Annual Financial Statements 2011

Coronation
Fund Managers

Contents

Directors' responsibility report	**2**
Declaration by the company secretary	**2**
Audit and risk committee report	**3**
Independent auditor's report	**5**

Coronation Fund Managers Limited group

Directors' report	**6**
Glossary of financial reporting terms	**9**
Accounting policies	**12**
Consolidated statement of comprehensive income	**22**
Consolidated statement of financial position	**23**
Consolidated statement of changes in equity	**24**
Consolidated statement of cash flows	**26**

Notes to the consolidated financial statements

Operating segments	**27**
Revenue	**30**
Finance and dividend income and expenses	**30**
Other income	**30**
Operating expenses	**31**
Share-based payment expense	**32**
Income tax expense	**35**
Earnings per share	**36**
Intangible assets and goodwill	**38**
Equipment	**38**
Investment in equity-accounted investee	**39**
Deferred tax	**40**
Investments backing policyholder funds and investments held through investment partnerships	**41**
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	**41**
Financial assets and financial liabilities	**42**
Interest-bearing borrowing	**43**
Share capital	**44**
Financial risk disclosures	**45**
Commitments and contingent liabilities	**51**
Related parties	**51**
Principal subsidiary and associate companies	**52**
Note to the consolidated statement of cash flows	**53**

Coronation Fund Managers Limited company

Company statement of comprehensive income	**54**
Company statement of financial position	**55**
Company statement of changes in equity	**56**
Company statement of cash flows	**57**
Notes to Coronation Fund Managers Limited company accounts	**58**
Analysis of shareholders	**61**
Shareholders' diary and corporate information	**63**

Directors' responsibility report

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Coronation Fund Managers Limited, comprising the statements of financial position at 30 September 2011, and the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies, glossary of financial reporting terms and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 71 of 2008 of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The board reviews the operation of the system of internal control, primarily through the audit and risk committee of Coronation Fund Managers Limited and various other risk monitoring committees.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate annual financial statements of Coronation Fund Managers Limited are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Coronation Fund Managers Limited as identified in the first paragraph for the year ended 30 September 2011 set out on pages 6 to 60 were approved by the board of directors on 8 December 2011 and are signed on its behalf by:

Shams Pather
Chairman

Hugo Nelson
Chief executive officer

Declaration by the company secretary

In terms of the Companies Act 71 of 2008 (the Act), and for the year ended 30 September 2011, I certify that Coronation Fund Managers Limited has lodged all returns required by the Act with the Registrar of Companies and that all such returns are true, correct and up to date.

John Snalam
Company secretary
8 December 2011

Audit committee report

to the members of Coronation Fund Managers Limited

The group audit and risk committee of Coronation Fund Managers which acts as the audit and risk committee for all its subsidiaries, is a committee of the board of directors that serves in an advisory capacity to the board and assists the directors to discharge their duties relating to the safeguarding of assets, the operation of adequate systems, risk management and internal controls, the review of financial information and the preparation of the annual financial statements. This includes satisfying the board that adequate internal, operating and financial controls are in place and that material risks have been identified and are being effectively managed and monitored. In addition to the above, the audit and risk committee also has its own statutory responsibilities.

Terms of reference

The audit and risk committee has adopted a formal audit committee charter that has been updated and approved by the board of directors, and has executed its duties during the past financial year in compliance with the terms of reference.

Composition of the audit and risk committee and meeting process

The committee, chaired by Professor Alexandra Watson, an independent director, has two additional independent directors as members (Shams Pather and Jock McKenzie), one of whom is the chairman of the board. The committee met three times during the year with senior management, which included the chief executive officer, certain senior executive management, the statutory actuary, the chief financial officer, internal auditor, the group compliance officer and the risk officer.

The external and internal auditors attend these meetings and have unrestricted access to the committee and to its chairman. Ad hoc meetings are held as required.

Duties

In execution of its statutory duties, during the past financial year the audit and risk committee has:

- Ensured the appointment as external auditor of the company of a registered auditor who, in the opinion of the audit and risk committee, was independent of the company.
- Determined the fees to be paid to the external auditor and such auditor's terms of engagement.
- Ensured that the appointment of the external auditor complies with any legislation relating to the appointment of such auditors.
- Determined the nature and extent of any non-audit services which the auditor may provide to the company.
- Pre-approved any proposed contract with the auditor for the provision of non-audit services to the company.
- Considered the independence of the external auditors and has concluded that the external auditor has been independent of the company throughout the year taking into account all other non-audit services performed and circumstances known to the committee.
- Received and dealt appropriately with any complaints relating to the accounting practices and internal audit of the company, the content or auditing of its financial statements, the internal financial controls of the company, or to any related matter.
- Made submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting.

Legal requirements

The audit and risk committee has complied with all applicable legal, regulatory and other responsibilities for the period under review.

Annual financial statements

Following our review of the annual financial statements for the year ended 30 September 2011, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards and that they fairly present the financial position at 30 September 2011 for Coronation Fund Managers Limited and the results of operations and cash flows for the year then ended.

In compliance with requirements of the King Report on Governance for South Africa 2009, an integrated annual report has been compiled for the 2011 financial year in addition to these annual financial statements.

Alex Watson

Alexandra Watson
Chairman of the audit and risk committee

Independent auditor's report

to the members of Coronation Fund Managers Limited

Report on the consolidated and separate annual financial statements

We have audited the accompanying consolidated and separate annual financial statements of Coronation Fund Managers Limited, which comprise the statement of financial position as at 30 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies, a glossary of financial reporting terms and other explanatory information, and the directors' report, as set out on pages 6 to 60.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 71 of 2008 of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of the company and the group as at 30 September 2011, and its consolidated and separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act 71 of 2008 of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
MR Isaacs
Director
Registered Auditor
Chartered Accountant (SA)
8 December 2011

Ernst & Young House
35 Lower Long Street
Cape Town 8001

Directors' report

Business activities

Coronation Fund Managers Limited (registration number 1973/009318/07) is one of southern Africa's most successful third-party fund management companies. It is a pure fund management business which offers both individual and institutional investors access to local and global expertise across all asset classes, including specialist Global Emerging Markets and Africa units.

Clients include some of the largest retirement funds, medical schemes and multi-manager companies in South Africa, many of the major banking and insurance groups, selected investment advisory businesses, prominent independent financial advisors, high-net-worth individuals and direct unit trust accounts.

Group results

Despite extreme volatility across markets, Coronation delivered another set of excellent results for the year to 30 September 2011. While emerging markets sold off substantially in the second half of the year (MSCI Emerging Markets Index -23.3% for the six months and -15.9% for the year in US dollar terms), the FTSE/JSE All Share Index managed to return 3.6% in local currency terms. The rand slid 20% against the US dollar in the final quarter to close at R/USD8.09 and the MSCI World Index recorded -3.8% (in US dollar terms). Notwithstanding this backdrop, the business continued to produce outstanding long-term investment performance and attracted significant flows over the period which resulted in assets under management growing by 21% to R247 billion (September 2010: R203.5 billion). In particular, the increase in market share to 9.9% (September 2010: 7.5%) of long-term funds by the retail business takes us from 3rd to the 2nd largest long-term fund manager in the country.

Revenue increased by 34% to R1.7 billion (2010: R1.3 billion). Together with a continued focus on cost control measures, this resulted in a 42% increase in profit for the period to R624 million; and growth in diluted headline earnings per share of 38% to 176 cents (September 2010: 128 cents).

A general review of the operations of institutional, retail and international business segments is provided in the integrated annual report.

Financial statements

The financial statements for the year ended 30 September 2011 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act 71 of 2008 of South Africa.

Cash returned to shareholders

We continue to reward shareholders through regular and significant distributions of free cash flow generated. We endeavour to distribute at least 75% of after-tax cash profit. Taking into account projected cash requirements, we have increased the final dividend to 92 cents per share. Together with the interim dividend of 80 cents per share, this amounts to a total dividend of 172 cents per share for the year.

Shareholder analysis

The shareholder analysis is presented on pages 61 and 62. The following shareholders have a beneficial ownership of more than 5% of the issued ordinary shares of the company as at 30 September 2011:

Coronation Investments and Trading Limited (CIT) – 10.95%

Louis Stassen – 5.30%

Subsidiary and associate companies

Details of the principal subsidiary and associate companies are set out in note 21.

On 1 October 2010 Coronation disposed of 6.8% of its effective shareholding in Namibia Asset Management Limited and equity accounts its 48.05% shareholding from that date.

The group consolidates its 51% shareholding in Coronation Fund Managers (Botswana) (Pty) Limited.

The group equity accounts its 49% shareholding in Professional Provident Society Investments (Pty) Limited.

Directors and secretary

There were no changes to the board of directors during the year.

Profiles of directors are provided in the integrated annual report.

Details of the company secretary and the company's registered address are set out on the inside back cover of this report. The business address of the company secretary is the same as the company's registered address.

Executive directors are not employed on fixed-term contracts and have standard employment service agreements with a notice period of one month.

Directors' interest

There were no material contracts entered into during the financial year in which a director or officer of the company had an interest.

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

	Beneficial		
	Direct	Indirect	%
2011			
Ordinary shares			
Hugo Nelson	3 817 575	836 755	1.48
Anton Pillay	291 666	950 584	0.39
2010			
Ordinary shares			
Hugo Nelson	3 567 387	925 841	1.43
Anton Pillay	375 000	801 859	0.37

Directors' emoluments

Cash payments to directors for services rendered for the year ended 30 September 2011 were as follows:

Executive directors	Salary and other benefits R'000	Bonus R'000
2011		
Hugo Nelson	1 064	13 797
Anton Pillay	1 064	3 822
Total	**2 128**	**17 619**
2010		
Hugo Nelson	985	6 077
Anton Pillay	985	2 376
Total	**1 970**	**8 453**

For non-cash emoluments refer to the share-based payments and related party notes in the annual financial statements.

Non-executive directors	Basic fee R'000	Board meetings R'000	Audit and risk committee meetings R'000	Remuneration and nominations committee meetings R'000	Transformation committee meetings R'000	**Total 2011 R'000**	Total 2010 R'000
Shams Pather	52	162	58	78	–	**350**	396
Alexandra Watson	52	97	78	–	–	**227**	282
Judith February	52	78	–	–	52	**182**	132
Jock McKenzie	52	97	58	58	–	**265**	300
Total	**208**	**434**	**194**	**136**	**52**	**1 024**	1 110

Special resolutions

At the annual general meeting of the company held on 20 January 2011 a special resolution was passed, giving the board of directors the general authority to approve the purchase of its own ordinary shares.

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

Events subsequent to the reporting date

The final cash dividend for the 2011 financial year of R290 million (92 cents per share) is based on the actual shares in issue of 314 819 192.

The STC effect of this dividend amounts to R29 million.

Glossary of financial reporting terms

Group structures

Company	A legal business entity registered in terms of the applicable legislation of that country.
Entity	Coronation Fund Managers Limited, a subsidiary or associate.
Equity-accounted investee	An entity, other than a subsidiary or joint venture, in which the group has significant influence over the financial and operating policies.
Group	Coronation Fund Managers Limited and its subsidiaries and associate.
Operation	A component of the group that: – represents a separate major line of business or geographical area of operation; and – can be distinguished separately for financial and operating purposes.
Business unit	A distinguishable component of the group engaged in providing similar services that are different to those provided by other business units. The strategic business units are: – Institutional; – Retail; and – International.
Subsidiary	Any entity over which the group has control.

