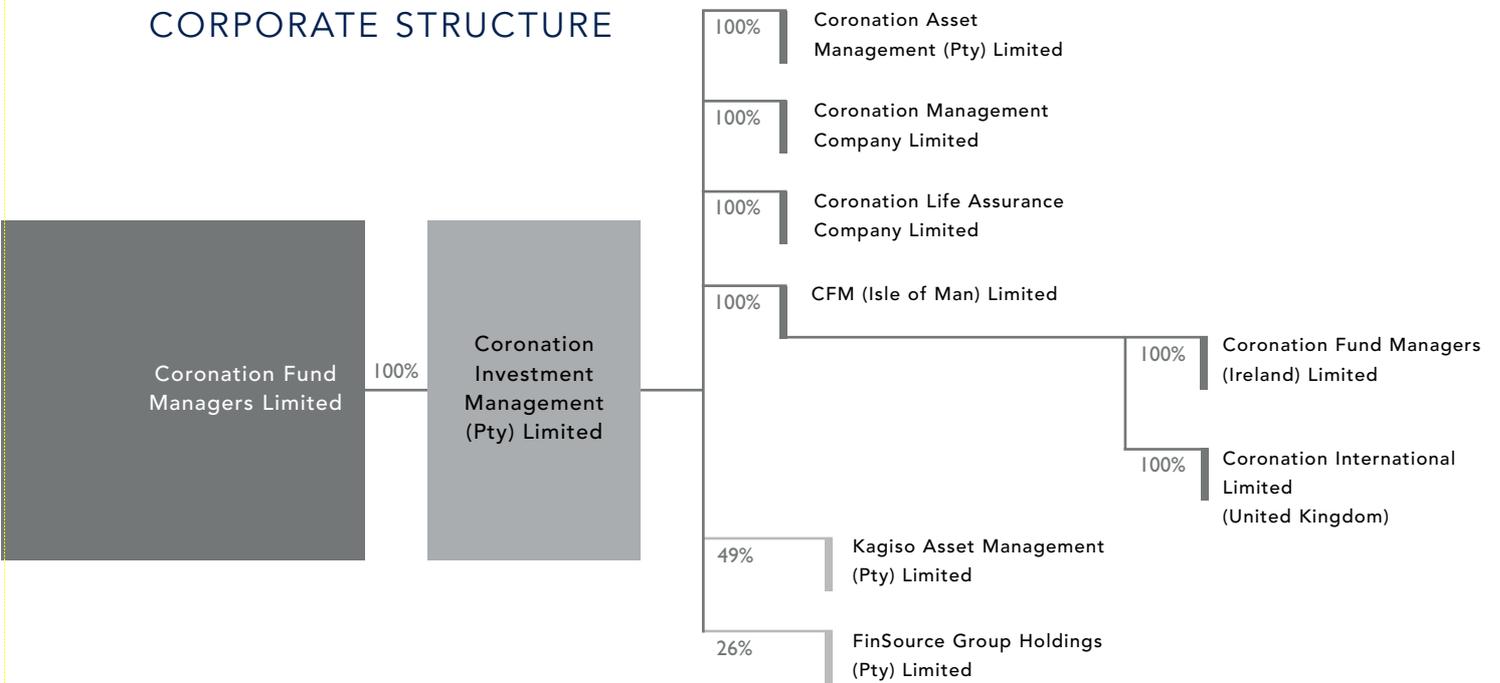


Annual
Report
2004


CORONATION
FUND MANAGERS

CORPORATE STRUCTURE



This year's annual report showcases the events and activities that combined to produce consistent superior investment performance, exceptional client service and innovative products for the clients of Coronation Fund Managers.

CONTENTS

Our vision and values	2
Highlights	4
Board of directors	5
Chairman's statement	6
Chief executive officer's review	8
Review of institutional operations	11
Review of retail operations	13
Review of international operations	15
Risk management and control	17
Corporate governance	19
Annual financial statements	25
Shareholders' information	
Analysis of shareholders	62
Notice to shareholders	64
Shareholders' diary	66
Corporate information	66
Form of proxy	Inserted
Transformation at Coronation	Appendix

OUR VISION AND VALUES

 **The vision of Coronation Fund Managers is, and always has been, to be regarded as the top performing independently owned fund management company in South Africa and its selected niches internationally; attracting highly rated people in an environment which combines entrepreneurial flair with a culture of professional discipline.**



Coronation Fund Managers 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 multi-manager investment products to institutional and individual investors.

We attribute our success to following a number of simple business principles.

- ▶ A recognition that we would rather be the best in all aspects of our business than the biggest.
- ▶ A focus on managing money and delivering superior client service. We outsource all operational activities where we hold no competitive advantage.
- ▶ An investment in quality, focused and inspired teams of people. We are a small, flexible company – we prefer to remain small as it ensures focus, accountability and ownership of the bottom line.
- ▶ Our culture is the essence of our business – it is our joint responsibility to ensure its survival and growth.

Over the years we have built a reputation of innovation and we pride ourselves on having pioneered many strategies and products that have become the norm in the industry today. Furthermore, since the introduction of our first portfolio in 1993 we have consistently produced superior investment returns on behalf of our clients; and in keeping with global best practice, we were the first asset management company in South Africa to gain compliance with Global Investment Performance Standards (GIPS®).

Guiding our culture and ethos are:

- ▶ Know that without clients we have no business.
- ▶ Be the best.
- ▶ Act with integrity and always be transparent and professional.
- ▶ Always question and search for new ideas.
- ▶ No hierarchy – follow guidelines, not rules.
- ▶ Everyone is accountable.
- ▶ Achieve with passion and energy.
- ▶ Work as a team – everyone's contribution is important.
- ▶ Own the bottom line.
- ▶ Live the culture.

HIGHLIGHTS

	2004	2003
SHAREHOLDERS		
Shareholders' equity (Rm)	226	150
Headline earnings (Rm)	130	61
Annualised headline earnings per share (cents)	33,9	38,3
Weighted number of ordinary shares in issue (thousand)	382 275	382 275
Net income before taxation (Rm)	169	78
Return on shareholders' equity	56,1%	40,5%
Net asset value per share (cents)	59,0	39,3
Dividend proposed per share (cents)	25	12
Dividend cover	1,3	1,3
MARKET INFORMATION FOR THE YEAR ENDED 30 SEPTEMBER 2004		
Volume of shares traded (million)	71,8	41,3
Value of shares traded (Rm)	253	138
Closing share price (cents)	350	282
Price/earnings ratio *	10,3	7,4
CLIENTS		
Assets under management (Rbn)	64	54
FINANCIAL PERFORMANCE		
Cost (excluding loss on sale of film investments) to income ratio	52,4%	52,8%
Annuity income as a percentage of operating income	67,7%	65,8%
Contributions to headline earnings		
– South Africa	84,3%	63,4%
– International	15,7%	36,6%

*Using annualised headline earnings per share (cents)



BOARD OF DIRECTORS

GAVAN RYAN (chairman) (56) * #

BCom, CTA, CA(SA), MBA

Gavan is an executive director of Coronation Investment 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) (45) *

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.

ERIC MOLOBI (director) (58)

BA

Following his release from Robben Island, Eric worked for the Munich Re Insurance Company (SA) as an insurance underwriter and was subsequently recruited by the South African Council of Churches to set up a community development programme aimed at the disadvantaged youth of South Africa. In 1990, he joined Kagiso Charitable Trust as chief executive officer. He initiated the establishment of Kagiso Trust Investments (Pty) Limited and is currently responsible for the overall strategic direction as executive chairman.

WINSTON FLOQUET (director) (63) * #

CA(SA), MBA

Winston is chairman of Flagship Private Asset Management (Pty) Limited, a position he has held for the past three 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 also a former chairman of the Investment Analyst Society and a former member of the Accounting Practices Board.

TONY GIBSON (executive chairman, international) (48)

BCom

Tony is a founder member of Coronation Fund Managers and was appointed as executive chairman of the international group of companies in 2004. Recognised as one of the leading portfolio managers in South Africa, Tony was Coronation's global chief investment officer from 1993 to 2004 and was instrumental in setting up the international operation in 1996. Prior to establishing Coronation, Tony spent seven years at UAL and eight years at Syfrets Managed Assets working in the areas of portfolio management and research.

* Member of the audit and risk committee

Member of the remuneration committee

CHAIRMAN'S STATEMENT



GAVAN RYAN



The past financial year witnessed a strong turnaround in global and local financial markets. For the first three months of the year, both markets produced exceptional returns as investors shed their collective fear of the equity market. This positive momentum carried over into the JSE Securities Exchange South Africa for the remainder of the year, despite the persistent strength in the rand. Global markets, however, did not share the same fortune. For the year to 30 September 2004, the FTSE/JSE All Share Index produced a rand return of 36% against the MSCI World Index return of 18% in US dollars.

Within this positive operating environment Coronation Fund Managers produced a very pleasing first full year set of results. For the 12 months ended 30 September 2004, it recorded headline earnings per share of 33,9 cents and declared a dividend to shareholders of 25 cents per share on 16 November 2004. Assets under management increased from R53,7 billion at 30 September 2003 to R63,7 billion at 30 September 2004, which represents growth of 19%.

The South African operation benefited from exceptional investment performance, strong recurring income and better than expected performance fees. The international operation, despite the negative environment for hedge fund investing and the continuing decline in South African investor appetite for offshore exposure, maintained assets under management at US\$1 billion. Coronation has succeeded in attracting a number of large well-known European pension fund clients. This affirms our strategy of organic growth in building a sustainable offshore business.

CORPORATE GOVERNANCE

The board operates in accordance with the King II report and over the course of the financial year extended the terms of reference governing the audit committee to include risk and compliance. A highlight of the period was the appointment of Tony Gibson as executive director on 10 February 2004.



Tony is a founder member of Coronation Fund Managers and has more than 20 years investment and management experience. He held the position of global chief investment officer from 1993 to 2004 and was responsible for establishing Coronation International in the mid-90s. Tony provides hands-on direction and leadership to the business, and continues to be responsible for the management of the flagship Coronation Global Equity long/short fund which he has managed since inception in 1996.

TRANSFORMATION

We embrace the need for broad-based sustainable transformation and recognise that it is the route to greater business success and positive social impact. Within our business we seek equality across lines of race, culture and gender.

During this year our transformation task team has made considerable progress regarding employment equity and skills development, procurement, enterprise development and corporate social investment. With regard to ownership and control, we continue to seek an appropriate partner at ownership level and are currently reviewing the existing structure of the board.

PROSPECTS

The strength in the local economy bodes well for another year of positive results. Government and private finances remain in good order, and consumer and business confidence is high.

Coronation Fund Managers is a leader in the South African investment management industry as a result of consistently strong investment performance, exceptional client service and maintaining a reputation of transparency and integrity. Furthermore, our skill in identifying opportunities in the market provides us with the ability to meet the wide-ranging needs of our clients in a rapidly changing market and regulatory environment.

I am optimistic about our growth opportunities within the South African market and remain confident that we will continue to achieve greater international recognition as a manager of choice for non-South African client assets in our specific market niche.

ACKNOWLEDGEMENTS

I thank our staff for their intellectual courage, commitment and contribution over the past year. Congratulations to Thys du Toit who, as chief executive officer, has led the Coronation staff with great flair and success. I also thank our shareholders for their continued support and give assurance that we will continue to endeavour to reward their confidence in our ability to generate value. Thank you also to our clients and business partners for their continued support.

Gavan Ryan

Chairman

Our defensive stance and sound domestic equity stock selection resulted in Coronation client portfolios outperforming their respective benchmarks



CHIEF EXECUTIVE OFFICER'S REVIEW



THYS DU TOIT

Our financial performance of the past year is very pleasing. However, the most important aspect has been the level of investment returns that we have delivered on behalf of our clients. Within the institutional market we rank in the upper quartile of all recognised performance surveys. Our equity investment performance in particular has been exceptional, adding alpha of 10% (active return over that of the market) for the year, while on the retail side our consistency of superior investment returns across the full range of unit trust funds is acknowledged in our first place position in the Plexus Survey as at 30 September 2004. Furthermore, we are the second largest independent fund manager in South Africa (independent of a bank or life company).

The remarkable recovery in the local equity market combined with the strength in the local economy and exceptional investment performance provided a favourable backdrop to the increase in assets under management from R53,7 billion at 30 September 2003 to R63,7 billion at 30 September 2004.

The substance and quality of our business is better than ever before, and in the 17 months as a listed entity we have proved to be a sustainable, independent and profitable business. We employ 138 people and generate profits after tax of R126 million.

We continue to build our credibility as a cash flow generator and have declared an annual dividend of 25 cents (75% of profits after tax), allowing shareholders to benefit from the cash generative nature of our business.

At the time of listing we stated that "we will remain focused on the core competencies of providing consistent superior investment performance, innovative products and exceptional client service, and to retain a high return on capital and maintain the low level of fixed costs". This has been, and will remain, our long-term focus. Having

No. 1
in the Plexus Survey

Sixteen consecutive quarters in top two placings
for consistency of unit trust performance

persevered with our organic approach to growing our business we are particularly proud of recent achievements on the international side, where we have been appointed by a number of large European pension funds to manage specific international mandates.

PERFORMANCE

The South African business, comprising institutional and retail, produced a solid performance as a result of strong recurring income and superior local investment returns. The strength and consistency of our investment performance is reflected across performance surveys and unit trust ranking tables.

The international business attracted a number of new European clients over the period and maintained assets under management at US\$1 billion.

THE INDUSTRY

The lack of growth experienced in the South African savings industry in recent years now appears set for change. The necessary components to provide this much needed positive momentum are the turnaround in market conditions, the strength of the local economy and the health of the consumer balance sheet. While this break in trend line is not yet visible, the next one to two years will see growth opportunities appear for the asset management industry.

Over the past year, the impact of margin pressure has continued unabated, with a number of participants resorting to undercutting fees in a bid to gain market share. Meanwhile, the consolidation so apparent in the recent past now appears to have been displaced by fragmentation, as a number of smaller independents set up shop. This trend is likely to continue as the move from traditional balanced mandates to specialist mandates garners further favour from the institutional market.

The challenges facing the industry relate to simplifying the increasingly complex investment mandates, benchmarks,

regulatory changes and implementing sustainable transformation. Furthermore, the need for heightened transparency demanded by trustees has resulted in an increased focus on compliance and corporate governance issues.

FOCUS

While maintaining a strong focus on investment performance over the past year, we have made substantial progress on the key areas of client service and transformation.

Client service

The foundation of our business is the quality of our client relationships and the emphasis which we place on providing great client service, together with strong consistent investment performance and product excellence.

During the period we further strengthened our institutional client service team whose sole focus is to understand individual client needs and interpret these into workable solutions. Furthermore, we have been looking at ways in which to make our retail business more accessible to investors. We centralised all operational functions to improve internal efficiencies and to maximise our relationships with outsource partners. In response to the increasing complexity of the regulatory environments in which our clients operate, we employed additional resources within our risk and compliance division and have implemented the necessary systems and controls to cater for regulatory change.

Sustainable transformation

Coronation Fund Managers is committed to black economic empowerment, and over the past year our transformation task team has made significant inroads to achieving our goals and objectives in this regard. Our staff composition is currently 44% black, and we continue to focus our efforts in recruiting black staff at senior and executive management level. Our executive management team is now 25% black.



Proud to be part of the fabric that creates
the growth and success of South Africa

CHIEF EXECUTIVE OFFICER'S REVIEW

To support the integration and development of all new staff we have established a mentorship programme and are currently developing our unique approach to diversity management. In terms of procurement, 58% of our suppliers are black owned, influenced or empowered and we have refocused our corporate social spend towards the development of entrepreneurial skills through sustainable projects.

With regard to ownership and control, we continued to pursue corporate action to further enhance our credentials. Any corporate action that we may undertake will be mindful of our people, our remuneration policy and our core competency of fund management. We hope to report on progress in this regard in the very near term.

Full details regarding progress in the implementation of a sustainable transformation strategy for Coronation Fund Managers is included as an appendix to this report.

People

Throughout our history, our success has been our ability to attract, retain and motivate exceptional individuals; to harness the collective energy and passion into producing strong consistent investment performance, innovative products and delivering excellent service to our clients. By creating the right working environment we provide people with the freedom to exceed their own expectations. Our culture is one of teamwork, excellence, and entrepreneurial flair.

