTIONS (continued)</i>		
<b>Details of options outstanding:</b>		
<b>18 December 2003</b>		
Outstanding at beginning of year	8 600 000	15 100 000
Exercised during the year	(2 618 324)	–
Granted during the year	60 000	–
Forfeited during the year	(300 000)	(6 500 000)
Outstanding at end of year	5 741 676	8 600 000
<b>1 February 2005</b>		
Outstanding at beginning of year	8 555 000	–
Exercised during the year	(5 100 000)	–
Granted during the year	–	8 555 000
Forfeited during the year	(2 740 000)	–
Outstanding at end of year	715 000	8 555 000
<b>Preference share scheme</b>		
Outstanding at beginning and end of year	7 600 000	7 600 000

#### SHARE TRANSACTIONS

Coronation Investments and Trading Limited offered employees of the group Coronation shares. The sale of shares is restricted while an employee is employed by Coronation. The balance can be sold one year after the employee leaves the employment of Coronation. The compensation benefit which is required to be spread over the vesting period is approximated by the intrinsic value of the offer, being the difference between the market share price and the offer price on grant date.

#### 1 February 2005

– Assumed employee turnover rate per annum	5,0%
– Number of shares	18 095 000
– Vesting period	31 January 2008 to 31 January 2010
– Closing share price on grant date (cents per share)	402
– Offer price (cents per share)	150
– Restriction on sale while employed	one third

#### 1 April 2005

– Assumed employee turnover rate per annum	5,0%
– Number of shares	13 600 000
– Vesting period	15 April 2008 to 15 April 2010
– Closing share price on grant date (cents per share)	395
– Offer price (cents per share)	150
– Restriction on sale while employed	13 600 000



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

## 7 SHARE-BASED PAYMENT EXPENSE (continued)

### SHARE TRANSACTIONS (continued)

#### 5 September 2005

– Assumed employee turnover rate per annum	5,0%
– Number of shares	6 900 667
– Vesting period	1 February 2007 to 1 February 2009
– Closing share price on grant date (cents per share)	481
– Offer price (cents per share)	405
– Restriction on sale while employed	N/A

#### 7 September 2005

– Assumed employee turnover rate per annum	5,0%
– Number of shares	12 099 333
– Vesting period	1 February 2007 to 1 February 2009
– Closing share price on grant date (cents per share)	501
– Offer price (cents per share)	405
– Restriction on sale while employed	N/A

#### Details of shares held during the year

At beginning of year	50 695 000	50 695 000
Granted during the year	800 000	–
Forfeited during the year	(504 600)	–
At end of year	50 990 400	50 695 000

2006	2005
Number	Number
50 695 000	50 695 000
800 000	–
(504 600)	–
50 990 400	50 695 000

### BEE TRANSACTION

Coronation established the Imvula Trust to facilitate its BEE transactions. On 1 April 2005, the Imvula Trust acquired 10% of Coronation Investment Management (Pty) Limited from Coronation. The acquisition consideration amounted to R148 million and was funded by the issue of redeemable preference shares to a third-party financier. This consideration was based on a price per Coronation share of R3,85. The funding is guaranteed by Coronation.

A board of trustees was established to nominate beneficiaries who will, on fulfilment of certain conditions, have an interest in the underlying shares held by the Imvula Trust. Performance and service conditions impact on the vesting period of the options, which ranges from three to five years.

The fair value was estimated at the date of the sale using an option-pricing valuation model. The inputs into the model were as follows:

– Assumed employee forfeiture rate per annum	5,0%
– Dividend yield	6,5%
– Fair value at grant date (cents per share)	385

	2006	2005
	R'000	R'000
<b>EXPENSE CHARGED TO PROFIT OR LOSS</b>		
December 2003 options	1 968	1 729
Preference share transaction	12 695	74
Coronation Investments and Trading Limited transactions	30 844	12 776
BEE transaction	5 877	3 459
<b>Total expense charge</b>	<b>51 384</b>	<b>18 038</b>

The share-based payment expense for the year 2007 is estimated to be R34 million, based on applying consistent assumptions to those reflected above.



	2006 R'000	2005 R'000
<b>8 INCOME TAX EXPENSE</b>		
TAXATION ON SHAREHOLDER PROFITS		
<b>Current tax</b>		
South Africa		
– current tax on income for the year	94 327	77 809
– adjustments in respect of prior years	(3 563)	5 162
International		
– current tax on income for the year	2 521	3 206
– adjustments in respect of prior years	(1 015)	628
	92 270	86 805
Secondary tax on companies	2 325	13 231
<b>Total current tax</b>	<b>94 595</b>	<b>100 036</b>
<b>Deferred tax</b>		
South Africa	3 444	(15 638)
<b>Total</b>	<b>98 039</b>	<b>84 398</b>
Taxation on policyholder investment contracts	43 168	18 641
<b>Total tax charge</b>	<b>141 207</b>	<b>103 039</b>
The rates of corporation tax for the relevant years are:		
South Africa	29%	29%
International (average)	21%	20%
Profit on fund management activities before tax	294 493	253 267
Tax on profit on fund management activities	98 039	84 398
Effective tax rate	33%	33%
The tax charge on activities for the year is different to the standard rate as detailed below:		
Tax on profit on fund management activities before tax, at SA rate of 29%	85 403	73 447
Effect of tax rates in foreign jurisdictions	(2 755)	(1 339)
Share of profit of associate	(522)	(280)
Share-based payment expense	14 901	5 231
Secondary tax on companies	2 325	13 231
Non-deductible expenses	6 423	1 564
Non-taxable capital profit	(1 229)	–
Deferred capital allowances	–	(9 294)
Tax exempt income	(758)	(2 776)
Effect of tax losses utilised	(1 171)	(1 176)
(Over)/underprovided in prior years	(4 578)	5 790
<b>Total tax charge</b>	<b>98 039</b>	<b>84 398</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

	2006 R'000	2005 R'000
<b>8 INCOME TAX EXPENSE (continued)</b>		
<b>TAXATION ON POLICYHOLDER INVESTMENT CONTRACTS</b>		
<b>Current tax</b>		
South Africa		
– current tax on income for the year	22 048	17 236
<b>Deferred tax</b>		
South Africa	21 120	1 405
<b>Total tax charge</b>	<b>43 168</b>	<b>18 641</b>
<b>9 EARNINGS PER SHARE</b>	<b>2006</b>	<b>2005</b>
<b>BASIC EARNINGS PER SHARE (CENTS)</b>		
Basic earnings per share calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year	51,9	43,8
	<b>Number</b>	<b>Number</b>
Issued ordinary shares at beginning of year	382 274 930	382 274 930
Effect of shares issued	1 176 592	–
Effect of shares cancelled	(6 780 979)	–
Weighted average number of ordinary shares in issue during the year	376 670 543	382 274 930
Weighted average number of shares resulting from future dilutive potential ordinary shares	40 214 009	18 247 617
Weighted average number of shares resulting from future dilutive preference shares	7 599 977	4 540 898
<b>Weighted average number of ordinary shares potentially in issue</b>	<b>424 484 529</b>	<b>405 063 445</b>
	<b>R'000</b>	<b>R'000</b>
Earnings attributable to shareholders	196 454	168 283
Dividend on convertible cumulative redeemable preference shares	(926)	(927)
<b>Earnings attributable to ordinary shareholders</b>	<b>195 528</b>	<b>167 356</b>
<b>DILUTED EARNINGS PER SHARE (CENTS)</b>		
Diluted earnings per share calculated by dividing the earnings attributable to ordinary shareholders, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of ordinary shares potentially in issue	46,8	41,7
	<b>R'000</b>	<b>R'000</b>
Earnings attributable to shareholders	196 454	168 283
Secondary tax on companies	2 325	807
<b>Diluted earnings attributable to ordinary shareholders</b>	<b>198 779</b>	<b>169 090</b>



