

- ▶ Assets under management of R176 billion
 - ▶ Diluted headline earnings per share of 64.8 cents
 - ▶ Interim dividend per share of 51 cents
-

Coronation Fund Managers produced an exceptional set of results for the six months to 31 March 2010. The business benefited from superior investment performance across all client portfolios, strong institutional and retail flows, and the continued containment of fixed operating costs. Our undiluted focus on asset management and investing for the long term contributed significantly to these results.

- ▶ **RESULTS** Revenue has increased by 80% to R655 million. Together with a continued focus on cost control measures, this has resulted in a 210% increase in profit for the period to R227 million; translating into growth in diluted headline earnings per share of 221% to 64.8 cents (March 2009: 20.2 cents).
- ▶ **ASSETS UNDER MANAGEMENT** Led by global emerging markets, world financial markets have rebounded strongly from their lows of March 2009. From a close of 20 363 points at end March 2009, the FTSE/JSE All Share Index reached a level of 28 747 on 31 March 2010, just 9% shy of its all time high. The recovery in the domestic market, combined with excellent investment performance and strong asset growth, has resulted in assets under management reaching R176 billion (September 2009: R155 billion).
- ▶ **INVESTMENT EXCELLENCE** At Coronation Fund Managers sustainable performance over meaningful time periods (typically five years and longer) is vital to both our clients and our business. This is reflected in our investment philosophy of investing with a long-term time horizon and has resulted in the following performance highlights:
 - Both our domestic and global balanced portfolios rank 2nd over three years and 3rd over five years in the Alexander Forbes SA and Global Large Manager Watch Surveys to end March 2010. Similarly, our absolute portfolios rank 3rd over three years and 1st over five years in the Conservative Global Manager Watch for the same period.
 - These rankings are echoed in the consistent top-quartile returns of our core domestic range of unit trust funds, developed to meet the specific needs of South African investors. Since inception, the Coronation Top 20 and Equity funds have outperformed their market benchmarks by 7.7% and 5% respectively per annum. Likewise, our flagship multi-asset Balanced Plus Fund has outperformed its market-related benchmark by 2.42% per annum since inception, making it one of the top performing multi-asset funds over the past 5-year period. Within our lower-risk multi-asset fund grouping, Capital Plus has outperformed inflation by an annualised 8.86% since inception, and Balanced Defensive has delivered top-decile performance in its category since inception. Within our fixed interest range, Strategic Income has beaten cash by 2.35% per annum since inception.
 - Our success in managing global assets is highlighted in the institutional portfolio, Coronation Global Equity Fund of Funds which, over the past 10-year period has outperformed the MSCI World Index by 2.47% per annum, net of all fees. Similarly, the relatively new risk-profiled Global Capital Plus Fund (formerly Global Latitude) launched in November 2008 has performed exceptionally well, outperforming the MSCI World Index by 15.59% per annum since inception.



► **INTERNATIONAL** Our specialist Global Emerging Markets and Africa units continue to build impressive performance track records. Since launch in July 2008, the Global Emerging Markets Fund has outperformed the MSCI Emerging Markets Index by 8.09% per annum. This outperformance places the fund in second position out of a total of 40 international peers over the period. Similarly, the Africa Frontiers Fund, with a since launch return of 25.36% per annum, has outperformed the FTSE/JSE Africa Top 30 Ex SA Index by a staggering 42.85% per annum.

► **INITIATIVES** PPS Investments has recorded strong growth in assets under management over the period and continues to gain traction in the market.

On 28 February 2010 we exited from our private equity partnership in our capacity as general partner, as a result of low local investor appetite for private equity as an alternate asset class. We remain invested in the private equity fund as a limited partner, which achieved a successful first close on 1 March 2010.

► **INTERIM CASH DIVIDEND** We continue to reward shareholders through regular and significant distributions of free cash flow generated. We 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. This amounts to a dividend distribution of 51 cents per share.

