

INTEGRATED ANNUAL REPORT
2011



CORONATION 
FUND MANAGERS



Scope of the report

This is our first integrated annual report, compiled in a manner that aims to provide all stakeholders with a complete and informed view of how we create value, both now and into the future. Guided by the King Report on Governance for South Africa 2009 (King III) this report includes the business strategy, objectives, performance and activities of Coronation Fund Managers and all its subsidiaries and associates.

The board of directors is satisfied with the content of this report, of which the group's abridged financials form part.

The full set of our annual financial statements can be found on the investor relations section of our website, www.coronation.com.

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Business overview

Vision

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

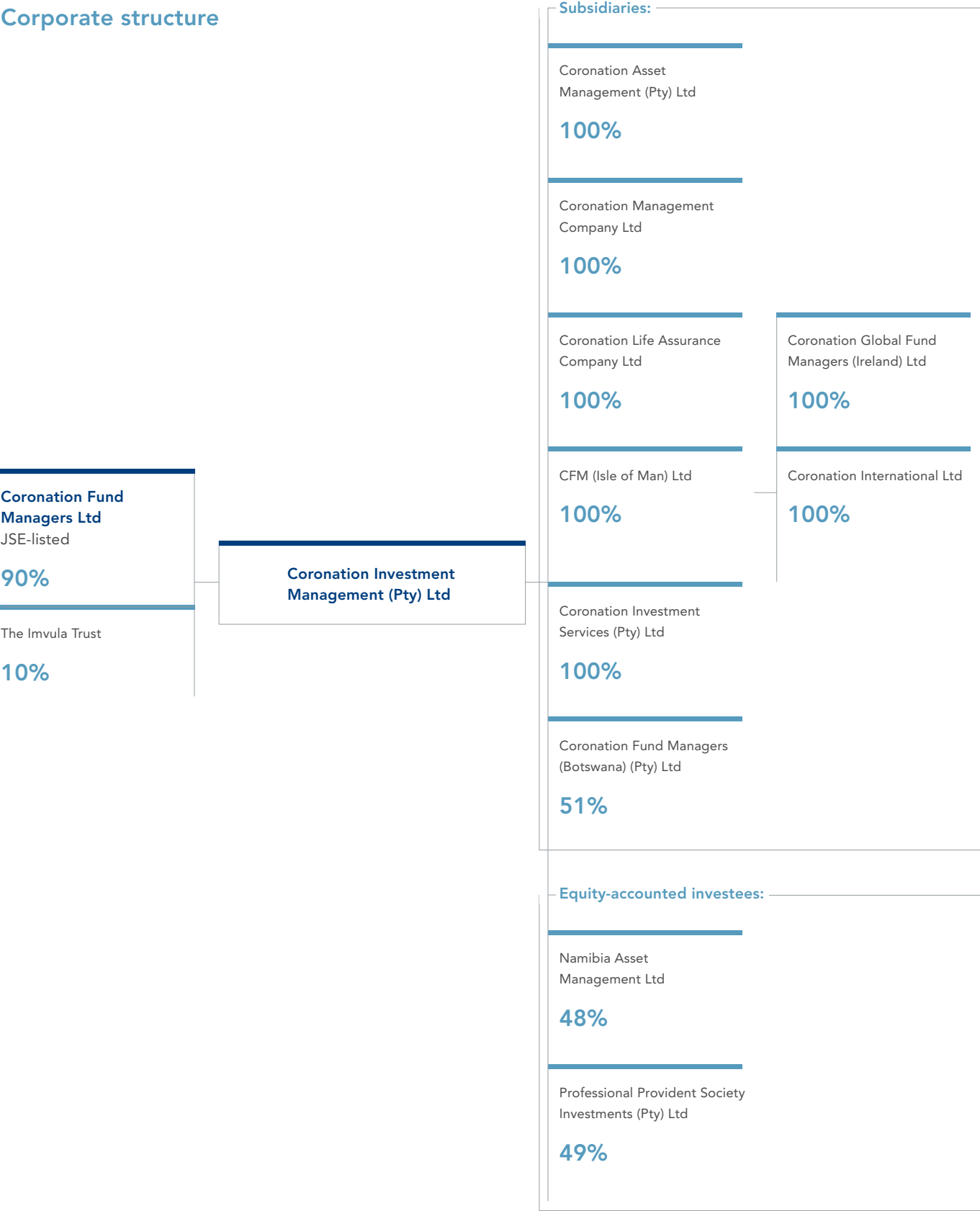
What we do

We are an independent investment business focused on the long term, with a strong culture of staff ownership and entrepreneurial flair.

Our people are independent thinkers with shared values and the ability to achieve with passion and energy. With a singular focus on fund management, we strive to be the best in all we do.



Corporate structure



Values

- know that without our clients we have no business
- act with integrity, transparency and professionalism
- work as a team – everyone's contribution is important
- own the bottom line
- live the culture
- everyone is accountable
- follow guidelines, not rules
- always question and search for new ideas
- achieve with passion and energy (we create the environment that enables individuals to exceed their own expectations)
- be proud of Coronation



Client charter

We strive to always put our clients first

We have an unwavering commitment to the long term

We focus on producing top performance over all meaningful periods

We are uncompromising about ethics

Business model

At the heart of the organisation is a single global investment team and process, which is fully integrated with risk management and corporate governance. The board oversees all group operations. The business is managed to meet the investment needs of institutional and retail clients and employs best practice in client service. We have no affiliated distribution channels which enables us to build strong relationships with financial advisors, consultants and clients. We pursue a return objective and are not asset gatherers.

Our major stakeholders are clients, staff, intermediaries, government institutions and shareholders. Revenue is generated from our ability to add value to the assets that we manage, which informs both our employee remuneration structure and dividend distribution policy. This we believe ensures that our stakeholders' objectives are aligned.



At a glance

Founded in 1993

Best Large Fund House – 2011 Morningstar South Africa Awards

29% of our business is staff-owned

50 Morningstar Fund Awards for individual fund performances

A client-centred business

Only listed pure asset manager on the JSE

10% of our business is owned by the Imvula Trust,
our B-BBEE partner

Recipient of the ABSIP Eric Molobi Most Progressive
Company Award for 2007

Best Africa Manager of the Year – 2010 Africa Investor
Index Series Awards

Superior investment performance track record

Strength of philosophy and process

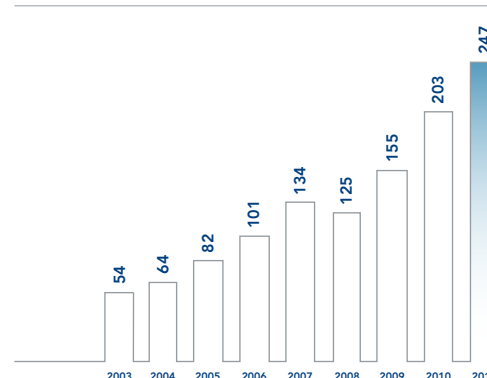
First to introduce absolute products to the South African
market in 1999

First asset manager in South Africa to gain GIPS® compliance

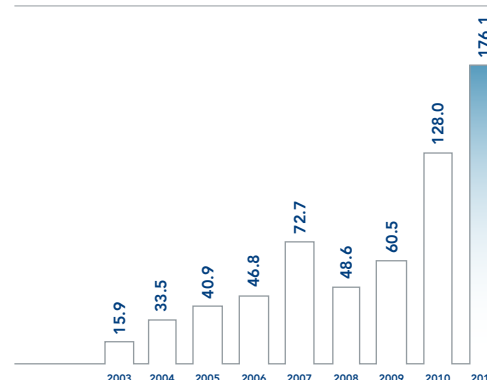
B-BBEE status level IV

Offices in Cape Town, Johannesburg, Pretoria, Durban,
Gaborone, Windhoek, London and Dublin

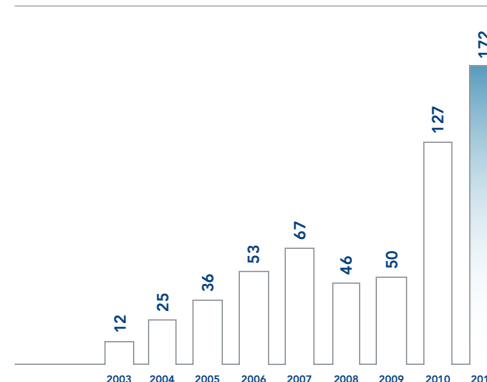
Assets under management (R billion)



Diluted headline earnings (cents)



Distribution per share (cents)



Financial highlights

for the year ended 30 September 2011

	2011	2010	2009	2008	2007
Clients					
Assets under management					
Opening market value (Rbn)	203.0	155.0	125.0	134.0	101.4
Net flows (Rbn) ¹	30.4	17.5	8.8	(3.9)	1.5
Capital appreciation/(depreciation) (Rbn)	13.6	30.5	21.2	(5.1)	31.1
Closing market value (Rbn)	247.0	203.0	155.0	125.0	134.0
Shareholders					
Shareholders' equity	1 392	1 249	1 084	995	1 013
Shares in issue	314 819	314 819	314 566	315 774	320 733
Weighted average shares in issue (thousand)	314 819	314 733	315 100	321 081	348 894
Net asset value per share (cents)	442.0	396.8	344.6	315.0	315.8
Headline earnings per share (cents)	192.4	138.9	66.4	52.9	79.6
Diluted headline earnings per share (cents)	176.1	128.0	60.5	48.6	72.7
Dividend distribution per share (cents)	172.0	127.0	50.0	46.0	47.0
Capital distribution per share (cents)	–	–	–	–	20.0
Financial summary					
Total revenue (Rm) ²	1 760	1 316	851	818	1 008
Fee revenue (Rm) ²	1 726	1 291	842	804	962
Financial income (Rm)	34	25	9	14	46
Operating expenses (Rm) ²	838	657	502	525	564
Profit from fund management activities (Rm)	919	651	325	277	432
Cost-to-income ratio (excluding IFRS 2) (%) ²	47.7	49.5	59.3	62.1	53.2
Cash flow from operating activities (Rm)	614	488	211	97	354
Market information					
Volume of shares traded (million)	143	82	87	122	121
Volume of shares traded (Rm)	2 603	857	486	762	992
Closing share price (cents)	2 000	1 479	770	575	867
Number of employees ³	201	189	181	174	169

¹ Net flows in 2010 include R5 billion of assets managed on behalf of Namibia Asset Management Ltd (NAM) which flow arises due to the revision of the management agreement with NAM.