	2006	2005
<b>9 EARNINGS PER SHARE (continued)</b>		
<b>HEADLINE EARNINGS PER SHARE (CENTS)</b>		
Headline earnings per share calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No. 1 <i>The Definition of Headline Earnings</i> and in terms of circular 7/2002 issued by the South African Institute of Chartered Accountants	51,9	42,9
	R'000	R'000
Earnings attributable to shareholders	195 528	167 356
Capital expenses	–	1 355
Profit on disposal of investment in associates	–	(4 934)
(Profit)/loss on disposal of equipment	(13)	160
<b>Headline earnings attributable to ordinary shareholders</b>	<b>195 515</b>	<b>163 937</b>
<b>Diluted headline earnings per share (cents)</b>	<b>46,8</b>	<b>40,9</b>
<b>Distributions per share (cents)</b>		
Dividend per share – 2004	–	25,0
BEE transaction		
– special dividend	–	1,0
– special capital distribution	–	24,0
Capital distribution		
– payable	53,0	36,0
	2006 R'000	2005 R'000
<b>10 GOODWILL</b>		
<b>Cost less accumulated amortisation</b>		
At beginning and end of year	1 087 772	1 087 772

For the purposes of impairment testing, goodwill is considered in aggregate based on the group's fund management operations. The impairment test was based on fair value less costs to sell, which is evidenced by way of reference to the traded share price of Coronation at balance sheet date. Since the listed share price of R6,00 per share (2005: R5,50) is substantially in excess of the R3,29 per share price at which the company listed in June 2003, the recoverable amount significantly exceeds the carrying amount of the group's fund management operations (including goodwill).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

2006	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Leasehold improvements R'000	Total R'000
<b>11 EQUIPMENT</b>					
<b>Cost</b>					
At beginning of year	7 229	2 324	1 867	994	12 414
Additions	2 716	425	64	15	3 220
Disposals	(162)	–	(26)	–	(188)
Exchange adjustments	839	247	312	284	1 682
At end of year	10 622	2 996	2 217	1 293	17 128
<b>Accumulated depreciation</b>					
At beginning of year	(4 043)	(1 451)	(778)	(603)	(6 875)
Depreciation	(2 144)	(413)	(350)	(349)	(3 256)
Disposals	140	–	15	–	155
Exchange adjustments	(560)	(206)	(210)	(244)	(1 220)
At end of year	(6 607)	(2 070)	(1 323)	(1 196)	(11 196)
Carrying value	4 015	926	894	97	5 932
<b>2005</b>					
<b>Cost</b>					
At beginning of year	6 629	2 237	1 495	1 032	11 393
Additions	2 402	149	440	–	2 991
Disposals	(1 758)	(52)	(60)	(29)	(1 899)
Exchange adjustments	(44)	(10)	(8)	(9)	(71)
At end of year	7 229	2 324	1 867	994	12 414
<b>Accumulated depreciation</b>					
At beginning of year	(3 947)	(1 058)	(422)	(282)	(5 709)
Depreciation	(1 600)	(432)	(395)	(336)	(2 763)
Disposals	1 464	30	32	9	1 535
Exchange adjustments	40	9	7	6	62
At end of year	(4 043)	(1 451)	(778)	(603)	(6 875)
Carrying value	3 186	873	1 089	391	5 539



	2006 R'000	2005 R'000
<b>12 INVESTMENT IN ASSOCIATE</b>		
<b>Analysis of the movement in investment in associate</b>		
At beginning of year	–	3 706
Acquisition	9 222	–
Share of profit of associate	1 799	967
Disposal of shareholding in associates	–	(4 673)
At end of year	11 021	–
Market value	12 005	–

Summary financial information of associate:

2006	Country	Ownership %	Assets N\$'000	Liabilities N\$'000	Equity N\$'000	Revenues N\$'000	Profit N\$'000
Namibia Asset Management Limited	Namibia	48,05	10 784	3 161	7 623	19 852	3 744

The only significant investment in associates in the year was Namibia Asset Management Limited. The company is listed on the Namibian Stock Exchange and conducts the business of fund management. Namibia Asset Management Limited became an associate on 1 October 2005.

### 13 DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Employee benefits	2 044	5 466	–	–	2 044	5 466
Unrealised fair value adjustments on financial assets						
– shareholders	–	–	(1 511)	(1 489)	(1 511)	(1 489)
– policyholders	–	–	(38 395)	(17 275)	(38 395)	(17 275)
Total	2 044	5 466	(39 906)	(18 764)	(37 862)	(13 298)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

	Balance 2005 R'000	Recognised in income R'000	Balance 2006 R'000
<b>13 DEFERRED TAX (continued)</b>			
Movement in temporary differences during the year:			
Employee benefits	5 466	(3 422)	2 044
Unrealised fair value adjustments on financial assets	(18 764)	(21 142)	(39 906)
	(13 298)	(24 564)	(37 862)
	Balance 2004 R'000	Recognised in income R'000	Balance 2005 R'000
Deferred capital allowances	(11 661)	11 661	–
Employee benefits	–	5 466	5 466
Unrealised fair value adjustments on financial assets	(15 870)	(2 894)	(18 764)
	(27 531)	14 233	(13 298)
		2006 R'000	2005 R'000
<b>14 INVESTMENTS BACKING POLICYHOLDER FUNDS AND INVESTMENTS HELD THROUGH INVESTMENT PARTNERSHIPS</b>			
<b>Net fair value gains on policyholder and investment partnership financial instruments</b>			
Investment income		855 808	640 094
Realised and unrealised gains on financial assets		1 620 304	2 716 689
Increase in liabilities to policyholders and holders of redeemable interests in investment partnerships		(2 427 130)	(3 315 936)
		48 982	40 847



	2006 R'000	2005 R'000
<b>14 INVESTMENTS BACKING POLICYHOLDER FUNDS AND INVESTMENTS HELD THROUGH INVESTMENT PARTNERSHIPS (continued)</b>		
Equities	7 974 320	6 572 779
Mining	1 258 645	899 011
Banks, insurance and financial services	1 110 364	1 288 731
Industrial, retail and other sectors	5 501 993	4 385 037
Unlisted investments	103 318	–
Insurance contracts	–	12 400
Derivative financial instruments	28 753	29
Property	502 048	292 936
Interest-bearing stocks, debentures and other loans	2 978 808	2 088 140
Deposits at financial institutions	2 749 170	3 646 455
Domestic unit trusts	57 078	2 926
Mutual funds	1 335 201	991 856
	<b>15 625 378</b>	<b>13 607 521</b>
Quoted investments at market value	15 522 060	13 607 521
Unquoted investments at directors' valuation	103 318	–
	<b>15 625 378</b>	<b>13 607 521</b>
Investments at book value	15 618 664	15 106 511
Unrealised investment gains/(losses)	6 714	(1 498 990)
Partnership trade receivables	156 764	17 501
	<b>15 782 142</b>	<b>13 625 022</b>
<b>15 POLICYHOLDER INVESTMENT CONTRACT LIABILITIES AND LIABILITIES TO HOLDERS OF INTERESTS IN INVESTMENT PARTNERSHIPS</b>		
<b>Movement in financial liability:</b>		
Balance at beginning of year	13 607 747	11 504 608
Contributions and investment income	6 952 036	4 603 837
Contributions from policyholders and investors	6 096 228	3 963 743
Investment income	855 808	640 094
Withdrawals and deductions	(6 606 267)	(5 336 094)
Withdrawals by policyholders and investors	(6 557 285)	(5 295 247)
Operating expenses	(5 814)	(22 206)
Taxation on policyholder investment contracts	(43 168)	(18 641)
Realised and unrealised net fair value gains on investments designated at fair value through profit or loss backing policyholder funds and holders of interest in investment partnerships	1 620 304	2 716 689
Trade payables	47 771	6 665
Short positions	122 156	112 042
Balance at end of year	<b>15 743 747</b>	<b>13 607 747</b>
<b>Comprising:</b>		
Liability to policyholders in respect of investment contracts	15 171 857	13 388 419
Liability to holders of redeemable interests in investment partnerships	571 890	219 328
Deferred tax liabilities	38 395	17 275
	<b>15 782 142</b>	<b>13 625 022</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