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

Last day to trade	Friday, 21 May 2010
Shares trade ex dividend	Monday, 24 May 2010
Record date	Friday, 28 May 2010
Payment date	Monday, 31 May 2010

Share certificates may not be dematerialised or rematerialised between Monday, 24 May 2010, and Friday, 28 May 2010, both dates inclusive.

► **PROSPECTS** We are extremely pleased with how Coronation Fund Managers has performed over the past six-month period but, while markets have strongly rebounded we expect continued volatility. Volatile markets create opportunities for the patient investor and we are confident that our robust investment process and philosophy will continue to deliver superior long-term returns for all our stakeholders.

► **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 statement of comprehensive income

	Six months reviewed 31 March 2010 R'000	Six months reviewed 31 March 2009 R'000	% Change	Full year audited 30 Sept 2009 R'000
Fund management activities				
Revenue	654 825	363 361	80%	842 030
Other income/(expenses)	1 730	(1 363)		(1 427)
Operating expenses	(338 006)	(230 857)	46%	(501 857)
Share-based payment expense	(9 588)	(10 603)		(21 441)
Other expenses	(328 418)	(220 254)		(480 416)
Results from operating activities	318 549	131 141	143%	338 746
Finance and dividend income	13 655	5 749		10 913
Finance expense	(5 250)	(14 697)		(22 513)
Net finance costs	8 405	(8 948)		(11 600)
Share of loss of equity accounted investees (net of income tax)	–	–		(1 960)
Profit from fund management	326 954	122 193	168%	325 186
Income/(expense) attributable to policyholder linked assets and investment partnerships	19 998	(231)		27 155
Net fair value gains on policyholder and investment partnership financial instruments	28 199	3 310		41 042
Administration expenses borne by policyholders and investors in investment partnerships	(8 201)	(3 541)		(13 887)
Profit before income tax	346 952	121 962		352 341
Income tax expense	(120 421)	(48 910)		(141 472)
Taxation on shareholder profits	(100 423)	(49 141)		(114 317)
Taxation on policyholder investment contracts	(19 998)	231		(27 155)
Profit for the period	226 531	73 052	210%	210 869
Other comprehensive income				
Foreign currency translation differences for foreign operations	(1 318)	7 215		(6 853)
Net change in fair value of available-for-sale financial assets	(2 631)	(2 905)		4 595
Net change in fair value of available-for-sale financial assets transferred to profit or loss	–	(859)		1 564
Other comprehensive (expense)/income for the period (net of income tax)	(3 949)	3 451		(694)
Total comprehensive income for the period	222 582	76 503		210 175
Profit attributable to:				
– equity holders of the company	223 997	71 200	215%	207 379
– non-controlling interest	2 534	1 852		3 490
Profit for the period	226 531	73 052		210 869
Total comprehensive income attributable to:				
– equity holders of the company	220 048	74 651	195%	206 685
– non-controlling interest	2 534	1 852		3 490
Total comprehensive income for the period	222 582	76 503		210 175
Earnings per share (cents)				
– basic	71.2	22.6	215%	65.8
– diluted	64.8	20.5	216%	60.0
Note to the statement of comprehensive income				
Headline earnings per share (cents)				
– basic	71.2	22.3	219%	66.4
– diluted	64.8	20.2	221%	60.5
Dividend per share (cents)				
– interim	51.0	13.0	292%	13.0
– final				37.0