² Revenue, expenses and cost-to-income ratios in 2010 and 2011 have been affected by the reclassification of commissions collected in an agency capacity. Please refer to note 2 to the condensed consolidated financial statements under 'Financial performance'.

³ Number of employees includes all subsidiary companies. Prior years have been adjusted to reflect Namibia Asset Management Ltd no longer being a subsidiary.



Board of directors



Anton Pillay
Chief operating officer

Jock McKenzie
Independent non-executive director

Anton Pillay

Chief operating officer, 41
BBusSc, CA(SA), CFA, AMP (Harvard)

Anton joined Coronation from BoE (Pty) Limited in January 2006. During his career with BoE/Nedbank he held a number of key positions and directorships, including assistant general manager of the private bank, general manager of investments and head of banking. He has extensive knowledge and experience of the investment and banking industry. Anton was appointed to the board in June 2009.

Jock McKenzie

Independent non-executive director, 64
BSc (ChemEng), MA (Lancaster)

Jock is a member of the boards of Sappi and Wesgro and is the chair of the business-led initiative Accelerate Cape Town. He also chairs the board of trustees of the University of Cape Town Foundation. He has held several senior executive positions globally and in South Africa. In 1999 he was appointed chairman and chief executive officer of the Caltex Corporation, and served as president for Asia, Middle East and Africa Products of the Chevron Texaco Corporation from October 2001 to January 2004. Jock was appointed to the board in May 2009.

Alexandra Watson

Independent non-executive director, 55
BCom (Hons), CA(SA)

Alexandra is a professor at the University of Cape Town, where she is the co-ordinator of teaching and learning in the department of accounting. She chairs the accounting practices committee, the technical accounting committee of SAICA and is a member of the Financial Reporting Investigations Panel. Alexandra is on the University of Cape Town's finance committee and was an independent director of Coronation Investments and Trading Limited and chair of its audit committee for a number of years. She chairs the council of Herschel Girls School. Alexandra was appointed to the board in May 2008.



Board of directors continued



Alexandra Watson
Independent non-executive director

Hugo Nelson
Chief executive officer

Judith February
Independent non-executive director

Shams Pather
Independent non-executive chairman

Hugo Nelson

Chief executive officer, 41
MBChB, MBA (Oxon), CFA

Hugo was appointed chief executive officer in November 2007. He joined Coronation in 1999 as part of the investment team, initially as an equity analyst and later as a portfolio manager responsible for large institutional client portfolios and unit trust assets. Hugo is a medical doctor, Oxford University MBA graduate and holds a CFA.

Judith February

Independent non-executive director, 40
BA (Law), LLB, LLM

Judith is head of the Political Information and Monitoring Service at the Institute for Democracy in South Africa (IDASA). She obtained her BA (Law) and LLB degrees from the University of Cape Town and practised law in Cape Town until 2000, the same year in which she obtained her LLM in Commercial Law (University of Cape Town). Judith joined IDASA in June 2000. Her column 'Between the Lines' appears fortnightly in the *Cape Times* and she is a regular media analyst on South African politics. She is the co-editor of 'Testing democracy: Which Way is South Africa heading?', IDASA (2010). Judith was appointed to the board in August 2008.

Shams Pather

Independent non-executive chairman, 61
BBusSc, BCom (Hons), MBA

Shams was appointed chairman of the board in March 2009. He has more than 30 years experience in the asset management industry. From 1974 to 2003 he worked at Norwich Union, Colonial Mutual Life Assurance, Southern Life and Real Africa Asset Management. Directorships include Oceana Group Limited, Lungisa Industrial (Pty) Limited, Lungisa Technologies (Pty) Limited, Lungisa Investment Holdings (Pty) Limited, Centre for Proteomics and Genomics Research and Kagiso Tiso Holdings (Pty) Limited. Shams is also a member of the UCT Joint Investment Council.



Chairman's statement



Shams Pather Chairman

Despite extreme volatility across markets, Coronation again delivered excellent results for the year to 30 September 2011. While emerging markets sold off substantially in the second half of the year with the MSCI Emerging Markets Index declining by 23.3% and 15.9% for the year in US dollar terms, the FTSE/JSE All Share Index managed to return 3.6% in local currency for the year. The MSCI World Index recorded -3.8% (in US dollar terms) and the rand tumbled 20% against the US dollar in the final quarter to close at R/\$8.09.

The markets were plagued by a series of shocks that eventually dragged investor confidence into the abyss. The financial crisis of 2008 took nine months to reach the levels of volatility that in August took just six or seven trading days. The world is in a balance sheet recession. The sovereign debt levels of many developed countries are at unsustainable heights relative to gross domestic product. The consequent drag on growth is being experienced in the more healthy economies, particularly China. Despite zero interest rates, massive fiscal deficits and unprecedented use of unconventional tools such as quantitative easing, the global economic recovery is faltering. Financial markets have become increasingly volatile as investors react to breaking news and failed attempts of policymakers to deal decisively with the sovereign debt crisis in Europe.

Despite this backdrop, the business continued to produce outstanding long-term investment performance and attracted significant flows. The defining feature of our investment philosophy is our focus on finding long-term value; designed to eradicate short-term noise and take the long-term view that produces solid returns for clients.

Assets under management increased by 21% to R247 billion (September 2010: R203 billion) on the strength of our long-term track record of excellent stock picking and asset allocation. We are particularly delighted by the increase in our market share of long-term funds by our retail business which takes us from 3rd to the 2nd largest long-term manager in the country.

Revenue increased by 34% to R1.7 billion (2010: R1.3 billion). Together with sustained attention on cost control measures, we achieved 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).



Chairman's statement continued

We continue to reward shareholders through regular and significant distributions of free cash flow generated and endeavour to distribute at least 75% of after-tax cash profit. Taking into account projected cash requirements, we have raised 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.

Strategy

We recognise that as an asset manager we are the appointed custodians of other people's money. In our competitive client-driven business we can only achieve success through the consistent delivery of superior long-term returns for all stakeholders.

In building a sustainable business our strategic focus is to nurture our established institutional business and invest in the future growth of our retail business, both locally and abroad. This we will do by ensuring that we provide appropriate product that satisfies the long-term return expectations of all our clients. Within our single manager offering we will maximise the medium and long-term opportunities of our specialist Emerging Markets and Africa units. Furthermore we will optimise our exposure through our involvement in Namibia, Botswana, Swaziland and PPS Investments.

Corporate governance

Coronation has considered and applied, except where otherwise indicated, the principles of the Code of Corporate Practices and Conduct as set out in King III. We are a signatory to the United Nations' Principles for Responsible Investment and support the Code for Responsible Investing in South Africa.

The business steadfastly adheres to the highest standards of ethical conduct in dealing with all stakeholders. Its corporate governance methodology and approach allows the board to execute its duties in an appropriate and effective manner, full details of which are included on page 16.

This is the first leg in our journey towards achieving full integrated reporting. In the pages that follow we have endeavoured to communicate more explicitly the make-up and workings of our company to enable stakeholders to form a clearer and more informed view of the business in relation to governance practices, employees, sustainable development and local communities.

The board comprises four independent non-executive directors and two executive directors, with all subcommittees chaired by non-executive directors.

Transformation

As a leader in the investment management industry, transformation is an integral element of our business strategy. Over the years we have focused on recruiting, training and retaining talented black staff, some of whom now hold critical management roles that ensure Coronation's continued success. The Imvula Trust, our empowerment partner comprising all current and future black staff, has reduced its outstanding debt by 86% (post year-end) and the structure is in a positive equity position.

We are a Level IV contributor in terms of the Department of Trade and Industry's (DTI) Code of Good Practice on Black Economic Empowerment codes. Key aspects of the Financial Sector Charter are currently under review, and we anticipate measurement against the Charter as a sector code in 2012.

A detailed report on our many initiatives can be found on pages 26 to 30.

Acknowledgements

I wish to thank every member of staff for their unwavering focus and determination throughout the year. The success of our business is testament to an incredible team of people who truly know the importance of clients. I also thank my fellow board members, our clients, intermediaries and shareholders.