General accounting terms

Acquisition date of a business	The date on which control in respect of subsidiaries and significant influence in respect of associates commences.
Commissioning date	The date that an item of equipment is brought into use.
Consolidated financial statements	The financial results of the group which comprise the financial results of Coronation Fund Managers Limited and its subsidiaries and its interests in associate.
Control	The ability, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefit from its activities. When assessing the ability to control an entity, the existence and effect of potential voting rights that are presently exercisable or convertible are taken into account.
Disposal date	The date on which the control in respect of subsidiaries and significant influence in respect of associates ceases.
Fair value	The value for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
Financial results	Comprise the financial position (assets, liabilities and equity), financial performance (revenue and expenses) and cash flows of the group or an entity within the group.
Functional currency	The currency of the primary economic environment in which the entity operates.
Long term	A period longer than twelve months from reporting date.
Other comprehensive income	Comprises items of income and expenses (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs.
Presentation currency	The currency in which the financial statements are presented.

Reclassification	Amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous period.
Recoverable amount	The amount that reflects the greater of the fair value less costs to sell and value in use that can be attributed to a non-financial asset as a result of its ongoing use by the entity. In determining the value in use, expected pre-tax future cash flows are discounted to their present values using the appropriate discount rate.
Related parties	The following entities or parties are considered related parties to the reporting entity: – a subsidiary, fellow subsidiary, associate, jointly controlled entity or an entity having joint control in relation to the reporting entity; – key management personnel and their close members of family and entities which they control, jointly control or over which they exercise significant influence; and – post-employment benefit plan for the benefit of employees of the entity or any related party.
Significant influence	The ability, directly or indirectly, to participate in, but not exercise control over, the financial and operating policy decisions of an entity. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting powers of another entity.

Financial instrument terms

Available-for-sale financial assets	A non-derivative financial asset that is designated as available-for-sale or is not classified as: – a loan or receivable; – a held-to-maturity investment; or – a financial asset at fair value through profit or loss.
Cash and cash equivalents	Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.
Derivative instrument	A financial instrument: – whose value changes in response to movements in a specified interest rate, commodity price, instrument price, foreign exchange rate or similar variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract; – that requires minimal initial net investment; and – is settled at a future date.
Effective interest rate	The rate that discounts the expected future cash flows to the net carrying amount of the financial asset or financial liability.
Equity instrument	Any financial instrument (including investments) that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities.
Financial asset	Cash or cash equivalents, a right to receive cash or cash equivalents, an equity instrument of another entity, a right to exchange a financial instrument under favourable conditions.

Financial guarantee contract	A contract that requires the issuer to make specified payments to reimburse the holder for the loss it incurs, because a specified debtor fails to make payment when due in accordance with the original or modified terms of the debt instrument.
Financial liability	A contractual obligation to pay cash or transfer other benefits or an obligation to exchange a financial instrument under unfavourable conditions.
Financial instruments classified as held for trading	Derivatives or instruments that are held principally with the intention of short-term disposal.
Financial assets and liabilities at fair value through profit or loss	Financial instruments held at fair value through profit or loss include all instruments classified as held for trading and those instruments designated as held at fair value through profit or loss on initial recognition.
Financial instruments issued by the group classified as financial liabilities	Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to transfer cash or another financial asset or to exchange financial assets or liabilities under potentially unfavourable conditions.
Financial instruments issued by the group classified as equity	Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the net assets of the group.
Held-to-maturity investments	Non-derivative financial assets, with a fixed maturity and fixed or determinable future payments, that the entity has the positive intent and ability to hold to maturity, other than those designated upon initial recognition as at fair value through profit or loss, those designated as available-for-sale and those that meet the definition of loans and receivables.
Loans and receivables	Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude: – those that the group intends to trade in, which are classified as held for trading, and those that the group designates as at fair value through profit or loss; – those that the group designates as available-for-sale; and – those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.
Monetary asset	Units of currency held or an asset which will be received in a fixed or determinable amount of money.
Monetary liability	A liability which will be settled in a fixed or easily determinable amount of money.
Special purpose entity	An entity created to accomplish a narrow and well-defined objective.
Transaction date	The date when the entity becomes a party to the contractual provisions of an instrument.

Accounting policies
for the year ended 30 September 2011

Coronation Fund Managers Limited (Coronation) is incorporated in South Africa. The consolidated financial statements for the year ended 30 September 2011 include the company and its subsidiaries and the group's interest in associate. The financial statements were authorised for issue by the directors on 8 December 2011.

Statement of compliance

The financial statements have been prepared in accordance with IFRS and its interpretations issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act 71 of 2008 of South Africa.

Basis of preparation

The financial statements are presented in South African rand, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at fair value: financial assets and liabilities at fair value through profit or loss and financial assets classified as available-for-sale, except for the reclassification of commissions collected in an agency capacity (refer note 2).

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

The accounting policies have been applied consistently by group entities except for the carrying of investments in subsidiaries at cost in the separate financial statements of Coronation Investment Management (Pty) Limited.

Basis of consolidation

Subsidiaries
The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Potential voting rights are considered when determining control.

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

Special purpose entities
Special purpose entities (SPEs) established by the group are consolidated if, based on evaluation of the substance of its relationship with the group and the SPEs' risk and rewards, the group concludes that it controls the SPE.

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

Investments in associates are initially recognised at cost.

In the case of the company, investments in associates are carried at cost less impairments.

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

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

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to rand at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss except for differences arising on the retranslation of available-for-sale equity instruments recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to rand at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to rand at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to rand at rates approximating foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in the foreign currency translation reserve in other comprehensive income. This reserve is reclassified to profit or loss when foreign operations are disposed of.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised on the same basis as the foreign operation.

Net investment in foreign operations

Foreign exchange differences arising from the translation of the net investment in foreign operations are taken to a foreign currency translation reserve. They are reclassified into profit or loss upon disposal.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the group becomes a party to the contractual provisions of the instrument.

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

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

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

Financial assets and financial liabilities at fair value through profit or loss

Financial instruments classified as held for trading or designated as at fair value through profit or loss are initially recognised at fair value excluding transaction costs directly attributable to their acquisition which are recognised immediately in profit or loss. After initial recognition financial assets at fair value through profit or loss are measured at fair value with resulting fair value gains or losses recognised in profit or loss. Financial instruments designated as at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition. Financial instruments classified as at fair value through profit or loss includes investment contracts, linked investments, contract liabilities and linked financial assets.

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

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

Fair value hierarchy

Fair values are determined according to the following hierarchy based on the requirements in IFRS 7 'Financial Instruments: Disclosures':

– Level 1: quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.
– Level 2: valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.
– Level 3: valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, a valuation technique is used.

Held-to-maturity investments

If the group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs.

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

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

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reductions for impairment of financial assets.

Financial assets held at amortised cost comprise cash and cash equivalents, trade and other receivables and a loan receivable.

Cash and cash equivalents comprise balances held with banks that are not held for investment purposes. The carrying amount represents its fair value.

Financial assets available-for-sale

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value on the statement of financial position, with unrealised gains and losses recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on available-for-sale monetary items which are recognised in profit or loss. Cumulative realised gains and losses are reclassified to profit or loss in the period in which the asset is realised. If an available-for-sale financial asset is cumulative to be impaired, the respective cumulative losses previously recognised in equity are reclassified to profit or loss in the period in which the impairment is identified.

Financial assets available-for-sale consist of investment securities.

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

Other financial liabilities

Other financial liabilities are recorded at amortised cost applying the effective interest method. These consist of bank overdraft, trade and other payables and interest-bearing borrowings.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's contractual rights to cash flows have expired; or when the group has transferred its rights to cash flows relating to the financial assets, in a transaction that transfers substantially all the risks and rewards associated with the financial assets.

If the group enters into a transaction whereby it retains substantially all of the risks and rewards of the assets, the assets are not derecognised.

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

Derivative instruments

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

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset when there is both an intention to settle on a net basis or to realise the asset and settle the liability simultaneously and a legal right to offset exists.

Issued debt and equity financial instruments

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

Equity instruments include share capital and share premium. Equity instruments issued by subsidiaries of Coronation and not held by the group are recorded as non-controlling interests on the statement of financial position.

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

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

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

Impairment of financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets, excluding financial assets at fair value through profit or loss, is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred that have a negative effect on the estimated future cash flows of that asset.

Assets measured at amortised cost

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The impairment loss is recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation, where relevant) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss. Reversals of impairment in respect of equity instruments classified as available-for-sale are recognised directly in other comprehensive income.

Reversals of impairment losses on available-for-sale debt instruments are recognised in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the equipment is capitalised as part of the equipment. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

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

The estimated depreciation rates for each class of equipment for the current and comparative periods are as follows:

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

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

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

The carrying amount of an item of equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition, determined as the difference between the net disposal proceeds and the carrying amount of the item, is recognised in profit or loss when the item is derecognised.

Impairment of non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the 'cash-generating unit'). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

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

Leases

Leases in terms of which the group as the lessee assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases.

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

Intangible assets and goodwill

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. In respect of business acquisitions that have occurred since 1 October 2005, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the equity-accounted investee.

A gain on a bargain purchase arising on an acquisition is recognised directly in profit or loss.

Intangible assets

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

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

Subsequent expenditure

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

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite, from the date they are available for use.

Derecognition

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

Employee benefits

Short-term employee benefits

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

Defined contribution plans

A defined contribution plan is a benefit plan under which an entity pays fixed contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

Share-based payment transactions with employees

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

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

The increase in equity arising on the recognition of the share-based payments expense is recorded in the share-based payments reserve. Subsequently, once the transaction which gave rise to the initial expense has reached its conclusion, the portion of the share-based payments reserve which arose as a result of that particular transaction is transferred to retained earnings.

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

Provisions, contingent liabilities and contingent assets

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

Revenue

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

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is determined by reference to services rendered in terms of the relevant agreements.

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

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

Financial and other income

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

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

Expenses

Finance expense

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

Income tax expense

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss unless the underlying transaction is recognised elsewhere, in which case the related tax is also.

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Additional income taxes that arise from the distribution of dividends – secondary tax on companies (STC) – are recognised as an expense at the same time as the liability to pay the related dividend is recognised. Deferred tax assets are recognised in respect of unutilised STC credits that are expected to be utilised in the foreseeable future.

Earnings per share

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

Headline and diluted headline earnings per share is calculated in accordance with circular 3/2009 issued by the South African Institute of Chartered Accountants.

Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. An operating segment's operating results are reviewed regularly by the executive committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the executive committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Black economic empowerment transactions

Transaction recognition criteria

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

Share-based payment transactions

The scope of IFRS 2 Share-based Payment (IFRS 2) includes the group's B-BBEE ownership initiatives in accordance with international interpretations in this regard. Where goods or services are received from black economic empowerment partners as consideration for equity instruments of the group, then these transactions are accounted for in terms of IFRS 2, even when the goods and services cannot be specifically identified.

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 statement of financial position, as these relate directly to clients. The value of these items are disclosed in the notes. Income from these activities is brought to account over the period to which the service relates.

Key management assumptions

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

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

Key areas in which judgement is applied include:

– Valuation of the share-based payment expense where inputs are based on observable market inputs, adjusted for factors that specifically apply to the transaction and recognising market volatility (refer note 6).

Standards issued not yet effective

The following applicable new, revised and amended standards and improvements are effective for financial periods commencing on or after 1 October 2011. The group will adopt these standards at the respective effective dates.

- IFRS 7 *Financial instruments: Disclosures (Amendment)*

  Effective for annual periods beginning on or after 1 July 2011, this amendment requires additional qualitative and quantitative disclosures relating to transfers of financial assets where financial assets are derecognised, but where the entity has continued involvement in them or where financial assets are not derecognised in their entirety.