Condensed consolidated statement of financial position

	Reviewed 31 March 2010 R'000	Reviewed 31 March 2009 R'000	Audited 30 Sept 2009 R'000
Assets			
Goodwill and intangible assets	1 097 309	1 097 309	1 097 309
Equipment	14 133	18 160	15 495
Investment in equity accounted investees	–	1 960	–
Deferred tax asset	4 309	9 339	5 183
Investments backing policyholder funds and investments held through investment partnerships	21 301 229	17 170 081	19 204 524
Investment securities	26 168	28 822	19 606
Loan receivable	–	39 137	39 140
Trade and other receivables	305 454	110 608	165 107
Cash and cash equivalents	108 521	108 997	99 672
Total assets	22 857 123	18 584 413	20 646 036
Liabilities			
Interest-bearing borrowing	98 144	109 025	106 144
Deferred tax liabilities	19 994	1 729	14 854
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	21 281 235	17 168 352	19 189 670
Income tax payable	45 313	44 494	26 181
Trade and other payables	214 406	138 697	203 169
Bank overdraft	–	143 377	22 074
Total liabilities	21 659 092	17 605 674	19 562 092
Net assets	1 198 031	978 739	1 083 944
Equity			
Total equity attributable to equity holders of the company	1 188 063	973 676	1 075 655
Non-controlling interest	9 968	5 063	8 289
Total equity	1 198 031	978 739	1 083 944

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	Non-controlling interest	Total equity
Balance at 30 September 2008	260 594	17 540	569 148	146 864	(4 294)	989 852	4 695	994 547
Total comprehensive income for the period								
Profit for the period			71 200			71 200	1 852	73 052
Other comprehensive income								
Currency translation differences		7 215				7 215		7 215
Revaluation of financial assets available-for-sale					(3 764)	(3 764)		(3 764)
– Net change on fair value					(2 905)	(2 905)		(2 905)
– Transferred to profit or loss on disposal					(859)	(859)		(859)
Total other comprehensive income	–	7 215	–	–	(3 764)	3 451	–	3 451
Total comprehensive income for the period	–	7 215	71 200	–	(3 764)	74 651	1 852	76 503
Transactions with owners recorded directly to equity								
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
Total transactions with owners	(5 555)	–	(57 883)	(27 389)	–	(90 827)	(1 484)	(92 311)
Balance at 31 March 2009	255 039	24 755	582 465	119 475	(8 058)	973 676	5 063	978 739
Total comprehensive income for the period								
Profit for the period			136 179			136 179	1 638	137 817
Other comprehensive income								
Currency translation differences		(14 068)				(14 068)		(14 068)
Revaluation of financial assets available-for-sale					9 923	9 923		9 923
– Net change on fair value					7 500	7 500		7 500
– Transferred to profit or loss on disposal					2 423	2 423		2 423
Total other comprehensive income	–	(14 068)	–	–	9 923	(4 145)	–	(4 145)
Total comprehensive income for the period	–	(14 068)	136 179	–	9 923	132 034	1 638	133 672

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	Non-controlling interest	Total equity
Transactions with owners recorded directly to equity								
Share-based payments				10 838		10 838		10 838
Dividends paid			(40 893)			(40 893)	(2 175)	(43 068)
Increase in equity							3 763	3 763
Total transactions with owners	–	–	(40 893)	10 838	–	(30 055)	1 588	(28 467)
Balance at 30 September 2009	255 039	10 687	677 751	130 313	1 865	1 075 655	8 289	1 083 944
Total comprehensive income for the period								
Profit for the period			223 997			223 997	2 534	226 531
Other comprehensive income								
Currency translation differences		(1 318)				(1 318)		(1 318)
Revaluation of financial assets available-for-sale					(2 631)	(2 631)		(2 631)
– Net change on fair value					(2 631)	(2 631)		(2 631)
– Transferred to profit or loss on disposal								–
Total other comprehensive income	–	(1 318)	–	–	(2 631)	(3 949)	–	(3 949)
Total comprehensive income for the period	–	(1 318)	223 997	–	(2 631)	220 048	2 534	222 582
Transactions with owners recorded directly to equity								
Share-based payments				9 588		9 588		9 588
Transfer to retained earnings			26 509	(26 509)		–		–
Dividends paid			(118 096)			(118 096)	(1 305)	(119 401)
Shares issued	868					868		868
Increase in equity of subsidiary						–	450	450
Total transactions with owners	868	–	(91 587)	(16 921)	–	(107 640)	(855)	(108 495)
Balance at 31 March 2010	255 907	9 369	810 161	113 392	(766)	1 188 063	9 968	1 198 031