Prospects

Over the past year we have experienced considerable growth and produced strong returns for all stakeholders. Looking ahead, the implications of the ongoing global economic turmoil on financial markets are sobering, creating a highly challenging investment environment for some years to come. We will continue to concentrate on delivering trusted investment performance, and over the next year we will seek to consolidate our institutional business and nurture our retail and international franchises.



Chief executive officer's review



Hugo Nelson Chief executive officer

It has been another truly exceptional year, with growth in assets experienced across all areas of our business. For the second consecutive year we surpassed all expectations in the retail space, growing our share of the long-term funds market to just under 10%. Equally our standing within the institutional market sees us with the 3rd largest share at 11.7%. While we are pleased with the asset growth in our international business we were disappointed by the low level of interest in our dollar-denominated funds for individuals.

As one of the largest managers of third-party assets in the country, our first priority is to consistently deliver the best possible returns across all client mandates. To achieve this it is imperative that our business does not grow to a level that impedes our ability to deliver outperformance – as an independent asset manager we will amount to nothing if we cannot outperform markets. In the interests of this objective, in May we communicated our pre-emptive decision to close our specialist South African equity mandates to new institutional investors effective 31 March 2012. The close protects the integrity of our promise to clients and has no impact on unit trust investors or existing institutional clients.

The ongoing global financial crisis has had far reaching effects on the investment landscape in South Africa. From a regulatory perspective we have seen more proactive interventions as we move from a principle-based environment to one that is more intrusive. The provision of greater consumer protection and a safer system through improving the management of systemic risk are objectives which, with the appropriate cost-benefit trade-offs, we as a client-centred business fully support. National Treasury's 'A safer financial sector to serve South Africa better', released at the time of the 2011 budget, sets the agenda for much of the regulatory changes which are expected to follow.

In July we saw the release of the much anticipated changes to regulation 28 of the Pension Funds Act. This was followed by the Code for Responsible Investing in South Africa (CRISA) a voluntary code expected to be adopted by institutional investors by February 2012 (more detail is provided on pages 25 and 26) and the announcement by the Department of Finance in October that all inward-listed shares are to be classified as domestic assets and consequently included in the JSE indices.



At industry level, a key agenda item has been government's plan regarding the introduction of retirement and social security reform. As a member of ASISA (the Association for Savings and Investment South Africa), we have been actively involved with a number of industry proposals designed to match government's objectives, industry's capacity and the needs of our clients. Government's next discussion document is expected in 2012, which we hope will give a clearer indication on the way forward. For us our focus remains on ensuring that pre-existing rights are protected in the event of significant changes to the existing system and that the implementation and transition risk of systemic changes are minimised.

We live in a lower return world and the expected returns from the various domestic asset classes are more muted than we in South Africa have experienced over the past 10 to 15 years. This highlights the need to maximise opportunities to enhance returns by investing in other markets. The further relaxation of exchange controls has meant that it is becoming easier for investors to achieve optimal levels of exposure to international financial assets and markets.

Institutional

Bucking the trend of an industry in the mature phase of its lifecycle, where statistics imply a negative flow experience, we ended the year R9.95 billion net positive. All product categories benefited from investment by new and existing clients, with high levels of interest in global balanced and global absolute as the trend to actively managed global multi-asset solutions continued.

Landscape

The financial freedom created by the revisions to regulation 28 of the Pension Funds Act provide asset managers with a more expansive tool set with which to generate higher risk-adjusted returns for investors. Added to this are the more onerous compliance and reporting requirements. The move from 20% to 25% offshore portfolio exposure allowance with an additional 5% in Africa demands a different, more active approach to asset allocation. While this is an opportunity for the wider asset management industry, it is particularly advantageous for managers such as ourselves who have proven expertise across the different asset classes.

The introduction of CRISA dovetails with regulation 28 regarding the importance of integrating sustainability issues, incorporating economic, social and governance (ESG) into long-term investment strategies. As an early signatory to UNPRI (United Nations' Principles for Responsible Investment) in 2007 we have incorporated ESG into the corporate assessment of all investments that we cover. Further detail is provided on page 25.

Investment performance

In line with our defining philosophy of investing with a long time horizon, our domestic and global balanced portfolios ended the year in 1st position over 3 years and 2nd over 5 years in the Alexander Forbes (AF) SA and Global Large Manager Watch surveys respectively. Likewise the strength of our absolute product range saw our global portfolios rank 1st over 3 and 5 years in the AF Conservative Global Manager Watch Survey.

Client-centric focus and product development

To meet our clients' increased reporting requirements under regulation 28 we have invested in systems and introduced streamlined operational processes. We also recruited to our highly skilled team of fund managers, ensuring that our clients have ease of access to open and direct dialogue – what we term 'non-investment alpha'.

Understanding the need for ongoing education and the role of topical debate beyond our regular client reportbacks and trustee education programmes, we hosted three themed roadshows in the major centres of Johannesburg and Cape Town. Each event was tailored to the changing market environment, starting with 'Global Investing' in February, followed by a panel debate with some of the country's leading CEOs entitled 'Talking Investments', and ending in August with 'Making Sense of the Noise' as the volatile moves in financial markets once again dominated headlines. In total, approximately 800 clients attended.

We continue to build a strong presence in the highly concentrated Botswana institutional market. Assets under management total R2.3 billion and indications are that the strength of our investment track record is supportive of further growth.



Chief executive officer's review continued

Namibia Asset Management experienced positive unit trust flows and ended the year with total assets under management of N\$9.35 billion for the year.

Retail

Our unit trust business again benefited from exceptionally strong support, attracting R20 billion in new assets. The majority of flows went into our multi-asset class funds, with an even split across post-retirement and pre-retirement offerings. Of interest is the high level of focus on short-term performance and brand sensitivity displayed by investors in the post-retirement space, where only a small number of managers dominate.

Landscape

The South African unit trust industry achieved another year of solid net inflows with R82 billion of new assets. Throughout the course of the year investors continued to favour multi-asset class funds where exposure is to a combination of income and growth assets, taking more than 50% of the flows. This move is indicative of the trust placed by investors in the asset manager to take the correct asset allocation decisions, particularly in volatile times.

Managed income funds, with an inflow of more than R20 billion, were significantly more popular than money market and near cash funds, which in aggregate achieved a small net outflow. This latter switch in preference was due to a combination of factors including historically low interest rates, pending tax changes affecting dividend income funds and a structural readjustment of the cash deposit landscape as banks prepare for the implementation of tighter capital standards. Rand-denominated international funds only managed to attract a relatively muted R5.6 billion of net inflows.

Investment performance

The consistent performance delivered by our unit trust funds resulted in Coronation being named Best Large Fund House at the 2011 Morningstar South Africa Awards. This accolade was supported by the top quartile performance

across our domestic flagship fund range over 3, 5 and 10 years and since their respective launch dates to end September. Highlights include Coronation Balanced Plus, which was the no.1 balanced fund in South Africa over 5 years and since launch in 1996, and the Coronation Balanced Defensive Fund which was the no.1 conservative fund over 3 years and since launch in 2007, as ranked by Morningstar. Furthermore, our concentrated equity fund, Coronation Top 20, continued to outperform its benchmark with an impressive 7% per annum since launch in 2000.

Client-centric focus and product development

We have no affiliated distribution channels and understand the importance of open communication channels with our clients. We also have a fee philosophy that is easy to understand, responsive to changes in market conditions and is fair to both our clients and the business.

As a significant participant in the post-retirement market we rolled out a strategy to actively support the IFA community through communications and investment tools that assist in setting appropriate drawdown rates in the living annuity space. This we did through our presentation platform, *Conversations with Coronation*, *Corolab*, a publication that focuses on topical investment ideas, and our quarterly newsletter, *Corospondent*. In addition, we hosted more than 50 intermediary events and presented at many more to ensure that we are continuously communicating with the approximately 6 000 financial advisors countrywide.

To make our clients' investment process simpler and more efficient we introduced a new online investment tool on our website. In addition, we launched a customer experience management programme that surveys clients after various points of interaction, providing targeted feedback that focuses on areas of improvement with the greatest impact on our clients' experience.

Finally, reflective of our more muted outlook for domestic asset classes we reduced the annual management fee on three of our lower risk products (Money Market, Jibar Plus and Capital Plus).



International

While heightened levels of risk aversion left no market unscathed, we continued to build a very reputable investment track record across our global fund range. Assets under management increased by 38% to \$2.73 billion, driven primarily by institutional support and the increase in flows to our retail Balanced Plus Fund which invests up to 25% of new assets offshore.

Landscape

The sharp market reversal in mid-March triggered by the Japanese tsunami, ongoing unrest in North Africa and rising oil prices was no match for the violent swings experienced in August across developed and emerging markets. Global investors, still fearful from events in 2008, sold first and asked questions later, creating the most extreme market volatility ever experienced.

Despite our long held view that foreign equities are currently more attractively valued than domestic shares, many investors remain highly sceptical. Within the institutional space we attracted significant assets into our global balanced and global absolute portfolios as investors switched from domestic to global mandates. We have seen some interest in our emerging market offering and are well placed for future opportunities. Locally, institutional investors remain fearful of investing in Africa due to the poor liquidity, transparency and governance inherent in the continent's equity markets. From a retail perspective, we have been disappointed with the low level of appetite for dollar-denominated funds. As offshore funds substantially outperform local funds, which they have in the recent past, we expect demand levels to increase.