- IFRS 9 *Financial Instruments: Classification and measurement*

  The chapters regarding classification and measurement of financial instruments have been issued by the International Accounting Standards Board (IASB). This phase of the new standard will have an impact on the classification and measurement of financial assets and a change in reporting regarding financial liabilities designated at fair value through profit or loss using the fair value option. IFRS 9 is effective for annual periods beginning on or after 1 January 2013.

- IFRS 10 *Consolidated Financial Statements*

  IFRS 10 *Consolidated Financial Statements* establishes a single control model that applies to all entities (including 'special purpose entities,' or 'structured entities' as they are now referred to in the new standards.) The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore consolidated by a parent when compared with the requirements of IAS 27. Application of IFRS 10 will require management to review the existing group structure to assess whether control still exists for entities controlled in terms of IAS 27. Additionally, because the definition of control is wider and not just based on equity ownership, additional entities and investment vehicles may be required to be consolidated. The standard is effective for all financial periods commencing on or after 1 January 2013.

- IFRS 12 *Disclosure of Interests in Other Entities*

  IFRS 12 *Disclosure of Interests in Other Entities* includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. The standard is effective for all financial periods commencing on or after 1 January 2013.

- IFRS 13 *Fair value measurement*

  By publishing IFRS 13 *Fair Value Measurement*, the IASB established a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS.

  Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition of fair value may have changed, but in many cases, the principles for determining fair value remain unchanged. The effects of applying IFRS 13 are likely to vary by entity, and for some entities, the effects could be significant.

  The disclosure requirements are substantial and could present challenges for many entities. The standard is effective for all financial periods commencing on or after 1 January 2013.

- IAS 1 *Presentation of Financial Statements*

  The IASB issued amendments to IAS 1 *Presentation of Financial Statements* on the presentation of other comprehensive income (OCI). The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. For example, OCI items that can be reclassified into profit or loss include foreign exchange gains and losses arising from translations of financial statements of a foreign operation.

  Although the change in presentation of OCI is relatively minor with respect to the overall financial statements, it could allow financial statement users to more easily identify the potential impact that OCI items may have on future profit or loss. The amendment is effective for all financial periods commencing on or after 1 July 2012.

- IAS 19 *Employee Benefits*

  Numerous changes and clarifications to IAS 19 *Employee Benefits* have been issued. Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement. The classification of the leave pay provision will need to be considered from the perspective of when the employees intend to take their leave. If leave is expected to be taken during a period after 12 months of rendering the related service, the leave benefit is another long term employee benefit. This revised standard will thus impact how the group accounts for and discloses leave pay provisions. The revised standard is effective for all financial periods commencing on or after 1 January 2013.

- IAS 24 *Related party disclosures (Revised)*

  Effective for annual periods beginning on or after 1 January 2011, the definition of a related party has been clarified to simplify the identification of a related party relationship, particularly in relation to significant influence and joint control.

- *Improvements*

  There have been a number of improvements to standards, effective for periods beginning on or after 1 January 2011. These include IFRS 7 *Financial Instruments: Disclosures* and IAS 1 *Presentation of Financial Statements*. These improvements will impact disclosure in the group's financial statements.

Consolidated statement of comprehensive income

for the year ended 30 September 2011

	Note	2011 R'000	2010 R'000
Fund management activities			
Revenue	2	**1 725 910**	1 290 887
Financial income		**33 670**	25 294
Finance and dividend income	3.1	**12 263**	21 480
Other income	4	**21 407**	3 814
Operating expenses	5	**(838 056)**	(656 554)
Share-based payment expense	6	**(4 856)**	(14 059)
Other expenses		**(833 200)**	(642 495)
Finance expense	3.2	**(5 262)**	(8 851)
Share of profit of equity-accounted investees	11	**2 365**	–
Profit from fund management		**918 627**	650 776
Income attributable to policyholder linked assets and investment partnerships		**19 518**	34 583
Net fair value gains and movement in liabilities on policyholder and investment partnership financial instruments	13	**34 431**	49 191
Administration expenses borne by policyholders and investors in investment partnerships	14	**(14 913)**	(14 608)
Profit before income tax		**938 145**	685 359
Income tax expense	7	**(314 295)**	(244 983)
Taxation on shareholder profits	7	**(294 777)**	(210 400)
Taxation on policyholder investment contracts	7	**(19 518)**	(34 583)
Profit for the year		**623 850**	440 376
Other comprehensive income			
Foreign currency translation differences for foreign operations		**20 627**	(10 268)
Net change in fair value of available-for-sale financial assets		**(737)**	683
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		**–**	(9)
Other comprehensive income/(expense) for the period		**19 890**	(9 594)
Total comprehensive income for the year		**643 740**	430 782
Profit attributable to:			
– equity holders of the company		**623 977**	437 108
– non-controlling interest		**(127)**	3 268
Profit for the year		**623 850**	440 376
Total comprehensive income attributable to:			
– equity holders of the company		**643 867**	427 514
– non-controlling interest		**(127)**	3 268
Total comprehensive income for the year		**643 740**	430 782
Earnings per share (cents)			
– basic	8	**192.4**	138.9
– diluted	8	**181.3**	127.9

Consolidated statement of financial position

as at 30 September 2011

	Note	2011 R'000	2010 R'000
Assets			
Intangible assets	9	**1 087 772**	1 097 309
Equipment	10	**14 839**	13 993
Investments in equity-accounted investees	11	**31 338**	–
Deferred tax asset	12	**8 069**	4 900
Investments backing policyholder funds and investments held through investment partnerships	13	**31 566 179**	23 930 963
Investment securities	15.2	**28 467**	28 274
Trade and other receivables		**242 450**	227 006
Cash and cash equivalents		**393 169**	300 638
Total assets		**33 372 283**	25 603 083
Liabilities			
Interest-bearing borrowing	16	**42 800**	82 000
Deferred tax liabilities	12	**18 629**	22 528
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	14	**31 547 550**	23 908 436
Income tax payable		**9 860**	3 215
Trade and other payables		**361 916**	337 759
Total liabilities		**31 980 755**	24 353 938
Net assets		**1 391 528**	1 249 145
Equity			
Share capital and premium	17	**255 907**	255 907
Retained earnings		**992 922**	866 019
Reserves		**140 952**	116 517
Total equity attributable to equity holders of the company		**1 389 781**	1 238 443
Non-controlling interest		**1 747**	10 702
Total equity		**1 391 528**	1 249 145

Consolidated statement of changes in equity

for the year ended 30 September 2011

	Share capital R'000	Share premium R'000	Foreign currency translation reserve R'000
Balance at 30 September 2009	31	255 008	10 687
Total comprehensive income for the year			
Profit for the year			
Other comprehensive income			
Currency translation differences			
Revaluation of available-for-sale financial assets			
– Net change in fair value			
– Reclassified to profit or loss on disposal			
Total other comprehensive income			(10 268)
Total comprehensive income for the year	–	–	(10 268)
Transactions with owners recorded directly in equity			
Share-based payments			
Transfer to retained earnings			
Dividends paid			
Shares issued	–	868	
Increase in equity of subsidiary			
Total transactions with owners	–	868	–
Balance at 30 September 2010	31	255 876	419
Total comprehensive income for the year			
Profit for the year			
Other comprehensive income			
Currency translation differences			**20 627**
Revaluation of available-for-sale financial assets			
– Net change in fair value			
Total other comprehensive income			**20 627**
Total comprehensive income for the year	**–**	**–**	**20 627**
Transactions with owners recorded directly in equity			
Share-based payments			
Transfer to retained earnings			
Dividends paid			
Imvula units acquired by the Imvula Trust			
Shares issued			
Loss of control of subsidiary			
Increase in equity of subsidiary			
Total transactions with owners	**–**	**–**	**–**
Balance at 30 September 2011	**31**	**255 876**	**21 046**

Consolidated statement of changes in equity continued
for the year ended 30 September 2011

	Retained earnings R'000	Share-based payment reserve R'000	Revaluation reserve R'000	Issued capital and reserves attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
	677 751	130 313	1 865	1 075 655	8 289	1 083 944
	437 108			437 108	3 268	440 376
				(10 268)		(10 268)
			674	674		674
			683	683		683
			(9)	(9)		(9)
			674	(9 594)		(9 594)
	437 108	–	674	427 514	3 268	430 782
		14 059		14 059		14 059
	30 813	(30 813)		–		–
	(279 653)			(279 653)	(1 305)	(280 958)
				868		868
					450	450
	(248 840)	(16 754)	–	(264 726)	(855)	(265 581)
	866 019	113 559	2 539	1 238 443	10 702	1 249 145
	623 977			**623 977**	**(127)**	**623 850**
				20 627		**20 627**
			(737)	**(737)**		**(737)**
			(737)	**(737)**		**(737)**
			(737)	**19 890**		**19 890**
	623 977	**–**	**(737)**	**643 867**	**(127)**	**643 740**
		4 856		**4 856**		**4 856**
	311	**(311)**		**–**		**–**
	(495 111)			**(495 111)**	**(103)**	**(495 214)**
	(2 274)			**(2 274)**		**(2 274)**
				–		**–**
					(9 425)	**(9 425)**
					700	**700**
	(497 074)	**4 545**	**–**	**(492 529)**	**(8 828)**	**(501 357)**
	992 922	**118 104**	**1 802**	**1 389 781**	**1 747**	**1 391 528**

Consolidated statement of cash flows

for the year ended 30 September 2011

	Note	2011 R'000	2010 R'000
Cash flows from operating activities			
Profit for the year		**623 850**	440 376
Income tax expense		**314 295**	244 983
Non-cash and other adjustments	22	**(12 598)**	(801)
Operating profit before changes in working capital		**925 547**	684 558
Working capital changes		**10 361**	73 507
Increase in trade and other receivables		**(13 933)**	(61 065)
Increase in trade and other payables		**24 294**	134 572
Cash generated from operations		**935 908**	758 065
Interest paid		**(6 773)**	(9 685)
Income taxes paid		**(314 718)**	(259 992)
Net cash from operating activities		**614 417**	488 388
Cash flows from investing activities			
Loan receivable		**–**	39 140
Finance and dividend income	3.1	**12 263**	21 480
Conversion of subsidiary to associate		**(1 305)**	
Acquisition of equipment		**(6 991)**	(4 229)
Proceeds on disposal of investment securities		**(930)**	(7 705)
Net cash from investing activities		**3 037**	48 686
Cash flows from financing activities			
Repayment of interest-bearing borrowings		**(39 200)**	(24 144)
Imvula units repurchased and cancelled		**(2 274)**	–
Shares issued		**–**	868
Dividends paid		**(495 351)**	(280 940)
(Decrease)/increase in non-controlling interest		**(8 725)**	450
Net cash used in financing activities		**(545 550)**	(303 766)
Increase in cash and cash equivalents		**71 904**	233 308
Cash and cash equivalents at beginning of year		**300 638**	77 598
Effect of exchange rate fluctuations		**20 627**	(10 268)
Cash and cash equivalents at end of year		**393 169**	300 638

The cash flows above represent cash and cash equivalents of shareholders and exclude policyholder cash and cash equivalents. Cash and cash equivalents of policyholders can only be used for policyholder investment activities and are disclosed as *Deposits at financial institutions* in note 13.

1 Operating segments

Segment information is presented in respect of the group's operating segments based on geographical areas.

Inter-segment pricing is determined on an arm's length basis.

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

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of the investment manager. Segment assets are based on the geographical location of the assets. The group comprises Africa and International operations.