Condensed consolidated statement of cash flows

	Six months reviewed 31 March 2010 R'000	Six months reviewed 31 March 2009 R'000	Full year audited 30 Sept 2009 R'000
Cash flows from operating activities			
Profit for the period	226 531	73 052	210 869
Income tax expense	120 421	48 910	141 472
Non-cash and other adjustments	(1 309)	22 524	41 605
Operating profit before changes in working capital	345 643	144 486	393 946
Working capital changes	(89 520)	(30 843)	(20 620)
Cash generated from operations	256 123	113 643	373 326
Interest paid	(5 701)	(15 026)	(23 092)
Income taxes paid	(95 275)	(34 839)	(139 224)
Net cash from operating activities	155 147	63 778	211 010
Net cash from investing activities	3 175	14 624	30 026
Cash flows from financing activities	(126 081)	(109 906)	(146 494)
– dividends to shareholders	(119 400)	(102 957)	(146 025)
– other	(6 681)	(6 949)	(469)
Net increase/(decrease) in cash and cash equivalents	32 241	(31 504)	94 542
Cash and cash equivalents at beginning of period	77 598	(10 091)	(10 091)
Exchange rate adjustments	(1 318)	7 215	(6 853)
Cash and cash equivalents at end of period	108 521	(34 380)	77 598

Condensed consolidated segment report

R'000	Africa			International			Group		
	Six months Reviewed 31 March 2010	336 538 2009	Audited 30 Sept 2009 782 568	Six months Reviewed 31 March 2010	26 823 2009	Audited 30 Sept 2009 59 462	Six months Reviewed 31 March 2010	363 361 2009	Audited 30 Sept 2009 842 030
Segment external revenue	582 076	336 538	782 568	72 749	26 823	59 462	654 825	363 361	842 030
Segment income/ (loss) before tax and finance income/expense	288 945	134 162	332 420	27 874	(1 658)	7 753	316 819	132 504	340 173

Earnings per share

	Six months reviewed 31 March 2010	Six months reviewed 31 March 2009	Full year audited 30 Sept 2009
Weighted average number of ordinary shares in issue during the period	314 646 591	315 636 428	315 099 676
Weighted average number of ordinary shares potentially in issue	347 731 074	347 521 924	348 579 796
	R'000	R'000	R'000
Earnings attributable to shareholders	226 531	73 052	210 869
Non-controlling interest	(2 534)	(1 852)	(3 490)
Earnings attributable to ordinary shareholders	223 997	71 200	207 379
(Profit)/loss on disposal of financial assets available-for-sale	–	(859)	1 421
Loss on disposal of equipment	–	20	280
Headline earnings attributable to ordinary shareholders	223 997	70 361	209 080
Actual number of shares in issue at the end of the period	314 819 192	314 565 858	314 565 858



Notes to the condensed consolidated financial statements

1. Basis of preparation and accounting policies

The financial information has been prepared in accordance with IAS 34 Interim Financial Reporting, as well as the AC 500 standards as issued by the Accounting Practices Board or its successor, the requirements of the South African Companies Act, Act 61 of 1973, as amended, and the Listings Requirements of the JSE. The condensed consolidated financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated 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 financial statements are presented in rand, rounded to the nearest thousand.

The accounting policies applied in the presentation of the condensed consolidated interim financial statements are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those applied for the year ended 30 September 2009.

There were no changes in the accounting policies (as published in the annual report), except for the adoption of the revised IFRS 3 Business Combinations (2008) and the amendment to IAS 27 Consolidated and Separate Financial Statements (2008), which are to be applied prospectively and had no impact in the current period.

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six-month period ended on 31 March 2010.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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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