Investment performance

Managed from Cape Town and London we offer a compelling range of funds across the risk/return spectrum. Our longest running international retail fund, Coronation World Equity [ZAR] Fund of Funds, has outperformed the MSCI World Index by 2.1% per annum (in US dollars net of all fees)

since launch in 1997. Both our Emerging Markets and Africa offerings now boast solid 3-year track records. The Coronation Global Emerging Markets Fund has convincingly outperformed the MSCI Emerging Markets Index by 6.8% per annum (gross of all fees) since launch in July 2008, and the Coronation Africa Frontiers Fund has outperformed its benchmark (USD Libor +5%), by 5.4% per annum (gross of all fees) since launch on 1 October 2008.

Client-centric focus and product development

In response to retail client feedback and opportunities in the financial markets we are extending our lower risk fund offering with the introduction of the Coronation Global Strategic USD Income Fund and a GBP version. This will be followed with the offer of different currency classes for investors in the Global Capital Plus Fund early in 2012.

Guided by our philosophy of fair and transparent fees, reductions across the rand-denominated fund range were implemented in May.

Initiatives

We are pleased with the growth experienced by PPS Investments, our joint venture with the Professional Provident Society, where assets under management now total R7.4 billion.

Prospects

Our reading of current investment conditions is that investors should prepare for a lower return environment in the foreseeable future. This belief is primarily informed by the weak outlook for the global economy, resulting in continued very low interest rates and deteriorating fundamentals for local financial markets. In the coming year we will stick to our principles of focusing on the long term to ensure that we achieve the best possible returns for our clients.



Corporate governance

Coronation maintains a balanced approach to effective corporate governance. An evaluation of King III has been undertaken by management. The directors are of the opinion that Coronation has applied the principles of the Code of Corporate Practices and Conduct during the 2011 financial year as set out in King III. In the instances where the business has elected not to apply certain aspects, the board will provide explanation as required.

Board of directors

Coronation's unitary board comprises two executive directors and four independent non-executive directors. The chairman is an independent non-executive director. The roles of chairman and chief executive officer have been specifically separated. The non-executive directors have the integrity, skills and experience to provide independent insight and value at board meetings. Profiles of the directors are detailed on pages 8 and 9.

The board's main responsibility is to create sustainable value for all its stakeholders. The board is accountable to shareholders and is responsible for managing relationships with the various stakeholders. In fulfilling its primary responsibility, the board is aware of the importance of achieving economic performance while conforming to governance principles. The board of directors is constituted with predominantly independent non-executive directors in compliance with the recommendations of King III.

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

The board is also responsible for nominating and recommending to shareholders all new directors for appointment, or re-appointment in the case of existing directors. In line with company policy at least one third of the directors are

required to retire from their appointment each year. The directors who are required to retire are those who have been in office the longest since their last election or appointment. The retiring directors may make themselves eligible for re-election. The board has full and effective control of the group, which is exercised through senior management and the subsidiary boards.

The board meets five times a year and additional meetings are convened as required. Material decisions may be taken between meetings by way of written resolution, as provided for in the articles of association. The non-executive directors are provided with comprehensive information on the business and are updated on business developments between board meetings. The board met on five occasions during the 2011 financial year.

An appraisal by the board and its committees has been concluded during the financial year. The board and its committees are satisfied with the performance of its members.

The composition of the board and its three committees, the audit and risk committee, the transformation committee and the remuneration and nominations committee for 2011, are detailed below:

	Board of directors	Audit and risk committee	Transformation committee	Remuneration and nominations committee
Shams Pather ¹	Chairman	Member		Chairman
Hugo Nelson ²	CEO		Member	
Judith February ¹	Director		Chairman	
Jock McKenzie ¹	Director	Member		Member
Alexandra Watson ¹	Director	Chairman		
Anton Pillay ²	COO		Member	

¹ Independent non-executive

² Executive



Corporate governance continued

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

	Board of directors	Audit and risk committee	Transformation committee	Remuneration and nominations committee
Shams Pather	100%	100%		100%
Hugo Nelson	100%		100%	
Judith February	80%		100%	
Jock McKenzie	100%	100%		100%
Alexandra Watson	100%	100%		
Anton Pillay	100%		100%	

Non-executive directors receive fees for their services as directors of the board and for services as members of committees. These fees were determined and agreed by the board on the recommendation of the remuneration and nominations committee. Details are reflected on page 23.

Remuneration and nominations committee

The remuneration and nominations committee is chaired by an independent non-executive director, which is consistent with the recommendations of King III. In compliance with King III, the chief executive officer is not a member of the committee, but attends all meetings by invitation.

The committee meets three times a year, in April, September and October, as well as on an ad hoc basis if required. The committee met on three occasions during the 2011 financial year.

The committee's main aim is to ensure that the company recruits and retains the appropriate calibre of management. It approves the company's remuneration philosophy and policies and ensures that directors, senior executives and other employees are appropriately rewarded for their contribution to the performance of the business, with specific focus on incentives and longer-term remuneration structures. Local and international remuneration levels and trends are taken into consideration. For further details please refer to the remuneration report on page 22.



Risk

Audit and risk committee

The audit and risk committee acts as the audit committee for all subsidiaries. It 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 and oversight responsibility for the integrated annual report. 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.

The committee is guided by an audit committee charter to ensure the integrity of the audit process and financial reporting, and to maintain a sound risk management and internal control system. In fulfilling its responsibility of assisting the board in discharging its duty to shareholders, the following are considered to be the main responsibilities of the committee:

- Monitoring the integrity of financial reporting by reviewing and providing guidance on accounting principles and policies adopted, reporting and disclosure as well as the examination of supporting documentation.
- Receiving and responding to any complaint relating to the accounting practices and internal audit of the group, the content or auditing of its financial statements, or any related matter.
- Setting out the nature, role, responsibility and authority of the risk management function within the group and outlining the scope of risk management work.
- Reviewing and assessing the effectiveness of the risk control systems and ensuring that the risk policies and strategies are effectively managed.
- Ensuring that management's processes and procedures are adequate to identify, assess, manage and monitor the group's risks.

- Reviewing the group internal audit, compliance and risk management plans, reports and findings.
- Reviewing and approving external audit plans, findings and reports.
- Assessing the performance and approving the remuneration of the external auditors.
- Recommending the appointment of the external auditor and overseeing the external audit process.
- Ensuring compliance with the applicable legislation and the requirements of regulatory authorities.
- Determining the nature and extent of any non-audit services which the auditor may provide to the company.
- Providing any pre-approval of any proposed contract with the auditor for the provision of non-audit services to the company.
- Acting as liaison between the external auditors and the board.

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

The committee is chaired by an independent non-executive director and consists of a further two independent non-executive directors, one of whom is the chairman of the board.

The internal and external auditors as well as the risk manager have unrestricted access to the chairman of the committee, which ensures that their independence is not compromised. The audit and risk committee believes that Mr Anton Pillay, the chief operating officer and executive



Risk continued

director responsible for finance, possesses the appropriate expertise and experience to meet his responsibilities in that position as required by the JSE:

- We are satisfied with the expertise and adequacy of resources within the finance function.
- In making these assessments, we have obtained feedback from both external and internal audit.
- Based on the processes and assurances obtained, we believe that the accounting practices are effective.

In 2011, meetings were held three times and, where appropriate, attended by the internal and external auditors and invited members of management.

During the year, the committee approved the external auditor's terms of engagement and scope of work and also reviewed the internal auditor's coverage plan aimed at providing assurance in respect of the various levels of operation. The committee received regular internal and external audit reports on the results of the audits conducted.

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

Internal audit and internal controls

The audit and risk committee supports the benefits of an internal audit function and makes use of auditing firm Deloitte Enterprise Risk Services (Deloitte) to fulfil the internal audit functions at the relevant subsidiaries. Deloitte provides the appropriate independence and objectivity to assist the board in discharging its responsibilities.

The internal audit function performs an independent appraisal with the full co-operation of the board and management. Its objective is to assist members of executive management in the effective execution of their responsibilities through an examination and evaluation of the subsidiaries' activities, business risks and systems of internal control. Any material or significant control weaknesses are brought to the attention of management and the audit and risk committee. The internal

audit function does not assume the function of risk management but provides an independent assessment as to the effectiveness of the internal controls.

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

Internal audit follows an approved risk-based audit approach to planning the audit. Nothing has come to the attention of the audit and risk committee to indicate that there has been any material breakdown in the functioning, procedures or systems during the year under review.

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

Risk management and control

As risk is an inherent part of any business, risk management within Coronation is a multi-faceted process which involves independent monitoring, frequent communication, the application of judgement and detailed knowledge of specialised products and markets. The risk management process involves the identification, assessment and prioritisation of risks that may impact the achievement of strategic and business objectives. The management, monitoring and reporting of these risks ensure that resources are used to minimise the probability of negative events or to maximise the realisation of opportunities. The business recognises that in a complex financial services environment, risk management processes and strategies at Coronation are evolutionary and subject to ongoing review and modifications which account for risk appetite, risk tolerance and risk resilience of the business. In addition, the responsibilities of the audit and risk committee include independent monitoring of risk management and compliance.