	2006 R'000	2005 R'000
<b>16 FINANCIAL ASSETS</b>		
Financial assets available-for-sale		
– Mutual funds and unit trusts	87 201	65 291
– Ordinary shares (unlisted)	1	1
– Ordinary shares (listed)	125	90
	<b>87 327</b>	<b>65 382</b>
Financial assets at fair value through profit or loss		
– Mutual funds and unit trusts	64 804	77 627
	<b>152 131</b>	<b>143 009</b>
In terms of a cession and pledge agreement, Coronation ceded all its rights, title and interest in financial assets to the value of R32 million (2005: R57 million) as security for the interest-bearing borrowing (refer note 17).		
Details regarding financial investments required in terms of the Companies Act are kept at the company's registered office and this information will be made available to shareholders on written request.		
<b>17 INTEREST-BEARING BORROWING</b>	<b>139 533</b>	<b>148 000</b>

The borrowing is in respect of the group's BEE transaction.

**The terms of the borrowing are as follows:**

74 000 cumulative redeemable fixed-rate preference shares of 1000 cents per share at a rate of 9,12% per annum.

65 533 cumulative redeemable floating-rate preference shares of 1000 cents per share at a rate of 71% of prime.

These dividends are payable in May and November of each year. The preference shares are redeemable at the option of the company but by no later than April 2015.

The borrowing is secured by a pledge of financial assets to the value of R32 million (2005: R57 million) at 30 September 2006 (refer note 16).

In terms of the company's Articles of Association, its borrowing powers are unlimited.

**SUBSIDIARIES**

Coronation Life Assurance Company Limited is restricted in its ability to borrow in that borrowings require approval of the Registrar of Insurance, in terms of the South African Long-term Insurance Act, No. 52 of 1998.



	2006 R'000	2005 R'000
<b>18 SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
750 000 000 (2005: 750 000 000) ordinary shares of 0,01 (2005: 0,01) cent per share	75	75
7 600 000 (2005: 7 600 000) convertible cumulative redeemable preference shares of 0,01 (2005: 0,01) cent per share	1	1
	<b>76</b>	<b>76</b>
<b>ISSUED, ALLOTTED AND FULLY PAID</b>		
	<b>Number</b>	<b>Number</b>
<b>Number of ordinary shares</b>		
At beginning of year	382 274 930	382 274 930
Issued during the year	2 618 324	–
Repurchased and cancelled during the year	(35 315 852)	–
At end of year	<b>349 577 402</b>	<b>382 274 930</b>
	<b>R'000</b>	<b>R'000</b>
<b>Par value of ordinary shares</b>		
At beginning of year	38	38
Issued during the year	–	–
Repurchased and cancelled during the year	(3)	–
At end of year	<b>35</b>	<b>38</b>
	<b>Number</b>	<b>Number</b>
<b>Number of convertible cumulative redeemable preference shares</b>		
At beginning and end of year	<b>7 600 000</b>	<b>7 600 000</b>
	<b>R'000</b>	<b>R'000</b>
<b>Par value of convertible cumulative redeemable preference shares</b>		
At beginning and end of year	<b>1</b>	<b>1</b>

#### CONVERTIBLE CUMULATIVE REDEEMABLE PREFERENCE SHARES

The terms and conditions of the convertible cumulative redeemable preference shares are set out in the company's Memorandum and Articles of Association. These shares rank pari passu with the ordinary shares as to voting rights.

4 560 000 of the preference shares were converted to ordinary shares on 24 November 2006. The holder of these shares has waived rights to distributions until 31 December 2006.

The remainder of the preference shares were redeemed on 24 November 2006.

#### UNISSUED SHARES

Unissued shares are under the control of the directors until the forthcoming annual general meeting.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

## 19 FINANCIAL RISK DISCLOSURES

The group is exposed to market risk, credit risk, liquidity risk and currency risk through a combination of the nature of its operations, the financial instruments of which it is a party to and the location of its operations.

Risk management and control are integral to the governance of the group as more fully explained on pages 27 to 29.

The market and credit risk associated with the financial assets held to back investment contract liabilities issued by group companies is borne in its entirety by policyholders. The liquidity risk associated with the company being contractually obligated to repay policyholders on demand, is managed through the investment composition of assets included in the policyholder portfolios and by contract with the policyholders. Such contracts mitigate the liquidity risk faced by the company and pass this on to policyholders in the event that substantial withdrawals require large-scale disinvestment of the assets in these portfolios. The investment composition of these portfolios at 30 September is provided in note 14.

The assets held through limited liability investment partnerships which the group is deemed to control and which are therefore consolidated, are held to back the investors' interests in these partnerships. The financial assets within these investment partnerships are subject to a variety of financial risks all of which are borne by the investors into these partnerships. Fluctuations in the values of these assets directly impact the carrying value of the group's financial liabilities to the holders of redeemable interests in these partnerships. By virtue of the fact that these investment partnerships are permitted in terms of their investment mandates to use leverage in their investment strategies and the fact that certain companies in the group are the general partner to these partnerships, exposes the group to the residual risk of any shortfall in the net assets of the partnerships (refer note 20). This risk is considered remote, and to result in financial loss to the group would require the limited partners or investors into these partnerships to lose all of the capital they have contributed, together with investment returns earned.

Since the group's exposure to financial risk arising from these financial assets and liabilities is negligible, these financial instruments are excluded from the analysis presented below.

### **Credit risk**

Financial assets which are subject to credit risk consist principally of cash, receivables and the group's interest in mutual funds and unit trusts.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the group.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.



## 19 FINANCIAL RISK DISCLOSURES (continued)

### Interest rate risk

The following table provides an analysis of the financial assets and liabilities of the group and indicates those categories that are interest sensitive and their contractual maturities.

