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Reviewed interim results

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for the six months ended 31 March 2009



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- ▶ Assets under management of R120 billion (September 2008: R125 billion)
  - ▶ Profit from fund management R122 million (-22%)
  - ▶ Diluted headline earnings per share 20.2 cents (-16%)
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Amidst the ongoing global financial crisis, Coronation produced a solid set of results for the six months ended 31 March 2009. This financial performance and resilience in assets under management is underpinned by the strength of investment philosophy that sees Coronation singularly focused on fund management.

▶ **RESULTS** Reflected in the decline in revenue of 14% to R363 million for the six-month period ended 31 March 2009 is the extremely difficult operating environment. The containment of fixed costs and the variable cost model, positively impacted operating costs which declined by 14% to R231 million (March 2008: R269 million). Earnings per share of 22.6 cents are 18% lower than the 2008 interim figure of 27.4 cents and diluted headline earnings per share of 20.2 cents are 16% lower (March 2008: 24 cents).

▶ **ASSETS UNDER MANAGEMENT** In the six-month period characterised by dramatic falls across world markets, (FTSE/JSE All Share Index -13%, MSCI World Index -20%), the decline in assets under management of 4% to R120 billion (September 2008: R125 billion) shows encouraging resilience. During this interim reporting period we attracted a number of new institutional client mandates totalling R21.3 billion. Of this figure, R13.4 billion is not reflected in the stated total assets under management.

▶ **INVESTMENT EXCELLENCE** Markets continue to exhibit extreme levels of volatility, with the FTSE/JSE All Share Index reaching a trough at 17 814 points on 20 November 2008; a level last seen three years prior. Against this backdrop we are confident in the strength of our investment performance relative to industry peers and fund benchmarks.

- Our balanced portfolios rank 2nd over the one, three and five-year periods in the Alexander Forbes SA Large Manager Watch to end March 2009, while our global portfolios are 2nd over the one-year and 3rd over three and five years in the Alexander Forbes Global Manager Watch.
- All funds in the core range of unit trusts rank in the top two positions of their respective categories on an annualised basis since inception to end March 2009, and all have outperformed their benchmarks.
- The Coronation World Equity Fund of Funds and Coronation Bond Fund were recognised as industry leaders, each receiving a Morningstar/Financial Mail 2009 sector award.

▶ **INTERNATIONAL** The market extremes reached in the final quarter of the 2008 calendar year resulted in a decision to close the Coronation Relative Value Fund of Funds. As a consequence, seven individuals were retrenched during the period. We continue to manage equity-related hedge fund strategies out of London, with the balance of our global portfolios managed from Cape Town, specifically the Global Emerging Markets and Africa portfolios as well as the Coronation Latitude Fund. Furthermore, the Africa portfolios were successfully launched to potential international investors in London in early March.

- ▶ **PRIVATE EQUITY** The first closing of the Coronation Peotona Private Equity Fund, scheduled for early 2009, has been extended on the basis of encouraging prospects.
- ▶ **TRANSFORMATION** On 15 December 2008, Coronation was independently verified by KPMG as maintaining its status as a Level 4 contributor on the Broad-Based Black Economic Empowerment (B-BBEE) Scorecard in terms of the B-BBEE Act 53 of 2003; the Generic Scorecards of the Codes of Good Practice on B-BBEE and other applicable guidelines issued by the Department of Trade and Industry or other legislation as provided for in the Codes.
- ▶ **BOARD CHANGES** Mr Winston Floquet retired as an independent non-executive director in January 2009 and Mr Gavan Ryan retired from his position as chair in March 2009. Both gentlemen are highly regarded in the industry and have made significant contributions to the success of the group since listing in 2003. Mr Ryan is succeeded as chairperson by independent non-executive director, Mr Shams Pather, who has served as a non-executive director since 2005.
- ▶ **INTERIM CASH DIVIDEND** We continue to reward shareholders through regular and significant distributions of free cash flow generated. We have decided to pay an interim cash dividend of 13 cents, which is calculated on the same basis as previous years. Our practice is to make distributions equal to 75% of after-tax profits generated during the period, increased to take account of the non-cash impact of share-based payment charges that will not result in the issue of additional shares. We have also added back the R10.3 million dividend tax paid during the period (which relates to earnings generated in the previous financial year). This would amount to a dividend distribution of 19 cents per share, but at this interim stage we will only distribute two thirds of that, which is consistent with the methodology of the previous comparable period.