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

Coronation's risk management objectives are to:

- Create the right awareness and understanding of risk at all levels of the group.
- Instill a culture of risk management and risk ownership.
- Proactively identify risks and manage risks within the risk appetite of the business on a continuous basis.
- Embed risk management in the manner in which the business is run.
- Comply with appropriate risk management practices in terms of corporate governance guidelines.
- Apply and explain non-application of the requirements of the King III Report on Corporate Governance.

The greatest leverage for our sustainability efforts lies in our investment performance and by encouraging positive action to the risks identified. We believe the challenges ahead are serious and our sustainability initiatives are designed to strengthen our business as well as expanding the value we contribute to society. Coronation has identified various risks as being of particular significance to its business. Some of these risk categories are applicable to the management of client funds and form an integral part of risk management for which the board is ultimately responsible.

Credit risk

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

The committee is chaired by an independent chairman to provide an unbiased and fresh perspective to the credit selection process. The remaining members of the committee comprise the risk manager, credit analyst, portfolio managers, chief operating officer, assistant compliance officer and the financial analyst. Members of the equity research team are consulted when required. The committee reports to the chairman of the audit and risk committee.

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

Market risk

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

Liquidity risk

This is the risk that Coronation will not be able to meet its payment obligations as they fall due, or that the group may be forced to liquidate its positions under adverse conditions to meet the obligation. Coronation has controls and processes in place to ensure that future liquidity requirements are met.



Operational risk

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

Reputational risk

The business operates with a philosophy that seeks to protect and enhance the brand, its reputation and its ability to conduct business with the highest ethical standards. The business recognises the importance of its reputation and devotes considerable effort to managing all aspects of that reputation. Risks of reputational damage are assessed and measures are taken to ensure that these risks are effectively managed.

Compliance and legal risk

Coronation has an in-house legal advisor and compliance officer who monitor and assess the impact of legislation, regulatory rules, supervisory requirements and industry codes regularly. This ensures compliance with current and pending legislation. The group may, where required, make use of external experts in certain circumstances.

Human resource risk

The business values all members of staff and understands that the success of the business is dependent on talented individuals and succession planning. The group's philosophy to attract and retain skill is to remunerate staff fairly. Coronation provides personal and career development. As a people-centred business, staff ownership is part of the culture.

New business risk

The business launches new innovative products to meet the changing needs of investors. All product development commences with detailed research to assess viability followed by an exhaustive and strict internal approval process.

Information technology risk

Given the serious security risks to information technology (IT) assets, managing those risks effectively is an essential task for Coronation. It is important that management understand the nature of the risks that exist in their IT environment, and how those risks can be reduced or eliminated. Coronation has a dedicated IT department that assesses the risk environment and together with internal audit implement world class IT security.

Disaster recovery and business continuity

The business continuity plan is the result of an iterative process that identifies critical business functions, processes and procedures to be followed in the event of an unforeseen event. The plan provides guidance to management for the complete restoration of the core business functions and IT facilities at head office.

Our comprehensive disaster recovery procedure incorporates a full backup of all electronic files daily, which are stored off-site. In the event of a disruption of business activity, Coronation has secured a disaster recovery facility that will ensure the restoration of operations to near full capacity within 24 hours of any such disruption. Both the plan and recovery facility are tested twice per year.



Remuneration report

The group's philosophy is to remunerate its employees, which includes executive directors, fairly in relation to the market and nature of services provided. As a meritocracy, various key performance indicators are set to ensure remuneration is performance based.

The remuneration and nominations committee reviews all staff salaries annually. An individual's total remuneration reflects relative skill, experience, and performance. Base pay is set at levels which are competitive with the market to enable the group to attract the right calibre of people. Annual increases in base pay are determined with reference to the scope of the employee's role, competence and performance as well as projected inflation.

In addition to base salaries, 30% of annual pre-tax profit is allocated to the bonus pool. The bonus pool is utilised to incentivise, reward and retain staff in accordance with their performance and contribution to the business.

Payments from the bonus pool take the form of cash bonuses and a significant proportion is contributed to the Coronation Bonus Pool Trust (the BPT). The BPT was established in 2006 to house portions of the annual bonus pool on behalf of its beneficiaries, who comprise the staff of Coronation.

The BPT is a fully independent trust, with an independent board of trustees. The trustees do take guidance from Coronation's remuneration and nominations committee, regarding allocations to beneficiaries and investments made on behalf of beneficiaries.

The purpose of the BPT is to facilitate a long-term element for a large portion of the bonus pool. It does this through a vesting mechanism which defers payments allocated to its beneficiaries. This represents a fundamental cornerstone to the remuneration structure, and by acting as a retention mechanism for key staff, aligns the interests of staff and other stakeholders in the business.

Coronation contributed a total of 20% of salary towards retirement funding of executive directors and employees.

Risk management and remuneration practices

The remuneration and nominations committee ensures that corporate governance and legal requirements are adhered to when existing remuneration policies are reviewed and new plans and policies put in place. This ensures that shareholder interests are protected and that all systems and policies are in alignment with the group's risk profile.

Directors' fees

In respect of non-executive directors, the remuneration and nominations committee proposes fees to be paid for membership of the board and its committees. Such fees are market-related, commensurate with the time required to execute the required duties, and are approved by both the board and executive committee. Approved fees are set for the year and are subject to attendance. Such remuneration is not linked to the performance of the group or its share performance.

Certain elements of King III regarding remuneration disclosure of senior executives are currently not applied. We consider the disclosure of remuneration of our people to be confidential and potentially harmful to the sustainability of the business.



Remuneration report continued

Directors' emoluments

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

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

For non-cash emoluments refer to share-based payments and related-party notes on pages 34 and 52 in the annual financial statements respectively.

	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
Non-executive directors							
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



Value added statement

for the year ended 30 September 2011

	2011 R'000	2010 R'000
Revenue	1 725 910	1 290 887
Costs of generating revenue	(315 010)	(251 037)
	1 410 900	1 039 850
Policyholder income	19 518	34 583
Other income	36 035	25 294
Wealth created	1 466 453	1 099 727
Staff costs	523 046	405 517
Finance costs	5 262	8 851
Dividends	495 214	280 958
Total tax	314 295	244 983
Costs	1 337 817	940 309
Retained income	128 636	159 418



Sustainability report

Coronation believes that integrating economic growth with respect for the environment is good business practice and is committed to the principles of sustainable development. It encompasses environmental, social and governance (ESG) issues – the tenets of sustainable development. We are a signatory to the United Nations' Principles for Responsible Investment (UNPRI), a framework for achieving better long-term investment returns and more sustainable markets.

Coronation applies the UNPRI and as a signatory commits to their adoption and implementation where consistent with our fiduciary responsibilities. We believe that applying these principles improves our ability to meet commitments to beneficiaries as well as better align our investment activities within the broader interests of society.

The six principles for responsible investment are:

- Incorporate ESG issues into investment analysis and decision-making.
- Be active owners and incorporate ESG issues into our ownership policies and practices.
- Seek appropriate disclosure on ESG issues by entities in which we invest.
- Promote the acceptance and implementation of the principles within the investment industry.
- Work together to enhance our effectiveness in implementing the principles.
- Report on our activities and progress towards implementing the principles.

We also support the Code for Responsible Investing in South Africa (CRISA) which recognises the importance of integrating sustainability issues into the long-term investment strategies of retirement funds. CRISA is a voluntary code that is expected to be adopted by all institutional investors

and service providers with effect from 1 February 2012. The objective of CRISA is to provide institutional investors with guidelines on how to execute investment activities and promote sound governance that will result in the long-term value of companies.

The five key principles of CRISA are:

- An institutional investor should incorporate sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.
- An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.
- Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.
- An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should proactively manage these when they occur.
- Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

CRISA applies to:

- Institutional investors as asset owners, e.g. pension funds and insurance companies.
- Service providers of institutional investors, e.g. asset and fund managers and consultants.



The Coronation investment decision-making process incorporates the key elements of sustainable development as summarised below:

- All valuations incorporate ESG issues which are documented in determining the long-term value of a company:

Environmental – Use external research reports,
– Conduct proprietary research,
– Document all interaction with company management and boards of directors.

Social – Conduct proprietary research.

Governance – Use external research reports,
– Make objective decisions to vote on resolutions proposed by companies,
– Document all interaction with company management and boards of directors,
– Conduct proprietary research.

- Adhere to the Conflicts of Interest policy which mitigates, prevents and manages potential conflicts.
- Proxy voting – Vote, record and disclose as required by clients,
– Record a summary of all voting actions.
- Annual review of sustainable development policy (policy), related techniques and procedures.
- Internal monitoring of adherence to the CRISA policy and compliance with UNPRI.
- Produce sound quantitative and qualitative analysis of all significant exposure to ESG issues as part of investment case. Assess and approve any significant ESG issues and explicitly engage with segregated clients by issuing a letter to ascertain if the mandates or policies require specific screens or exclusions e.g. tobacco shares, oil company shares, alcohol shares and actively change the mandate, benchmark and how the fund is managed.
- Review any issues taken up in conflict of the written policy, and action taken to ensure future compliance with the policy.
- Disclose to clients on request: the policy, the conflict of interest policy and proxy voting.