I thank all our staff in Cape Town, Johannesburg, Pretoria, London and Dublin for their commitment to the ongoing success of the business. Without their energy and focus Coronation Fund Managers would not be the successful business that it is today.

Thys du Toit

Chief executive officer



We thanked our clients and business partners for their continued support as we invited them 'back stage' with Johnny Clegg

REVIEW OF INSTITUTIONAL OPERATIONS

Market positioning

Coronation Fund Managers is a leader in the South African institutional market. Institutional assets under management total R49,6 billion, and our clients include pension funds, provident funds, medical aid schemes, endowments and charitable organisations. In addition, we manage a number of specialist portfolios for all the large multi-manager organisations within the South African market.

We offer clients a diverse range of segregated and pooled products which span domestic and global equity, fixed interest and property markets.

Market trends

The South African retirement fund landscape has again been characterised by net outflows over the past year. The key contributing factors to this have been the low levels of employment growth in the country and the high levels of retrenchments resulting from tough global conditions and a strong rand.

Over the period, the move from traditional balanced mandates towards specialist mandates intensified, with most large institutional funds adopting this approach. The specific needs of institutional clients continue to broaden and become increasingly more complex. Furthermore, the regulatory bodies continue to bring change with greater emphasis on compliance and corporate governance.

The market awaits finality on the revisions to the Pension Funds Act, Regulation 28, and for the directive from the Financial Services Board with respect to investing in hedge funds. Of particular interest, we believe, will be the permissible levels of investment into private equity and hedge fund investments.



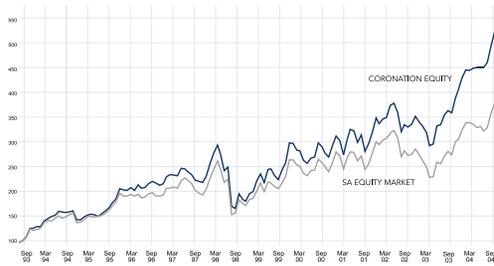
KIRSHNI TOTARAM

The Financial Sector Charter, which was introduced towards the end of the last financial year, has placed greater emphasis on funds investing in products that target socially responsible investments or infrastructure. As a result, there has been a marked increase in new products within this space as well as an increase in the number of private equity funds available to investors.

Empowerment credentials continue to play a critical role in the appointment of investment managers. Within this context, the Charter serves to provide a common platform against which the credentials of all managers can be equitably and holistically reviewed.

Period under review

Assets under management have increased from R41 billion to R49,6 billion, representing growth of 21% and a 12% share of the total private retirement fund market. Within this, our highly successful absolute return product range managed to grow assets by R2 billion, now totalling R8 billion. In particular, R2 billion of new client assets were raised and more than US\$100 million in international mandates for the year to 30 September 2004.



Since 1993, Coronation has outperformed the South African equity market by an average of more than 8% per annum

REVIEW OF INSTITUTIONAL OPERATIONS

Core to our approach to meeting and exceeding the needs of our clients is that excellent products and superior performance are insufficient without great client service. To this end we established an institutional client service team made up of client fund managers dedicated to servicing the ongoing needs of our clients. Given the increased complexity of the institutional market and the heightened demands placed upon trustees, the role of the client fund manager is to understand client needs and to respond with the best approach.

Performance

Strong financial markets provided a solid backdrop for excellent investment returns across all Coronation mandates. Both our global and domestic portfolios are placed in the upper quartile of all recognised performance surveys.

Our domestic balanced performance was placed second over one year to 30 September 2004 in the Alexander Forbes SA Large Manager Watch survey, repeating the strong performance achieved in 2003. Over the longer term our global balanced portfolios are in the upper quartile, with a second place position for the eight years since inception. On a one-year view to 30 September 2004, the Coronation Global Equity fund outperformed the MSCI World Index by more than 2%. This was achieved in a difficult operating environment for most global long-only and hedge funds.

Over the period under review, our specialist mandates continued to outperform their peer groups and their qualitative benchmarks. Most notably, we have seen compelling performance numbers from our fixed interest portfolios, an area where we aim to take institutional market share given our past underrepresentation of these portfolios within this market.

Prospects

Coronation Fund Managers is well placed to continue to attract assets across all mandates. Our reputation as an asset management house of choice is supported by our 11-year track record of superior investment returns, and our skill in managing specialist equity and absolute return portfolios is well documented. Additionally, our compelling and sustained track record in managing fixed interest portfolios provides excellent opportunities for growth.

We continue to pursue opportunities in the parastatal and trade union retirement fund arena.

Kirshni Totaram

Head of institutional business



In July 2004, the Capital Plus and Market Plus funds celebrated three years of exceptional investment performance

REVIEW OF RETAIL OPERATIONS

Market positioning

Coronation Fund Managers is a premier provider of domestic and international unit trust funds to individual investors in South Africa. Our clients include major banking and insurance groups, investment advisory businesses, financial advisors, high-net-worth individuals and more than 8 000 direct unit trust account holders.

Assets under management total R8,7 billion (including international), which is an increase of 42% over the past financial year.

Market trends

For the year to 30 September 2004, the domestic equity market produced a significantly above average return of 36%, domestic interest rates declined by 6%, inflation continued on its downward cycle and the rand remained strong. Absolute, property, managed fixed interest and money market funds continued to attract new investors, and a marked improvement in the flow of assets into equity and managed funds was recorded. Conversely, foreign funds continued to suffer outflows, totalling in the region of R7 billion since January 2003.

Positive business conditions were mirrored in the inflows recorded by the unit trust industry, which continued at record levels. While the industry has increased its share of the South African savings markets, this does not relate solely to increased support from individual investors, but to the accelerated use of unit trusts by institutions, such as the multi-manager operations. This has been a growing trend spanning the past three years and is a result of the administrative ease provided by unit trusts in the pooling of institutional assets.

The product development activities of many unit trust providers has led to simplified product offerings that better meet specific objectives and are more clearly differentiated



Pieter Koekemoer

PIETER KOEKEMOER

for the investor. These managed funds, with the ability to allocate assets across different asset classes, have become increasingly popular.

Period under review

The combination of positive market conditions and strong support from Coronation's traditional client base resulted in an increase in assets under management of more than R2 billion. Inflows were recorded across our managed, equity, fixed interest and property funds and, in line with industry trends, outflows were experienced from our rand-denominated foreign funds.

Coronation's reputation as a premier manager of South African equity and managed funds was again confirmed by the strong relative performance produced by our two longest-running unit trust funds, the Coronation Equity fund and the Coronation Balanced Plus fund, both of which have eight-year investment performance track records. A particular highlight of the period was the market recognition given to our skill and expertise in managing fixed interest funds. The Coronation Strategic Income fund, which attracted net inflows in excess of R500 million, was one of the most popular unit trust funds in South Africa over the past



RAGING BULL AWARDS

2nd Best Management Company for 2003
and nine individual fund performance awards

REVIEW OF RETAIL OPERATIONS

year. In addition, we experienced continued growth in assets across our absolute return and listed property products.

Over the year, our core business focus was to streamline the product range and to make Coronation more accessible to all investors. This included, inter alia:

- ▶ The renaming of selected funds in accordance with existing industry convention.
- ▶ The exclusion of foreign asset exposure on selected fund mandates as a result of changes to South African Reserve Bank regulations.
- ▶ The launch of the Coronation SA Capital Plus fund, a domestic-only low-risk growth fund.
- ▶ The downward adjustment of initial fees across the fund range, the increase on ongoing management fees on certain funds, and the inclusion of performance fee caps where appropriate.
- ▶ Initiatives put in place to close the International Equity fund of funds and to merge the Coronation New Era fund with the Coronation Market Plus fund.

We continued to build on the success of the Coronation Series of Workshops first introduced in early 2002. Over the year, more than 50 workshops were hosted across the country. These covered a wide variety of investment topics and provided clients with the opportunity to discuss the financial markets with Coronation's portfolio managers.

From an operational perspective, we have achieved a compliancy rate of almost 80% with the Know-Your-Client (KYC) obligations imposed by the Financial Intelligence Centre Act. We continue to monitor the impact of the Financial Advisory and Intermediary Services Act that became effective on 1 September 2004.

Performance

We are delighted with the consistency of performance produced across the Coronation product range and with the number of awards that we again received for superior fund performance:

- ▶ First overall in the Plexus Survey of Consistency of Unit Trust Performance. This was the 16th consecutive quarter that Coronation was ranked 1st or 2nd in this survey.
- ▶ Rated Best Smaller Unit Trust Group over five years in the 2004 Standard & Poor's/Financial Mail Awards.
- ▶ Awarded 2nd Best Management Company for 2003 at the Association of Collective Investments/Personal Finance Raging Bull Awards.
- ▶ Awarded 14 individual fund performance awards at both the Standard & Poor's/Financial Mail Awards and the Association of Collective Investments/Personal Finance Raging Bull Awards.

Prospects

As a premier provider of unit trust funds within the South African market, we aim to consistently strive for excellence in all our endeavours. The focus of our business is the continued delivery of superior investment performance across a relevant and sustainable product range. While we remain committed to maintaining strong relationships with our existing distribution channels, we will continue to make Coronation more accessible to all investors. As a leader in the management of unit trust funds we are well placed to benefit from both the growth in the unit trust industry and as a result of increasing our share of the market.

Pieter Koekemoer

Head of retail business



A number of large European pension fund clients appointed Coronation International as their investment manager

REVIEW OF INTERNATIONAL OPERATIONS

Market positioning

Coronation International Limited is the international investment management subsidiary of Coronation Fund Managers. The business manages fund of fund investments on behalf of sophisticated investors, predominantly institutional pension funds and endowments as well as high-net-worth individuals. Investment products include funds of hedge funds, absolute return funds, and long-only equity funds of funds. Assets under management currently total US\$1 billion and we employ 21 investment professionals and specialists. An important differentiating factor of the business is the level of direct investment management experience and daily hands-on involvement of our principal fund managers. They have an average of 15 years investment experience including managing single-manager hedge funds, as well as over seven years managing large funds of hedge funds. They are supported by a research team of highly qualified analysts and risk managers, as well as client service specialists and finance, compliance, administration and technology support teams.

As all Coronation sector funds have track records of between four and in excess of eight years, our specialist sector approach provides many attractive portfolio construction opportunities to create client-driven solutions, based on lengthy track records, rather than carve-out pro formas, as is usually the case. The first fund of hedge funds, the Coronation Global Equity fund, was launched in 1996. Today this fund is one of the largest long/short equity funds with assets under management in excess of US\$560 million. The hedge fund product range also includes the Coronation Relative Value fund, the Coronation Global Macro fund and the Coronation Multi-Strategy fund. In addition to the funds of hedge funds business, Coronation International also manages a number of absolute return and long-only funds of funds. These include the Global Equity fund, the Global Bond fund and the South African registered International Active fund of funds.




TONY GIBSON

Market trends

Over the past number of years, the hedge fund industry has continued to experience rapid growth in institutional assets. The primary reasons for this shift towards institutional investment participation have been the attractive absolute returns and low market correlations when compared to traditional asset classes. Portfolio diversification, greater liquidity, and rapid developments in the area of risk management have also contributed to this shift and the growing interest in funds of funds as the preferred vehicle. The sophistication and rigour that these and other institutions bring to the investment process has also been an important catalyst for refining the standards of practice in the industry and, importantly, has meant that those investment managers who have an experienced team and a well-established and robust institutional investment process, are well positioned in attracting hedge fund assets.

The institutional interest has also increased as expectations for equity and fixed interest returns have been falling. Active management and absolute returns have become the new focus and pension funds are increasingly allocating to alternative assets. Trustees are recognising the need for the traditional asset-liability model to be reassessed with clear investment objectives set, which relate directly to fund liabilities.



Best Smaller Unit Trust Group over five years
and five individual fund performance awards

REVIEW OF INTERNATIONAL OPERATIONS

There is a need for risks to be more broadly allocated amongst asset classes, including, for example, liability-driven bonds that reflect the fund's liability characteristics but also the use of swaps and low-volatility arbitrage hedge funds to separate the active alpha. Furthermore, in many instances trustees accept the need for lower equity levels with higher allocations to actively managed, absolute return-orientated long-only, as well as hedge fund strategies which can consistently deliver absolute-plus returns but with high levels of alpha and at a given level of risk. This thinking is also increasingly being adopted where hedge funds can be used to "port" the active return to overlay assets, given the ability of some hedge funds to consistently deliver attractive LIBOR-plus returns with low market correlation.

Period under review

Investment performance has been satisfactory and in line with internal targets in what has been a very difficult market environment where many hedge and absolute return funds have been under considerable pressure, notably in the latter half of the year.

The most pleasing aspect of the past year has been the long awaited breakthrough in attracting international (non-South African) assets. The growing acceptance by international investment consultants and institutional investors is reflected in the new investment mandates awarded, including an Italian and an Austrian pension fund, assets from a Swedish bank and two Swiss institutions. Coronation was also awarded mandates by two large South African institutions, competing in all cases against global managers. We have established relationships with a number of global and regional banks as a preferred fund of hedge fund provider and secured additional exclusive arrangements with a small number of specialist fund of fund distributors in selected segments within the defined target markets of the UK, parts of Europe, Japan and the Middle East.

During the year we made additional key appointments across the business to manage planned growth. In addition, we

continue to invest heavily in technology to further enhance the investment process, including the quantitative analysis and portfolio construction systems and the risk management and control process.

Prospects

With assets of US\$1 billion under management and an established track record of success over eight years, we believe that, in the current environment where capacity may potentially impose constraints on the largest funds, the "mid-cap" size of Coronation is advantageous and provides an optimal investment environment. Coronation is sufficiently large, well capitalised and profitable to have all the necessary resources and infrastructure, yet is the optimal size to provide an investment focused "hedge fund-like" environment without business and institutional distractions.

We retain a single minded focus on the consistent delivery of superior investment performance to our clients. Over many years this has been responsible for a growing and stable client base and is the basis on which assets will be grown going forward. The international business is in particularly fine shape with a growing reputation in this specialist investment area and is therefore well placed to compete in selected markets for international assets from pension funds, endowments and municipalities. The focus is complemented by relationships with the principal investment consultants and advisors, particularly those active in the provision of fund of hedge fund advice to pension funds. The retail strategy is focused on open architecture and other distribution channels with selected global and private banks, as well as joint ventures with specialist distributors in chosen target areas.

Tony Gibson

Executive chairman, international

“ Research across industry lines and geographies provided the understanding and perspective to identify the best available investment opportunities for our clients ” – Rob Oellermann, head of research

RISK MANAGEMENT AND CONTROL

RISK MANAGEMENT

Risk is an inherent part of the group's business and activities. Risk management within the group 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. The group is in the process of formalising its risk management framework and processes through the adoption of a risk management strategy. In addition, the responsibilities of the audit committee have been extended to formally include risk management and compliance and is now known as the audit and risk committee.

The board has delegated responsibility for the implementation of the risk framework to risk management functions in the operating companies. These functions, which are subject to review by senior management, are responsible for identifying the risks faced by the companies, ensuring that the controls established to manage those risks are effective, and for the monitoring of their application. The risk management functions are 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 those responsible for the risk management functions, as well as more structured feedback at quarterly board meetings.

The group's risk management objectives are to:

- ▶ create the right awareness and understanding of risk at all levels of the group;

- ▶ instil 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 way 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 for South Africa 2002.

RISK CATEGORIES

The group has identified a number of risks as being of particular significance to its business. Some of these risk categories are more applicable to the management of client funds than to the business itself but are still an integral part of risk management for which the board is ultimately responsible.

Credit risk

Credit risk is the risk of loss resulting from when a counterparty is unwilling or unable to service or pay its debt on time. The group has a credit risk committee dedicated solely to credit review and analysis of short-term and long-term fixed interest instruments and issuers and assessment of the exposure to such instruments and issuers.

The committee is chaired by an independent chairman (i.e. a non-Coronation employee) to provide an unbiased and fresh perspective to the credit selection process. The remaining members of the committee comprise the compliance officer, credit analyst, fixed interest investment managers and the financial analyst. Members of the equity research team are consulted where required.

Exposure to an entity is only permitted after a thorough credit evaluation process. 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

Focused on delivering exceptional service to our clients and forging meaningful relationships



RISK MANAGEMENT AND CONTROL

risk profiles. Exposure to high-risk counterparties and excessive exposure to any single counterparty, rating class or product is avoided.