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

Last date to trade	Friday, 29 May 2009
Shares trade ex-dividend	Monday, 1 June 2009
Record date	Friday, 5 June 2009
Payment date	Monday, 8 June 2009

Share certificates may not be dematerialised or rematerialised between Monday, 1 June 2009, and Friday, 5 June 2009, both dates inclusive.

- ▶ **PROSPECTS** There is little doubt that the bear market will continue for a sustained period. While the markets may experience some respite in the near term, one cannot be certain as to the point at which the cycle will turn. That said, a very encouraging development (at the time of writing) is that the S&P 500 recovery has now put it in positive territory for the calendar year.

The points on which we can be certain are that we have the right strategy and business model. Coronation is acknowledged as a leader in the industry and while investors' time horizons have been truncated by this bear market, we are confident that when the market turns our clients will be well positioned for the upswing.

- ▶ **INDEPENDENT REVIEW BY THE AUDITORS** KPMG Inc., the group's independent auditor, has reviewed the condensed consolidated interim financial statements contained in this report. Their unmodified review report is available for inspection at the company's registered office.

Condensed consolidated income statement

	Six months reviewed 31 March 2009 R'000	Six months reviewed 31 March 2008 R'000	% Change	Full year audited 30 Sept 2008 R'000
<b>Fund management activities</b>				
Revenue	363 361	421 104	(14%)	803 632
Financial income	4 386	11 804	(63%)	14 568
Finance and dividend income	5 749	8 195		11 431
Other (expenses)/income	(1 363)	3 609		3 137
Operating expenses	(230 857)	(269 058)	(14%)	(525 087)
Share-based payment expense	(10 603)	(13 354)		(33 661)
Other expenses	(220 254)	(255 704)		(491 426)
Finance expense	(14 697)	(7 863)		(16 441)
<b>Profit from fund management</b>	<b>122 193</b>	<b>155 987</b>	<b>(22%)</b>	<b>276 672</b>
Expense attributable to policyholder linked assets and investment partnerships	(231)	(749)		(5 650)
Net fair value gains on policyholder and investment partnership financial instruments	3 310	4 449		1 679
Administration expenses borne by policyholders and investors in investment partnerships	(3 541)	(5 198)		(7 329)
<b>Profit before income tax</b>	<b>121 962</b>	<b>155 238</b>		<b>271 022</b>
Income tax expense	(48 910)	(64 970)		(93 434)
Taxation on shareholder profits	(49 141)	(65 719)		(99 084)
Taxation on policyholder investment contracts	231	749		5 650
<b>Profit for the period</b>	<b>73 052</b>	<b>90 268</b>	<b>(19%)</b>	<b>177 588</b>
<b>Attributable to:</b>				
– equity holders of the company	71 200	88 181	(19%)	172 943
– minority interest	1 852	2 087		4 645
<b>Profit for the period</b>	<b>73 052</b>	<b>90 268</b>		<b>177 588</b>
<b>Earnings per share (cents)</b>				
– basic	22.6	27.4	(18%)	53.9
– diluted	20.5	24.7	(17%)	49.5
<b>Note to the income statement</b>				
<b>Headline earnings per share (cents)</b>				
– basic	22.3	26.6	(16%)	52.9
– diluted	20.2	24.0	(16%)	48.6
<b>Distribution per share (cents)</b>				
– interim distribution	13.0	16.0	(19%)	16.0
– final distribution				30.0

Condensed consolidated balance sheet

R'000	Reviewed 31 March 2009	Reviewed 31 March 2008	Audited 30 Sept 2008
<b>Assets</b>			
Goodwill and intangible assets	1 097 309	1 097 309	1 097 309
Equipment	18 160	11 895	20 684
Investment in associate	1 960	1 960	1 960
Deferred tax asset	9 339	3 854	5 181
Investments backing policyholder funds and investments held through investment partnerships	17 170 081	19 805 338	19 207 633
Investment securities	28 822	56 831	36 312
Loan receivable	39 137	–	39 137
Trade and other receivables	110 608	108 607	111 496
Cash and cash equivalents	108 997	120 423	108 453
<b>Total assets</b>	<b>18 584 413</b>	<b>21 206 217</b>	<b>20 628 165</b>
<b>Liabilities</b>			
Interest-bearing borrowing	109 025	115 777	110 419
Deferred tax liabilities	1 729	28 509	12 702
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	17 168 352	19 777 104	19 195 113
Income tax payable	44 494	86 979	26 083
Trade and other payables	138 697	215 927	170 757
Bank overdraft	143 377	–	118 544
<b>Total liabilities</b>	<b>17 605 674</b>	<b>20 224 296</b>	<b>19 633 618</b>
<b>Net assets</b>	<b>978 739</b>	<b>981 921</b>	<b>994 547</b>
Total equity attributable to equity holders of the company	973 676	975 436	989 852
Minority interest	5 063	6 485	4 695
<b>Total equity</b>	<b>978 739</b>	<b>981 921</b>	<b>994 547</b>