R'000	Total	One year or less	One to five years	Due after five years	Non-interest bearing
<b>2006</b>					
<b>Assets</b>					
Financial assets available-for-sale	87 327	–	–	–	87 327
Financial assets at fair value through profit or loss	64 804	–	–	–	64 804
Trade and other receivables	97 637	–	–	–	97 637
Cash and cash equivalents	253 590	253 590	–	–	–
	503 358	253 590	–	–	249 768
<b>Liabilities</b>					
Interest-bearing borrowing	139 533	–	–	139 533	–
Trade and other payables	140 092	–	–	–	140 092
	279 625	–	–	139 533	140 092
<b>2005</b>					
<b>Assets</b>					
Financial assets available-for-sale	65 382	–	–	–	65 382
Financial assets at fair value through profit or loss	77 627	–	–	–	77 627
Trade and other receivables	110 348	–	–	–	110 348
Cash and cash equivalents	245 752	245 752	–	–	–
	499 109	245 752	–	–	253 357
<b>Liabilities</b>					
Interest-bearing borrowing	148 000	–	–	148 000	–
Trade and other payables	108 320	–	–	–	108 320
	256 320	–	–	148 000	108 320

### Market risk

The revenues and profit generation of the group are dependent on the value of assets under management. Movements in equity and interest rate markets, currency exchange rates and commodity prices that adversely affect the value of assets under management will impact the group's revenues and reported profits. The group manages this risk through its structured investment process. The value of assets under management at balance sheet date is as follows:

Assets under management	2006 R'bn	2005 R'bn
<b>Fair value of assets under management – by geographical region</b>		
South Africa	92,3	75,0
International	9,1	6,9
	101,4	81,9
<b>Fair value of assets under management – by business segment</b>		
Institutional	74,5	61,3
Retail	17,8	13,7
International	9,1	6,9
	101,4	81,9



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

## 19 FINANCIAL RISK DISCLOSURES (continued)

### Foreign currency risk

In respect of other monetary assets and liabilities held in currencies other than the rand, the group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates, where necessary, to address short-term imbalances.

The following currency profile analyses the group's financial assets and liabilities according to the currencies in which they are held at 30 September 2006. The totals are then expressed in the equivalent rand amount (in thousands).

2006

Currency	ZAR	PULA	EUR	GBP	USD	Total
Exchange rate	1,0000	1,1285	9,8557	14,5596	7,7763	

### Assets

Financial assets available-for-sale	9 956	–	23 280	3 570	50 521	87 327
Financial assets at fair value through profit or loss	64 804	–	–	–	–	64 804
Trade and other receivables	85 459	2	488	4 221	7 467	97 637
Cash and cash equivalents	229 910	656	999	5 900	16 125	253 590
	390 129	658	24 767	13 691	74 113	503 358

### Liabilities

Interest-bearing borrowing	139 533	–	–	–	–	139 533
Trade and other payables	120 569	47	729	10 569	8 178	140 092
	260 102	47	729	10 569	8 178	279 625

2005

Currency	ZAR	PULA	EUR	GBP	USD	Total
Exchange rate	1,0000	–	7,6536	11,2356	6,3550	

### Assets

Financial assets available-for-sale	3 359	–	35 391	2 716	23 916	65 382
Financial assets at fair value through profit or loss	77 627	–	–	–	–	77 627
Trade and other receivables	94 020	–	1 701	1 582	13 045	110 348
Cash and cash equivalents	197 700	–	7 899	10 005	30 148	245 752
	372 706	–	44 991	14 303	67 109	499 109

### Liabilities

Interest-bearing borrowing	148 000	–	–	–	–	148 000
Trade and other payables	76 935	–	4 192	16 240	10 953	108 320
	224 935	–	4 192	16 240	10 953	256 320

### Fair values

The fair values of all financial instruments are substantially similar to carrying amounts reflected in the balance sheet.



	2006 R'000	2005 R'000
<b>20 COMMITMENTS AND CONTINGENT LIABILITIES</b>		
<b>Operating lease commitments</b>		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	8 946	7 501
Between one and five years	14 067	14 222
More than five years	6 719	–

At 30 September 2006, the group was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 8% and 11% per annum.

#### Guarantees

Coronation Investment Management (Pty) Limited and Coronation Asset Management (Pty) Limited are the disclosed partners in the Coronation Granite Fixed Income, the Coronation Multi-Strategy Arbitrage, Coronation pH7 and Coronation Presidio Limited Liability partnerships. As the disclosed partners they are liable to third parties for all liabilities of the partnerships over and above the capital contributions, and future income which accrues to the partners as well as the retained and current profits and assets of the partnerships. The other partners have no liability for further contributions, or to incur any liability to any third party over and above their contributions. A register of guarantees is kept at the registered office of the company.

All portfolio risk inherent within the investment partnerships is managed within the general risk parameters and controls as set out in the Risk Management and Control section of this annual report.

## 21 RELATED PARTIES

#### Identity of related parties

The group has related-party relationships with its subsidiaries, associates and with its key management personnel.

#### Transactions with key management personnel

Key management personnel is defined as the board of directors and executive committee of Coronation. There were no material transactions with key management personnel or their families during the current or previous year other than normal remuneration for employee services and personal investments.

#### Key management compensation

	2006 R'000	2005 R'000
Short-term remuneration	15 794	20 277
Long-term remuneration	1 750	4 117
Share-based payment	30 185	7 156
<b>Total</b>	<b>47 729</b>	<b>31 550</b>

#### Other related-party transactions and balances at year-end

Directors' interest in share capital and directors' emoluments (refer directors' report).

Loans from related parties (refer note 22).

Share transactions with employees and Coronation Investments and Trading Limited (refer note 7).

The 47,14% interest acquired in Namibia Asset Management Limited as referred to in note 12, was acquired from a Coronation Investments and Trading Limited group company at fair value.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

## 22 PRINCIPAL SUBSIDIARY AND ASSOCIATE COMPANIES

Company (% of equity held)	Country of incorporation	Functional currency	Issued share capital	Indebtedness by/(to)	
				2006 R'000	2005 R'000
<b>Coronation Fund Managers Limited</b>					
100 Coronation Investment Management (Pty) Limited (Holding company of operating subsidiaries)	South Africa	ZAR	100	(24 838)	–
100 Coronation Asset Management (Pty) Limited (Investment management company)	South Africa	ZAR	250 000	16 538	52 253
100 Coronation Management Company Limited (Collective investment schemes management company)	South Africa	ZAR	2 000 000	–	–
100 Coronation Life Assurance Company Limited (Long-term insurance company)	South Africa	ZAR	300	–	–
100 CFM (Isle of Man) Limited (Holding company of the international subsidiaries)	British Virgin Islands	USD	20 000	–	–
100 Coronation International Limited (Investment management company)	United Kingdom	GBP	1 000 000	–	–
100 Coronation Fund Managers (Ireland) Limited (Collective investment schemes management company)	Ireland	USD	136 538	–	–
100 Coronation Investment Services (Pty) Limited (Investment management company) (2005: nil)	South Africa	ZAR	10	–	–
100 Coronation Fund Managers (Botswana) (Pty) Limited (Investment management company) (2005: 51%)	Botswana	Pula	100	–	–
48,05 Namibia Asset Management Limited (Investment management company) (2005: nil)	Namibia	NAD	20 000	–	–

The group has no equity interest in the following entities, which are consolidated based on control:

- Imvula Trust
- Imvula Capital (Pty) Limited
- Coronation Granite Fixed Income Fund
- Coronation Multi-Strategy Arbitrage Fund
- Coronation pH7 Fund
- Coronation Presidio Fund



## 22 PRINCIPAL SUBSIDIARY AND ASSOCIATE COMPANIES *(continued)*

The interest of the company in its subsidiaries' aggregate profits and losses after taxation is as follows:

	2006 R'000	2005 R'000
Profit	191 272	183 644
Losses	(367)	(7 730)
<b>Total</b>	<b>190 905</b>	<b>175 914</b>

## 23 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

These are the group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out on pages 43 to 51 have been applied in preparing the financial statements for the year ended 30 September 2006, the comparative information presented in these financial statements for the year ended 30 September 2005 and in the preparation of an opening IFRS balance sheet at 1 October 2004.