	Africa		International		Group	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
1 Operating segments (continued)						
1.1 Segment report						
Fund management						
Segment external revenue	**1 531 729**	1 158 309	**194 181**	132 578	**1 725 910**	1 290 887
Segment operating expenses	**(770 937)**	(595 191)	**(67 119)**	(61 363)	**(838 056)**	(656 554)
Share-based payment expense	**(4 856)**	(14 059)	**–**	–	**(4 856)**	(14 059)
Other expenses	**(766 081)**	(581 132)	**(67 119)**	(61 363)	**(833 200)**	(642 495)
Segment result	**760 792**	563 118	**127 062**	71 215	**887 854**	634 333
Segment financial income	**33 322**	25 637	**348**	(343)	**33 670**	25 294
Finance and dividend income	**12 235**	21 476	**28**	4	**12 263**	21 480
Other income/(expense)	**21 087**	4 161	**320**	(347)	**21 407**	3 814
Segment finance expense	**(5 244)**	(8 819)	**(18)**	(32)	**(5 262)**	(8 851)
Share of profit of equity-accounted investees	**2 365**	–	**–**	–	**2 365**	–
Segment income from fund management	**791 235**	579 936	**127 392**	70 840	**918 627**	650 776
Income attributable to policyholder linked assets and investment partnerships	**19 518**	34 583	**–**	–	**19 518**	34 583
Net fair value gains on policyholder and investment partnership financial instruments	**34 431**	49 191	**–**	–	**34 431**	49 191
Administration expenses borne by policyholders and investors in investment partnerships	**(14 913)**	(14 608)	**–**	–	**(14 913)**	(14 608)
Profit before income tax	**810 753**	614 519	**127 392**	70 840	**938 145**	685 359
Income tax expense	**(299 280)**	(234 356)	**(15 015)**	(10 627)	**(314 295)**	(244 983)
Taxation on shareholder profits	**(279 762)**	(199 773)	**(15 015)**	(10 627)	**(294 777)**	(210 400)
Taxation on policyholder investment contracts	**(19 518)**	(34 583)	**–**	–	**(19 518)**	(34 583)
Profit for the year	**511 473**	380 163	**112 377**	60 213	**623 850**	440 376

	Africa		International		Group	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
1 Operating segments (continued)						
1.1 Segment report (continued)						
Segment assets	**489 323**	427 722	**189 602**	142 189	**678 925**	569 911
Intangible assets					**1 087 772**	1 097 309
Investment in equity-accounted investee					**31 338**	–
Deferred tax assets					**8 069**	4 900
Investments backing policyholder funds and investments held through investment partnerships					**31 566 179**	23 930 963
Total assets	**489 323**	427 722	**189 602**	142 189	**33 372 283**	25 603 083
Segment liabilities	**343 149**	392 345	**61 567**	27 414	**404 716**	419 759
Deferred tax liabilities					**18 629**	22 528
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships					**31 547 550**	23 908 436
Income tax payable					**9 860**	3 215
Total segment liabilities	**343 149**	392 345	**61 567**	27 414	**31 980 755**	24 353 938
Capital expenditure	**6 284**	3 632	**881**	831	**7 165**	4 463
Depreciation	**5 438**	4 774	**712**	853	**6 150**	5 627

	Segmental revenue		Segment assets		Capital expenditure	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
Business divisions						
Institutional						
– South Africa	**730 634**	574 655	**342 498**	237 620	**4 960**	2 992
– Southern Africa other	**20 941**	45 503	**2 913**	20 497	**168**	181
Retail	**780 154**	538 151	**143 912**	169 605	**1 156**	459
International	**194 181**	132 578	**189 602**	142 189	**881**	831
Group	**1 725 910**	1 290 887	**678 925**	569 911	**7 165**	4 463

Major customers

None of the group's customers individually represent revenue in excess of 10% of the group's total revenue.

		2011 R'000	2010 R'000
2	**Revenue**		
	Management, performance and service fees	**1 725 910**	1 290 887

Revenue comprises income earned from trust and other fiduciary activities undertaken by certain entities within the group.

Reclassification of comparative figures

Commissions collected in an agency capacity by the company have now been excluded from revenue and other expenses in terms of IAS 18 Revenue. This has resulted in a reduction of R61 million in the respective amounts on the face of the 2010 consolidated statement of comprehensive income. This reclassification has had no impact on the group's reported results.

		2011 R'000	2010 R'000
3	**Finance and dividend income and expenses**		
3.1	**Finance and dividend income**		
	Finance income on available-for-sale financial assets	**3**	66
	Finance income on financial assets at fair value through profit or loss	**–**	122
	Finance income from loans and receivables	**12 214**	21 280
	Dividend income on financial assets at fair value through profit or loss	**46**	12
		12 263	21 480
3.2	**Finance expenses**		
	Finance expense on interest-bearing borrowings	**4 187**	7 806
	Finance expense on trade and other payables	**512**	616
	Finance expense on bank overdraft	**563**	429
		5 262	8 851
4	**Other income**		
	Profit on disposal of available-for-sale financial assets	**–**	9
	Profit/(loss) on disposal of equipment	**6**	(131)
	Foreign exchange gains	**301**	1 176
	Revaluation of financial assets at fair value through profit or loss	**–**	307
	Gain on conversion of subsidiary to equity-accounted investee	**18 130**	–
	Other sundry gains	**2 970**	2 453
		21 407	3 814

		2011 R'000	2010 R'000
5	**Operating expenses**		
	are stated after taking into account:		
	Auditor's remuneration: audit fees		
	– current financial year	**1 670**	1 637
	– current year (borne by policyholders and investors in investment partnerships)	**154**	154
	– prior financial year	**1 788**	1 743
	Auditor's remuneration: fees for other services	**323**	1 029
	Depreciation	**6 150**	5 627
	Distribution expenses attributable to the group	**124 414**	78 355
	Fund administration services	**58 221**	47 651
	Information technology and communication costs	**24 337**	23 679
	Marketing expenses	**40 834**	39 476
	Operating lease payments	**11 326**	13 604
	Personnel expenses (including directors' emoluments)		
	– salaries and incentive compensation	**499 761**	376 393
	– provident fund contributions	**15 696**	12 841
	– social security costs	**2 733**	2 224
	– share-based payment expense	**4 856**	14 059

Distribution and fund administration services expenses are incurred as a result of trust and other fiduciary activities undertaken by certain entities within the group.

Details of the directors' remuneration and their interests are disclosed in the directors' report on pages 7 and 8 and in notes 6 and 21.

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 liability of the fund cannot exceed its assets. Other than ongoing contributions charged against income as incurred, the group has no further retirement benefit obligations.

6 Share-based payment expense

Share options

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

The date of exercise of the options was extended to the last business day in January 2010 in order to allow employees to exercise their accumulated unexercised options. After this date, all unexercised options expired.

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

The inputs into the model were as follows:

	18 December 2003
– Assumed employee turnover rate per annum	0%
– Expected volatility	30%
– Risk-free interest rate	8.8% – 9.2%
– Dividend yield	4.5%
– Expected life	3.5 – 4.5 years
– Subscription price (cents per share)	342
– Weighted average fair value at grant date (cents per share)	340
– Weighted average share price on options exercised during the year (cents per share)	N/A

	2011 Number	2010 Number
Details of options outstanding:		
18 December 2003		
Outstanding at beginning of year	**–**	253 334
Exercised during the year	**–**	(253 334)
Outstanding and exercisable at end of year	**–**	–

Share transactions

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

6 **Share-based payment expense (continued)**

Share transactions (continued)

1 February 2005

– Assumed employee turnover rate per annum	5%
– Number of shares	11 193 336
– Vesting period	31 January 2008 to 31 January 2010
– Closing share price on grant date (cents per share)	402
– Offer price (cents per share)	150
– Restriction on sale while employed	33.3%

1 April 2005

– Assumed employee turnover rate per annum	5%
– Number of shares	13 600 000
– Vesting period	15 April 2008 to 15 April 2010
– Closing share price on grant date (cents per share)	395
– Offer price (cents per share)	150
– Restriction on sale while employed	100%

	2011 Number	2010 Number
Details of number of shares held during the year		
At beginning of year	**24 987 782**	28 853 895
Exercised during the year	**(194 446)**	(3 866 113)
At end of year	**24 793 336**	24 987 782

The model outputs and the expense recognised are in respect of completed service adjusted for non-market vesting conditions and actual employee turnover.

B-BBEE transaction

Coronation established the Imvula Trust to facilitate its B-BBEE transactions. On 1 April 2005, the Imvula Trust acquired 10% of Coronation Investment Management (Pty) Limited from Coronation. The acquisition consideration amounted to R148 million and was funded by the issue of redeemable preference shares to a third-party financier. This consideration was based on a price per Coronation share of R3.85. The funding is guaranteed by Coronation. As a result, the Imvula Trust is consolidated into the group's financial statements and the accounting recognition of the disposal of such shares in the group financial statements is deferred until the funding, subject to the security of the equity sold, has been fully repaid.

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

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

– Assumed employee forfeiture rate per annum	5%
– Dividend yield	6.5%
– Fair value at grant date (cents per share)	385

	2011 R'000	2010 R'000
6 Share-based payment expense (continued)		
Expense charged to profit or loss		
Coronation Investments and Trading Limited transactions	–	2 290
B-BBEE transaction	4 856	11 881
Namibia share scheme	–	(112)
Total expense	**4 856**	14 059

Equity-based remuneration CIT transaction (Coronation shares)	Restricted balance 1 October 2010	Granted	Vested	Vesting date	Restricted balance 30 September 2011	Market value 30 September 2011 R'000
2011						
Hugo Nelson	833 335	–	–		**833 335**	16 667
Anton Pillay	208 334	–	(83 334)	1 January 2011	**125 000**	2 500
	Restricted balance 1 October 2009	**Granted**	**Vested**	**Vesting date**	**Restricted balance 30 September 2010**	**Market value 30 September 2010 R'000**
2010						
Hugo Nelson	1 388 890	–	(555 555)	1 February 2010	833 335	12 325
Anton Pillay	291 667	–	(83 333)	1 January 2010	208 334	3 081

Broad-based black economic empowerment schemes Imvula Trust (units)	Restricted balance 1 October 2010	Granted	Vested	Vesting date	Restricted balance 30 September 2011	Market value 30 September 2011 R'000	IFRS 2 charge R'000
2011							
Hugo Nelson	1 420 924	–	(237 037)	1 October 2010	**1 183 887**	20 043	384
Anton Pillay	753 850	–	(103 896)	1 October 2010	**649 954**	11 004	447
	Restricted balance 1 October 2009	**Granted**	**Vested**	**Vesting date**	**Restricted balance 30 September 2010**	**Market value 30 September 2010 R'000**	**IFRS 2 charge R'000**
2010							
Hugo Nelson	2 139 812	141 561	(860 449)	1 April 2010	1 420 924	15 701	1 050
Anton Pillay	912 289	141 561	(300 000)	1 April 2010	753 850	8 330	1 108

		2011 R'000	2010 R'000
7	**Income tax expense**		
	Taxation on shareholder profits		
	Current tax		
	South Africa		
	– current tax on profit or loss for the year	225 552	173 020
	– adjustments in respect of prior years	5 095	(6 190)
	International		
	– current tax on profit or loss for the year	16 073	12 109
	– adjustments in respect of prior years	(1 017)	266
		245 703	179 205
	Secondary tax on companies	54 261	31 330
	Total current tax	299 964	210 535
	Deferred tax		
	South Africa	(5 077)	(55)
	– origination and reversal of temporary difference	(5 077)	(55)
	International	(110)	(80)
	Total deferred tax	(5 187)	(135)
	Taxation on shareholder profits	294 777	210 400
	Taxation on policyholder investment contracts	19 518	34 583
	Income tax expense	314 295	244 983
	The rates of corporation tax for the relevant years are:		
	South Africa	28%	28%
	International (average)	26%	26%
	Profit from fund management before tax	918 627	650 776
	Taxation on shareholder profits	294 777	210 400
	Effective tax rate on profit from fund management	32%	32%