Market risk

Market risk is the risk that the value of the group's balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices. The group's revenue is dependent on the value of its 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, the group 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 impact on the business should they occur.

Reputational risk

The group 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.

Teambuild 2004: people are core to our business – talented, bright, creative and exceptional



CORPORATE GOVERNANCE

INTRODUCTION

Coronation Fund Managers confirms its commitment to a balanced approach to effective corporate governance. The directors endorse the principles of the Code of Corporate Practices and Conduct contained within the King Report on Corporate Governance for South Africa 2002 ("King II").

The directors have considered the implications of King II and are of the opinion that, save those set out below, the group has, in all material respects, complied with the requirements of King II during the 2004 financial year.

Compositions of the board and its two committees are as follows:

	Board of directors	Audit and risk committee	Remuneration committee
Thys du Toit ³	CEO	Member	
Winston Floquet ¹	Director	Chairman	Member
Tony Gibson ³	Director		
Eric Molobi ¹	Director		
Gavan Ryan ²	Chairman	Member	Chairman

¹ Independent non-executive ² Non-executive ³ Executive

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

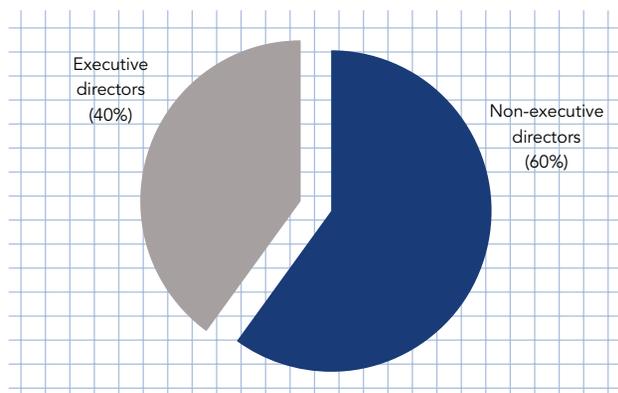
	Board of directors	Audit and risk committee	Remuneration committee
Thys du Toit	5/5	4/4	
Winston Floquet	5/5	4/4	3/3
Tony Gibson	3/3 ¹		
Eric Molobi	2/5		
Gavan Ryan	5/5	4/4	3/3

¹ Mr Gibson was appointed as a director on 10 February 2004.

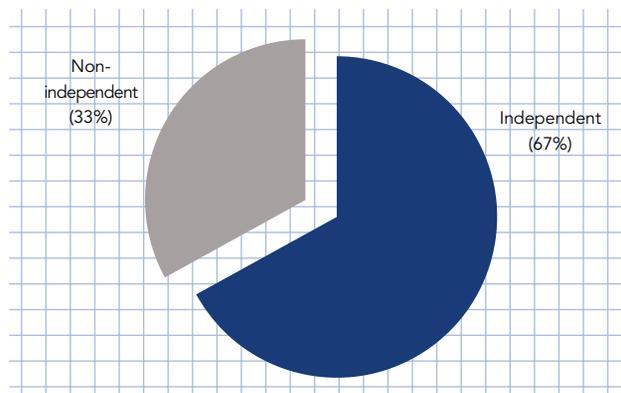
BOARD OF DIRECTORS

The group has a unitary board, comprising two executive directors and three non-executive directors, two of whom are independent. The non-executive directors have the necessary integrity, skills and experience to bring independent judgement to bear on board deliberations and discussions. The chairman is non-executive but not considered to be independent in terms of the King II definition. The board, however, believes that a strong independent element already exists in the balance of the

BOARD COMPOSITION



BOARD COMPOSITION NON-EXECUTIVE DIRECTORS



CORPORATE GOVERNANCE

board members. The roles of chairman and chief executive officer are separate. The directors are listed on page 5 together with a brief curriculum vitae of each director.

The board's primary responsibility is to increase shareholder wealth. The board is accountable to shareholders and is responsible for, as well as 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. A board charter has not yet been formally adopted.

The board is responsible for appointing the chief executive officer, guiding and reviewing corporate strategy, considering major initiatives and for risk policy. Executive management 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 accepts the role of a nominations committee. The full board is responsible for selection of new directors and for making recommendations to shareholders for the appointment of new directors and for the re-appointment of existing directors. There are no service contracts for non-executive directors. The executive directors have service contracts with the group containing a one-month notice period. In terms of the Articles of Association of the company, at least one third of the directors are required to retire each year. The directors who are required to retire are those who have been in office the longest since their last election or appointment. 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.

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

The board meets quarterly and additional meetings may be 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 group information at each of the quarterly board meetings and are also briefed on business developments between board meetings. The board met on five occasions during the 2004 financial year.

AUDIT AND RISK COMMITTEE

During the financial year, the ambit of the committee's responsibilities was extended to formally include risk management and compliance and revised terms of reference were drawn up and approved by the board. Meetings are held quarterly and are attended by the company chief financial officer, compliance officer, the external auditors from KPMG Inc. and representatives from Deloitte Enterprise Risk Services to whom aspects of the internal audit function have been outsourced.

The internal and external auditors have unrestricted access to the chairman of the committee and the committee has unrestricted access to the company's management, employees, internal and external auditors, as well as access to outside consultants.

The committee's primary role is to assist the board in discharging its duties by providing additional assurance regarding the quality and dependability of the financial information it receives, by confirming that material business and financial risks have been assessed and are being appropriately managed, and by ensuring that appropriate governance, reporting and compliance standards are in

“The Coronation Code of Governance guides our decisions at every level of shareholder voting with the guiding principle of unlocking true value for our clients”

place. It will also evaluate the effectiveness of internal audit, maintain transparent and appropriate relationships with the group's external auditors, and review the group's financial statements and other financial disclosures to shareholders.

The committee met four times during the 2004 financial year.

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, Mr 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-yearly in April and October to coincide with the bonus payment times of the year and may also meet between these times if so required. Three meetings of the committee were held during the 2004 financial year.

The committee has written terms of reference which have been approved by the board.

The committee's primary objective is to ensure that the appropriate calibre of management is recruited and retained. It approves the group's remuneration philosophy and policies and ensures that directors and senior executives are appropriately rewarded for their contribution to group performance, with specific focus on incentives and longer-term remuneration structures. Local and international remuneration levels and trends are taken into consideration.

The committee will also consider, at an overall level, remuneration levels and conditions of service of employees, other than executives, to ensure that these are fair and in line with the group's remuneration policy.

The remuneration committee examines the recommendations of the remuneration executive committee which comprises the chief executive officer, the group chief investment officer and such other senior executives as the chief executive officer may from time to time deem necessary in determining and subsequently approving the individual remuneration packages.

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.

INTERNAL AUDIT AND INTERNAL CONTROLS

Whilst the audit and risk committee believes that the group 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 group 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.

Consultation takes place between the internal and external auditors during the year to ensure that all identified financial, operational and compliance controls

“Our approach to growing talent has produced one of the best investment teams in the country”
– Morné Marais, chief investment officer

CORPORATE GOVERNANCE

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 committee for approval. The plan is based on a formal risk assessment together with issues identified by management and the audit committee. Planning is of a continuous nature to identify new risk areas as the group develops.

The directors acknowledge their responsibility for the overall process of risk management and monitoring. Management is accountable to the executive director for ensuring that the risk management process is incorporated into the day-to-day activities of the group companies, which includes design, implementation and monitoring thereof. The internal audit function does not assume the function of risk management but is used to provide an independent assessment of the effectiveness of the internal controls.

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. The key focus of the past year has been predominantly on the implementation of the Financial Intelligence Centre Act and the Financial Advisory and Intermediary Services Act.

Additional information on risk management has been provided on page 17.

DEALING IN SECURITIES AND PERSONAL ACCOUNT TRADING

Dealing in securities

The company complies with the continuing obligations of the Listings Requirements of the JSE Securities Exchange South Africa (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 (as defined in paragraph 3.35 of the JSE Listings Requirements) within the group. 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, Mr Floquet, has been nominated as the designated director for this purpose).

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

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.

Closed periods

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.

Personal account trading

The company has stringent personal account trading rules for its staff. All trades are pre-approved by the



Attracting, motivating, developing and retaining talented individuals who collectively make up the Coronation brand

compliance officer after a client order check has been performed 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.

No turnaround of less than six months is permitted. 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 group.

A comprehensive programme of meetings with major shareholders and analysts is held annually following the release of the final results.

The chief executive officer and the company 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 Fund Managers 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 significant environmental impact. However, direct and indirect impacts can still be identified and these will be 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;



Over our 11-year history, assets under management have grown to in excess of R63 billion

CORPORATE GOVERNANCE

- ▶ 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.

CONTENTS OF THE FINANCIAL STATEMENTS



Directors' responsibility for the annual financial statements	26
Report of the independent auditors	27
Declaration by the company secretary	27
Directors' report	28
Accounting policies	31
Group income statement	36
Group balance sheet	37
Group statement of changes in equity	38
Group cash flow statement	39
Notes to the financial statements	40
Principal subsidiaries and associates	61

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS



In accordance with Companies Act requirements, the directors are responsible for the preparation of the financial statements and related information which conform with South African Statements of Generally Accepted Accounting Practice 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 28 to 61 were approved by the board of directors on 8 December 2004 and are signed on its behalf by

A handwritten signature in black ink, appearing to read 'Gavan Ryan'.

Gavan Ryan
Chairman

A handwritten signature in black ink, appearing to read 'Thys du Toit'.

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 set out on pages 28 to 61 for the year ended 30 September 2004. 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.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the company and of the group at 30 September 2004 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

KPMG Inc.

KPMG Inc.

Registered Accountants and Auditors

Chartered Accountants (SA)

8 December 2004

Cape Town

DECLARATION BY THE COMPANY SECRETARY

In terms of the Companies Act No. 61 of 1973 (the Act), and for the year ended 30 September 2004, 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.

Derek McDonald

Company secretary



BUSINESS ACTIVITIES

Coronation Fund Managers Limited 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 multi-manager investment products to institutional and individual investors. Our clients include almost 300 institutions, most multi-manager companies in South Africa, many of the major banking and insurance groups, selected investment advisory businesses, more than 400 prominent independent financial advisors, high-net-worth individuals and over 8 000 direct unit trust account holders.

The business is located in South Africa, the United Kingdom and Ireland, and is listed on the JSE Securities Exchange South Africa.

GROUP RESULTS

In its first full year as a listed company, Coronation Fund Managers has proved its ability to deliver superior investment performance to clients, generate profit and provide strong dividend flows to shareholders. For the year ended 30 September 2004, headline earnings totalled R130 million and headline earnings per share were 34 cents based on the 382 274 930 shares in issue throughout the period.

The remarkable recovery in the local equity market, combined with the strength in the local economy and exceptional investment performance, provided a favourable backdrop to the 19% increase in assets under management from R53,7 billion at 30 September 2003 to R63,7 billion at 30 September 2004.

A general review of the operations of the institutional, retail and international businesses is provided on pages 11 to 16.

FINANCIAL STATEMENTS

The financial statements for the period ended 30 September 2004 have been prepared in accordance with the requirements of South African Generally Accepted Accounting Practice.

SHARE CAPITAL

Ordinary shares

There were no changes to the authorised or issued ordinary share capital during the financial year.

Preference shares

There were no changes to the authorised or issued preference share capital during the financial year.

Share incentive scheme

On 18 December 2003, 15 100 000 share options were granted to eligible participants. Details of this scheme are set out on page 50.

SHAREHOLDER ANALYSIS

Based on information provided by STRATE and Computershare Investor Services 2004 (Pty) Limited, the following shareholders have a beneficial interest of more than 5% in the issued ordinary shares of the company as at 30 September 2004:

Coronation Investments and Trading Limited	55,19%
Rand Merchant Bank Limited	5,04%

Further details appear on page 62.

SUBSIDIARIES AND ASSOCIATES

Details of principal subsidiaries and associates are set out on page 61.



During the period the shareholding in Kagiso Securities (Pty) Limited held by Coronation Investment Management (Pty) Limited was sold. On 24 November 2003, CIH Management Limited was officially dissolved since it was no longer required after restructuring of the international business in the prior year.

DIRECTORS AND SECRETARY

Tony Gibson was appointed as an executive director on 10 February 2004. Profiles of the directors are provided on page 5.

Details of the company secretary and the company's registered address are set out on page 66. The business address of the company secretary is the same as the company's registered address.

In terms of the company's Articles of Association, one third of the directors are required to retire from office each year. The directors who are required to retire are those who have been in office the longest since their last election or appointment. This year Messrs Gavan Ryan and Thys du Toit retire in terms of these stipulations, and make themselves available for re-election.

DIRECTORS' INTERESTS

No material contracts were entered into during the financial year in which directors or officers of the company had an interest.

At 30 September 2004, the directors' direct and indirect beneficial interests in the issued share capital of the company were:

	Number of shares	%
Ordinary shares		
Gavan Ryan (indirect beneficial)	32 997 437	8,63
Thys du Toit (indirect beneficial)	1 091 605	0,29
Directors of subsidiary companies	147 150	0,04
Preference shares		
Thys du Toit	7 600 000	100,00

Preference shares

The preference shares were issued at a premium of 171,99 cents per share to Thys du Toit on 30 September 2003 and:

- ▶ are convertible into ordinary shares on a one-for-one basis after three, four and five years, subject to the achievement of predetermined earnings per share and share growth targets;
- ▶ confer on the holder thereof the right to receive out of the divisible profits of the company a cumulative annual preferential cash dividend at a rate of 66% of the prime rate of interest on the capital paid up thereon plus any arrear dividends;
- ▶ rank pari passu with the ordinary shares as to voting rights; and
- ▶ are redeemable upon the occurrence of certain events stipulated in the articles of association.

Share options

Tony Gibson was granted 1 500 000 share options on 18 December 2003. The details of this scheme are set out on page 50. The options were granted at a strike price of 342 cents per share and, subject to certain performance targets being met, vest in equal tranches on the following dates:

- ▶ 1 January 2006
- ▶ 1 January 2007
- ▶ 1 January 2008



DIRECTORS' EMOLUMENTS

Payments to directors for services rendered for the 12 months ended 30 September 2004 were as follows:

Executive directors	Salary R'000	Bonus R'000	Paid by subsidiary companies		Total R'000
			Pension fund contributions R'000	Medical aid contributions R'000	
Thys du Toit	385	5 249	106	47	5 787
Tony Gibson	464	4 580	106	41	5 191

The following fees were unanimously approved by the board of directors for the 12 months ended 30 September 2004.

Non-executive directors	Basic fee R'000	Board meetings R'000	Audit and risk committee meetings R'000	Remuneration committee meetings R'000	Total R'000
Gavan Ryan	25	75	50	30	180
Eric Molobi	25	20	–	–	45
Winston Floquet	25	50	75	15	165
Total	75	145	125	45	390

Details of share options issued to directors are set out on page 29.

DIVIDENDS

Ordinary dividend

It is the intention to declare dividends annually at the discretion of the board of directors. A dividend of 25 cents per share was declared on 16 November 2004. This equates to approximately 75% of the earnings for the 12-month period to 30 September 2004. The last date to trade ("cum" the dividend) was Friday, 3 December 2004. The shares of Coronation Fund Managers commenced trading "ex" dividend on Monday, 6 December 2004, and the record date is Friday, 10 December 2004. Dividends will be paid to members on Monday, 13 December 2004. The dividend will attract secondary tax on companies of R11,9 million.

Preference dividend

On 30 September 2004, in accordance with the Articles of Association, a dividend of 13,2 cents per share became due and payable to the holder of the cumulative redeemable preference shares. The dividend was paid on 30 September 2004.

SPECIAL RESOLUTION

At the annual general meeting of Coronation Fund Managers, held on 28 January 2004, the required number of shareholders approved a special resolution that the company be given a general authority to purchase its own shares and for any subsidiary of the company to purchase shares in the company, subject to certain provisions.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 30 November 2004 the company announced that it would dispose of 10% of its holding in Coronation Investment Management (Pty) Limited, which is the intermediate holding company for its operating subsidiaries, to the Imvula Trust for approximately R153 million. The beneficiaries of the Imvula Trust will include current, and future, permanent black employees of Coronation Fund Managers. The Imvula Trust will finance the purchase consideration externally and the proceeds on disposal will be distributed to shareholders, when possible.

HOLDING COMPANY

Coronation Investments and Trading Limited, a company incorporated in the Republic of South Africa, is the ultimate holding company of Coronation Fund Managers Limited.