In preparing its opening IFRS balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (SA GAAP). An explanation of how the transition from SA GAAP to IFRS has affected the group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2006

## 23 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

RECONCILIATION OF PROFIT FOR THE YEAR ENDED 30 SEPTEMBER 2005

R'000	As previously reported	Reclassi- fications	Restated	Share- based payment	Other	Actual IFRS restated
<b>Fund management activities</b>						
Revenue	580 185	8 064	588 249	–	–	588 249
<b>Financial income</b>	–	30 640	30 640	–	–	30 640
Interest and dividend income	–	12 686	12 686	–	–	12 686
Other income	–	17 954	17 954	–	–	17 954
<b>Operating expenses</b>	(303 838)	(38 704)	(342 542)	(18 038)	–	(360 580)
Share-based payment expense	–	–	–	(18 038)	–	(18 038)
Other expenses	(303 838)	(38 704)	(342 542)	–	–	(342 542)
<b>Interest expense</b>	(6 009)	–	(6 009)	–	–	(6 009)
Share of profit of associate	–	967	967	–	–	967
<b>Profit from fund management</b>	270 338	967	271 305	(18 038)	–	253 267
<b>Income attributable to policyholder linked assets and investment partnerships</b>	–	–	–	–	18 641	18 641
Net fair value gains on policyholder and investment partnership financial instruments	–	–	–	–	40 847	40 847
Administration expenses borne by policyholders and investors in investment partnerships	–	–	–	–	(22 206)	(22 206)
<b>Profit before tax</b>	270 338	967	271 305	(18 038)	18 641	271 908
<b>Income tax expense</b>	(84 398)	–	(84 398)	–	(18 641)	(103 039)
Taxation on shareholder profits	(84 398)	–	(84 398)	–	–	(84 398)
Taxation on policyholder investment contracts	–	–	–	–	(18 641)	(18 641)
<b>Profit after tax</b>	185 940	967	186 907	(18 038)	–	168 869
Share of profit of associate	967	(967)	–	–	–	–
<b>Profit for the year</b>	186 907	–	186 907	(18 038)	–	168 869
<b>Attributable to:</b>						
– equity holders of the company	186 321	–	186 321	(18 038)	–	168 283
– minority interest	586	–	586	–	–	586
	186 907	–	186 907	(18 038)	–	168 869

### RECONCILIATIONS OF EQUITY

There is no impact on reported equity of the group as a result of the transition to IFRS.

### NOTES TO TRANSITION TO IFRS

#### Reclassifications

##### Revenue

Revenue from fund management activities now comprises fund management fees, service fees and initial charges. Revenue under SA GAAP included interest, dividend and other income. These items have been reclassified as financial income in presenting the income statement on adoption of IFRS. Revenue has been grossed up to adjust for distribution costs and fees payable to financial intermediaries for services rendered to the group.



## 23 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

NOTES TO TRANSITION TO IFRS (continued)

### Reclassifications (continued)

#### Operating expenses

Certain items previously included as operating expenses have been reclassified to financial income in presenting the income statement on adoption of IFRS. Expenses have been grossed up to adjust for distribution costs and fees payable to financial intermediaries for services rendered to the group.

#### Share-based payment

The terms and conditions of the share option programmes, grants and BEE transactions are disclosed in note 7, together with the assumptions applied in determining the value of services received for these share grants and hence the share-based payment expense.

#### Policyholder investment contracts and the associated linked assets

The investment policies issued by the group's insurance subsidiary and the associated linked investments backing these policies, were previously accounted for and disclosed in terms of the SA GAAP statement dealing with disclosure in the financial statements of long-term insurers. On adoption of IFRS the financial assets and financial liabilities arising from these policies are required to be accounted for in terms of IAS 32 *Financial Instruments – Presentation and Disclosure* (IAS 32) and IAS 39 and have been designated as financial instruments at fair value through profit or loss. The revaluation of these financial instruments is now presented separately in the income statement. The administration expenses and taxation withheld on the linked policyholder investment policies are likewise presented separately in the relevant line items in the income statement. There is no net impact on reported profit after tax or equity in any of the periods presented.

#### Investments held through investment partnerships and the associated liability to investors in these partnerships

The group, through certain of its subsidiaries, is the disclosed partner and principal investor in certain investment partnerships. These investment partnerships have been consolidated and the financial assets and liabilities controlled by the group have been designated at fair value through profit or loss on adoption of IFRS. The impact on the income statement is reflected in the above reconciliations and there is no impact on reported profit after tax or equity for any of the periods presented.

#### Balance sheet presentation

The presentation of assets and liabilities in the balance sheet has been amended to be based on liquidity.

#### Cash flow statement

There is no impact on the value of cash and cash equivalents as a result of the adoption of IFRS. Dividends paid were previously disclosed as part of net cash from operating activities and have been reclassified so as to form part of net cash from financing activities.

## 24 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2006 R'000	2005 R'000
<b>Non-cash and other adjustments</b>		
Deferred tax – policyholder funds	(21 120)	(1 405)
Depreciation	3 256	2 763
Interest expense	13 005	6 009
Investment income	(21 614)	(12 686)
Profit on disposal of associates	–	(5 316)
Profit on disposal of financial assets	(2 770)	(3 453)
(Profit)/loss on disposal of equipment	(13)	225
Share of profit of associate	(1 799)	(967)
Share-based payment expense	51 384	18 038
Unrealised foreign exchange losses	–	4 525
Revaluation of financial assets at fair value through profit or loss	(8 932)	(10 271)
<b>Total</b>	<b>11 397</b>	<b>(2 538)</b>



## COMPANY INCOME STATEMENT

for the year ended 30 September 2006

	Note	2006 R'000	2005 R'000
<b>Financial income</b>		<b>326 151</b>	<b>158 967</b>
Dividend income			
– subsidiaries		318 370	153 200
– other		583	1 000
Interest income		1 494	53
Other income		5 704	4 714
<b>Operating expenses</b>		<b>(772)</b>	<b>(497)</b>
Interest expense		(23 259)	(1)
– Invula Trust		(23 209)	–
– other		(50)	(1)
<b>Profit before tax</b>		<b>302 120</b>	<b>158 469</b>
Income tax expense	b	(1 409)	(13 190)
<b>Profit for the year</b>		<b>300 711</b>	<b>145 279</b>

# COMPANY BALANCE SHEET

as at 30 September 2006



	Note	2006 R'000	2005 R'000
<b>Assets</b>			
Investment in subsidiary	c	2 097 466	2 102 512
Financial assets at fair value through profit or loss	d	64 804	57 180
Income tax receivable		–	149
Loan to group company	g	16 536	52 253
Cash and cash equivalents		25 313	781
<b>Total assets</b>		<b>2 204 119</b>	<b>2 212 875</b>
<b>Liabilities</b>			
Liability to Imvula Trust	e	147 176	147 176
Deferred tax liabilities	f	1 510	683
Loan from group company	g	24 838	–
Income tax payable		414	336
Trade and other payables		159	–
<b>Total liabilities</b>		<b>174 097</b>	<b>148 195</b>
<b>Net assets</b>		<b>2 030 022</b>	<b>2 064 680</b>
<b>Equity</b>			
Share capital and premium		1 343 932	1 673 329
Accumulated earnings		345 176	45 391
Revaluation reserve		340 914	345 960
<b>Total equity</b>		<b>2 030 022</b>	<b>2 064 680</b>



## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2006

R'000	Share capital	Share premium	Accumulated earnings	Revaluation reserve	Total equity
<b>Balance at 30 September 2004 – SA GAAP and under IFRS</b>	39	1 765 036	430	(418 588)	1 346 917
Revaluation of financial assets available-for-sale	–	–	–	764 548	764 548
Profit for the year	–	–	145 279	–	145 279
Dividends paid	–	–	(100 318)	–	(100 318)
Capital distribution	–	(91 746)	–	–	(91 746)
<b>Balance at 30 September 2005</b>	39	1 673 290	45 391	345 960	2 064 680
Revaluation of financial assets available-for-sale	–	–	–	(5 046)	(5 046)
Profit for the year	–	–	300 711	–	300 711
Dividends paid	–	–	(926)	–	(926)
Capital distribution	–	(138 197)	–	–	(138 197)
Shares issued	–	8 967	–	–	8 967
Shares repurchased and cancelled	(3)	(200 164)	–	–	(200 167)
<b>Balance at 30 September 2006</b>	36	1 343 896	345 176	340 914	2 030 022

# COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September 2006



	2006 R'000	2005 R'000
<b>Cash flows from operating activities</b>		
Profit for the year	300 711	145 279
Income tax expense	1 409	13 190
Interest paid	23 259	1
Non-cash adjustments	(5 704)	(4 714)
<b>Operating profit before changes in working capital</b>	<b>319 675</b>	<b>153 756</b>
<b>Working capital changes</b>	<b>60 712</b>	<b>(44 087)</b>
Decrease/(increase) in loan to group company	35 715	(44 295)
Increase in trade payables and loan from group company	24 997	208
<b>Cash generated from operations</b>	<b>380 387</b>	<b>109 669</b>
Interest paid	(23 259)	(1)
Income taxes paid	(353)	(11 844)
<b>Net cash from operating activities</b>	<b>356 775</b>	<b>97 824</b>
<b>Cash flows from investing activities</b>		
Acquisition of financial assets	(1 920)	(52 466)
<b>Cash flows from financing activities</b>	<b>(330 323)</b>	<b>(44 888)</b>
Increase in liability to Imvula Trust	–	147 176
Shares repurchased and cancelled	(200 167)	–
Shares issued	8 967	–
Capital distribution	(138 197)	(91 746)
Dividends paid	(926)	(100 318)
<b>Net increase in cash and cash equivalents</b>	<b>24 532</b>	<b>470</b>
Cash and cash equivalents at beginning of year	781	311
<b>Cash and cash equivalents at end of year</b>	<b>25 313</b>	<b>781</b>



# NOTES TO CORONATION FUND MANAGERS LIMITED COMPANY ACCOUNTS

for the year ended 30 September 2006

## a ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRS and its interpretations adopted by the IASB together with the Companies Act in South Africa.

### BASIS OF PREPARATION

The financial statements are presented in South African rand, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at fair value: financial assets designated at fair value through profit or loss and financial assets classified as available-for-sale.

The accounting policies set out on pages 43 to 51 have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 October 2004 for the purposes of the transition to IFRS.

## b INCOME TAX EXPENSE

	2006 R'000	2005 R'000
<b>Current tax</b>		
South Africa		
– current tax on income for the year	297	–
– adjustments in respect of prior years	169	(33)
	466	(33)
Secondary tax on companies	116	12 540
<b>Total current tax</b>	582	12 507
<b>Deferred tax</b>		
South Africa	827	683
<b>Total tax charge</b>	1 409	13 190
The rates of corporation tax for the relevant years are:		
South Africa	29%	29%
Profit before tax	302 120	158 469
Tax on profit	1 409	13 190
Effective tax rate	0%	8%
The tax charge on activities for the year is different to the standard rate as detailed below:		
Tax on profit before tax, at SA rate of 29%	87 615	45 956
Secondary tax on companies	116	12 540
Non-deductible expenses	8 127	45
Tax exempt income	(94 151)	(44 142)
Effect of tax losses utilised	(467)	(1 176)
Under/(over)provided in prior years	169	(33)
<b>Total tax charge</b>	1 409	13 190



	2006 R'000	2005 R'000
<b>c INVESTMENT IN SUBSIDIARY</b>		
Unlisted shares		
– at cost	1 756 552	1 756 552
– revaluation adjustment	340 914	345 960
Investment in subsidiary at market value	2 097 466	2 102 512
<b>d FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Investment in unit trusts	64 804	57 180

In terms of a cession and pledge agreement, the company has ceded all its rights, title and interest in financial assets to the value of R32 million (2005: R57 million), as security for the interest-bearing borrowing (refer note 17).

Details regarding financial investments required in terms of the Companies Act are kept at the company's registered office and this information is available to shareholders on written request.

	2006 R'000	2005 R'000
<b>e LIABILITY TO IMVULA TRUST</b>		
Imvula Trust	147 176	147 176

The liability to the Imvula Trust is the result of the company's participation in the group's BEE transaction. This liability will be settled through the delivery of Coronation Investment Management (Pty) Limited shares or the issue of Coronation shares at the election of the company. The liability will be settled by no later than 10 years from the effective date of the BEE transaction (1 April 2005).



# NOTES TO CORONATION FUND MANAGERS LIMITED COMPANY ACCOUNTS

for the year ended 30 September 2006

## f DEFERRED TAX

Deferred tax liabilities are attributable to the following:

	2006 R'000	2005 R'000
Unrealised fair value adjustments on financial assets	1 510	683

Movement in temporary  
differences during the year:

	Balance 2005 R'000	Recognised in income R'000	Balance 2006 R'000
Unrealised fair value adjustments on financial assets	683	827	1 510

	Balance 2004 R'000	Recognised in income R'000	Balance 2005 R'000
Unrealised fair value adjustments on financial assets	–	683	683

## g LOAN TO AND FROM GROUP COMPANIES

These loans are unsecured, not subject to interest and payable or repayable on demand.

## h SHARE CAPITAL

The company's share capital is detailed in note 18 of the group accounts.