		2011 R'000	2010 R'000
7	**Income tax expense (continued)**		
	Reconciliation of taxation on shareholder profits		
	The tax charge on profit from fund management is different to the standard rate as detailed below:		
	Tax on profit from fund management before tax, at SA rate of 28%	**257 216**	182 217
	Effect of tax rates in foreign jurisdictions	**(9 891)**	(7 115)
	Share-based payment expense	**1 360**	3 937
	Secondary tax on companies	**54 261**	31 330
	Non-deductible expenses	**2 900**	5 966
	Non-taxable capital profit	**–**	(8)
	Tax exempt income	**(5 765)**	(3)
	Securities transfer tax	**44**	
	Under provided in prior years	**4 078**	(5 924)
	Deferred tax expense relating to the origination and reversal of temporary differences	**(9 426)**	–
	Taxation on shareholder profits	**294 777**	210 400
	Taxation on policyholder investment contracts		
	Current tax		
	South Africa		
	– current tax on profit or loss for the year	**23 417**	26 909
	Deferred tax		
	South Africa	**(3 899)**	7 674
	Taxation on policyholder investment contracts	**19 518**	34 583
	Income tax expense	**314 295**	244 983
8	**Earnings per share**		
	Basic earnings per share (cents)	**Cents**	Cents
	Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted number of ordinary shares in issue during the year.	**198.2**	138.9
		Number	Number
	Issued ordinary shares at beginning of year	**314 819 192**	314 565 858
	Effect of shares issued	**–**	167 270
	Weighted average number of ordinary shares in issue during the year	**314 819 192**	314 733 128
	Weighted average number of shares resulting from future dilutive ordinary shares arising from the black economic empowerment transaction	**34 693 147**	34 115 675
	Adjusted weighted number of ordinary shares potentially in issue	**349 512 339**	348 848 803
		R'000	R'000
	Earnings attributable to shareholders	**623 850**	440 376
	Non-controlling interest	**127**	(3 268)
	Earnings attributable to ordinary shareholders	**623 977**	437 108

	2011 Cents	2010 Cents
8 Earnings per share (continued)		
Diluted earnings per share (cents)		
Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the year plus the weighted average number of ordinary shares potentially in issue.	**181.3**	127.9
	R'000	R'000
Earnings attributable to shareholders	**623 977**	437 108
Interest on loan to Imvula Capital	**4 546**	5 599
Secondary tax on companies on Imvula preference shares	**5 104**	3 638
Diluted earnings attributable to ordinary shareholders	**633 627**	446 345

Headline earnings per share (cents)

Headline earnings per share has been calculated in accordance with circular 3/2009 issued by the South African Institute of Chartered Accountants

	Profit before tax R'000	Tax R'000	Non-controlling interest R'000	Earnings attributable to ordinary shareholders R'000	Per share Cents
2011					
Per the financial statements	**938 145**	**(314 295)**	**127**	**623 977**	**198.2**
Adjustments:					
– Loss on disposal of equipment	**(6)**	**1**	**–**	**(5)**	**–**
– Gain on conversion of subsidiary	**(18 130)**	**–**	**–**	**(18 130)**	**(5.8)**
Headline earnings	**920 009**	**(314 294)**	**127**	**605 842**	**192.4**
Diluted headline earnings				**633 627**	**176.1**
2010					
Per the financial statements	685 359	(244 983)	(3 268)	437 108	138.9
Adjustments:					
– Loss on disposal of equipment	131	(25)	1	107	–
– Profit on disposal of financial assets available for sale	(9)	2	–	(7)	–
Headline earnings	685 481	(245 006)	(3 267)	437 208	138.9
Diluted headline earnings				446 345	128.0

Dividends per share	**2011 Cents**	2010 Cents
Dividend distribution		
– interim	**80**	51
– final payable	**92**	76
Total dividend	**172**	127

		2011 R'000	2010 R'000
9	**Intangible assets and goodwill**		
	Goodwill – Cost less accumulated impairment	**1 087 772**	1 093 309
	Trademark – Cost less accumulated impairment	**–**	4 000
	At end of year	**1 087 772**	1 097 309

For the purposes of impairment testing, goodwill is considered in aggregate based on the cash-generating units of the group's fund management operations being Coronation Fund Managers Limited and Namibia Asset Management Limited (in 2010). The impairment tests were based on fair value less costs to sell, which is evidenced by way of reference to the traded share prices and the cash-generating ability of Coronation Fund Managers Limited and Namibia Asset Management Limited at reporting date.

The goodwill and trademark relating to the group's shareholding in Namibia Asset Management Limited were derecognised on conversion from subsidiary to associate effective 1 October 2010 (refer to note 11).

10 **Equipment**	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Leasehold improvements R'000	Total R'000
2011					
Cost					
At beginning of year	**25 896**	**11 608**	**4 349**	**1 118**	**42 971**
Additions	**5 309**	**466**	**598**	**792**	**7 165**
Disposals	**(955)**	**(187)**	**(152)**	**(25)**	**(1 319)**
Exchange adjustments	**180**	**104**	**21**	**308**	**613**
At end of year	**30 430**	**11 991**	**4 816**	**2 193**	**49 430**
Accumulated depreciation					
At beginning of year	**(21 926)**	**(4 381)**	**(1 984)**	**(687)**	**(28 978)**
Depreciation	**(2 938)**	**(1 928)**	**(851)**	**(433)**	**(6 150)**
Disposals	**704**	**186**	**7**	**54**	**951**
Exchange adjustments	**(159)**	**(68)**	**(32)**	**(155)**	**(414)**
At end of year	**(24 319)**	**(6 191)**	**(2 860)**	**(1 221)**	**(34 591)**
Net carrying value – 2011	**6 111**	**5 800**	**1 956**	**972**	**14 839**
2010					
Cost					
At beginning of year	23 430	11 537	4 831	3 040	42 838
Additions	3 014	392	464	593	4 463
Disposals	(413)	(227)	(892)	(2 337)	(3 869)
Exchange adjustments	(135)	(94)	(54)	(178)	(461)
At end of year	25 896	11 608	4 349	1 118	42 971
Accumulated depreciation					
At beginning of year	(20 108)	(2 671)	(2 109)	(2 455)	(27 343)
Depreciation	(2 337)	(1 937)	(800)	(553)	(5 627)
Disposals	411	181	875	2 230	3 697
Exchange adjustments	108	46	50	91	295
At end of year	(21 926)	(4 381)	(1 984)	(687)	(28 978)
Net carrying value – 2010	3 970	7 227	2 365	431	13 993

Included in disposals is an amount relating to conversion of Namibia Asset Management Limited from subsidiary to associate effective 1 October 2010 (refer to note 11).

	2011 R'000	2010 R'000
11 Investment in equity-accounted investee		
Analysis of the movement in our share of net assets:		
At beginning of year	–	–
Fair value on conversion from subsidiary to investment in equity-accounted investee	31 712	–
Share of profit from equity-accounted investee	2 365	–
Dividends received	(2 739)	–
Directors' valuation – unlisted investment in equity-accounted investee	31 338	–

Summary financial information of associate:

2011	Country	Ownership %	Assets R'000	Liabilities R'000	Equity R'000	Revenues R'000	Profit R'000
Professional Provident Society Investments (Pty) Limited	South Africa	49	7 400	24 438	(17 039)	25 524	1 711
Namibia Asset Management Limited	Namibia	48.05	13 102	4 002	9 100	23 206	2 365

2010	Country	Ownership %	Assets R'000	Liabilities R'000	Accumulated deficit R'000	Revenues R'000	Loss R'000
Professional Provident Society Investments (Pty) Limited	South Africa	49	4 049	22 799	(18 750)	12 560	(6 595)

Professional Provident Society Investments (Pty) Limited

The group's cumulative unrecognised share of losses amounts to R17 million at year-end (2010: R18.8 million). The financial year-end for Professional Provident Society Investments (Pty) Limited is 31 December. Revenue and profit per the table above represent 12 months to 30 September as reflected in the latest management accounts.

Namibia Asset Management Limited

Since 1 February 2007, Namibia Asset Management Limited was consolidated due to the fact that Coronation controlled its staff share trust by virtue of a preferential loan made to that trust in addition to holding 48.05% of its equity. However, on 1 October 2010, that loan was repaid, thereby resulting in the entity being converted from a subsidiary to an equity-accounted investee and it has therefore been equity-accounted from that date.

	Carrying value on date of conversion R'000
Assets	
Equipment	153
Trademark	4 000
Investments	4 550
Goodwill	5 537
Deferred taxation	2 225
Trade and other receivables	5 574
Cash and cash equivalents	7 349
Liabilities	
Intercompany loans	(3 690)
Accounts payable	(2 691)
	23 007
Derecognition of non-controlling interest	(9 425)
Net asset value on date converted to equity-accounted investee	13 582
Revaluation to fair value	18 130
Fair value on date of conversion	**31 712**

The net cash outflow as a result of the conversion from subsidiary to equity-accounted investee was R1.3 million.

	Assets 2011 R'000	Assets 2010 R'000	Liabilities 2011 R'000	Liabilities 2010 R'000	Net 2011 R'000	Net 2010 R'000
12 Deferred tax						
Deferred tax assets and liabilities are attributable to the following:						
Employee benefits	**7 628**	2 737	**–**	–	**7 628**	2 737
Tax loss	**–**	852	**–**	–	**–**	852
Equipment	**336**	1 361	**–**	–	**336**	1 361
Unrealised fair value adjustments on financial assets						
– shareholders	**105**	–	**–**	(50)	**105**	(50)
– policyholders	**–**	–	**(18 629)**	(22 528)	**(18 629)**	(22 528)
Net deferred tax assets/liabilities	**8 069**	4 950	**(18 629)**	(22 578)	**(10 560)**	(17 628)

Movement in temporary differences during the year	Balance 2010 R'000	Recognised in profit or loss R'000	Recognised in other compre-hensive income R'000	Foreign currency translation differences R'000	Released on conversion of subsidiary R'000	Balance 2011 R'000
Employee benefits	2 737	5 187	–	10	(306)	7 628
Tax loss	852	–	–	–	(852)	–
Equipment	1 361	–	–	42	(1 067)	336
Unrealised fair value adjustments on financial assets	(22 578)	3 899	155	–	–	(18 524)
	(17 628)	9 086	155	52	(2 225)	(10 560)

	Balance 2009 R'000	Recognised in profit or loss R'000	Recognised in other compre-hensive income R'000	Foreign currency translation differences R'000	Balance 2010 R'000
Employee benefits	3 406	(381)	–	(288)	2 737
Tax loss	185	667	–	–	852
Equipment	1 548	(151)	–	(36)	1 361
Unrealised fair value adjustments on financial assets	(14 810)	(7 674)	(94)	–	(22 578)
	(9 671)	(7 539)	(94)	(324)	(17 628)

		2011 R'000	2010 R'000
13	**Investments backing policyholder funds and investments held through investment partnerships**		
	Net fair value gains on policyholder and investment partnership financial instruments		
	Investment income	1 170 951	940 370
	Realised and unrealised gains on financial assets	615 767	2 663 396
	Increase in liabilities to policyholders and holders of redeemable interests in investment partnerships	(1 752 287)	(3 554 575)
		34 431	49 191
	Equities	14 267 910	11 877 000
	Mining	2 014 477	1 488 411
	Banks, insurance and financial services	2 661 028	1 589 565
	Industrial, retail and other sectors	9 464 448	8 690 520
	Unlisted investments	127 957	118 504
	Derivative financial instruments	14 973	11 642
	Real estate funds and property loan stock companies	1 128 596	628 629
	Interest-bearing stocks, debentures and other loans	6 228 051	4 592 100
	Deposits at financial institutions	4 452 159	3 831 716
	Domestic unit trusts	514 283	1 502 314
	Mutual funds	3 320 214	774 381
	International equities	309 192	122 963
	International bonds	1 174 215	173 968
	Trade and other receivables	246 591	266 585
	Trade and other payables	(357 055)	(100 007)
		31 299 129	23 681 291
	Investments at market value	31 171 172	23 562 787
	Unlisted equity investments at directors' valuation	127 957	118 504
		31 299 129	23 681 291
	Investments at book value	32 509 569	22 053 229
	Unrealised investment (losses)/gains	(1 210 440)	1 628 063
	Partnership trade receivables	267 050	249 671
	Balance at end of year	31 566 179	23 930 963
	Comprising:		
	Investments backing policyholder funds	30 022 621	21 997 999
	Investments held through investment partnerships	1 543 558	1 932 964
		31 566 179	23 930 963

2010 balances have been restated to disclose policyholder receivables and payables separately.