Condensed consolidated statement of changes in equity

R'000	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Re-valuation reserve	Issued capital and reserves attributable to equity holders of the company	Minority interest	Total equity
<b>Balance at 30 September 2007</b>	289 026	4 191	600 066	113 203	1 876	1 008 362	4 398	1 012 760
Currency translation differences		13 502				13 502		13 502
Revaluation of financial assets available-for-sale					(521)	(521)		(521)
– Net change in fair value					1 862	1 862		1 862
– Transferred to profit or loss on disposal					(2 383)	(2 383)		(2 383)
Net income recognised directly in equity		13 502			(521)	12 981		12 981
Profit for the period			88 181			88 181	2 087	90 268
<b>Total recognised income and expense for the period</b>		13 502	88 181		(521)	101 162	2 087	103 249
Share-based payments				13 354		13 354		13 354
Dividends paid			(156 473)			(156 473)		(156 473)
Shares issued	9 031					9 031		9 031
<b>Balance at 31 March 2008</b>	298 057	17 693	531 774	126 557	1 355	975 436	6 485	981 921
Currency translation differences		(153)				(153)		(153)
Revaluation of financial assets available-for-sale					(5 649)	(5 649)		(5 649)
– Net change in fair value					(4 393)	(4 393)		(4 393)
– Transferred to profit or loss on disposal					(1 256)	(1 256)		(1 256)
Net income recognised directly in equity		(153)			(5 649)	(5 802)		(5 802)
Profit for the period			84 762			84 762	2 558	87 320
<b>Total recognised income and expense for the period</b>		(153)	84 762		(5 649)	78 960	2 558	81 518
Share-based payments				20 307		20 307		20 307
Dividends paid			(47 388)			(47 388)	(4 348)	(51 736)
Shares issued	2 112					2 112		2 112
Shares repurchased and cancelled	(39 575)					(39 575)		(39 575)
<b>Balance at 30 September 2008</b>	260 594	17 540	569 148	146 864	(4 294)	989 852	4 695	994 547

Condensed consolidated statement of changes in equity (continued)

R'000	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Re-valuation reserve	Issued capital and reserves attributable to equity holders of the company	Minority interest	Total equity
<b>Balance at 30 September 2008</b>	260 594	17 540	569 148	146 864	(4 294)	989 852	4 695	994 547
Currency translation differences		7 215				7 215		7 215
Revaluation of financial assets available-for-sale					(3 764)	(3 764)		(3 764)
– Net change in fair value					(2 905)	(2 905)		(2 905)
– Transferred to profit or loss on disposal					(859)	(859)		(859)
Net income recognised directly in equity		7 215			(3 764)	3 451		3 451
Profit for the period			71 200			71 200	1 852	73 052
Total recognised income and expense for the period		7 215	71 200		(3 764)	74 651	1 852	76 503
Share-based payments				10 603		10 603		10 603
Transfer to retained earnings			37 992	(37 992)		–		
Dividends paid			(95 875)			(95 875)	(7 082)	(102 957)
Shares issued	462					462		462
Shares repurchased and cancelled	(6 017)					(6 017)		(6 017)
Increase in equity							5 598	5 598
<b>Balance at 31 March 2009</b>	<b>255 039</b>	<b>24 755</b>	<b>582 465</b>	<b>119 475</b>	<b>(8 058)</b>	<b>973 676</b>	<b>5 063</b>	<b>978 739</b>