## ANALYSIS OF SHAREHOLDERS

Register date: 29 September 2006  
Issued share capital: 349 577 402 shares



SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 196	32,30	702 214	0,20
1 001 – 10 000 shares	1 795	48,47	7 564 931	2,16
10 001 – 100 000 shares	509	13,75	14 728 201	4,21
100 001 – 1 000 000 shares	153	4,13	57 258 609	16,38
1 000 001 shares and over	50	1,35	269 323 447	77,05
	3 703	100,00	349 577 402	100,00

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Banks	52	1,40	18 726 664	5,36
Close corporations	52	1,40	5 200 665	1,49
Endowment funds	22	0,59	2 202 391	0,63
Individuals	2 797	75,53	46 545 214	13,31
Insurance companies	14	0,38	5 511 378	1,58
Investment companies	11	0,30	2 235 964	0,64
Medical aid schemes	1	0,03	5 572	0,00
Mutual funds and unit trusts	66	1,78	81 329 327	23,27
Nominees and trusts	480	12,96	47 240 275	13,51
Other corporations	34	0,92	406 200	0,12
Pension funds	87	2,35	41 979 768	12,01
Private companies	79	2,13	2 940 450	0,84
Public companies	8	0,23	95 253 534	27,24
	3 703	100,00	349 577 402	100,00

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
<b>Non-public shareholders</b>	101	2,73	158 981 787	45,48
Directors	8	0,22	33 753 299	9,66
Strategic holdings (more than 10%)	1	0,03	95 194 989	27,23
Shares held by staff	92	2,48	30 033 499	8,59
<b>Public shareholders</b>	3 602	97,27	190 595 615	54,52
	3 703	100,00	349 577 402	100,00



## ANALYSIS OF SHAREHOLDERS

Register date: 29 September 2006  
Issued share capital: 349 577 402 shares

GEOGRAPHIC OWNERSHIP	Number of shareholders	%	Number of shares	%
South Africa	3 484	94,09	324 991 138	92,97
International	219	5,91	24 586 264	7,03
	3 703	100,00	349 577 402	100,00

SHAREHOLDERS WITH BENEFICIAL INTEREST OF 5% OR MORE IN SHARES	Number of shares	%
Coronation Investments and Trading Limited	95 194 989	27,23

MAJOR INSTITUTIONAL MANAGER	Number of shares	%
Allan Gray Limited	91 540 439	26,19



Notice is hereby given that the 33rd annual general meeting of Coronation Fund Managers Limited will be held in the boardroom of the offices of Coronation Fund Managers Limited at Coronation House, Boundary Terraces, 1 Mariendahl Lane, Newlands, Cape Town, on Thursday, 25 January 2007, at 10:00 for the following purposes:

### ORDINARY RESOLUTIONS

1. To receive and consider the audited annual financial statements of the company for the year ended 30 September 2006.
2. (a) To re-elect Mr Gavan Ryan who retires by rotation in accordance with the provisions of the company's Articles of Association, who is eligible and available for re-election.  
  
(b) To re-elect Mr Winston Floquet who retires by rotation in accordance with the provisions of the company's Articles of Association, who is eligible and available for re-election.

A profile in respect of each director offering himself for election is contained on page 22 of the financial report of which this notice of annual general meeting forms part.

3. To authorise the directors to determine the remuneration of the company's auditors.
4. To reappoint KPMG Inc. as the company's auditors.
5. To authorise the directors by way of specific authority to allot and issue sufficient portion of the unissued ordinary shares of 0,01 cent each in the capital of the company in order to fulfil obligations arising from the staff share option scheme, subject to sections 221 and 222 of the Companies Act No. 61 of 1973 (the Companies Act), as amended, and the Listings Requirements of the JSE Limited (JSE), the aforesaid authority to remain in force until the next annual general meeting of the company.
6. To authorise the directors by way of a specific authority in terms of section 221(2) of the Companies Act, as amended, to, in the event of the company exercising its call option to acquire from the Imvula Trust its 10%

shareholding in Coronation Investment Management (Pty) Limited (CIM), allot and issue a sufficient number of ordinary shares of 0,01 cent each in the share capital of the company in discharge of the purchase price payable to the Imvula Trust, subject to the Listings Requirements of the JSE. The required number of ordinary shares shall be determined with reference to the value of the 10% stake in CIM and prevailing market price of the ordinary shares in the company at the relevant time.

7. To authorise the directors by way of a general authority to make payments to shareholders from time to time in terms of section 90 of the Companies Act, as amended, and in terms of the Listings Requirements of the JSE in such amount and in such form as the directors may in their discretion from time to time determine, provided that:
  - ▶ This general authority shall be valid only until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter.
  - ▶ Such payment may not, in the aggregate exceed 20% of the company's issued share capital, including reserves, but excluding minority interests and revaluations of assets and intangible assets that are not supported by a valuation of an independent professional expert to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year.
  - ▶ Such payments shall be made pro rata to all shareholders.
  - ▶ Announcements will be published on SENS and in the press setting out the financial effects of the general payment prior to such payment being effected and complying with Schedule 24 of the Listings Requirements of the JSE.

The directors of the company intend to utilise this authority in terms of this ordinary resolution number 7 in order to make payment to shareholders, in lieu of a dividend by way of a general payment from the company's share capital or share premium.

### SPECIAL RESOLUTION

1. That the board of directors of the company be hereby authorised, by way of a renewable general authority to



## NOTICE TO SHAREHOLDERS

approve the purchase of its own ordinary shares or to approve the purchase of ordinary shares in the company by any subsidiary of the company at such price, and in such manner and subject to such terms and conditions as the directors may deem fit, provided that:

- ▶ This general authority shall be valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter.
- ▶ The ordinary shares be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the company and/or the relevant subsidiary and the counterparty.
- ▶ An announcement complying with 11.27 of the Listings Requirements of the JSE be published by the company (i) when the company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time the general authority was given (the initial number); and (ii) for each 3% in aggregate of the initial number of ordinary shares acquired by the company and/or its subsidiaries.
- ▶ The general repurchase by the company of its own ordinary shares shall not in the aggregate in any one financial year exceed 20% of the company's issued share capital of that class, provided that the acquisition of ordinary shares as treasury stock by a subsidiary of the company shall not exceed 10% in the aggregate of the number of issued shares in the company.
- ▶ Repurchases are not to be made at a price more than 10% above the weighted average of the market value for the ordinary shares for the five business days immediately preceding the date upon which the transaction is effected.
- ▶ At any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf or on behalf of any of its subsidiaries.
- ▶ The company will after a repurchase still comply with the provisions of the Listings Requirements of the JSE regarding shareholder spread.
- ▶ The company and its subsidiaries will not repurchase ordinary shares during a prohibited period (as defined in the Listings Requirements of the JSE).
- ▶ Such repurchase shall be subject to compliance with the Companies Act, the company's Articles of Association and the Listings Requirements of the JSE.

### REASONS FOR AND EFFECT OF SPECIAL RESOLUTION AND STATEMENT REQUIRED IN TERMS OF PARAGRAPH 11.26 OF THE LISTINGS REQUIREMENTS OF THE JSE

The reason for the special resolution is to grant the board of directors of the company the general authority to contract the company and/or any of its subsidiaries to acquire the shares in the company, should the directors consider it appropriate in the circumstances.

The effect of the special resolution is that the board of directors will be granted the general authority, subject to the provisions set out in the resolution, to acquire shares in the company, should they deem it appropriate in the circumstances and should the company comply with the relevant statutes and authority applicable thereto.

The board of directors, as at the date of this notice of annual general meeting, has no definite intention of repurchasing shares. It is, however, proposed that the directors believe it to be in the best interests of the company that shareholders pass this resolution.

The board of directors shall not make any payment in whatever form to acquire any shares issued by the company as contemplated in special resolution number 1 nor shall it make any general payment as contemplated in ordinary resolution number 7, if, after the directors have considered the effects of any repurchases or payments, there are reasonable grounds for believing that:

- ▶ The company and the group are, or will at any time during the period of 12 months after the date of this notice of annual general meeting, be unable, in the ordinary course of business, to repay their debts as they become due.
- ▶ The company and the group's consolidated assets, valued according to IFRS, will not be more than their consolidated liabilities for a period of 12 months after the date of this notice of annual general meeting.
- ▶ The ordinary share capital and reserves of the company and the group will not be adequate for ordinary business purposes for a period of 12 months after the date of this notice of annual general meeting.
- ▶ The company and group will not have sufficient working capital to meet its needs for a period of 12 months after the date of this notice of annual general meeting.