ACCOUNTING POLICIES

for the year ended 30 September 2004



The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year. The accounting policies of the subsidiaries and associates are consistent with those of the holding company.

1.1 BASIS OF PREPARATION

The financial statements and group financial statements are prepared on the historical cost basis, except as disclosed below.

1.2 BASIS OF CONSOLIDATION

Investment in subsidiaries

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

The group financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective date of acquisition and to the effective date of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the group.

Investments in associates

An associate is an enterprise over whose financial and operating policies the group has the ability to exercise significant influence and which is neither a subsidiary nor a joint venture of the group.

The equity method of accounting for associates is adopted in the group financial statements. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective date on which the enterprise became an associate and up to the effective date of disposal.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associate and is treated in accordance with the group's accounting policy for goodwill.

The share of associated retained earnings and reserves is generally determined from the associate's latest audited financial statements.

Where the group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at nil value. Additional losses are only recognised to the extent that the group has incurred obligations or made payments on behalf of the associates.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group 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 enterprises and are eliminated against the investment in the associate.

1.3 GOODWILL

Goodwill is any excess of the cost of an acquisition over the group's interest in the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill is carried at cost less accumulated amortisation and impairments. The carrying amount is reviewed annually for impairment. Goodwill arising on the acquisition of subsidiaries and associates is amortised to the income statement over its economic useful life, not exceeding 20 years. Goodwill is not recognised with respect to transactions among enterprises under common control.

1.4 EQUIPMENT

All items of equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

ACCOUNTING POLICIES

for the year ended 30 September 2004



Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Depreciation is provided on the straight-line basis at rates calculated to amortise the cost of the assets to their estimated residual values over their estimated useful lives.

Subsequent expenditure relating to an item of equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses (deficits) on the disposal of equipment are credited (charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 LEASES

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1.6 IMPAIRMENT

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

1.7 FINANCIAL INSTRUMENTS

Recognition and derecognition of financial instruments

Financial instruments are recognised on the balance sheet when the group becomes a party to the contractual provisions of the particular instrument. Financial assets are derecognised when the group loses control of the contractual rights that comprise the asset – for instance where the rights are realised, expire or are surrendered. Financial liabilities are derecognised when the obligations under the contract are discharged. All financial instruments are recognised and derecognised using trade date accounting.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Securities held at fair value

Securities held at fair value are those that the group principally holds for the purpose of short-term profit taking and those designated as held at fair value in terms of AC133: Financial instruments – Recognition and Measurement. Securities are measured at fair value. Fair values are obtained from quoted market prices or, in the case of mutual fund investments, the repurchase price. Gains and losses arising from the revaluation of securities held at fair value are included in income.



Loans and receivables originated by the group

These include loans and receivables and the group's film investment and are measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified as one of loans and receivables originated by the group, held-to-maturity investments or held at fair value. These include the additional investments the group has made into mutual funds during the year, unlisted investments and the company's investment in its subsidiary.

Listed investments classified as available-for-sale financial assets are measured at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Unlisted investments classified as available-for-sale financial assets are measured at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses. The fair value of the company's investment in its subsidiary is determined with reference to the share price of Coronation Fund Managers Limited.

Gains and losses arising on revaluation of available-for-sale financial assets are recognised directly in equity until the financial asset is sold, collected or otherwise disposed of, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in income.

Linked assets backing policyholders' funds

Linked assets backing policyholders' funds are measured at fair value, with the fair value movements reflected in the income statement.

Investment contracts issued by Coronation Life Assurance Limited

Linked investment contracts, which are contracts of insurance in legal form but which do not transfer significant insurance risk, are measured at fair value. Fair value is determined by reference to the addendum to PGN104 issued by the Actuarial Society of South Africa.

Investment contracts are designated-as-trading financial liabilities. All gains and losses on those liabilities, whether realised or unrealised, are reflected in income in the year in which they arise, and are equivalent to the gains and losses on the linked assets backing policyholders' funds.

Trade and other payables

Trade and other payables originated by the group are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.8 REVENUE

Revenue comprises fee income, interest and investment income, realised and unrealised profits or losses on sale or revaluation of securities held at fair value, realised and unrealised foreign exchange gains and losses and other sundry income.

Fee income

Management and service fee income is recognised on an accrual basis when the service is rendered and is net of Value Added Tax and rebates.

ACCOUNTING POLICIES

for the year ended 30 September 2004



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

Interest income

Interest income is recognised in the income statement on an accrual basis using the effective interest rate method.

Dividend income

Dividends are deemed to accrue to the group when the right to receive payment is established.

1.9 TAXATION

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates effective at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. 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. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.

The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences 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.

1.10 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits is recognised 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.

Retirement benefits

Employees belong to the group's provident fund, a defined contribution plan. Contributions are charged to the income statement as incurred. The group does not have any other retirement benefit obligations.

Equity compensation benefits

The group grants share options to certain employees under an employee share plan. Other than costs incurred in administering the schemes which are expensed as incurred, the scheme does not result in any expense to the group.

1.11 FOREIGN CURRENCIES

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Gains and losses from the settlement of such transactions are recognised in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are recognised in the income statement.



Translation of foreign entities

The financial statements of foreign entities are translated into the reporting currency as follows:

- ▶ Assets and liabilities are translated at rates of exchange ruling at the balance sheet date.
- ▶ Income and expenditure and cash flow items are translated at rates of exchange ruling at the date of the transaction.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the balance sheet date.

Exchange differences arising from the translation of foreign entities are taken directly to a foreign currency translation reserve, which is a non-distributable reserve.

1.12 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

1.13 EARNINGS PER SHARE

Earnings per share is based on earnings attributable to ordinary shareholders and calculated on the weighted average number of ordinary shares in issue during the financial period. Headline earnings per share is based on headline earnings attributable to ordinary shareholders and is calculated as above.

1.14 DIVIDENDS

Dividends are reflected in the period declared.

1.15 SEGMENT REPORTING

The basis of segment reporting is representative of the internal structure used for management reporting.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other group segments. Inter-segment transfer pricing is based on cost plus an appropriate margin. These transfers are eliminated on consolidation.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the group's balance sheet.

Capital expenditure represents the total costs incurred during the period to acquire segment assets that are expected to be used during more than one period.

1.16 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 values of these items are disclosed in the notes. Income from these activities is brought to account over the period to which the service relates.

GROUP INCOME STATEMENT

for the year ended 30 September 2004



	Note	12 months 2004 R'000	5 months 2003 R'000
Revenue		389 025	164 533
Management and service fees	1	263 308	108 218
Performance fees, trading income and initial charges	2	119 965	41 398
Interest income		6 906	4 232
Investment income		17	29
Other income	3	(1 171)	10 656
Operating expenses		(217 597)	(83 767)
Interest expense		(1 993)	(3 170)
Net income before taxation	4	169 435	77 596
Income tax	5	(43 014)	(17 027)
Net income after taxation		126 421	60 569
Share of associates' retained income	8	116	300
Net income attributable to shareholders		126 537	60 869
Earnings per share (cents)			
Attributable	6	32,8	15,9
Headline	6	33,9	15,9
Diluted earnings per share			
Attributable	6	32,5	15,9
Headline	6	33,5	15,9
Attributable			38,2*
Headline			38,3*
Diluted			38,3*

The final dividend for 2003 was 12 cents per share.
The proposed final dividend for 2004 is 25 cents per share.

*Annualised

GROUP BALANCE SHEET

at 30 September 2004



	Note	2004 R'000	2003 R'000
ASSETS			
Equipment	7	5 684	5 889
Investment in associates	8	3 706	7 563
Financial investments	9	120 575	136 205
Long-term receivable	10	1 660	–
Non-current assets		131 625	149 657
Financial investments	9	6 690	6 859
Securities held at fair value		14 378	39 339
Trade receivables		65 727	33 887
Other receivables		20 967	6 287
Cash and cash equivalents		143 667	157 029
Current assets		251 429	243 401
Total assets		383 054	393 058
EQUITY AND LIABILITIES			
Ordinary share capital	11	38	38
Preference share capital	11	1	1
Share premium	11	93 561	93 561
Non-distributable reserve	12	(9 242)	(3 916)
Distributable reserves		141 373	60 523
Total shareholders' interest		225 731	150 207
Policyholders' funds	21	11 386 588	10 623 395
Linked assets backing policyholders' funds	22	(11 386 588)	(10 623 395)
Interest-bearing borrowing	13	38 871	118 009
Deferred tax liability	14	11 661	35 402
Non-current liabilities		50 532	153 411
Trade payables		69 046	78 464
Taxation owing		37 745	10 976
Current liabilities		106 791	89 440
Total equity and liabilities		383 054	393 058

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2004



	12 months 2004 R'000	5 months 2003 R'000
Equity at beginning of year	150 207	23 083
Ordinary share capital		
Balance at beginning of year	38	1
Issue of share capital	–	37
Balance at end of year	38	38
Preference share capital		
Balance at beginning of year	1	–
Issue of preference shares	–	1
Balance at end of year	1	1
Share premium		
Balance at beginning of year	93 561	19
Issue of share capital	–	85 040
Share issue expenses	–	(4 569)
Issue of preference shares	–	13 071
Balance at end of year	93 561	93 561
Non-distributable reserve		
Balance at beginning of year	(3 916)	–
Currency translation differences	(5 326)	(3 916)
Balance at end of year	(9 242)	(3 916)
Distributable reserves		
Retained income		
Balance at beginning of year	60 523	23 063
Net income attributable to shareholders	126 537	60 869
Dividends paid	(46 875)	(23 409)
Balance at end of year	140 185	60 523
Revaluation reserve		
Balance at beginning of year	–	–
Revaluation of available-for-sale financial investments	1 188	–
Balance at end of year	1 188	–
Total distributable reserves	141 373	60 523
Equity at end of year	225 731	150 207

GROUP CASH FLOW STATEMENT

for the year ended 30 September 2004



	Note	12 months 2004 R'000	5 months 2003 R'000
Cash flows from operating activities			
Cash generated from/(utilised by) operations	16.1	135 010	(161 481)
Cash flow generated from return on investments		4 930	1 091
Interest income		6 906	4 232
Interest expense		(1 993)	(3 170)
Investment income		17	29
Taxation paid	16.2	(39 986)	(4 012)
Dividends paid	16.3	(46 875)	(23 409)
Net cash inflow/(outflow) from operating activities		53 079	(187 811)
Cash flows from investing activities			
Decrease in investment in associate		–	(1 259)
Increase in financial investments		(47 226)	–
Additions to equipment		(4 087)	(307)
Net cash outflow from investing activities		(51 313)	(1 566)
Cash flows from financing activities			
Share issue expenses		–	(4 569)
Decrease in interest-bearing borrowings		(9 784)	–
Issue of preference shares		–	13 072
Net cash (outflow)/inflow from financing activities		(9 784)	8 503
Net decrease in cash and cash equivalents		(8 018)	(180 874)
Cash and cash equivalents at beginning of year		157 029	(113)
Cash inflow on acquisition of business	16.4	–	341 233
Exchange rate adjustments		(5 344)	(3 217)
Cash and cash equivalents at end of year		143 667	157 029

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004



	12 months 2004 R'000	5 months 2003 R'000
1. MANAGEMENT AND SERVICE FEES		
Management fees	213 665	91 574
Service fees	49 643	16 644
	263 308	108 218
2. PERFORMANCE FEES, TRADING INCOME AND INITIAL CHARGES		
Performance fees	107 214	21 086
Trading income	7 494	18 815
– Realised gains	3 338	14 986
– Revaluation of securities held at fair value	2 562	182
– Other trading income	1 594	3 647
Initial charges	5 257	1 497
	119 965	41 398
3. OTHER INCOME		
Realised and unrealised foreign exchange (losses)/gains	(3 569)	3 808
Loss on disposal of equipment	–	(56)
Licence fee income	–	3 390
Other sundry income	2 398	3 514
	(1 171)	10 656
4. NET INCOME BEFORE TAXATION		
Net income before taxation is stated after taking into account:		
Expenses		
Amortisation of film investments	1 481	739
Auditors' remuneration		
– audit fee current year	487	640
– audit fee prior year	1 249	3
– other services	1 303	14
Depreciation		
– computer equipment	2 592	1 338
– furniture and fittings	722	336
– office equipment	331	119
– leasehold improvements	426	410
Loss on scrapping of equipment	450	–
Loss on disposal of film investments	15 713	–
Operating lease payments	6 079	3 099
Personnel expenses	110 247	52 819
Provident fund contributions	7 250	2 694
Professional fees	5 588	3 194
Remuneration to FinSource Group Holdings (Pty) Limited for fund administration services	18 361	7 764
Write-down of investment in associate	1 315	–



	12 months 2004 R'000	5 months 2003 R'000
5. INCOME TAX EXPENSE		
Tax on income	41 570	14 537
South African normal taxation		
– current year	53 037	9 932
– prior year overprovision	(5 558)	–
South African deferred taxation	(23 741)	(1 427)
Secondary tax on companies	5 859	–
Foreign taxation		
– current year	11 325	6 676
– prior year underprovision/(overprovision)	648	(644)
Other taxes and levies	1 444	2 490
Capital gains taxation	–	1 965
Regional Services Council levies and skills development levy	1 444	525
Income tax expense per income statement	43 014	17 027
Reconciliation of tax rate period	%	%
The tax charge for the period as a percentage of net income before tax	25	22
Timing differences on film investments	14	2
Disallowed expenditure	(11)	–
Capital gains taxation	–	3
Prior year overprovision	3	–
Regional Services Council levies and skills development levy	(1)	–
Secondary tax on companies	(3)	–
Lower tax rates applicable to foreign subsidiaries	3	3
Standard rate of South African tax	30	30
6. ATTRIBUTABLE AND HEADLINE EARNINGS PER SHARE		
Earnings per share		
<i>Undiluted</i>		
Weighted average number of shares in issue (thousand)	382 275	382 275
Earnings attributable to shareholders, calculated as follows:		
Net income attributable to shareholders	126 537	60 869
Less: Dividend on convertible cumulative redeemable preference shares	(1 002)	–
Earnings attributable to ordinary shareholders	125 535	60 869
Earnings per share (cents)	32,8	15,9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004



	12 months 2004 R'000	5 months 2003 R'000
6. ATTRIBUTABLE AND HEADLINE EARNINGS PER SHARE (continued)		
Earnings per share		
<i>Diluted</i>		
Weighted average number of shares in issue (thousand)	382 275	382 275
Shares to be issued on conversion of convertible cumulative redeemable preference shares	7 600	–
Number of shares in issue for diluted earnings per share (thousand)	389 875	382 275
Diluted earnings attributable to ordinary shareholders, calculated as follows:		
Net income attributable to shareholders	126 537	60 869
Add: Secondary tax on companies – dividend on convertible cumulative redeemable preference shares	125	–
Diluted earnings attributable to ordinary shareholders	126 662	60 869
Diluted earnings per share (cents)	32,5	15,9
Headline earnings per share		
<i>Undiluted</i>		
Weighted average number of shares in issue (thousand)	382 275	382 275
Headline earnings, calculated as follows:		
Earnings attributable to ordinary shareholders	125 535	60 869
Add: Capital expenses	2 207	–
Write-down of investment in associate	1 315	–
Loss on scrapping/disposal of equipment	450	56
Headline earnings	129 507	60 925
Headline earnings per share (cents)	33,9	15,9
<i>Diluted</i>		
Number of shares in issue for diluted earnings per share (thousand)	389 875	382 275
Diluted headline earnings	130 634	60 925
Diluted headline earnings per share (cents)	33,5	15,9

The dilution will arise as a result of any future conversion of the convertible cumulative redeemable preference shares referred to in note 11.