Condensed consolidated statement of cash flows

R'000	Six months reviewed 31 March 2009	Six months reviewed 31 March 2008	Full year audited 30 Sept 2008
Profit for the period	73 052	90 268	177 588
Income tax expense	48 910	64 970	93 434
Non-cash and other adjustments	22 524	13 870	74 866
<b>Operating profit before changes in working capital</b>	<b>144 486</b>	<b>169 108</b>	<b>345 888</b>
<b>Working capital changes</b>	<b>(30 843)</b>	<b>29 671</b>	<b>(18 125)</b>
<b>Cash generated from operations</b>	<b>113 643</b>	<b>198 779</b>	<b>327 763</b>
Interest paid	(15 026)	(8 039)	(16 704)
Income taxes paid	(34 839)	(90 928)	(214 448)
<b>Net cash from operating activities</b>	<b>63 778</b>	<b>99 812</b>	<b>96 611</b>
<b>Net cash from investing activities</b>	<b>14 624</b>	<b>45 405</b>	<b>12 802</b>
<b>Net cash used in financing activities</b>	<b>(109 906)</b>	<b>(157 430)</b>	<b>(251 987)</b>
– distributions to shareholders	(102 957)	(156 473)	(208 209)
– other	(6 949)	(957)	(43 778)
<b>Net decrease in cash and cash equivalents</b>	<b>(31 504)</b>	<b>(12 213)</b>	<b>(142 574)</b>
Cash and cash equivalents at beginning of period	(10 091)	119 134	119 134
Exchange rate adjustments	7 215	13 502	13 349
<b>Cash and cash equivalents at end of period</b>	<b>(34 380)</b>	<b>120 423</b>	<b>(10 091)</b>



## Condensed consolidated segment report

R'000	Africa			International			Group		
	Six months reviewed		Full year audited	Six months reviewed		Full year audited	Six months reviewed		Full year audited
	31 March		30 Sept	31 March		30 Sept	31 March		30 Sept
	2009	2008	2008	2009	2008	2008	2009	2008	2008
Segment revenue	<b>336 538</b>	368 963	724 825	<b>26 823</b>	52 141	78 807	<b>363 361</b>	421 104	803 632
Segment results	<b>134 162</b>	137 130	271 932	<b>(1 658)</b>	14 916	6 613	<b>132 504</b>	152 046	278 545

The comparative 2008 international figures have been shown on a "gross" basis which does not eliminate intersegment revenue. In line with the final 2008 financial year segment reporting, however, the 31 March 2009 figures eliminate intersegment revenue.

## Earnings per share

	Six months reviewed 31 March 2009	Six months reviewed 31 March 2008	Full year audited 30 Sept 2008
Weighted average number of ordinary shares in issue during the period	315 636 428	321 597 285	321 080 742
Weighted average number of ordinary shares potentially in issue	347 521 924	356 936 439	354 896 612
	R'000	R'000	R'000
Earnings attributable to shareholders	73 052	90 268	177 588
Minority interest	(1 852)	(2 087)	(4 645)
<b>Earnings attributable to ordinary shareholders</b>	<b>71 200</b>	<b>88 181</b>	<b>172 943</b>
Profit on disposal of financial assets available-for-sale	(859)	(2 459)	(3 011)
Loss/(profit) on disposal of equipment	20	(103)	(150)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>70 361</b>	<b>85 619</b>	<b>169 782</b>
Actual number of shares in issue at the end of the period	314 565 858	323 369 480	315 774 163



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## Notes to the condensed consolidated financial statements

### 1. Basis of preparation and accounting policies

The financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), the disclosure and presentation requirements of IAS 34 Interim Financial Reporting, the requirements of the South African Companies Act, Act 61 of 1973, as amended, and the Listings Requirements of the JSE Limited. The condensed consolidated financial statements do not include all of the information required for full annual financial statements.

The accounting policies applied in the presentation of the condensed consolidated interim financial statements are consistent with those applied for the year ended 30 September 2008.

These condensed consolidated interim financial statements have been prepared in accordance with the historical cost convention except for certain financial instruments which are stated at fair value. The condensed consolidated interim financial statements are presented in rand, rounded to the nearest thousand.

### 2. Related party transactions

The group, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties.

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<b>Directors:</b>	S Pather (Chairman)*†, H A Nelson (Chief Executive Officer), M M du Toit*, J February*†, A Watson*† (* Non-executive † Independent)
<b>Registered office:</b>	7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont 7708, Cape Town
<b>Postal address:</b>	PO Box 44684, Claremont 7735, Cape Town
<b>Registration number:</b>	1973/009318/06
<b>Transfer secretaries:</b>	Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001
<b>JSE share code:</b>	CML
<b>ISIN:</b>	ZAE000047353
<b>Website:</b>	www.coronation.com

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