Any repurchases shall comply with the limitations set out in the special resolution and the requirements of paragraph 5.72 of the Listings Requirements of the JSE.

The shareholders are referred to the sections of the financial report listed below to which this notice of annual general meeting is attached for general information regarding:

- ▶ The company's directors (page 22).
- ▶ Major shareholders (page 89 and 90).
- ▶ Directors' interests in securities (page 38).
- ▶ Share capital (page 74).
- ▶ The directors, whose names are set out on page 22 of the financial report, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution and certify that to the best of their knowledge and belief that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard and that the notice of the annual general meeting contains all information required by law and the Listings Requirements of the JSE.
- ▶ There are no legal or arbitration proceedings (including such proceedings that are pending or threatened of which the company is aware) which may have or have had in the previous 12 months, a material effect on the group's financial position.

#### VOTING AND PROXIES

Members who have not dematerialised their shares or have dematerialised their shares, but with own name registration (entitled members) may appoint one or more proxies to attend, speak and vote or abstain from voting in such members' stead. A form of proxy is attached for the use of those entitled members who wish to be so represented.

Members who have already dematerialised their shares (other than those with 'own name' registration) are required to inform their duly appointed Central Security Depository Participant (CSDP) or broker, as the case may be, of their intention to attend the annual general meeting and request that their duly appointed CSDP or broker, as the case may be, issue them with the necessary authorisation to attend or provide their duly appointed CSDP or broker, as the case may be, with their voting instruction should they not wish to

attend the annual general meeting in person, but wish to be represented thereat.

For the convenience of dematerialised members whose shares are not registered in their own name, and who are unable to attend the meeting but wish to be represented thereat, kindly complete the enclosed proxy form and return it to the transfer secretaries in Johannesburg. The attention of the members is drawn to the fact that, if it is to be effective, the completed proxy form is to reach the company's transfer secretaries in Johannesburg at least 48 hours before the time appointed for the meeting (which period excludes Saturdays, Sundays and public holidays).

By order of the board

**John Snalam**  
*Company secretary*  
15 December 2006

Registered office  
Coronation House  
Boundary Terraces  
1 Mariendahl Lane  
Newlands 7700  
Cape Town  
South Africa



## SHAREHOLDERS' DIARY

Annual general meeting

Thursday, 25 January 2007 at 10:00

## CORPORATE INFORMATION

---

Share code: Ordinary shares: CML

ISIN number: ZAE000047353

### BOARD OF DIRECTORS

Gavan Ryan (chairman)

Thys du Toit (chief executive officer)

Winston Floquet

Shams Pather

Louis Stassen

appointed 9 November 2005

appointed 9 November 2005

### TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited

70 Marshall Street

Johannesburg 2001

### Postal address

PO Box 61051

Marshalltown 2107

### SECRETARY

John Snalam

### Registered address

Coronation House

Boundary Terraces

1 Mariendahl Lane

Newlands 7700

Cape Town

### Postal address

PO Box 993

Cape Town 8000

### AUDITORS

KPMG Inc.

MSC House

1 Mediterranean Street

Foreshore

Cape Town 8001

### Postal address

PO Box 4609

Cape Town 8000

**Coronation Fund Managers Limited**  
(Incorporated in the Republic of South Africa)  
(Registration number: 1973/009318/06)  
(Ordinary share code: CML) (ISIN-number:-ZAE000047353)  
(‘the company’)

## FORM OF PROXY

Thirty-third annual general meeting of members

To be completed by certificated shareholders and dematerialised shareholders with ‘own name’ registration only.

I/We \_\_\_\_\_

of (address) \_\_\_\_\_

being a member of the abovementioned company and holding \_\_\_\_\_

ordinary shares entitling me/us to \_\_\_\_\_ votes (1 per share)

do hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her,

\_\_\_\_\_ of \_\_\_\_\_ or failing him/her,

the chairman of the meeting,

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held in the boardroom of the offices of the company at Coronation House, Boundary Terraces, 1 Mariendahl Lane, Newlands, Cape Town, on Thursday, 25 January 2007, at 10:00 and any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

Signature/s \_\_\_\_\_

I/We desire to vote as follows:	Mark with an X whichever is applicable.		
	Vote for	Vote against	Abstain
<b>Ordinary resolutions</b>			
1. To receive and consider the audited annual financial statements of the company for the year ended 30 September 2006			
2. (a) To re-elect retiring director Mr Gavan Ryan who is eligible and available for re-election			
(b) To re-elect retiring director Mr Winston Floquet who is eligible and available for re-election			
3. To authorise the directors to determine the remuneration of the company’s auditors			
4. To reappoint KPMG Inc. as the company’s auditors			
5. To provide the directors with a specific authority to issue shares in respect of the staff share incentive scheme			
6. To provide the directors with a specific authority to issue shares in respect of the purchase price payable to the Imvula Trust			
7. To provide the directors with a general authority to make payments in such form as the directors may in their discretion determine from time to time			
<b>Special resolution</b>			
1. To provide the directors with a general authority to repurchase up to 20% of the company’s issued share capital			

Unless otherwise directed, the proxy will vote or abstain, as he or she thinks fit in respect of the member’s total holding.

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak, act and, on poll, vote in his or her stead. The proxy so appointed need not be a member of the company.

## MEMBERS HOLDING CERTIFICATED SHARES OR DEMATERIALISED SHARES REGISTERED IN THEIR OWN NAME

1. Only members who hold certificated shares and members who have dematerialised their shares with 'own name' registration may use this proxy form.
2. Each member is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting, by inserting the name of the proxy or the names of two alternate proxies of the member's choice in the space provided, with or without deleting 'the chairman of the meeting'. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as the proxy to the exclusion of those whose names follow.
3. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairman of the meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting, as he deems fit, in respect of all the member's votes exercisable thereat.
4. A member or his proxy is not obliged to vote in respect of all the shares held or represented by him, but the total number of votes for or against the resolutions in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his proxy is entitled.
5. Forms of proxy are to be lodged and/or posted to the company's transfer secretaries (Computershare Investor Services 2004 (Pty) Limited) at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107), to be received by the transfer secretaries by not later than 10:00 on Tuesday, 23 January 2007.
6. The completion and return of this form of proxy in accordance with point 5 above will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. A minor is to be assisted by the minor's parent or guardian, unless the relevant documents establishing the minor's capacity are produced or have been registered by the company.
8. Any alterations or corrections to this form of proxy are to be initialled by the signatory(ies).
9. This proxy form is to be signed by all joint members. If more than one of those members are present at the annual general meeting either in person or by proxy, the person whose name stands first in the register shall alone be entitled to vote.
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity is to be attached to this form of proxy unless previously recorded by the company's transfer office or waived by the chairman of the annual general meeting.
11. The chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.

## MEMBERS HOLDING DEMATERIALISED SHARES

12. Members who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker (except those members who have elected to dematerialise their shares with 'own name' registration) and all beneficial members holding their shares (dematerialised or certificated) through a nominee should provide such CSDP, broker or nominee with their voting instructions in sufficient time to allow them to advise the transfer secretaries of the company of their voting instructions before the closing time with point 5 above.
13. All such members wishing to attend the meeting in person may do so only by requesting their CSDP, broker or nominee to issue the member with a letter of representation in terms of the custody agreement. Such letter of representation is also to be lodged with the transfer secretaries before the closing time with point 5 above.