	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Leasehold improvements R'000	Total R'000
7. EQUIPMENT					
2004					
Carrying amount at beginning of year	2 852	1 833	645	559	5 889
Cost	4 190	2 169	764	969	8 092
Accumulated depreciation	(1 338)	(336)	(119)	(410)	(2 203)
Additions	2 515	102	862	1 093	4 572
Disposals	–	(5)	(55)	(425)	(485)
Depreciation	(2 592)	(722)	(331)	(426)	(4 071)
Exchange differences	(93)	(29)	(48)	(51)	(221)
Carrying amount at end of year	2 682	1 179	1 073	750	5 684
Cost	6 629	2 237	1 495	1 032	11 393
Accumulated depreciation	(3 947)	(1 058)	(422)	(282)	(5 709)
Depreciation rate (%)	33,3	16,7	20,0	33,3	
2003					
Acquired through business combination	4 033	2 108	703	986	7 830
Additions	172	70	65	–	307
Disposals	–	–	–	–	–
Depreciation	(1 338)	(336)	(119)	(410)	(2 203)
Exchange differences	(15)	(9)	(4)	(17)	(45)
Carrying amount at end of year	2 852	1 833	645	559	5 889
Cost	4 190	2 169	764	969	8 092
Accumulated depreciation	(1 338)	(336)	(119)	(410)	(2 203)

	2004 R'000	2003 R'000
8. INVESTMENT IN ASSOCIATES		
Unlisted investments		
Carrying amount at beginning of year	5 904	–
Arising on acquisition of business	–	4 345
Distribution by associates	(999)	–
Increase in investment in associates	–	1 259
Write-down of investment in associate	(1 315)	–
Share of retained income for the year	116	300
	3 706	5 904
Amount owing by associate	–	1 659
Net investment in associates	3 706	7 563
Directors' valuation of unlisted investments	3 706	7 563

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004



	2004 R'000	2003 R'000
8. INVESTMENT IN ASSOCIATES <i>(continued)</i>		
Analysis of associates		
FinSource Group Holdings (Pty) Limited – 26,29%	3 706	5 259
Kagiso Asset Management (Pty) Limited – 49%	–	–
Kagiso Securities (Pty) Limited – 25%	–	2 304
	3 706	7 563
Summarised financial statements of significant investment in associate: FinSource Group Holdings (Pty) Limited		
Balance sheet		
Non-current assets	21 444	17 578
Net current assets	124	2 638
	21 568	20 216
Share capital	7 000	7 000
Reserves	14 568	13 000
Outside shareholders' interest	–	49
Long-term liabilities	–	167
	21 568	20,216
Income statement for the year ended 30 September 2004		
Revenue	56 901	61 122
Net profit before taxation	7 788	5 502
Taxation	(3 262)	(1 833)
Net profit after taxation	4 526	3 669
Dividends	2 000	1 800
9. FINANCIAL INVESTMENTS		
At repurchase price		
Investment in mutual funds	88 383	6 859
– available-for-sale investments	64 534	6 859
– securities held at fair value	23 849	–
Unlisted at directors' valuation		
Ordinary shares	1	1
JSE right	10	10
Unlisted at amortised cost		
Investment in films	38 871	136 194
	127 265	143 064
Transferred to current assets – available-for-sale investments	(6 690)	(6 859)
	120 575	136 205



	2004 R'000	2003 R'000
9. FINANCIAL INVESTMENTS <i>(continued)</i>		
The film investment is pledged as security for an interest-bearing borrowing (refer note 13). The directors' valuation is equal to the amortised cost. 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.		
10. LONG-TERM RECEIVABLE		
Unsecured variable rate bond	1 660	–
The bond is repayable within three years subject to agreement between the parties.		
11. SHARE CAPITAL		
Authorised		
750 000 000 (2003: 750 000 000) ordinary shares of 0,01 cent (2003: 0,01 cent) per share	75	75
7 600 000 convertible cumulative redeemable preference shares of 0,01 cent per share	1	1
	76	76
Issued		
382 274 930 (2003: 382 274 930) ordinary shares of 0,01 cent (2003: 0,01 cent) per share	38	38
7 600 000 convertible cumulative redeemable preference shares of 0,01 cent per share	1	1
	39	39
Share premium		
Balance at beginning of year	93 561	19
Premium on ordinary shares issued during the year	–	85 040
Premium on convertible cumulative redeemable preference shares issued during the year	–	13 071
Share issue expenses	–	(4 569)
	93 561	93 561



	2004 R'000	2003 R'000
13. INTEREST-BEARING BORROWING		
Fellow subsidiaries		
Coronation Capital (Ireland) Limited	38 871	41 722
The loan is denominated in US dollars and accrues interest at 8,85% per annum. The loan is repayable in full on 31 March 2010.		
Coronation Capital (Ireland) Limited	–	36 680
The loan was settled during the year.		
Other		
Gemini Film Finance Limited	–	39 607
The loan was settled during the year.		
The borrowing is secured with a pledge of the group's investment in a film which has a value of R38,9 million at 30 September 2004 (2003: R136,1 million) (refer note 9).		
	38 871	118 009
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 the approval of the Registrar of Insurance, in terms of the South African Long-term Insurance Act No. 52 of 1998.		
14. DEFERRED TAXATION		
Deferred tax liability at beginning of year	35 402	–
Arising on acquisition of business	–	36 829
Reversal of temporary differences	(23 741)	(1 427)
Deferred tax liability at end of year	(11 661)	35 402
The deferred taxation liability and deferred taxation charge in the income statement is attributable to the following:		
Investment in films	11 661	35 402
15. COMMITMENTS		
Operating lease commitments		
Due within one year	6 648	6 254
Due – one to five years	21 339	26 887
Due – thereafter	7 631	8 500
	35 618	41 641

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004



15. COMMITMENTS (continued)

Operating lease commitments relate to office space and equipment rental.

Details of immoveable properties leased from third parties are set out below:

Landlord	Location	Tenure	Expiry date	Lessee
RMB Properties (Pty) Limited	Newlands South Africa	10 years	2008	Coronation Asset Management (Pty) Limited
Derwent Valley London Limited	London United Kingdom	10 years	2013	Coronation International Limited

	12 months 2004 R'000	5 months 2003 R'000
16. NOTES TO THE CASH FLOW STATEMENT		
16.1 Reconciliation of net income before taxation to cash generated from/(utilised by) operations		
Net income before taxation	169 435	77 596
Adjusted for:		
Depreciation, amortisation of film investments	5 552	2 942
Interest income	(6 906)	(4 232)
Interest expense	1 993	3 170
Investment income	(17)	(29)
Realised and unrealised foreign exchange losses/(gains)	3 569	(424)
Unrealised profit on revaluation of securities held for trading	(2 562)	–
Write-down of investment in associate	1 315	–
Loss on disposal of film investments	15 713	–
Loss on sale/scraping of equipment	450	56
Operating profit before working capital changes	188 542	79 079
Working capital changes		
Decrease in securities held at fair value	1 973	42 104
Increase in trade and other receivables	(46 520)	(17 174)
Decrease in trade and other payables	(8 985)	(265 490)
	(53 532)	(240 560)
Cash generated from/(utilised by) operations	135 010	(161 481)



	12 months 2004 R'000	5 months 2003 R'000
16. NOTES TO THE CASH FLOW STATEMENT (continued)		
16.2 Taxation paid		
(Unpaid)/prepaid at beginning of year	(10 976)	389
Tax asset acquired on acquisition of business	–	3 077
Income statement charge	(66 755)	(18 454)
Unpaid at end of year	37 745	10 976
Taxation paid	(39 986)	(4 012)
16.3 Reconciliation of dividends paid		
Unpaid at beginning of year	–	–
Dividends declared	(46 875)	(23 409)
Dividends paid	(46 875)	(23 409)
16.4 Acquisition of business		
The fair value of assets acquired and liabilities assumed was as follows:		
Cash and cash equivalents	–	341 233
Equipment	–	7 830
Investment in associates	–	4 345
Financial investments and long-term receivables	–	143 848
Long-term liabilities	–	(122 765)
Deferred tax liability	–	(36 829)
Securities held for trading	–	81 443
Trade and other payables	–	(334 028)
Fair value of net assets acquired	–	85 077
Excess of purchase price over fair value, written off against share premium	–	1 671 475
Total purchase consideration	–	1 756 552
Less: Shares issued as part of purchase price	–	(1 756 552)
Ordinary shares issued – par value	–	(37)
Ordinary shares issued – share premium	–	(1 756 515)
Add: Cash and cash equivalents acquired	–	341 233
Cash inflow on acquisition of business	–	341 233

16.5 Non-cash transactions

During the year the group disposed of one of its film investments with a carrying value of R50,5 million, and in so doing was discharged of its obligation in terms of the interest-bearing borrowing which was secured by this investment amounting to R42,4 million.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004



17. RELATED PARTY TRANSACTIONS

Coronation Fund Managers Limited and its subsidiaries, in the ordinary course of business, enter into various service and investment transactions with associates and other entities in which the group has a material interest.

These transactions are under terms no less favourable than those arranged with third parties.

- Fees paid to FinSource Group Holdings (Pty) Limited: refer note 4
- Directors' interest in share capital and directors' emoluments: refer directors' report
- Loans from fellow subsidiary companies: refer note 13

18. EMPLOYEE BENEFIT INFORMATION

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.

Share incentive scheme

The scheme provides for the grant to employees of options on a maximum of 10% of Coronation Fund Managers' share capital. The strike price of the options is market based and the options may be exercised over predetermined periods if certain performance targets are met.

On 18 December 2003, 15 100 000 share options were granted to eligible participants.

The group has not early adopted the requirements of IFRS 2, Share-based payments in reporting its financial statements for 2004 and accordingly, has not recognised any compensation expenses related to options granted under the option plan. For information purposes, had the requirements of this standard been adopted, the current expense for options granted is estimated at R3,6 million on 15 100 000 options.

The Coronation Fund Managers Limited share-based payment transactions have all been classified as equity settled. The expense has been estimated in accordance with IFRS 2, Share-based payments.

The fair value of options granted under the option plan was estimated at the date of the grant using an appropriate valuation model.

The following assumptions were used in valuing the various option grants outstanding at 30 September 2004 which become unconditional on the vesting dates as indicated below:

	Expected volatility %	Risk-free interest rate %	Dividend yield %	Expected life Years	Subscription price cps	Number of shares
1 January 2006	30,0	8,8	4,5	3,5	342	5 033 333
1 January 2007	30,0	9,0	4,5	4,0	342	5 033 333
1 January 2008	30,0	9,2	4,5	4,5	342	5 033 334

Should the option holder resign from the group prior to the vesting dates as indicated above, the shares for options will not be issued, payment will therefore not be required, and the options will be forfeited.



	South Africa operations 12 months R'000	International operations 12 months R'000	Group 12 months R'000
19. SEGMENT REPORT			
2004			
Segment revenue	323 986	65 039	389 025
Management and service fees	202 454	60 854	263 308
Performance fees, trading income and initial charges	115 614	4 351	119 965
Interest income	6 683	223	6 906
Investment income	17	–	17
Other income	(782)	(389)	(1 171)
Segment operating expenses	(178 426)	(39 171)	(217 597)
Interest expense	(1 440)	(553)	(1 993)
Segment net income before taxation	144 120	25 315	169 435
Taxation	(37 764)	(5 250)	(43 014)
Segment net income after taxation	106 356	20 065	126 421
Income from associates	116	–	116
Segment contribution to attributable earnings	106 472	20 065	126 537
Headline earnings adjustment			
Add: Capital expenses	2 207	–	2 207
Write-down of investment in associate	1 315	–	1 315
Loss on disposal of equipment	–	450	450
Less: Dividend on cumulative redeemable preference shares	(1 002)	–	(1 002)
Segment contribution to headline earnings	108 992	20 515	129 507
Contributions to headline earnings (%)	84	16	100
Segment assets	258 742	124 312	383 054
Investment in associates	3 706	–	3 706
Other assets	255 036	124 312	379 348
Segment liabilities	119 011	38 312	157 323
Total shareholders' equity	139 731	86 000	225 731
Supplementary information			
Cost to income (%)	56	61	56
Number of employees	117	21	138
Capital expenditure	1 605	2 967	4 572
Significant non-cash items included in expenditure			
– depreciation and amortisation of film investments	4 103	1 450	5 553
– losses on disposal of film investments	15 713	–	15 713

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004



	South Africa operations 5 months R'000	International operations 5 months R'000	Group 5 months R'000
19. SEGMENT REPORT <i>(continued)</i>			
2003			
Segment revenue	109 797	54 736	164 533
Management and service fees	76 166	32 052	108 218
Performance fees, trading income and initial charges	25 814	15 584	41 398
Interest income	3 536	696	4 232
Investment income	29	–	29
Other income	4 252	6 404	10 656
Segment operating expenses	(57 636)	(26 131)	(83 767)
Interest expense	(2 849)	(321)	(3 170)
Segment net income before taxation	49 312	28 284	77 596
Taxation	(10 995)	(6 032)	(17 027)
Segment net income after taxation	38 317	22 252	60 569
Income from associates	300	–	300
Segment contribution to attributable earnings	38 617	22 252	60 869
Headline earnings adjustment			
Loss on scrapping of equipment	(4)	60	56
Segment contribution to headline earnings	38 613	22 312	60 925
Contributions to headline earnings (%)	63	37	100
Segment assets	242 975	150 083	393 058
Investment in associates	7 563	–	7 563
Other assets	235 412	150 083	385 495
Segment liabilities	140 927	101 924	242 851
Total shareholders' equity	102 048	48 159	150 207
Supplementary information			
Cost to income (%)	55	48	53
Number of employees	113	20	133
Capital expenditure	186	121	307
Depreciation and amortisation of film investments	2 296	646	2 942



20. FINANCIAL INSTRUMENTS

20.1 Currency risk management

The following currency profile analyses the group's financial assets and liabilities according to the currencies in which they are held at 30 September 2004. The totals are then expressed in the equivalent rand amount (in thousands).

2004

Currency	ZAR	EUR	GBP	USD	Total
Exchange rate	1,0000	8,0482	11,7254	6,4785	
Assets					
Financial investments	41 733	37 553	5 982	41 997	127 265
Long-term receivable	1 660	–	–	–	1 660
Securities held at fair value	14 378	–	–	–	14 378
Trade receivables	54 781	–	446	10 500	65 727
Other receivables	17 208	220	1 579	1 960	20 967
Cash and cash equivalents	122 835	4 391	4 312	12 129	143 667
	252 595	42 164	12 319	66 586	373 664
Liabilities					
Interest-bearing borrowing	–	–	–	38 871	38 871
Trade payables	26 686	7 259	5 436	29 665	69 046
	26 686	7 259	5 436	68 536	107 917

2003

Currency	ZAR	EUR	GBP	USD	Total
Exchange rate	1,0000	8,0987	11,5474	6,9538	
Assets					
Financial investments	11	–	48 647	94 406	143 064
Securities held at fair value	11 833	–	–	27 506	39 339
Trade receivables	20 974	–	2 810	10 103	33 887
Other receivables	5 424	–	863	–	6 287
Cash and cash equivalents	87 957	856	9 932	58 284	157 029
	126 199	856	62 252	190 299	379 606
Liabilities					
Interest-bearing borrowings	–	–	39 608	78 401	118 009
Trade payables	31 213	–	12 910	34 341	78 464
	31 213	–	52 518	112 742	196 473

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004



20. FINANCIAL INSTRUMENTS (continued)

20.2 Credit risk management

Financial assets which subject the group to credit risk consist principally of cash and financial investments. Cash is placed with highly rated creditworthy financial institutions. Care is taken to ensure that the group has no significant concentration of credit risk.