		2011 R'000	2010 R'000
14	**Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships**		
	Movement in financial liability:		
	Balance at beginning of year	23 908 436	19 189 670
		16 279 732	11 518 241
	Contributions from policyholders and investors	15 108 781	10 577 871
	Investment income	1 170 951	940 370
		(9 068 464)	(9 052 716)
	Withdrawals by policyholders and investors	(9 034 033)	(9 003 525)
	Operating expenses	(14 913)	(14 608)
	Taxation on policyholder investment contracts	(19 518)	(34 583)

	2011 R'000	2010 R'000
14 Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships (continued)		
Realised and unrealised net fair value gains on investments designated at fair value through profit or loss backing policyholder funds and holders of interest in investment partnerships	**615 767**	2 663 396
Movement in trade payables	**(224 887)**	(491 390)
Movement in short positions	**36 966**	81 235
Balance at end of year	**31 547 550**	23 908 436
Comprising:		
Liability to policyholders in respect of investment contracts	**30 003 992**	21 975 471
Liability to holders of redeemable interests in investment partnerships	**1 543 558**	1 932 964
Deferred tax liabilities	**18 629**	22 528
	31 566 179	23 930 963

The amount of cash placed as collateral in respect of borrowings amounts to R56 209 028 (2010: R175 235 496). This amount is recognised as a receivable by the investment partnerships. In addition to this, the investment partnerships have placed scrip as collateral amounting to R393 052 994 (2010: R56 980 888).

Policyholder liabilities are payable on demand.

15 Financial assets and financial liabilities

15.1 Accounting classifications and fair values

The table below sets out the group's classification of each class of financial assets and financial liabilities, and their fair values.

R'000	Note	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Carrying amount	Fair value
2011							
Cash and cash equivalents		–	**393 169**	–	–	**393 169**	**393 169**
Trade and other receivables		–	**242 450**	–	–	**242 450**	**242 450**
Investments backing policyholder funds	13	**30 022 621**	–	–	–	**30 022 621**	**30 022 621**
Investments held through investment partnerships	13	**1 543 558**	–	–	–	**1 543 558**	**1 543 558**
Investment securities	15.2	–	–	**28 467**	–	**28 467**	**28 467**
		31 566 179	**635 619**	**28 467**	–	**32 230 265**	**32 230 265**
Trading and other payables		–	–	–	**361 916**	**361 916**	**361 916**
Liability to policyholders in respect of investment contracts	14	**30 003 992**	–	–	–	**30 003 992**	**30 003 992**
Liability to holders of redeemable interest in investment partnerships	14	**1 543 558**	–	–	–	**1 543 558**	**1 543 558**
Interest-bearing borrowing	16	–	–	–	**42 800**	**42 800**	**42 800**
		31 547 550	–	–	**404 716**	**31 952 266**	**31 952 266**

15 Financial assets and financial liabilities (continued)

15.1 Accounting classifications and fair values (continued)

R'000	Note	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Carrying amount	Fair value
2010							
Cash and cash equivalents		–	300 638	–	–	300 638	300 638
Trade and other receivables		–	227 006	–	–	227 006	227 006
Investments backing policyholder funds	13	21 997 999	–	–	–	21 997 999	21 997 999
Investments held through investment partnerships	13	1 932 964	–	–	–	1 932 964	1 932 964
Investment securities	15.2	–	–	28 274	–	28 274	28 274
		23 930 963	527 644	28 274	–	24 486 881	24 486 881
Trading and other payables		–	–	–	337 759	337 759	337 759
Liability to policyholders in respect of investment contracts	14	21 975 471	–	–	–	21 975 471	21 975 471
Liability to holders of redeemable interest in investment partnerships	14	1 932 964	–	–	–	1 932 964	1 932 964
Interest-bearing borrowing	16	–	–	–	82 000	82 000	82 000
		23 908 435	–	–	419 759	24 328 194	24 328 194

	2011 R'000	2010 R'000
15.2 Investment securities		
Available-for-sale financial assets		
– Mutual funds and unit trusts	**28 467**	28 274

Details regarding financial investments required in terms of the Companies Act 71 of 2008 are kept at the company's registered office and this information will be made available to shareholders on written request.

16 Interest-bearing borrowing

	2011 R'000	2010 R'000
Balance at beginning of year	**82 000**	106 144
Capital repayment	**(39 200)**	(106 144)
Capital acquired	**–**	82 000
	42 800	82 000

The borrowing is in respect of the group's B-BBEE transaction.

In April 2010 the original loan was replaced with financing from another financial institution.

The terms of the new borrowing are as follows:
4 280 (2010: 8 200) cumulative redeemable floating-rate preference shares of 10 000 rands per share at a rate of 78% of prime.

16 **Interest-bearing borrowing (continued)**

Dividends are payable in May and November of each year. The preference shares are redeemable at the option of the company but by no later than April 2015 and are expected to be settled within the next financial year.

In terms of the company's articles of association, its borrowing powers are unlimited.

Covenants

For as long as the preference share facility is outstanding the following covenants, to be measured at the end of each financial year, must exist:

- The free cash flow of the group covers all interest/preference dividend obligations by 2.5 times and interest, preference dividend and capital repayments/redemptions by 1.5 times.
- Total group net borrowings (i.e. net of cash) are not to exceed R450 million without the consent of the lender. Borrowings include any guarantees or put options provided by the group.
- Coronation Investment Management (Pty) Limited (CIM) is to remain a subsidiary of Coronation and Coronation is to remain listed on the JSE.
- The group's management and staff shareholding in Coronation is not to fall below 10% (excluding the holding by Imvula Trust in CIM).

Repricing covenant

To the extent that earnings before interest, tax, depreciation and amortisation to interest/dividend service obligations ratio is less than 7.5 in any measurement period, the preference share pricing will increase to 80% of prime for the period that this covenant is in breach of.

Subsidiaries

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

	2011 R'000	2010 R'000
17 Share capital		
Authorised		
750 000 000 (2010: 750 000 000) ordinary shares of 0.01 (2010: 0.01) cent per share	**75**	75
Issued, allotted and fully paid	**Number**	Number
Number of ordinary shares		
At beginning of year	**314 819 192**	314 565 858
Issued during the year (refer note 6)	**–**	253 334
At end of year	**314 819 192**	314 819 192
	R'000	R'000
Nominal value of ordinary shares	**31**	31
Share premium	**255 876**	255 876

Unissued shares

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

18 Financial risk disclosures

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

This note represents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management and control are integral to the governance of the group as more fully explained in the integrated annual report.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the audit and risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The group audit and risk committee is responsible for monitoring compliance with the group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. The group audit and risk committee is assisted in these functions by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit and risk committee.

The market and credit risk associated with the financial assets held to back investment contract liabilities issued by a group company is borne in its entirety by policyholders. The liquidity risk associated with the company being contractually obligated to repay policyholders on demand, is managed through the investment composition of assets included in the policyholder portfolios and by contract with the policyholders. Such contracts mitigate the liquidity risk faced by the company and passes this on to policyholders in the event that substantial withdrawals require large scale disinvestment of the assets in these portfolios. The investment composition at 30 September is provided in note 13.

The assets held through limited liability investment partnerships which the group is deemed to control and which are therefore consolidated, are held to back the investors' interests in these partnerships. The financial assets within these investment partnerships are subject to a variety of financial risks all of which are borne by the investors into these partnerships. Fluctuations in the values of these assets directly impact the carrying value of the group's financial liabilities to the holders of redeemable interests in these partnerships. By virtue of the fact that these investment partnerships are permitted in terms of their investment mandates to use leverage in their investment strategies and the fact that certain companies in the group are the general partner to these partnerships, exposes the group to the residual risk of any shortfall in the net assets of the partnerships – refer note 13. This risk is considered remote and the resulting financial loss to the group would require the limited partners or investors into these partnerships to lose all of the capital they have contributed, together with investment returns earned.

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

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets which are subject to credit risk consist principally of cash and cash equivalents and receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

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

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

18 **Financial risk disclosures (continued)**

Credit risk (continued)

At the reporting date, the group's financial assets exposed to credit risk amounted to the following:

	Carrying amount 2011 R'000	2010 R'000
Investment securities	**28 467**	28 274
Trade and other receivables	**242 450**	227 006
Cash and cash equivalents	**393 169**	300 638
	664 086	555 918

The ageing of trade and other receivables at the reporting date was:

Not past due	**197 422**	165 335
Past due 0 – 30 days	**22 633**	30 633
Past due 31 – 120 days	**16 617**	24 379
Past due 121 – 365 days	**5 778**	6 659
Total	**242 450**	227 006

Normal credit terms on trade and other receivables are 30 days.

None of the trade receivables are considered to be impaired. Trade and other receivables have not been discounted as the impact of discounting is considered to be insignificant.

Capital adequacy

The group comprises financial services providers. As such the various operating entities in the group are subject to the financial services regulations in the jurisdictions in which they operate.

These are as follows:
- South Africa – Financial Services Board of South Africa (FSB)
- United Kingdom – Financial Services Authority (FSA)
- Ireland – Ireland Financial Services Regulatory Authority (IFSRA)
- Botswana – Bank of Botswana

All of these bodies have prescribed minimum capital requirements for financial service entities operating in their jurisdiction. As such, the group ensures ongoing compliance with these requirements.

Capital adequacy is ensured by means of compliance with the regulations set out above. All operating entities have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the group's management of capital during the period.

The capital structure of the group consists of long-term debt and equity. Long-term debt is comprised of interest-bearing long-term debt. Equity is comprised of share capital, share premium and distributable reserves less non-controlling interest.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

18 **Financial risk disclosures (continued)**

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

R'000	Carrying	Contractual	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
2011							
Non-derivative financial liabilities							
Interest-bearing borrowing	**42 800**	**(45 104)**	**(22 500)**	**(22 604)**	**–**	**–**	**–**
Trade and other payables	**361 916**	**(361 916)**	**–**	**–**	**–**	**–**	**–**
	404 716	**(407 020)**	**(22 500)**	**(22 604)**	**–**	**–**	**–**
2010							
Non-derivative financial liabilities							
Interest-bearing borrowing	82 000	(90 852)	(21 212)	(23 712)	(45 928)	–	–
Trade and other payables	337 759	(337 759)	(337 759)	–	–	–	–
	419 759	(428 611)	(358 971)	(23 712)	(45 928)	–	–

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

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

	2011 R'bn	2010 R'bn
Assets under management – by geographical region		
Fair value of assets under management – by geographical region		
Southern Africa	**224**	189
International	**23**	14
	247	203
Fair value of assets under management – by business segment		
Institutional	**170**	149
Retail	**54**	40
International	**23**	14
	247	203

As of 1 October 2010, assets under management included assets managed on behalf of Namibia Asset Management Limited. The 2010 figures have therefore been restated to include such assets.