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

All direct and indirect environmental impacts are identified and managed in a responsible manner. We have taken steps to reduce our carbon footprint through internal measures and in how we communicate with clients. We limit air travel and have implemented the 'greening' of our workspace, which is sensitive to natural light and motion through the UV treatment of windows and efficient use of lighting. All used paper and toner cartridges are recycled. Where appropriate we have introduced e-reporting to clients, which has significantly reduced paper use.

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

Transformation

Transformation and the creation of sustainable broad-based black economic empowerment (B-BBEE) is an integral part of Coronation's business strategy where our goal is to exceed the imperatives as defined in the Department of Trade and Industry's Codes of Good Practice on Black Economic Empowerment and the Financial Sector Charter. Transformation is a business imperative which makes practical business sense, the benefits of which extend to clients, partners, shareholders, staff and the economy.

Our strategy is defined by the following key areas:

- Ownership and control
- Employment equity and human resource development
- Procurement and enterprise development
- Corporate social investment



Transformation committee

Established at board level, the transformation committee drives all processes related to our transformation commitments and the challenges that these bring. The transformation committee, chaired by independent non-executive director Judith February, is accountable to the board and reports on all issues pertaining to transformation, including company-specific initiatives and the relevant scorecards.

The objective of the committee is to establish and maintain an understanding of transformation in respect of the company's objectives. In line with corporate governance requirements, the committee identifies business areas where transformation will be effected. It also monitors all transformation strategies and measures their respective impact. In discharging these responsibilities it considers the legal and regulatory frameworks, industry scorecards and the vision of the company. The committee reviews the results of any surveys undertaken and assesses management's response to transformation initiatives. It reviews and signs-off the transformation report included in the company's integrated annual report. Ultimately it ensures that true transformation is taking place within the business with regard to recruitment, staff retention, work environment and career development.

The transformation committee relies on management structures for the implementation of strategies and initiatives, of which the primary parties are the executive committee and the transformation task team. The employment equity and corporate social investment committees provide input to this committee.

Committee members include the chief executive officer, chief operating officer and human resources manager. Meetings are held at least twice a year.

Ownership and control

One of the most direct means of increasing meaningful black participation in the economy is through black participation in the decision-making and ownership of the company. Our chosen B-BBEE partner, the Imvula Trust (Imvula), includes all black staff. Imvula continues to create tangible benefits for its participants through annual cash distributions and the creation of net asset value.

Coronation established the Imvula Trust to facilitate its B-BBEE transaction. On 1 April 2005, the Imvula Trust acquired 10% of Coronation Investment Management (Pty) Limited from Coronation. The acquisition consideration amounted to R148 million and was funded by the issue of redeemable preference shares to a third-party financier. This consideration was based on a price per Coronation share of R3.85. The funding is guaranteed by Coronation. A board of trustees was established to approve beneficiaries who will, on fulfilment of certain conditions, have an interest in the underlying shares held by the Imvula Trust. Vesting periods are over three, four and five years.

Black representation at board level is 67% and 60% at executive management level.

Employment equity and human resource development

People are our greatest asset and the smarter and more diverse we are as a business, the greater our competitive advantage becomes.

Over the years we have devoted considerable time and resources to ensure that we attract, motivate and retain the very best people. We continue to employ talented black individuals and enrich our already diverse staff complement. Where we encounter a shortage of relevant industry experience among black individuals, we recruit on the basis of an individual's potential to excel. We are proud of the success we have achieved in this regard.

We believe that the effective development and transfer of skills is essential to the transformation of the industry. As such, training, mentoring and career planning play integral roles in the advancement of all staff. The Coronation Mentorship Programme enables experienced staff to mentor new employees, providing guidance on company culture and work processes as well as industry insight. Of the total training spend for the year of R3.4 million, 60% was allocated to black staff. This compares to 31% of total spend in 2010.

Teamwork, individual achievement and continuous learning are all key components of our culture. Staff are encouraged to enhance their knowledge and skills through part-time study and by attending conferences and workshops. In most



Sustainability report continued

instances the business provides financial assistance towards tuition fees. We continue to direct a large portion of the company's training spend to black staff. Furthermore, staff are encouraged to diversify their skills by exploring new positions and responsibilities within the business.

The notable success of our disciplined recruitment and selection process is reflected in our staff demographics spanning all levels of the business. Within the South African investment team of 50 individuals 28% are black, of whom 8% are black females. As at 30 September 2011 the South African staff complement, of which 55% is black, is split as follows:

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	1	1	2	0	0	1	0	0	0	5
Senior management	1	1	0	7	0	2	0	1	0	0	12
Professionally qualified and experienced specialists and mid-management	4	10	4	34	5	8	4	16	3	0	88
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	10	4	4	5	25	6	14	0	0	71
Semi-skilled and discretionary decision-making	0	1	0	0	0	3	0	1	0	0	5
Unskilled and defined decision-making	0	0	0	0	1	0	0	0	0	0	1
Total permanent	8	23	9	47	11	38	11	32	3	0	182
Temporary employees	0	1	1	2	1	1	0	1	0	0	7
Grand total	8	24	10	49	12	39	11	33	3	0	189

A – African C – Coloured I – Indian W – White

As a custodian of our clients' assets, the procurement of stockbroking services is a critical element of our business. Through the Coronation Business Support Programme, initiated in February 2006, niche black stockbrokers are allocated a minimum of 10% of total annual brokerage over periods of three to five years. Throughout the course of each financial year we maintain ongoing interaction with members of these stockbroking teams and provide assistance at both an operational and strategic level. The Coronation Business Support Programme continues to receive much acclaim within the industry, contributing markedly in transforming and strengthening the local stockbroking community.

Procurement and enterprise development

Preferential procurement is where we believe transformation has the greatest impact as it provides real opportunity for the redistribution of wealth. By adhering to a procurement policy that strongly reflects B-BBEE as the central criterion, we are able to influence our suppliers to enhance their B-BBEE credentials, and therein help create a cycle of enhanced economic activity and wealth creation. The empowerment credentials of all suppliers and service providers are reviewed by independent parties.

Corporate social investment

Corporate social investment (CSI) at Coronation pursues a strategy focused on empowering individuals and uplifting communities. All the programmes in which we are involved are sustainable and independently reviewed on a 24-month rotational basis.

The CSI committee comprising the chief executive officer, chief investment officer, human resources manager, head of marketing, finance accountant and CSI co-ordinator, meets four times a year to review activities and discuss any issues relating to strategy and budget allocation.



During the year an independent CSI-focused company was appointed to conduct a review of all current CSI activities. Key findings affirmed that all programmes are aligned with, and delivering on, our stated CSI objectives. The review also highlighted areas where overall effectiveness can be improved, which are scheduled for implementation next year.

The 2011 CSI budget totalled 1% of profit after tax, of which 13% was apportioned to smaller adhoc social needs' organisations.

Our four key CSI areas of focus are:

■ Unlocking potential

Through our involvement in projects designed to empower and develop educators, we acknowledge the critical and influential role played by teachers in the development of children. Our current involvement extends to three inspiring programmes:

- The Coronation Reading Adventure Rooms, established in January 2010 in collaboration with Education Alive, is an intervention aimed at addressing literacy at foundation phase – the greatest hindrance to a successful school career. The programme comprises specialised training sessions, teacher manuals and the provision of stationery and workbooks for students. On-site monitoring is conducted three times a week throughout the school year.

While still only in its second year, the results received from the five schools involved in the programme confirm the positive impact already being made on the lives of learners. Within the two schools that adopted the programme at launch in 2010, literacy rates have increased from 79% to a commendable 83%. While the three schools brought on board just over a year ago have seen vast improvements from as low as 30% to 87%.

- The Western Cape Primary Science Programme Trust (PSP), through its Cluster Schools Project, develops primary school teachers' content knowledge of the Natural Sciences and provides in-depth coaching and support for good teaching in the classroom. During 2011

the PSP facilitators focused on integrating Mathematics and Numeracy, and Language and Literacy development techniques into their practical classroom support. This project works with small clusters of schools in urban townships and rural areas and focuses on intermediate phase (grades 4 – 6) and foundation phase teachers (grades R – 3).

- The LEAP Science and Maths Schools' Future Leaders Programme aims to create a teacher development model that addresses the severe shortage of qualified teachers in South Africa. The programme includes practical classroom training, dedicated mentoring and specialised tuition for students studying their Bachelor of Education degree through the University of South Africa (Unisa). LEAP aims to recruit 10% of each year's matriculating learners for this programme.

■ Recognising keen minds

The youth are the future of the nation and, by channelling a significant proportion of funding towards education-related initiatives, we provide learners with the supplementary tuition that will enable them to obtain the all-important senior certificate.

This is achieved through our support of the Association for Educational Transformation (ASSET), a non-profit organisation established in 1982, which enables disadvantaged learners in the Western Cape to attend additional lessons in a range of subjects including life orientation. The learner development programme, known as The Saturday School, operates during school terms and holidays. The aim is to improve the final grade 12 results and enable students to access higher education through bursaries provided by the ASSET Bursary Programme. In previous years the programme catered for around 2 450 students in the Langa, Khayelitsha and Kraaifontein areas. It has since been reconfigured to ensure greater impact, focus and success, and now reaches approximately 1 360 grade 11 and 12 learners who are registered at Masipumelele High School outside Fish Hoek and Bloekombos and Masibambane High Schools in Kraaifontein.