20.3 Interest rate risk management

The group is exposed to interest rate risk as it both borrows and invests funds. The risk is managed by maintaining an appropriate mix of fixed and floating rate instruments with reputable financial institutions. The terms of maturity are set out below:

2004	One year or less	One to five years	Due after five years	Non- interest bearing	Total
Assets					
Financial investments	–	–	–	127 265	127 265
Long-term receivable	–	1 660	–	–	1 660
Securities held for trading	–	–	–	14 378	14 378
Trade receivables	–	–	–	65 727	65 727
Other receivables	–	–	–	20 967	20 967
Cash and cash equivalents	143 667	–	–	–	143 667
	143 667	1 660	–	228 337	373 664
Liabilities					
Interest-bearing borrowing	–	–	38 871	–	38 871
Trade payables	–	–	–	69 046	69 046
	–	–	38 871	69 046	107 917
2003					
Assets					
Financial investments	–	–	–	143 064	143 064
Securities held for trading	–	–	–	39 339	39 339
Trade receivables	–	–	–	33 887	33 887
Other receivables	–	–	–	6 287	6 287
Cash and cash equivalents	157 029	–	–	–	157 029
	157 029	–	–	222 577	379 606
Liabilities					
Interest-bearing borrowings	–	–	118 009	–	118 009
Trade payables	–	–	–	78 464	78 464
	–	–	118 009	78 464	196 473



	2004	2003
20. FINANCIAL INSTRUMENTS <i>(continued)</i>		
20.4 Fair values		
The fair values of all financial instruments are substantially similar to carrying amounts reflected in the balance sheet.		
20.5 Assets under management	R'bn	R'bn
Fair value of assets under management – by type		
Institutional	49,6	40,8
Retail	7,8	5,5
International	6,3	7,4
	63,7	53,7
Fair value of assets under management – by geographical region		
South Africa	57,4	46,3
International	6,3	7,4
	63,7	53,7
21. POLICYHOLDERS' FUNDS	R'000	R'000
Actuarial liabilities under unmatured policies comprise investment contracts issued by Coronation Life Assurance Company Limited	11 386 588	10 623 395
22. LINKED ASSETS BACKING POLICYHOLDERS' FUNDS		
Listed investments at market value	10 529 592	9 585 816
Equities other than property	5 286 594	5 188 767
Government, public and private sector stock	2 264 563	3 020 950
Property companies	221 589	113 037
Other investments	2 756 846	1 263 062
Unlisted other investments at directors' valuation	856 996	1 037 579
	11 386 588	10 623 395

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004



	Note	2004 R'000	2003 R'000
23. CORONATION FUND MANAGERS LIMITED			
INCOME STATEMENT			
for the year ended 30 September 2004			
Revenue		48 874	455
Management and service fees		–	453
Performance fees, trading income and initial charges		–	–
Interest income		1	2
Investment income		48 873	–
Operating expenses			
Auditors' remuneration			
– audit fee		–	(4)
– prior year underprovision		(659)	(3)
Directors' emoluments		(490)	–
Interest expense		–	(1)
Marketing		(10)	–
Other operating expenses		–	(1)
Personnel expenses		(4)	–
Professional fees		(278)	(168)
Net income before taxation		47 433	278
Income tax	27	66	(126)
Net income attributable to shareholders		47 499	152
BALANCE SHEET			
at 30 September 2004			
Assets			
Investment in subsidiary	25	1 337 964	1 076 107
Loans to subsidiaries		–	24 500
Non-current assets		1 337 964	1 100 607
Loan to subsidiary		7 958	6 477
Cash and cash equivalents		311	33
Taxation receivable		812	748
Current assets		9 081	7 258
Total assets		1 347 045	1 107 865
Equity and liabilities			
Ordinary share capital	26	38	38
Preference share capital	26	1	1
Share premium	26	1 765 036	1 765 036
Distributable reserves		(418 158)	(680 639)
Total shareholders' interest		1 346 917	1 084 436
Trade payables		128	4
Loan from subsidiary		–	23 425
Current liabilities		128	23 429
Total equity and liabilities		1 347 045	1 107 865



23. CORONATION FUND MANAGERS LIMITED *(continued)*
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2004

	2004 R'000	2003 R'000
Equity at beginning of year	1 084 436	23 083
Ordinary share capital		
Balance at beginning of year	38	1
Issue of share capital	–	37
Balance at end of year	38	38
Preference share capital		
Balance at beginning of year	1	–
Issue of preference shares	–	1
Balance at end of year	1	1
Share premium		
Balance at beginning of year	1 765 036	19
Issue of share capital	–	1 756 515
Share issue expenses	–	(4 569)
Issue of preference shares	–	13 071
Balance at end of year	1 765 036	1 765 036
Distributable reserves		
Retained income		
Balance at beginning of year	(194)	23 063
Net income attributable to shareholders	47 499	152
Dividends paid	(46 875)	(23 409)
Balance at end of year	430	(194)
Revaluation reserve		
Balance at beginning of year	(680 445)	–
Revaluation of investment in subsidiary	261 860	(680 445)
Balance at end of year	(418 588)	(680 445)
Total distributable reserves	(418 158)	(680 639)
Equity at end of year	1 346 917	1 084 436

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004



	Note	2004 R'000	2003 R'000
23. CORONATION FUND MANAGERS LIMITED (continued)			
CASH FLOW STATEMENT			
for the year ended 30 September 2004			
Cash (utilised by)/generated from operations	24.1	(26 223)	38 536
Interest income		1	2
Investment income		48 873	–
Interest expense		–	(1)
Taxation refunded/(paid)	24.2	2	(485)
Dividend paid	24.3	(46 875)	(23 409)
Net cash (outflow)/inflow from operating activities		(24 222)	14 643
Cash flows from financing activities			
Share issue expenses		–	(4 569)
Issue of preference shares		–	13 072
Decrease/(increase) in loans to subsidiaries		24 500	(23 000)
Net cash outflow from financing activities		24 500	(14 497)
Net increase in cash and cash equivalents		278	146
Cash and cash equivalents at beginning of year		33	(113)
Cash and cash equivalents at end of year	24.4	311	33
24. NOTES TO THE CASH FLOW STATEMENT			
24.1 Reconciliation of net income before taxation to cash (utilised by)/generated from operations			
Net income before taxation		47 433	278
Adjusted for:			
Interest income		(1)	(2)
Investment income		(48 873)	–
Interest expense		–	1
Operating (loss)/profit before working capital changes		(1 441)	277
Working capital changes			
(Increase)/decrease in loan to subsidiary		(1 481)	16 523
(Decrease)/increase in trade payables and loan from subsidiary		(23 301)	21 736
Cash (utilised by)/generated from operations		(26 223)	38 536
24.2 Taxation paid			
Prepaid at beginning of year		748	389
Income statement credit/(charge)		66	(126)
Prepaid at end of year		(812)	(748)
Taxation refunded/(paid)		2	(485)



	2004 R'000	2003 R'000
24. NOTES TO THE CASH FLOW STATEMENT <i>(continued)</i>		
24.3 Dividend paid		
Unpaid at beginning of year	–	–
Dividends declared	(46 875)	(23 409)
Dividends paid	(46 875)	(23 409)
24.4 Cash and cash equivalents		
Cash on hand	311	33
24.5 Non-cash transaction		
Acquisition of business	–	1 756 552
Shares issued as consideration	–	(1 756 552)
	–	–
25. INVESTMENT IN SUBSIDIARY		
Unlisted shares – at cost	1 756 552	1 756 552
– revaluation adjustment	(418 588)	(680 445)
Investment in subsidiary at market value	1 337 964	1 076 107
26. SHARE CAPITAL		
Authorised		
750 000 000 (2003: 750 000 000) ordinary shares of 0,01 (2003: 0,01) cent per share	75	75
7 600 000 convertible cumulative redeemable preference shares of 0,01 cent per share	1	1
	76	76
Issued		
382 274 930 (2003: 382 274 930) ordinary shares of 0,01 (2003: 0,01) cent per share	38	38
7 600 000 convertible cumulative redeemable preference shares of 0,01 cent per share	1	1
	39	39
Share premium		
Balance at beginning of period	1 765 036	19
Premium on ordinary shares issued during the year	–	1 756 515
Premium on convertible cumulative redeemable preference shares issued during the year	–	13 071
Share issue expenses	–	(4 569)
	1 765 036	1 765 036

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004



26. SHARE CAPITAL (continued)

Date	Detail	Number of shares in issue
Alterations to share capital		
30 September 2002	Amount in issue prior to subdivision	600
30 April 2003	Subdivision	5 999 400
30 April 2003	Share repurchase and cancellation	(5 999 900)
		100
	Issued in consideration for Coronation Investment Management (Pty) Limited shares	382 274 830
		382 274 930
30 September 2003	Issue of convertible cumulative redeemable preference shares	7 600 000

Convertible cumulative redeemable preference shares

The terms and conditions of the convertible cumulative redeemable preference shares are set out in the directors' report. These shares rank pari passu with the ordinary shares as to the voting rights.

Unissued shares

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

	Note	2004 R'000	2003 R'000
27. INCOME TAX EXPENSE			
Tax on income			
South African normal taxation			
– current year		–	125
– prior year overprovision		(66)	–
Other taxes and levies			
Secondary tax on companies			
		–	–
Regional Services Council levies		–	1
Income tax per income statement			
		(66)	126
Reconciliation of tax rate			
The tax charge for the year as a percentage of operating profit before tax			
		%	%
Secondary tax on companies		–	45
Dividend income		31	–
Disallowable expenses		(1)	(15)
Standard rate of South African tax			
		30	30
28. DIRECTORS' EMOLUMENTS			
Services as directors			
		11 368	1 541
Less: Paid by subsidiaries			
		10 878	1 541
		490	–

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

at 30 September 2004



Company (% of equity capital held)	Country of incorporation	Functional currency	Issued share capital	Indebtedness by/(to) R'000
Coronation Fund Managers Limited				
100 Coronation Investment Management (Pty) Limited (Holding company of operating subsidiaries)	South Africa	ZAR	100	–
100 Coronation Life Assurance Company Limited (Long-term insurance company)	South Africa	ZAR	300	–
100 Coronation Management Company Limited (Collective investment schemes management company)	South Africa	ZAR	2 000 000	–
100 Coronation Asset Management (Pty) Limited (Investment management company)	South Africa	ZAR	250 000	7 958
100 CFM (Isle of Man) Limited (Holding company of international subsidiaries)	Isle of Man	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	–
26,29 FinSource Group Holdings (Pty) Limited (Funds administration)	South Africa	ZAR	200 000	–
49 Kagiso Asset Management (Pty) Limited (Investment management company)	South Africa	ZAR	4 000	–

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

	12 months 2004 R'000	5 months 2003 R'000
Profit	127 911	70 900
Losses	–	(10 183)
Total	127 911	60 717

ANALYSIS OF SHAREHOLDERS

Register date: 23 September 2004

Issued share capital: 382 274 930 ordinary shares



SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 143	34,33	661 935	0,17
1 001 – 10 000 shares	1 537	46,17	6 290 461	1,65
10 001 – 100 000 shares	457	13,73	13 592 211	3,56
100 001 – 1 000 000 shares	155	4,66	52 196 976	13,65
1 000 001 shares and over	37	1,11	309 533 347	80,97
	3 329	100,00	382 274 930	100,00
DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Banks	47	1,41	28 300 363	7,40
Close corporations	60	1,80	444 105	0,12
Endowment funds	22	0,66	2 321 570	0,61
Individuals	2 338	70,23	14 827 995	3,88
Insurance companies	12	0,36	7 426 445	1,94
Investment companies	24	0,72	3 971 411	1,04
Investment trusts	1	0,03	270 430	0,07
Medical aid schemes	1	0,03	75 500	0,02
Mutual funds	71	2,13	55 443 468	14,50
Nominees and trusts	517	15,53	12 992 595	3,40
Other corporations	46	1,38	2 928 320	0,77
Pension funds	101	3,03	41 507 778	10,86
Private companies	78	2,34	1 523 440	0,40
Public companies	11	0,33	210 241 510	55,00
	3 329	100,00	382 274 930	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	12	0,36	212 220 945	55,51
Directors	11	0,33	1 238 755	0,32
Associates of the directors	0	0,00	0	0,00
Holding company – strategic holding	1	0,03	210 982 190	55,19
Share incentive trust ¹	0	0,00	0	0,00
Retirement fund ²	0	0,00	0	0,00
Public shareholders	3 317	99,64	170 053 985	44,49
	3 329	100,00	382 274 930	100,00
Employees (subject to personal account trading rules)	83	2,49%	122 100	0,03%

**GEOGRAPHIC OWNERSHIP**South Africa
International

	Number of shareholders	%	Number of shares	%
South Africa	3 065	92,07	367 032 501	96,01
International	264	7,93	15 242 429	3,99
	3 329	100,00	382 274 930	100,00

	Number of shares	%
Coronation Investments and Trading Limited	210 982 190	55,19
Rand Merchant Bank Limited	19 284 681	5,04
Allan Gray Equity Fund	13 221 186	3,46

**SHAREHOLDERS WITH A BENEFICIAL
INTEREST OF 3% OR MORE IN SHARES**Coronation Investments and Trading Limited
Rand Merchant Bank Limited
Allan Gray Equity Fund

¹ Options were issued during the 2004 financial year (see page 50) but shares will only be issued to the trust as and when the options are exercised.

² The Coronation Retirement Fund is a member's choice fund, which is invested in underlying funds and does not hold direct investments.

NOTICE TO SHAREHOLDERS



Notice is hereby given that the 31st 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 Wednesday, 2 February 2005, 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 2004.
2. (a) To re-elect Mr Gavan Ryan who retires by rotation in accordance with the provisions of the company's articles of association, but is eligible and available for re-election.
(b) To re-elect Mr Thys du Toit who retires by rotation in accordance with the provision of the company's articles of association, but is eligible and available for re-election.

A brief curriculum vitae in respect of each director offering himself for re-election is contained on page 5 of the annual report of which this notice forms part.

3. To authorise the directors to determine the remuneration of the company's auditors.
4. To re-appoint KPMG Inc. as the company's auditors.
5. To authorise the directors to allot and issue in their discretion all or any portion of the unissued ordinary shares of 0,01 cent each in the capital of the company at such time or times, and upon such terms and conditions as they may determine (subject to sections 221 and 222 of the Companies Act No. 61 of 1973, as amended, and the Listings Requirements of the JSE Securities Exchange South Africa (JSE)), the aforesaid authority to remain in force until the next annual general meeting of the company.
6. To authorise the directors, subject to the requirements of the JSE, for a period of 15 months from the date of this meeting or until the date of the company's next annual general meeting, whichever first occurs, to issue at their discretion all or any of the unissued ordinary shares of 0,01 cent each for cash, other than by way of a rights offer, provided that the number of shares so issued shall not in any one year exceed 15% of the number of ordinary shares in issue in aggregate for the year, and that the issue may not take place at a discount exceeding 10% of the weighted average market value of the shares for the 30 business days prior to the date that the price of the issue is determined or agreed by the directors. Members are advised that in terms of the JSE Listings Requirements, a 75% majority is required of votes cast by the shareholders present or represented by proxy to approve the above ordinary resolution. There will be no restrictions in regard to the persons to whom the shares may be issued, provided that such

shares are to be issued to public shareholders (as defined by the JSE in its Listings Requirements) and not to related parties. A press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue/s.

7. To authorise the directors by way of a specific authority in terms of section 221(2) of the Companies Act (Act 61 of 1973), 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 Rules and Listings Requirements of the JSE Securities Exchange, South Africa. 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.

SPECIAL RESOLUTION

8. That the company be given a general authority to purchase its own shares or any subsidiary of the company to purchase shares in the company, collectively referred to as "repurchases" when the directors consider it appropriate in the circumstances; provided that:
 - ▶ This general authority shall be valid only until the company's next annual general meeting, provided that it does not exceed beyond 15 months from the date of this resolution during which time this general approval may be varied or revoked by special resolution passed at a general meeting of the company.
 - ▶ This general authority to acquire shares be limited in the case of repurchases by the company of its own shares in any one financial year to a maximum of 20% of its issued share capital of that class at the time the approval is granted.
 - ▶ Repurchases will not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date upon which the transaction was agreed.
 - ▶ At any point in time, the company may only appoint one agent to effect any repurchases.
 - ▶ No repurchases will be effected during a prohibited period.
 - ▶ The company may only undertake a repurchase of shares if, after such repurchase the spread requirements of the company comply with the JSE Listings Requirements.
 - ▶ The repurchase of shares being effected through the main order book operated by the JSE trading system and being done without any prior understanding or arrangement between the company and the counterparty.
 - ▶ Subject further to compliance with the Companies Act, the articles of association and the applicable provisions of the JSE Listings Requirements.



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

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, has no definite intention of repurchasing shares. It is, however, proposed that the directors believe it to be in the best interest 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, if, after the directors have considered the effects of any repurchases, 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, be unable, in the ordinary course of business, to repay their debts as they become due.
- ▶ The company's consolidated assets, valued according to Generally Accepted Accounting Practice, will not be more than its consolidated liabilities for a period of 12 months after the date of this notice.
- ▶ 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.
- ▶ 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 the 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 JSE Listings Requirements. No repurchases shall be effected in terms of the special resolution unless the sponsor of the company provides a letter to the JSE on the adequacy of the company's working capital in terms of the JSE Listings Requirements.

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

- ▶ The company's directors and management (page 5).
- ▶ Major shareholders (page 63).
- ▶ Material changes (page 28).
- ▶ Directors' interests in securities (page 29).
- ▶ Share capital (page 59).