The group earns an average revenue margin of 69 basis points on assets under management. In addition, expenses in respect of distribution, fund administration and communication costs as disclosed in note 5 are proportionately related to assets under management, and are incurred at an average rate of 9 basis points on assets under management.

18 **Financial risk disclosures (continued)**

Interest rate risk

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

R'000	Total	1 year or less	1 – 5 years	Non-interest-bearing
2011				
Assets				
Investment securities	**28 467**	**–**	**–**	**28 467**
Trade and other receivables	**242 450**	**–**	**–**	**242 450**
Cash and cash equivalents	**393 169**	**393 169**	**–**	**–**
	664 086	**393 169**	**–**	**270 917**
Liabilities				
Interest-bearing borrowing	**42 800**	**–**	**42 800**	**–**
Trade and other payables	**361 916**	**–**	**–**	**361 916**
	404 716	**–**	**42 800**	**361 916**
2010				
Assets				
Investment securities	28 274	–	–	28 274
Trade and other receivables	227 006	–	–	227 006
Cash and cash equivalents	300 638	300 638	–	–
	555 918	300 638	–	255 280
Liabilities				
Interest-bearing borrowing	82 000	–	82 000	–
Trade and other payables	337 759	–	–	337 759
	419 759	–	82 000	337 759

Cash balances earn interest at a rate of prime minus 4.5% per annum. Overdraft balances incur interest at a rate of prime minus 1.7% per annum.

18 Financial risk disclosures (continued)

Foreign currency risk

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

The following currency profile analyses the group's financial assets and liabilities according to the currencies in which they are held at 30 September 2011. The totals are then expressed in the equivalent rand amount (in thousands).

2011

Currency	ZAR	NAD	PULA	EUR	GBP	USD	Total
Exchange rate	1.0000	1.0000	1.0767	10.8116	12.5814	8.0395	
Assets							
Investment securities	**9 211**	**–**	**–**	**–**	**–**	**19 256**	**28 467**
Trade and other receivables	**201 092**	**–**	**2 082**	**25**	**3 602**	**35 649**	**242 450**
Cash and cash equivalents	**254 810**	**–**	**571**	**4 815**	**3 680**	**129 293**	**393 169**
	465 113	**–**	**2 653**	**4 840**	**7 282**	**184 198**	**664 086**
Liabilities							
Interest-bearing borrowing	**42 800**	**–**	**–**	**–**	**–**	**–**	**42 800**
Trade and other payables	**297 570**	**–**	**774**	**1 054**	**11 533**	**50 985**	**361 916**
	340 370	**–**	**774**	**1 054**	**11 533**	**50 985**	**404 716**

2010

Currency	ZAR	NAD	PULA	EUR	GBP	USD	Total
Exchange rate	1.0000	1.0000	1.0578	9.5098	10.9816	6.9821	
Assets							
Investment securities	7 613	4 550	–	–	–	16 111	28 274
Trade and other receivables	190 537	6 111	2 007	946	4 654	22 751	227 006
Cash and cash equivalents	191 824	7 349	104	1 690	4 482	95 189	300 638
	389 974	18 010	2 111	2 636	9 136	134 051	555 918
Liabilities							
Interest-bearing borrowing	82 000	–	–	–	–	–	82 000
Trade and other payables	304 823	2 235	1 102	4 081	4 986	20 532	337 759
	386 823	2 235	1 102	4 081	4 986	20 532	419 759

18 **Financial risk disclosures (continued)**

Foreign currency risk (continued)

Sensitivity analysis

A 10% strengthening of the rand against the following currencies at 30 September would have increased (decreased) equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

2011	Equity R'000	Profit or loss R'000
PULA	**–**	**(188)**
EUR	**–**	**(379)**
GBP	**–**	**425**
USD	**(1 926)**	**(11 396)**
2010	Equity	Profit or loss
PULA	–	(101)
EUR	–	145
GBP	–	(415)
USD	(1 611)	(9 741)

A 10% weakening of the rand against the above currencies at 30 September 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain the same.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

R'000	Level 1	Level 2	Level 3	Total
2011				
Investments backing policyholder funds and investments held through investment partnerships	**27 185 726**	**3 645 084**	**–**	**30 830 810**
Investment securities	**19 266**	**–**	**9 201**	**28 467**
	27 204 992	**3 645 084**	**9 201**	**30 859 277**
Policyholder and investment partnership liabilities	**27 119 693**	**3 692 488**	**–**	**30 812 181**
2010				
Investments backing policyholder funds and investments held through investment partnerships	20 317 049	3 039 918	–	23 356 967
Investment securities	20 669	–	7 605	28 274
	20 337 718	3 039 918	7 605	23 385 241
Policyholder and investment partnership liabilities	20 262 909	3 071 531	–	23 334 440

Cash balances have not been included in level 1 in the current year and accordingly the 2010 balances have been restated.

During the financial year ended 30 September 2011 there were no transfers of financial assets available-for-sale between the levels. Level 3 investments, which comprise unlisted private equity investments, arose during the current financial year, have not been revalued and are carried at initial cost. No gain or loss has been recognised as initial cost approximates fair value.

	2011 R'000	2010 R'000
19 Commitments and contingent liabilities		
Operating lease commitments		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	10 666	9 525
Between one and five years	35 292	43 165
More than five years	3 863	4 449
	49 821	57 139

Future sublease payments expected to be received under non-cancellable subleases amount to R5 742 065 as at 30 September 2011.

At 30 September 2011, the group was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 7% and 11% per annum.

Guarantees

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

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

The group has also committed to investing R50 million in the Trinitas Private Equity Partnership of which R9.2 million has already been invested at the reporting date.

The funding of the Imvula transaction was guaranteed by Coronation. Please refer to note 6.

South African Revenue Service (SARS) review

From time to time, in common with other organisations, companies within the group are subject to review by SARS. Presently, our Life and Asset Management companies are subject to such a review; however, the board is confident of the company's position and is of the view that the possibility of any loss being incurred is remote and not capable of reliable estimation.

20 Related parties

Identity of related parties

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

Transactions with key management personnel

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

Key management compensation

	2011 R'000	2010 R'000
Short-term remuneration	121 656	92 816
Long-term remuneration	117 482	89 962
Share-based payment	1 570	5 854
Total	240 708	188 632

The 2010 balances have been restated to include units in the CFM Bonus Pool Trust allocated to individuals at 30 September 2010.

20 Related parties (continued)

Key management compensation (continued)

Key management compensation excludes fees paid to non-executive directors for services rendered as directors. Fees paid to non-executive directors are disclosed on page 8.

Other related party balances at year-end

Loans from related parties (refer note 21).
Share transactions with employees and Coronation Investments and Trading Limited (refer note 6).

Director's interest in share capital emoluments (refer to directors' report).

Deferred bonuses

Executive directors	2011 R'000	2010 R'000
Hugo Nelson	**7 463**	2 664
Anton Pillay	**4 333**	812
	11 796	3 476

Director's payments include deferred bonuses from prior years that have vested in the current year. The deferred bonuses were invested in a combination of Coronation shares and Coronation unit trusts in previous years. In the current year the directors disclosed deferred bonus payments have been enhanced by significant gains that have been achieved in the mark to market of those investments.

21 Principal subsidiary and associate companies

Company (% of equity capital held)	Country of incorporation	Functional currency	Issued share capital	Indebtedness (to)/from 2011 R'000	Indebtedness (to)/from 2010 R'000
Coronation Fund Managers Limited					
90 Coronation Investment Management (Pty) Limited (Holding company of operating subsidiaries)	South Africa	ZAR	100	**749 070**	238 629
100 Coronation Asset Management (Pty) Limited (Investment management company)	South Africa	ZAR	250 000	**(856 181)**	(313 645)
100 100 Coronation Management Company Limited (Collective investment schemes management company)	South Africa	ZAR	2 000 000	**(67 000)**	(67 000)
100 100 Coronation Life Assurance Company Limited (Long term insurance company)	South Africa	ZAR	300		–
100 CFM (Isle of Man) Limited (Holding company of the international subsidiaries)	British Virgin Islands	USD	20 000		–
100 Coronation International Limited (Investment management company)	United Kingdom	GBP	1 000 000		–
100 Coronation Global Fund Managers (Ireland) Limited (Collective investment schemes management company)	Ireland	USD	136 538		–

21 Principal subsidiary and associate companies (continued)

Company (% of equity capital held)		Country of incorporation	Functional currency	Issued share capital	Indebtedness (to)/from 2011 R'000	Indebtedness (to)/from 2010 R'000
100	Coronation Investment Services (Pty) Limited (Investment management company)	South Africa	ZAR	10		–
51	Coronation Fund Managers (Botswana) (Pty) Limited formerly Bojammogo (Pty) Limited (Investment management company)	Botswana	PULA	2 000 000		–
48.05	Namibia Asset Management Limited (Investment Management Company)	Namibia	NAD	2 000 000		–
49	Professional Provident Society Investments (Pty) Limited (Investment management company)	South Africa	ZAR	200	**16 990**	16 500
	Imvula Trust*	South Africa	ZAR		**(147 176)**	(147 176)

All transactions with related parties occur on an arm's length basis. All balances other than the amount owing from Professional Provident Society Investments (Pty) Limited and the Imvula Trust are interest-free, unsecured and repayable on demand.

Intercompany loans arise as a result of transactions such as dividend payments and other cash requirements of the various group entities, as cash management is conducted on a group basis.