The Coronation Bursary Programme, founded in 1993, provides bursaries to a number of bright young black South Africans. Funding is awarded on merit and according to financial need. Where requested, bursary students are allocated a Coronation mentor to assist in the integration into university life as well as given additional support in the English language by trained tutors. Throughout the life of the bursary contract, students have the opportunity to gain valuable practical work experience through vacation work, primarily in our Cape Town head office.

Talented candidates also have the opportunity to be financed by the Staff Bursary Fund. This is a fund created in 2007 through voluntary donations made by staff, where the only obligation placed on the selected students is to pass their chosen course of study.

■ Coronation Growing Entrepreneurs Programme

The Coronation Growing Entrepreneurs Programme, in partnership with the South African Institute for Entrepreneurship, continues to make significant strides in local economic development, job creation and poverty alleviation among small scale agricultural farmers.

Since inception in 2004, a total of 320 agricultural development facilitators have been trained and continue to be provided with ongoing support. By 2011, these trained agricultural development facilitators had assisted more than 3 800 small-scale black emerging farmers across South Africa, with agricultural and business skills and knowledge required to run their farms sustainably. The programme has provided the knowledge and the practical tools to enable a number of previous subsistence farmers to maximise the potential of their land and become more commercially viable.

Over the past year, the Coronation Growing Entrepreneurs Programme extended its reach into a number of schools within the areas in which the programme operates. This has resulted in the development of sustainable garden programmes that help provide food for the school feeding schemes.

■ Building communities

For the 7th consecutive year, Coronation participated in the Habitat for Humanity Corporate Blitz in the Western Cape. Over the course of one week in October, 50 staff members volunteered their assistance in building a four-roomed home in Mfuleni. The objectives of this non-profit non-governmental housing organisation is to assist in addressing the housing shortage in South Africa.

Conclusion

We embrace broad-based black economic empowerment and what this means for our staff, business and communities. To us, transformation can only be meaningful if it is people-centred, builds capacity and is considered as a long-term commitment. This is the sentiment that guides all our initiatives and transformation goals.

Sustainable broad-based black economic empowerment and transformation is an imperative for our business and South Africa.



Financial performance

Condensed consolidated statement of comprehensive income for the year ended 30 September 2011

	Note	2011 R'000	% Change	2010 R'000
Fund management activities				
Revenue	2	1 725 910	34	1 290 887
Other income		21 407		3 814
Operating expenses		(838 056)	28	(656 554)
Share-based payment expense		(4 856)		(14 059)
Other expenses	2	(833 200)		(642 495)
Results from operating activities		909 261	42	638 147
Finance and dividend income		12 263		21 480
Finance expense		(5 262)		(8 851)
Share of profit of equity-accounted investees		2 365		–
Profit from fund management		918 627	41	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		34 431		49 191
Administration expenses borne by policyholders and investors in investment partnerships		(14 913)		(14 608)
Profit before income tax		938 145		685 359
Income tax expense		(314 295)		(244 983)
Taxation on shareholder profits		(294 777)		(210 400)
Taxation on policyholder investment contracts		(19 518)		(34 583)
Profit for the year		623 850	42	440 376
Other comprehensive income		19 890		(9 594)
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)
Total comprehensive income for the year		643 740		430 782
Profit attributable to:				
– equity holders of the company		623 977	43	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	51	427 514
– non-controlling interest		(127)		3 268
Total comprehensive income for the year		643 740		430 782
Earnings per share (cents)				
– basic		198.2	43	138.9
– diluted		181.3	42	127.9
Headline earnings per share (cents)				
– basic		192.4	39	138.9
– diluted		176.1	38	128.0
Dividend per share (cents)				
– interim		80.0	57	51.0
– final		92.0	21	76.0



Financial performance continued

Condensed consolidated statement of financial position for the year ended 30 September 2011

	2011 R'000	2010 R'000
Assets		
Intangible assets	1 087 772	1 097 309
Equipment	14 839	13 993
Investments in equity-accounted investees	31 338	–
Deferred tax asset	8 069	4 900
Investments backing policyholder funds and investments held through investment partnerships	31 566 179	23 930 963
Investment securities	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	42 800	82 000
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
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	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



Financial performance continued

Condensed consolidated statement of changes in equity for the year ended 30 September 2011

R'000	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share- based payment reserve	Re- valuation reserve	Issued capital and reserves attributable to equity holders of the company	Non- controlling interest	Total equity
Balance at 30 September 2009	255 039	10 687	677 751	130 313	1 865	1 075 655	8 289	1 083 944
Total comprehensive income for the year								
Profit for the year			437 108			437 108	3 268	440 376
Other comprehensive income								
Currency translation differences		(10 268)				(10 268)		(10 268)
Revaluation of financial assets available-for-sale					674	674		674
– Net change in fair value					683	683		683
– Reclassified to profit or loss on disposal					(9)	(9)		(9)
Total other comprehensive income	–	(10 268)	–	–	674	(9 594)	–	(9 594)
Total comprehensive income for the year	–	(10 268)	437 108	–	674	427 514	3 268	430 782
Transactions with owners recorded directly in equity								
Share-based payments				14 059		14 059		14 059
Transfer to retained earnings			30 813	(30 813)		–		–
Dividends paid			(279 653)			(279 653)	(1 305)	(280 958)
Shares issued	868					868		868
Increase in equity of subsidiary							450	450
Total transactions with owners	868	–	(248 840)	(16 754)	–	(264 726)	(855)	(265 581)
Balance at 30 September 2010	255 907	419	866 019	113 559	2 539	1 238 443	10 702	1 249 145
Total comprehensive income for the year								
Profit for the year			623 977			623 977	(127)	623 850
Other comprehensive income								
Currency translation differences		20 627				20 627		20 627
Revaluation of financial assets available-for-sale					(737)	(737)		(737)
– Net change in fair value					(737)	(737)		(737)
Total other comprehensive income	–	20 627	–	–	(737)	19 890	–	19 890
Total comprehensive income for the year	–	20 627	623 977	–	(737)	643 867	(127)	643 740
Transactions with owners recorded directly in equity								
Share-based payments				4 856		4 856		4 856
Transfer to retained earnings			311	(311)		–		–
Dividends paid			(495 111)			(495 111)	(103)	(495 214)
Imvula units acquired by the Imvula Trust			(2 274)			(2 274)		(2 274)
Loss of control of subsidiary							(9 425)	(9 425)
Increase in equity of subsidiary							700	700
Total transactions with owners	–	–	(497 074)	4 545	–	(492 529)	(8 828)	(501 357)
Balance at 30 September 2011	255 907	21 046	992 922	118 104	1 802	1 389 781	1 747	1 391 528



Financial performance continued

Condensed consolidated 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	623 850	440 376
Income tax expense	314 295	244 983
Non-cash and other adjustments	(12 598)	(801)
Operating profit before changes in working capital	925 547	684 558
Working capital changes	10 361	73 507
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
Net cash from investing activities	3 037	48 686
Cash flows from financing activities	(545 550)	(303 766)
Dividends paid	(495 351)	(280 940)
Repayment of interest-bearing borrowings	(39 200)	(24 144)
Other	(10 999)	1 318
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.



Financial performance continued

Diluted number of shares (thousand) for the year ended 30 September 2011

	2011	2010
Weighted average number of shares in issue	314 819	314 733
Shares to be issued		
– B-BBEE transaction	34 693	34 116
Diluted weighted average number of shares in issue	349 512	348 849

Reconciliation of headline earnings for the year ended 30 September 2011

	2011 R'000	2010 R'000
Earnings attributable to ordinary shareholders	623 977	437 108
Effect of adjustments	(18 136)	122
(Profit)/loss on disposal of equipment	(6)	131
Gain on conversion of subsidiary	(18 130)	–
Profit on disposal of available-for-sale financial assets	–	(9)
Total tax effect of adjustments	1	(22)
Headline earnings attributable to ordinary shareholders	605 842	437 208

Condensed consolidated segment report for the year ended 30 September 2011

	Africa		International		Group	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000
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)
Segment result	760 792	563 118	127 062	71 215	887 854	634 333
Share of profit of equity-accounted investees	2 365	–	–	–	2 365	–
Segment financial income/(expense)	28 078	16 818	330	(375)	28 408	16 443
Segment income from fund management	791 235	579 936	127 392	70 840	918 627	650 776
Total assets	33 182 681	25 460 894	189 602	142 189	33 372 283	25 603 083



Notes to the condensed consolidated financial statements for the year ended 30 September 2011

1. Basis of preparation and accounting policies

The financial information has been prepared in accordance with IAS 34 Interim Financial Reporting, as well as the AC 500 standards as issued by the Accounting Practices Board or its successor, the requirements of the South African Companies Act, Act 71 of 2008 and the Listings Requirements of the JSE. The condensed consolidated financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments which are stated at fair value. The condensed consolidated financial statements are presented in rand, rounded to the nearest thousand. The accounting policies applied in the presentation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those presented in the previous annual financial statements.

These audited results have been prepared under the supervision of financial manager, Mrs A Rhoda CA(SA).

2. 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.