- ▶ The directors, whose names are set out on page 5 of this 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 JSE Listings Requirements.
- ▶ 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) must inform their duly appointed 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 must 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

Derek McDonald
Company secretary

8 December 2004

Registered office

Coronation House
Boundary Terraces
1 Mariendahl Lane
Newlands
7700



Annual general meeting

Wednesday, 2 February 2005 at 10:00

Final dividend

- Last day to trade
- Record date
- Date of payment

3 December 2004
10 December 2004
13 December 2004

CORPORATE INFORMATION

Share code: Ordinary shares: CML

ISIN number: ZAE000047353

BOARD OF DIRECTORS

Gavan Ryan (chairman)
Thys du Toit (chief executive officer)
Eric Molobi
Winston Floquet
Tony Gibson

appointed 10 February 2004

TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg 2001

Postal address

PO Box 61051
Marshalltown 2107

SECRETARY

Derek McDonald

Registered address

Coronation House
Boundary Terraces
1 Mariendahl Lane
Newlands 7700

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



Transformation

The following information details the strategic framework for achieving meaningful and sustainable black economic empowerment and transformation at Coronation Fund Managers. Its purpose is to provide the reader with information on each element of the strategy together with an update on progress to 30 September 2004.

The next Coronation Transformation report is scheduled for release in January 2005.



Sustainable transformation is not simply a concept to which we assign statistics, but a value system which we live each day.

INTRODUCTION

South Africa has accomplished more than one could ever have imagined possible in its first 10 years of democracy. From both political and economic perspectives, significant progress has been made; however, the challenge now is broad-based social economic upliftment, and its inculcation across South African business and all who participate in the country.

The ideals of transformation are the redressing of past inequalities, the correcting of imbalances and the normalising of our society to ensure a common future for all. Successful transformation will accelerate economic stability by closing the wealth gap and alleviating related socio-economic problems. It will increase participants in the economy and improve the country's skills base.

CORONATION AND TRANSFORMATION

We attribute our success to the strength and diversity of our people. Our approach to transformation is founded in the knowledge that our people are our greatest asset. This is clearly reflected in our active pursuit of broad-based black economic empowerment.

At Coronation our focus is to ensure that all our transformation initiatives are financially and practically sustainable, be they human resource development, ownership and control, corporate social investment or procurement and enterprise development.

Furthermore, these initiatives need to be developmental and build capacity so as to contribute to broader national economic upliftment and meaningful changes in people's lives, be they staff or communities.

Transformation is a long-term commitment.

Within this transformation report we focus on the four key areas upon which our strategy has been developed. These are:

- ▶ Human resource development
- ▶ Procurement and enterprise development
- ▶ Ownership and control
- ▶ Corporate social investment



From left: Adiel Behardien, Carmen Appel, Emma Hulton, Razien Mallick

MESSAGE FROM THYS DU TOIT, CHIEF EXECUTIVE OFFICER

Coronation Fund Managers is a business with a proud history. A history which began in 1993 with a group of young entrepreneurs who believed in their own ability and who had the foresight to identify the opportunities that lay before them. For Coronation, our inception was a time of great excitement and challenge; emotions that only one year later punctuated the lives of every South African as the first free and fair elections signalled change for the country.

The economic development of South Africa is the responsibility of all who share in her challenges and opportunities. As a business we understand the importance of our role in enabling positive social change. By taking the first step in redressing the inequalities of the past, we lay the foundation for a prosperous future. At Coronation, our aim is to ensure that black economic empowerment and transformation provide benefits to our business, the economy and ordinary South Africans.

It is this sentiment that guides transformation within Coronation, where our key focus areas are to:

- ▶ continue to employ talented black individuals who will further enrich the diversity of our staff complement.
- ▶ procure services from suppliers who are committed to transformation.
- ▶ introduce a broad-based black economic empowerment partner at ownership level and ensure meaningful black influence in the control of the company.
- ▶ focus our corporate social investment on empowering individuals through the acquisition of entrepreneurial skills, thereby uplifting communities and making them sustainable.

The Coronation transformation strategy is a work in progress, with ambitious targets that make practical business sense for our clients, partners, shareholders and staff.



Thys du Toit
Chief executive officer

THYS DU TOIT



OVERVIEW

A STRONG FOUNDATION OF TRANSFORMATION

The primary foundations to achieving sustainable transformation at Coronation Fund Managers were laid in 1993 upon the formation of the company. At that time, our key areas of focus included corporate social investment, enterprise development and employment equity.

We recognise that broad-based sustainable transformation is the route to greater business success and positive social impact and, as a South African company, we have embraced

transformation at all levels of our business where we seek equality across lines of race, culture and gender. We actively support increased meaningful participation by black* people in the mainstream economy.

To ensure effective and meaningful transformation within Coronation Fund Managers we have a dedicated team comprising senior representatives from across the business tasked with the ongoing development and implementation of our transformation strategy. We were active participants in the formulation of the Financial Sector Charter, a benchmark for the financial sector in achieving sustainable transformation, through our involvement with IMASA, the Investment Management Association of South Africa.

Coronation's strategy for sustainable black economic empowerment has been constructed with the dual purpose of achieving continued business success and contributing to economic growth in the country.

** According to the Broad-Based Black Economic Empowerment Act (2003) (BEE Act) "black people" is "a generic term which means Africans, Coloureds and Indians"*



Ranked in the top quartile of "most empowered financial services companies" in the Financial Mail 2004 Top Empowerment Companies survey. Research conducted by Empowerdex, an independent economic empowerment rating agency.

From left: Kirshni Totaram, Sean Morris, Frank Magwegwe

THE FINANCIAL SECTOR CHARTER

The Financial Sector Charter is a framework for implementing effective transformation and was formulated by various financial sector role players and supported by government. It was released in October 2003 and is intended to be gazetted according to the BEE Act. The Charter encompasses a balanced approach towards a number of black economic empowerment dimensions with clear, consistent principles, explicit targets for future dates and a 'Balanced Scorecard' for evaluating progress. A particular strength of the Charter is that it provides an equitable means of monitoring the progress of transformation across the asset management industry and the broader financial sector.

The Charter Council, comprising government, labour, black business, community organisations and industry representatives, is responsible for overseeing the implementation of the Charter.

Coronation endorses the Charter's objectives and its purpose of providing the industry with a clear guideline for implementing sustainable transformation. We see transformation as a long-term process and therefore our aim is to exceed the Charter targets and thereby create a sustainable business with long-term value.

We look forward to publishing our first annual black economic empowerment report for the 2004 calendar year, which is scheduled for public dissemination in March 2005.

HUMAN RESOURCE DEVELOPMENT

OUR APPROACH TO OUR PEOPLE

The greatest asset of our business is its human and intellectual capital – our people. The smarter and more diverse they are, the greater our competitive advantage. We therefore seek to employ exceptional individuals and develop their potential to build capacity as a sustainable and successful business. Our integrative, flexible environment prompts staff to question the norm and create new ways of achieving better results, thus maximising the value we derive from the diversity of our staff.

Our ethos comprises 10 key statements:

- ▶ Know that without clients we have no business.
- ▶ Be the best.
- ▶ Act with integrity and always be transparent and professional.
- ▶ Always question and search for new ideas.
- ▶ No hierarchy – follow guidelines, not rules.
- ▶ Everyone is accountable.
- ▶ Achieve with passion and energy.
- ▶ Work as a team – everyone's contribution is important.
- ▶ Own the bottom line.
- ▶ Live the culture.



"We hire exceptional people who are focused, accountable and ambitious."
– Thys du Toit, chief executive officer

From left: Philip van der Merwe, Sibongile Mpakanyiswa, Craig Fillis, Russell Morse

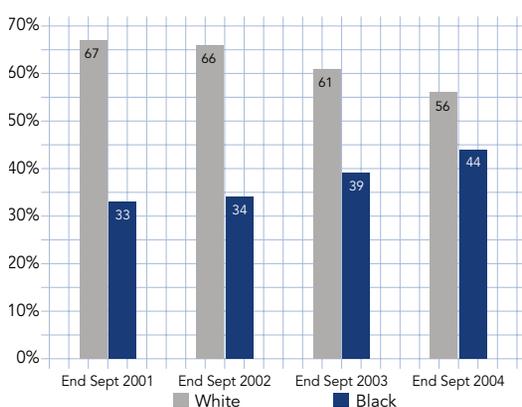
EMPLOYMENT EQUITY – STRENGTH THROUGH DIVERSITY

Recruitment

Where possible, we continue to recruit black candidates; the notable success of which is reflected in our staff demographics.

We continually meet with exceptional black candidates for exploratory interviews with a view to creating openings where the business allows. By taking this approach we do not rely upon staff turnover to transform our staff demographics and we also position Coronation as an employer of choice for black talent within the asset management industry.

We follow a strict recruitment and selection process with the emphasis on recruiting, training and retaining talented black professionals. Our steady progress in this regard is reflected in the number of black people integral to the success of our business. Of our 117 South African staff, we currently employ 44% black and 56% white staff.



“The diversity of our investment team gives us divergent perspectives. That’s a powerful investment analysis tool.”
– Morné Marais, chief investment officer

From left: Karl Leinberger, Pallavi Ambekar, Dirk Kotzé, Hugo Nelson, Michael Lawrenson

The diversity of our staff composition spans all levels of management, with a high proportion of black individuals at junior and middle management levels. Black representation at executive management is currently 25% and more than one third of our investment team is black. We continue to attract and appoint talented black individuals at senior level.

	Black		White	
	Male %	Female %	Male %	Female %
Executive management	17	8	75	0
Senior management	18	6	55	21
Middle management	22	17	22	39
Junior management	15	52	6	27
Other staff	21	50	0	29
Total	18	26	30	26

Our South African investment team comprises 36 people, of which 14 (39%) are black and 11% are black female (as at 30 September 2004).

	Black		White	
	Male %	Female %	Male %	Female %
Portfolio managers	18	0	64	18
Research analysts	31	16	38	15
Dealing and implementation	38	25	37	0
Quantitative analysts	25	0	25	50



HUMAN RESOURCE DEVELOPMENT

SKILLS DEVELOPMENT

To increase the number of black professionals and secure the future of the industry, we believe that effective skills transfer and individual skills development are vital. Each company's challenge is to build capacity from within rather than rely on the recruitment of the few black investment professionals who currently exist.

Our role is to recognise the potential in individuals and create the opportunities for their inclusion in the country's economic growth. Once we have employed exceptional candidates we continue to develop them through internal training as well as mentorship and development programmes.

We define training within two distinct groupings. Core training is defined as approved education and training required to do a specific job. This grouping has specific time frames attached, which are agreed upon by both the staff member and manager and monitored through the performance appraisal process. Non-core training may be defined as education and training that is not directly related to a particular job but undertaken by individual employees to aid their own future career growth.

Financial support is available from the company for those individuals who wish to undertake studies towards achieving a degree, diploma or certificate. Our senior black investment professionals have attained the CFA (Chartered Financial Analyst) qualification, while many of the junior black investment professionals are currently studying for this sought-after qualification. Training is planned in the performance appraisal process and our training co-ordinator is responsible for sourcing top quality training and for ensuring that staff are made aware of what is available in the market.

Career planning

Career planning and development are viewed as vital to our culture, where we encourage individuals to partner with their manager in creating a programme to achieve their goals. Our entrepreneurial culture provides staff with the freedom and opportunity to add exceptional value to the business within a loose framework of guidelines. Our commitment to achieving this is to provide all staff with equal opportunities to information and training and to provide regular feedback in the form of performance appraisals.

All vacancies are first advertised internally to encourage staff to develop their careers at Coronation.

Mentorship and integration

The Coronation Mentorship Programme was introduced to facilitate a nurturing environment where new employees are welcomed and integrated with ongoing support. Suitable mentors are identified and asked to volunteer to ensure a true motivation to develop others. Those who volunteer are then offered comprehensive training on how to be effective mentors with ongoing support throughout their tenure as mentors.



"It is pleasing for us to see young black professionals dedicated to attaining their CFA, a critical qualification." – Bongani Ngwanya, implementation analyst

From left: Sunette Mulder, Gavin Joubert, Bongani Ngwanya, Edwin Schultz, Riad Daniels

Mentoring is a specific programme of partnerships where new employees are mentored by experienced employees who support their integration and development. Coronation's mentorship programme currently has 16 trained mentors (14% of total staff in South Africa), with more than half in active mentor/mentee matches. Due to the programme's focus on new staff, it specifically targets black employees who make up the majority of new staff, and currently all mentees in the programme are black.

The objective of the programme is to integrate new staff and provide support with career development. This is achieved through the transfer of knowledge and experience by staff knowledgeable in both the asset management industry and with Coronation Fund Managers. Of the 16 mentors, currently half are investment professionals who are specifically matched to junior investment professionals. Feedback from this programme has been overwhelmingly positive with both mentors and mentees learning from the relationships, particularly with regard to diversity. Mentees are given the advantage of a sounding board who can guide and empower them to develop themselves and find their own answers. Regular mentor and mentee meetings are held to share experiences on how to benefit from this programme which ensures ongoing learning and feedback, and promotes the success of this programme.

Interactive staff inductions are held quarterly to ensure that new starters are familiarised with the business and have the opportunity to spend time with the heads of the various business units.

Diversity management

Our aim is to achieve a non-racial, non-sexist environment which is inclusive of all cultures. While our business practices have never been discriminatory, one cannot ignore the legacy of the past and how this has shaped different people in different ways. In creating an environment that provides equal opportunity for training, growth and development regardless of race or gender, we will have built a powerful foundation for future individual and business success.

Our approach involves performing periodic audits of internal attitudes and perceptions regarding strategic alignment, staffing and people management, diversity management, black economic empowerment and the role of the human resources function, and tailoring workshops to target the specific needs of Coronation and its people.

Learnerships

Currently, learnership programmes are defined as employing black matriculants or NQF Level Four equivalent candidates. The intention of these programmes is to increase the skills base, give the candidates work experience and ultimately reduce unemployment.

Asset management is a highly skilled industry and matriculants may not have the appropriate qualification to be meaningfully employed in the core of the business. Thus we believe that a graduate learnership programme, while not strictly fitting the definition above but still incorporating the same objectives, would be more meaningful to both the learner and the business.

In 2005 we will introduce our Learnership Programme which will incorporate both matriculants and graduates.



“Coronation has developed an ownership culture. The mentorship programme has helped me with orientation and assimilation into this culture.” – Thuli Magwegwe, credit analyst

From left: Chantal Valentine, Thuli Magwegwe, Melanie Stockigt, Tania Miglietta

PROCUREMENT

It is our belief that preferential procurement is where transformation will have the greatest impact; providing real opportunity for the redistribution of wealth. By exerting influence on our suppliers to enhance their black economic empowerment credentials, and they in turn on their suppliers, we create a cycle of enhanced economic activity and wealth creation. This is a process that will very quickly gain momentum and achieve true redistribution of wealth in a sustainable and developmental manner.

OUTSOURCING

Coronation's strategy is to outsource all non-core operations and our procurement policy strongly reflects black economic empowerment as the central criterion.

In our assessment of service providers we utilise B1SA, a web-based system (used by all IMASA members) in establishing the relevant empowerment credentials of suppliers and stockbrokers. Of our total discretionary spend, which consists of discretionary company expenses and discretionary stockbroker commissions, 58% is sourced from BEE-accredited companies*.

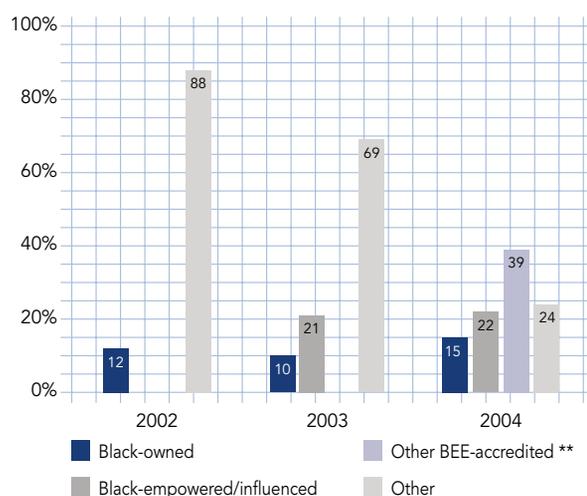
Coronation Fund Managers is committed to raising the percentage of procurement from BEE-accredited companies. In support of this, we conduct regular audits of existing and potential supplier credentials and, when

required, exert influence on those whom we deem to be making insufficient transformation progress.