The group has no equity interest in the following entities, which are consolidated based on control:
– Imvula Trust*
– Imvula Capital (Pty) Limited
– Coronation Granite Fixed Income Fund
– Coronation Multi-Strategy Arbitrage Fund
– Coronation Presidio Fund

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

	2011 R'000	2010 R'000
Profit	**624 108**	466 515
Losses	**(258)**	–
Total	**623 850**	466 515

22 Note to the consolidated statement of cash flows

Non-cash and other adjustments		
Deferred tax – policyholder funds	**3 898**	(7 673)
Depreciation	**6 150**	5 627
Finance expense	**5 262**	8 851
Finance and dividend income	**(12 263)**	(21 480)
Gain on disposal of financial assets	**–**	(316)
(Gain)/loss on disposal of equipment	**(6)**	131
Share of profit of equity-accounted investees	**(2 365)**	–
Share-based payment expense	**4 856**	14 059
Gain on conversion of subsidiary to equity-accounted investee	**(18 130)**	–
Total	**(12 598)**	(801)

Company statement of comprehensive income

for the year ended 30 September 2011

	Note	2011 R'000	2010 R'000
Financial income		**561 530**	392 238
Dividend income from subsidiaries		**561 484**	391 778
Finance income	b	**46**	460
Operating expenses		**(2 257)**	(2 490)
Finance expense	b	**(51 044)**	(36 396)
– Imvula Trust		**(51 044)**	(36 377)
– other		**–**	(19)
Income before tax		**508 229**	353 352
Income tax expense	c	**(48 942)**	(24 090)
Profit for the year		**459 287**	329 262
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		**1 640 209**	2 234 019
Total comprehensive income for the period		**2 099 496**	2 563 281

Company statement of financial position

as at 30 September 2011

	Note	2011 R'000	2010 R'000
Assets			
Investment in subsidiary	d	**6 296 384**	4 656 175
Amount due from group company	f	**749 070**	238 629
Income tax receivable		**19**	
Cash and cash equivalents		**221**	204
Total assets		**7 045 694**	4 895 008
Liabilities			
Liability to Imvula Trust	e	**147 176**	147 176
Loan from group company	f	**923 181**	380 645
Income tax payable		**–**	169
Trade and other payables		**139**	198
Total liabilities		**1 070 496**	528 188
Net assets		**5 975 198**	4 366 820
Equity			
Share capital and premium	g	**756 686**	756 686
Retained earnings		**678 678**	710 509
Revaluation reserve		**4 539 834**	2 899 625
Total equity		**5 975 198**	4 366 820

Company statement of changes in equity

for the year ended 30 September 2011

R'000	Share capital	Share premium	Retained earnings	Revaluation reserve	Total equity
Balance at 30 September 2009	31	755 787	658 194	665 606	2 079 618
Total comprehensive income for the year					
Profit for the year	–	–	329 262	–	329 262
Other comprehensive income					
Revaluation of financial assets available-for-sale	–	–	–	2 234 019	2 234 019
Total comprehensive income for the period	–	–	329 262	2 234 019	2 563 281
Transactions with owners recorded directly to equity					
Dividends paid	–	–	(276 947)	–	(276 947)
Shares issued	–	868	–	–	868
Total transactions with owners	–	868	(276 947)	–	(276 079)
Balance at 30 September 2010	31	756 655	710 509	2 899 625	4 366 820
Total comprehensive income for the year					
Profit for the year	**–**	**–**	**459 287**	**–**	**459 287**
Other comprehensive income					
Revaluation of financial assets available-for-sale	**–**	**–**	**–**	**1 640 209**	**1 640 209**
Total comprehensive income for the period	**–**	**–**	**459 287**	**1 640 209**	**2 099 496**
Transactions with owners recorded directly to equity					
Dividends paid	**–**	**–**	**(491 118)**	**–**	**(491 118)**
Shares issued	**–**	**–**	**–**	**–**	**–**
Total transactions with owners	**–**	**–**	**(491 118)**	**–**	**(491 118)**
Balance at 30 September 2011	**31**	**756 655**	**678 678**	**4 539 834**	**5 975 198**

Company statement of cash flows

for the year ended 30 September 2011

	2011 R'000	2010 R'000
Cash flows from operating activities		
Profit for the year	**459 287**	329 262
Non-cash and other adjustments	**99 940**	60 026
Income tax expense	**48 942**	24 090
Interest paid	**51 044**	36 396
Interest received	**(46)**	(460)
Operating profit before changes in working capital	**559 227**	389 288
Working capital changes	**32 036**	(53 207)
Increase in amount due from group company	**(510 441)**	(236 669)
Increase in trade payables and loan from group company	**542 477**	183 462
Cash generated from operations	**591 263**	336 081
Interest paid	**(51 044)**	(36 396)
Interest received	**46**	460
Income taxes paid	**(49 130)**	(24 109)
Net cash from operating activities	**491 135**	276 036
Cash flows from investing activities	**–**	–
Cash flows from financing activities	**(491 118)**	(276 079)
Shares issued	**–**	868
Dividends paid	**(491 118)**	(276 947)
Net increase/(decrease) in cash and cash equivalents	**17**	(43)
Cash and cash equivalents at beginning of year	**204**	247
Cash and cash equivalents at end of year	**221**	204

Notes to Coronation Fund Managers Limited company accounts
for the year ended 30 September 2011

a **Accounting policies**

Statement of compliance

The company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the IASB together with the Companies Act 71 of 2008 in South Africa.

Basis of preparation

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

The accounting policies set out on pages 12 to 21 have been applied consistently to all periods presented in these financial statements.

b **Finance income and expenses**

	2011 R'000	2010 R'000
Finance income		
Finance income on cash and cash equivalents	46	460
	46	460
Finance expenses		
Finance expense on interest-bearing borrowings	51 044	36 377
Finance expense on trade and other payables	–	19
	51 044	36 396

		2011 R'000	2010 R'000
c	**Income tax expense**		
	Current tax		
	South Africa		
	– current tax on income for the year	**10**	128
	– adjustments in respect of prior years	**(180)**	(3 733)
		(170)	(3 605)
	Secondary tax on companies	**49 112**	27 695
	Total income tax expense	**48 942**	24 090
	The standard rate of corporation tax for the year is:	**28%**	28%
	Profit before tax	**543 069**	353 352
	Tax on profit	**48 942**	24 090
	Effective tax rate	**9%**	7%
	The tax charge for the year is different to the standard rate as detailed below:		
	Tax on profit before tax, at SA rate of 28%	**152 059**	98 939
	Secondary tax on companies	**49 112**	27 695
	Non-deductible expenses	**14 922**	10 887
	Tax exempt revenues	**(166 971)**	(109 698)
	Overprovided in prior years	**(180)**	(3 733)
	Total income tax expense for the year	**48 942**	24 090
d	**Investment in group companies**		
	Investment in subsidiary		
	Unlisted shares		
	– at cost	**1 756 550**	1 756 550
	– revaluation adjustment	**4 539 834**	2 899 625
	Investment in subsidiary at market value	**6 296 384**	4 656 175

		2011 R'000	2010 R'000
e	**Liability to Imvula Trust**		
	The Imvula Trust	**147 176**	147 176

The liability to the Imvula Trust is the result of the company's participation in the group's B-BBEE transaction. This liability will be settled through the delivery of Coronation Investment Management (Pty) Limited shares or the issue of Coronation shares at the election of the company.

Refer to note 6 of the group annual financial statements for further details.

f Loan to and from group companies
These loans are unsecured, not subject to interest and payable or repayable on demand.

g Share capital
The company's share capital is detailed in note 17 of the group accounts.

h Commitments
The company's commitment in terms of the B-BBEE transaction is detailed in note 6 of the group accounts.

i Related parties
Details of related parties are disclosed in notes 20 and 21 to the consolidated financial statements.

j Financial risk disclosure
Price risk
The company is exposed to price risk through investment in subsidiaries that are carried at fair value. The fair value of the investments in subsidiaries is primarily determined by reference to the listed price of Coronation Fund Managers Limited shares. Movements in the listed price of Coronation Fund Managers Limited shares will impact the fair value movements in the financial statements of Coronation Fund Managers Limited in other comprehensive income. A reasonable possible change of 10% (2010: 10%), with other variables held constant, could lead to an increase or decrease of R630 million (2010: R466 million) in the fair value of the investments in the subsidiaries with a corresponding movement in other comprehensive income.

Credit risk
The company is exposed to credit risk through the amount receivable from subsidiaries and cash and cash equivalents. No financial assets are past due or impaired at the reporting date.

Liquidity risk
The liability to the Imvula Trust (refer to note e) is expected to be settled within the next financial year due to the fact that the loan used to finance the group's B-BBEE transaction is expected to be settled within the next financial year.

Analysis of shareholders

Distribution of shareholders	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 673	28.12	934 887	0.30
1 001 – 10 000 shares	3 146	52.87	12 629 679	4.01
10 001 – 100 000 shares	871	14.64	24 949 470	7.93
100 001 – 1 000 000 shares	210	3.53	70 981 355	22.55
1 000 001 shares and over	50	0.84	205 323 801	65.22
	5 950	100	314 819 192	100

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks	36	0.61	34 893 093	11.08
Brokers	29	0.49	7 647 596	2.43
Close corporations	71	1.19	878 061	0.28
Endowment funds	33	0.55	1 397 672	0.44
Individuals	4 408	74.07	23 154 262	7.35
Insurance companies	17	0.29	8 199 583	2.60
Investment companies	18	0.31	38 509 458	12.24
Medical aid schemes	6	0.10	662 341	0.21
Mutual funds	151	2.54	79 276 820	25.19
Nominees and trusts	825	13.87	21 129 251	6.71
Other corporations	59	0.99	342 567	0.11
Pension funds	104	1.75	29 156 765	9.26
Private companies	87	1.46	1 792 614	0.57
Public companies	10	0.17	1 155 196	0.37
Staff holdings	96	1.61	66 623 913	21.16
	5 950	100	314 819 192	100

Public/non-public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	97	1.63	101 108 974	32.12
Directors*	6	0.10	12 491 703	3.97
Strategic holdings (more than 10%)	1	0.02	34 485 061	10.95
Shares held by staff	90	1.51	54 132 210	17.19
Public shareholders	5 853	98.37	213 710 218	67.88
	5 950	100.00	314 819 192	100.00

** Includes directors of subsidiaries*

Analysis of shareholders continued

Geographical ownership	Number of shareholders	%	Number of shares	%
South Africa	5 717	96.08	275 724 868	87.58
International	233	3.92	39 094 324	12.42
	5 950	100.00	314 819 192	100.00

Shareholders with beneficial interest of 5% or more in shares	Number of shares	%
Coronation Investments and Trading Limited	34 485 061	10.95
Louis Stassen	16 686 305	5.30

Shareholders' diary and corporate information

Annual general meeting — Thursday, 26 January 2012 at 10:00

Share code: Ordinary shares: CML — ISIN number: ZAE000047353

Board of directors

Shams Pather (independent non-executive chairman)
Hugo Nelson (chief executive officer)
Judith February
Jock McKenzie
Alexandra Watson
Anton Pillay

Transfer secretaries

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

Postal address

PO Box 61051
Marshalltown 2107

Company secretary

John Snalam

Registered office

7th Floor, MontClare Place
Cnr Campground and Main Roads
Claremont 7708
Cape Town

Postal address

PO Box 44684
Claremont 7735
Cape Town

Auditors

Ernst & Young Inc.
35 Lower Long Street
Cape Town 8001

Postal address

PO Box 656
Cape Town 8000

CAPE TOWN	7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont 7708 PO Box 44684, Claremont 7735 Telephone: +27 (0)21 680 2000 Fax: +27 (0)21 680 2100
JOHANNESBURG	1st Floor, Unit 7B, 3 Melrose Boulevard, Melrose Arch 2196 PO Box 652643, Benmore 2010 Telephone: +27 (0)11 328 8200 Fax: +27 (0)11 684 2187
PRETORIA	1st Floor, Block 4, The Boardwalk Office Park, Eros Street, Faerie Glen 0043 Postnet Suite 502, Private Bag X18, Lynnwood Ridge 0040 Telephone: +27 (0)12 990 9040 Fax: +27 (0)12 991 6079
DURBAN	Unit 7, Rydall Vale Park, Douglas Saunders Drive, La Lucia Ridge 4320 Telephone: +27 (0)87 354 0508 Fax: +27 (0)31 566 7038
GABORONE	1st Floor, Exchange House, Plot 64511, Fairgrounds, Gaborone, Botswana Postnet Kgaleview, Private Bag 00480, Suite 44, Gaborone, Botswana Telephone: +267 (0)390 0152/202/257 Fax: +267 (0)390 0267
LONDON	7th Floor, St Albans House, 57–59 Haymarket, London, SW1Y 4QX United Kingdom Telephone: +44 (0)207 389 8840 Fax: +44 (0)207 389 8899
DUBLIN	11 Central Hotel Chambers, Dame Court, Dublin 2, Ireland Telephone: +353 (0)1 674 5413 Fax: +353 (0)1 674 5411