STOCKBROKERAGE

As an asset management company, we have responsibility for the procurement of stockbroking services on behalf of our clients. Those stockbroking houses that comprise our list of preferred suppliers are required to "qualify" on a number of criteria, including execution capability, research and black economic empowerment credentials.

Over the years, Coronation's allocation to BEE-accredited stockbrokers has increased consistently. For the calendar year to 30 September 2004, 37% (unweighted) of our brokerage was directed to black-owned, black-empowered and black-influenced stockbrokers.



In addition, to promote black enterprise development, we direct a specific minimum portion of our brokerage to small black stockbrokers with sustainable business models, a clear value proposition and whose success does not solely rely on Coronation.



* BEE-accredited companies are black-owned, black-empowered and black-influenced companies (as defined by the Financial Sector Charter) and those companies who have achieved a sufficiently high Balanced Scorecard empowerment rating. Overall procurement from these companies is calculated by weighting the rand spend with each company by the weighting that is relevant to their BEE status as set out in the Financial Sector Charter.

** Other BEE-accredited companies are A-rated based on the 2004 Financial Sector Charter targets and are determined from information submitted to B1SA, which is to be officially verified.

Right: Jacob Mahlangu, Sylvia Peter, Godfrey Groepes, Beauty Adoro, Derek McDonald

ENTERPRISE DEVELOPMENT

Since 1993, Coronation Fund Managers has been instrumental in developing a number of new corporate initiatives which have contributed to the transformation and development of skills in the South African asset management industry.

Our most notable successes are the establishment and development of:

- ▶ The investment management and unit trust companies of African Harvest during its initial years. In 1997 Coronation formed a strategic alliance with the National Empowerment Corporation Limited with the key objective of achieving redistribution of ownership. This resulted in the launch of the jointly controlled listed company of African Harvest Limited. In the establishment of this business, Coronation provided extensive skills training, marketing and the provision of key management in the form of the then Coronation chief executive officer and a number of key investment individuals.
- ▶ The establishment of Namibia Asset Management (Pty) Limited and Namibia Unit Trust Managers Limited in 1997. Through the formation of a strategic partnership with a group of prominent Namibian businessmen, Coronation provided skills transfer and training of Namibian staff. This partnership continues today and includes management support, client administration and investment management training. We also provide a training incubator for the investment staff of Namibia Asset Management, whereby the research analysts and portfolio managers are trained in the Cape Town office of Coronation Fund Managers.
- ▶ In early 2002, the quantitative investment management company, Kagiso Asset Management, was launched as a joint initiative with Kagiso Trust Investments. Coronation's involvement in the development of this business, of which we hold a 49% shareholding, included the transfer of skills, the provision of appropriate infrastructure, marketing and unit trust distribution support, as well as client administration.



From left: Godwill Chahwahwa, Neville Chester, Neill Young

OWNERSHIP

Black participation in the decision making and economic success of the company is acknowledged as a vital step in the future of our business. It is one of the most direct ways of increasing black participation in the economy.

It is our intention that the black direct ownership transaction that we undertake will stay true to our approach to transformation and encompass the following principles:

- ▶ Be true direct economic ownership from the outset.
- ▶ Have no dependence on the share price for achieving ownership.
- ▶ Ensure that associated control of the company is commensurate with the size of the stake.
- ▶ Have broad-based black owners.
- ▶ Be sustainably funded by external financiers.

As at 30 September 2004, our share price was quoted at 350 cents on the JSE Securities Exchange South Africa, giving Coronation a market capitalisation of R1,338 billion.

The current shareholding of the business is shown in the diagram below:

Allan Gray Limited*	22%	Coronation Fund Managers Limited
Rand Merchant Bank Limited	5%	
Coronation Investment and Trading Limited	55%	
Other (<5% each)	18%	

* On behalf of clients

CONTROL

The control of the strategic direction and day-to-day management of the company is the responsibility of the Coronation board of directors and executive management. We continuously seek to enhance the diversity of these teams and thereby increase the participation of black individuals in decision making.

BOARD OF DIRECTORS

Since listing in June 2003, increasing the level of black representation at board and executive management level has been a priority. The board of Coronation Fund Managers has full and effective control of the company and is responsible for guiding and reviewing corporate strategy, the consideration of major initiatives and the company's risk policy. Current black representation on the board is 20%.

Board members are as follows:

Gavan Ryan

Chairman, non-executive director

Gavan is an executive director of Coronation Investment 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.

Eric Molobi

Non-executive director

Following his release from Robben Island, Eric worked for the Munich Re Insurance Company (SA) as an insurance underwriter and was subsequently recruited by the South African Council of Churches to set up a community development programme aimed at the disadvantaged youth of South Africa. In 1990, he joined Kagiso Charitable Trust as chief executive officer. He initiated the establishment of Kagiso Trust Investments (Pty) Limited and is currently responsible for the overall strategic direction as executive chairman.

Winston Floquet

Non-executive director

Winston is chairman of Flagship Private Asset Management (Pty) Limited, a position he has held since 2001. 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 also a former chairman of the Investment Analyst Society and a former member of the Accounting Practices Board.

Thys du Toit

Chief executive officer, executive director

Thys is one of the founding members of Coronation Fund Managers and was appointed as chief executive officer in 1997. Prior to joining Coronation, 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.

Tony Gibson

Executive director

Tony is a founder member of Coronation Fund Managers and was appointed to executive chairman of the international group of companies in 2004. Recognised as one of the leading portfolio managers in South Africa, Tony was Coronation's global chief investment officer from 1993 to 2004 and was instrumental in setting up the international operation in 1996. Prior to establishing Coronation, Tony spent seven years at UAL and eight years at Syfrets Managed Assets working in the areas of portfolio management and research.



From left

Standing: Nick Battersby, Pieter Koekemoer, Thys du Toit, Alan Herman, Pieter Davis, John Snelam

Seated: Rob Oellermann, Morné Marais, Kirshni Totaram, Tony Gibson, Kagisho Mahura

EXECUTIVE MANAGEMENT TEAM

Coronation's executive management team is led by the chief executive officer and comprises all key decision makers from within the business. This team is accountable for the day-to-day running of Coronation, the development and implementation of strategy, business plan and policies. As at 30 September 2004, 25% of executive management positions are held by black people.

Nick Battersby

Nick spent 10 years in general management and director roles within the hospitality industry before joining Coronation in 2001. He progressed through the roles of business development manager and general manager, before being appointed head of operations in January 2004.

Pieter Davis

Pieter joined Coronation in October 2003 to establish a dedicated client service team. Before this he was head of the fund management team at Investec Asset Management, having spent the previous eight years with Old Mutual Asset Managers.

Alan Herman

Alan has been with Coronation since its formation in 1993 when he started in a client relationship management role. Since 1996 he was head of our international client service division, and was appointed head of implementation in 2002. In January 2004 he was appointed operations manager of the South African business.

CONTROL

Pieter Koekemoer

Pieter joined Coronation Fund Managers in 1998. Prior to that he worked at Coopers and Lybrand for four years, and at Sanlam for three years as senior project manager in the marketing and distribution division. Pieter is head of the retail business.

Kagisho Mahura

Kagisho joined Coronation in February 2004 from Old Mutual, where he spent the previous seven years. During his time with Old Mutual, Kagisho built up an impressive track record as a marketing specialist, moving through the ranks in a number of roles. Kagisho is head of marketing.

Morné Marais

Morné joined Coronation Fund Managers in 1997 and was appointed chief investment officer in early 2004. He has an enviable performance track record in managing active South African equity portfolios and is responsible for the institutional portfolios as well as the Coronation Balanced Plus fund.

Rob Oellermann

Rob has been with Coronation Fund Managers since 1997. Prior to this, he spent three years with Allan Gray as an investment analyst and five years with Deloitte & Touche, with the last two years as a manager. He transferred to London in 1999 where he formed part of our international investment team. In 2001, Rob returned to South Africa as head of research.

John Snalam

John has been the chief financial officer of Coronation Fund Managers since its inception in 1993. Prior to joining Coronation he spent 13 years in the fields of accounting and compliance, both in London and South Africa.

Kirshni Totaram

Kirshni joined Coronation Fund Managers in June 2000. She is an actuary, and prior to joining Coronation, worked at Metropolitan Life as head of the Aids Research Unit. Kirshni was appointed head of institutional business in April 2003, prior to which she was the manager of the Coronation Property Equity fund.

Board members, Thys du Toit and Tony Gibson complete the Coronation executive team.

From left: Malieka Kariem, Ilhaam Salie-Abdullah, Tanya Hill, Pamela de Saude, Carmen Prins, Rasheeda Jacobs



CORPORATE SOCIAL INVESTMENT

For us, social investment is more than just making donations to needy causes. It is about empowering individuals and uplifting communities by establishing sustainable projects which will result in meaningful community and national economic upliftment.

Historically, our corporate social investment programmes have focused on developing human and intellectual capital. This was seen in our association with the Study Trust, the Thabo Mbeki Bursary Crossroads Education Fund, and our involvement in programmes such as Education Alive and the Western Cape Primary Science Programme and many more.

As a former co-sponsor of the Lim'uvune Programme (2001 and 2002), we supported the need to develop a skills base of black professionals within the asset management and investment banking arenas, and we are proud to have been able to offer positions to all programme participants during our involvement in this programme.

COMMUNITY PROJECTS

By channelling a greater proportion of our funding to the development of entrepreneurship across the communities of South Africa, we believe we can make a meaningful and leveraged difference.

In mid-2004, Coronation partnered with the South African Institute for Entrepreneurship in developing an entrepreneurial training module, Coronation's Growing Entrepreneurs Programme, to impart the necessary skills that will create much-needed jobs and assist in further alleviating the frontiers of poverty. The programme promises to educate a range of subsistence farmers in urban and rural areas to transform their hand-to-mouth practices into effective businesses, thereby promoting economic empowerment and sustainable livelihood practices. These small-scale farmers are taught the skills of growing crops to sustain themselves, as well as how to create businesses and employment. This is the first programme of its magnitude to be undertaken in the country.

Alleviating the frontiers of poverty –
Coronation's Growing Entrepreneurs
Programme



CORPORATE SOCIAL INVESTMENT

TERTIARY EDUCATION BURSARIES

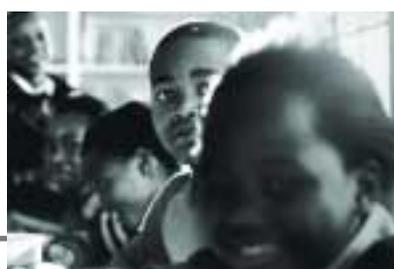
We provide bursaries to a number of black students at various universities in South Africa. Funding is awarded on merit and according to the financial need of students studying towards Business Science, Accounting, Finance, Business Economics and Economics degrees. The Coronation bursary programme has been in effect since 1993 with participation from the University of the Free State, University of Cape Town and University of the Western Cape.

We have provided support to the Tswelelopele Bursary Fund which funds black students at the University of the Free State, and we currently have bursars studying at the University of Cape Town, University of the Western Cape and Boston College. Our “vac work” programmes are developed to provide students in their second year of study with the opportunity to gain valuable work experience and enhance their understanding and knowledge of the asset management industry.

EMPOWERING OUR CLIENT BASE VIA SKILLS DEVELOPMENT

Coronation Fund Managers has identified the need for a trustee training programme that builds a solid foundation of basic, generically applied financial knowledge as well as addressing more complex technical issues. Together with a specialised external training group, we offer an in-depth education programme specific to South African trustees for all our clients.

A key benefit of our approach is that we use practical examples and experiences which provide trustees with the necessary knowledge to proceed to the more advanced complexities of drafting investment policy statements and making sense of the industry jargon used by fund managers. The training environment is informal, which often allows for the added benefit of improved interaction between members of the same board of trustees. Our trained facilitator works on building investment knowledge as well as building teams.



Far left
Tracey-Lee de Mornay, BComm Accounts
bursary student at the University of the
Western Cape.

CONCLUSION

In our first 10 years of democracy, South Africa has accomplished more than many ever imagined possible. From a political and economic perspective we have commanded the attention of onlookers from around the globe who marvel at our outstanding progress and significant achievements.

By supporting the national strategy of broad-based black economic empowerment and transformation we are contributing to a sustainable economy and a nation of people who actively participate in its growth.

As a fund management company we embrace broad-based black economic empowerment and what this means for our staff and our business. To us, transformation can only be meaningful if it is people-centred, builds capacity and is treated as a long-term commitment. This is the sentiment that guides all our initiatives in human resource development, procurement and enterprise development, ownership and control and corporate social investment.

This report is a snap-shot in time of Coronation's journey to achieving sustainable transformation and our commitment to a value system which we live each day. Coronation Fund Managers will continue to pursue its transformation strategy with vigour and strive to exceed all its targets.

Critical for the country to prosper is the collective commitment to black economic empowerment and transformation. We pledge our commitment to achieving this goal.



Left

From left: Madeleine Setzkorn, Siphokazi Qasana, Natalie Evans, Babalwa Nonkenge

Right

From left: Raees Rawoot, Charles Lombard, Fred Grunewald, Zamazulu Zulu, Gary Charles



CORONATION FUND MANAGERS AND THE FINANCIAL SECTOR CHARTER

CORONATION FUND MANAGERS

Financial Sector Charter Balanced Scorecard as at 30 September 2004

	Financial Sector Charter target 2008	Coronation measure
Human resource development		
EE – senior management	25%	24%
EE – senior management – women	4%	6%
EE – middle management	30%	39%
EE – middle management – women	10%	17%
EE – junior management	50%	67%
EE – junior management – women	15%	52%
Skills development (% of payroll)	1,5%	0,43%
Learnerships (% of total staff)	4,5%	0,0%

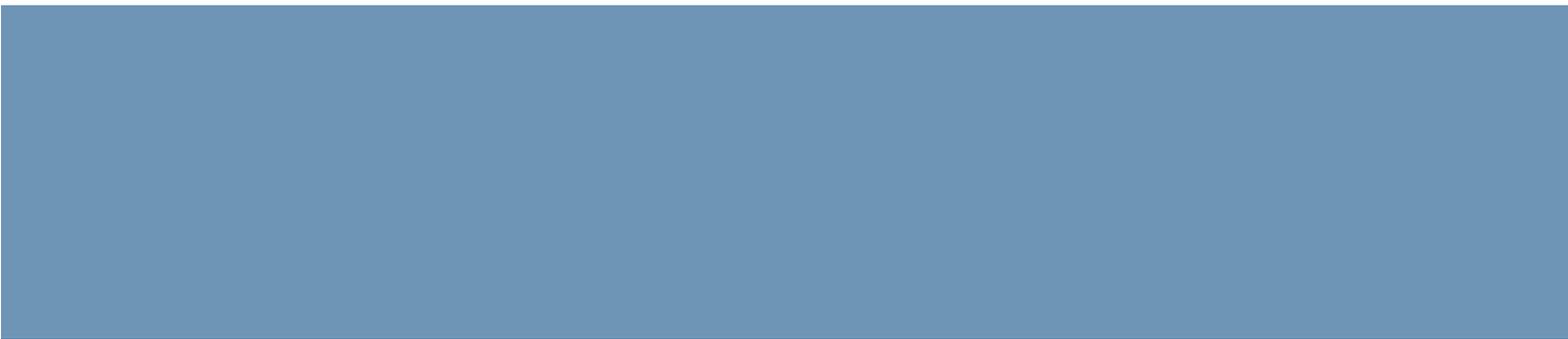
Procurement and enterprise development	50%	58%
---	-----	-----

Corporate social investment (% of profit after tax)	0,5%	0,65%
---	------	-------

Control		
Board	33%	20%
Board – women	11%	0%
Executive	25%	25%
Executive – women	4%	8%

	Financial Sector Charter target 2010	Coronation measure
Ownership		
Direct	10%	0%
Indirect (or additional direct)	15%	8%

Note: Investment managers will be exempt from the 'Access to Financial Services' requirements of the Charter, given their position as "wholesalers", and from the "Empowerment Financing" requirements, given that assets under management are directed by their clients (who have the "designated investments").



CAPE TOWN, SOUTH AFRICA | Telephone: +27 (0)21 680 2000 Fax: +27 (0)21 680 2500

LONDON, UNITED KINGDOM | Telephone: +44 (0)207 389 8840 Fax: +44 (0)207 389 8899

DUBLIN, IRELAND | Telephone: +353 (0)1 674 5410 Fax: +353 (0)1 674 5411

WEBSITE | www.coronation.com