3. Related party transactions

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

4. 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.

Auditor's statement

Auditor independence

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



Company information

Code of ethics

We encourage independence, responsibility and performance from all staff. Our philosophy is to conduct our affairs with honesty, integrity, diligence and professionalism. All staff are expected to comply with the code at all times. The board confirms that systems and procedures have been implemented to entrench the values and ethics laid down in the code of ethics, and to monitor compliance with the code. All new staff members receive training on the code of ethics as part of their induction programme. Within these parameters staff have the freedom and discretion to get the job done. We believe this is a major part of the success that we enjoy.

We all, directors and staff alike, aim to:

- Maintain a healthy environment in which teamwork and co-operation thrive, and treat each other with mutual respect, dignity and courtesy.
- Conduct business in a professional manner and with the highest standards of conduct and business ethics.
- Commit ourselves to improving productivity, efficiency and quality.
- Respect the confidentiality of corporate and client information.
- Not place ourselves in a position where our personal interest could conflict with our duties to the organisation and to our clients.
- Encourage a productive environment in which we are all able to achieve our full potential without fear of victimisation, harassment or abuse.

Company secretary and professional advice

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

Expertise and experience of the chief operating officer

The chief operating officer is responsible for the financial affairs of the company. In terms of the Listings Requirements of the JSE, the audit and risk committee is satisfied that the expertise and experience of the chief operating officer is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of expertise, continuing professional education and the board's assessment of the financial knowledge of the chief operating officer.

Conflict of interest policy

Coronation has implemented a conflict of interest policy which complies with the General Code of Conduct for Financial Services Providers and Representatives published in terms of the Financial Advisory and Intermediary Services Act, 2002, as amended, (FAIS).

The policy applies to all permanent and temporary employees and directors of Coronation Fund Managers Limited and all group companies and is available on the company website.

Dealing in securities and personal account trading

Coronation complies with the continuing obligations of the Listings Requirements of the JSE as they apply to dealing in securities by the directors and company secretary as well as the directors and company secretaries of major subsidiary companies within Coronation.

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

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

- Any associate of the director as defined in the Listings Requirements of the JSE.



Company information continued

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

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

The company has stringent personal account trading rules for staff. All trades are pre-approved by the compliance officer upon completion of a client order check by the order implementation unit. The executive directors, non-executive directors and the company secretary are required to obtain prior approval from the chairman or the chief executive officer for all dealings in the company's shares (including offmarket transactions). For the chairman's own dealings, prior approval must be obtained from an independent non-executive director. No activity in shares falling within the category of FTSE/JSE Top 40 Index will be permitted where the company has expressed a view for the purposes of dealing. Personal account trades in securities falling outside the FTSE/JSE Top 40 Index (illiquid) are not permitted if client orders are in place, irrespective of any price limits at which these orders may have been placed.

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

Going concern

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

Stakeholder engagement programme

The company understands and places high importance on the information needs of all stakeholders.

Clients and intermediaries receive regular communication covering a range of subject matter, including thought leadership articles, industry trends, market insights and business news. In addition, our company website provides extensive product information and carries all the latest brochures and media coverage. We host comprehensive roadshows, meetings and presentations throughout the course of the year and conduct research at various customer touch points.

Staff enjoy an open-door policy, providing for ongoing dialogue with management on any aspect of the business. In addition, the chief executive officer presents the financial results to staff twice a year.

Our strict approach to corporate governance ensures that all communication with the various regulatory bodies is conducted timeously and by means of the most appropriate channels.

Through a programme of meetings with major shareholders and analysts, shareholders are kept appropriately informed on matters relevant to the business. Conference calls and meetings are held twice a year following the release of the interim and annual results. Results are distributed to shareholders, hosted on the company website, communicated via SENS, and by means of a summarised results advertisement in selected newspapers countrywide. The chief executive officer, chief operating officer and chief financial officer are the only persons authorised to speak to analysts, investors and the media on the financial affairs of the company.



Shareholders' information

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	70.07	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



Shareholders' information 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



Glossary of terms

ABSIP	Association of Black Securities and Investment Professionals
ASISA	Association for Savings and Investment South Africa
ASSET	Association for Educational Transformation
B-BBEE	Broad-Based Black Economic Empowerment
BPT	Bonus Pool Trust
CRISA	Code for Responsible Investing in South Africa
CSI	Corporate Social Investment
DTI	Department of Trade and Industry
ESG	Economic, Social and Governance
FAIS	Financial Advisory and Intermediary Services
GBP	British pound
GIPS	Global Investment Performance Standards
IAS	International Auditing Standards
IDASA	The Institute for Democracy in South Africa
IFA	Independent Financial Advisor
IFRS	International Financial Reporting Standards
IT	Information Technology
Long-term funds	All unit trusts classified as retail funds by ASISA excluding money market, dividend income and other near cash funds
PSP	The Western Cape Primary Science Programme Trust
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SENS	Securities Exchange News Service
UNPRI	United Nations' Principles for Responsible Investment
USD	US dollar



Notice to shareholders

Notice is hereby given that the 38th annual general meeting of Coronation Fund Managers Limited will be held in the boardroom of the offices of Coronation Fund Managers Limited at 7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont, Cape Town, on Thursday, 26 January 2012, at 10:00.

In terms of the Companies Act No 71 of 2008, as amended, ('the Act') which came into effect on 1 May 2011, memorandum of association and articles of association of the company were automatically converted into the memorandum of incorporation ('MOI'). For consistency of reference in this notice of annual general meeting, the term 'MOI' is used throughout to refer to the company's memorandum of association and articles of association (which now form the company's MOI as aforesaid). All references to a provision in the company's MOI in this notice of annual general meeting (including all of the relevant ordinary and special resolutions contained herein) refer to provisions of the MOI that was previously called the company's articles of association.

The record date for the meeting (determined in accordance with section 59(1)(a) of the Act) is Thursday, 15 December 2011, being the date on which a person must be registered as a shareholder of the company for purposes of being entitled to receive notice of the annual general meeting. The record date for the meeting (determined in accordance with section 59(1)(b) of the Act) is Friday, 20 January 2012, being the date on which a person must be registered as a shareholder of the company for purposes of being entitled to participate in and vote at the annual general meeting. The last day to trade to be able to participate in and vote at the annual general meeting is Friday, 13 January 2012.

References to all page numbers are in relation to the annual financial statements and the integrated annual report as indicated.

Votes at the annual general meeting will be taken by way of a poll and not on a show of hands. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak, act and, on poll, vote in his or her stead. The proxy so appointed need not be a member of the company. A form of proxy is enclosed with this notice.

Kindly note that meeting in accordance with section 63(1) of the Act, participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. In addition, the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder or proxy, has been reasonably verified. Suitable forms of identification include a valid identity document, a driver's licence or a passport.

Ordinary resolutions

1. To receive and consider the audited annual financial statements of the company for the year ended 30 September 2011, together with the reports of the directors and audit and risk committee.
 2.
 - a) To re-elect, by way of a separate vote, Prof Alexandra Watson who retires by rotation in accordance with the provisions of the company's MOI, who is eligible and available for re-election.
 - b) To re-elect, by way of a separate vote, Ms Judith Gail February who retires by rotation in accordance with the provisions of the company's MOI, who is eligible and available for re-election.
- A profile in respect of each director offering herself for re-election is set out on pages 8 and 9.
3. To authorise the directors to determine the remuneration of the company's auditors.
 4. To appoint, as recommended by the audit and risk committee, Mr MR Isaacs of Ernst & Young Inc. as the company's registered auditor.
 5. To appoint the audit and risk committee members as required in terms of the Act and recommended by the King Code of Governance for South Africa 2009 (King III) (Chapter 3). The following individuals are recommended for election to the audit and risk committee:
 - a) Prof Alexandra Watson
 - b) Mr Shams Pather
 - c) Mr Jock McKenzie



Notice to shareholders continued

A profile in respect of each director offering herself/himself for re-election is contained on pages 8 and 9. The appointment of the members of the audit and risk committee will be conducted by way of a separate vote in respect of each individual.

Special resolutions

1. To authorise the directors by way of a specific authority in terms of section 41 of the Act, as amended, to, in the event of the company exercising its call option to acquire from the Imvula Trust its 10% shareholding in Coronation Investment Management (Pty) Limited (CIM), allot and issue a sufficient number of ordinary shares of 0.01 cent each in the share capital of the company in discharge of the purchase price payable to the Imvula Trust, subject to the Listings Requirements of the JSE. The required number of ordinary shares shall be determined with reference to the value of the 10% stake in CIM and prevailing market price of the ordinary shares in the company at the relevant time.

Reason for and effect of special resolution number 1

To approve the issuing of additional shares in the event of the company exercising its call option to acquire the Imvula Trust its 10% shareholding in CIM.

2. That the board may authorise the company to generally provide any direct or indirect financial assistance in the manner contemplated in and subject to the provisions of sections 44 and 45 of the Act to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, pursuant to the authority hereby conferred upon the board for these purposes.

Reason for and effect of special resolution number 2

To approve generally the provision of financial assistance to the potential recipients as set out in the resolution.

3. To substitute the existing memorandum of incorporation of the company with a new memorandum of incorporation, which is in line with the Act and Listings Requirements of the JSE.

Reason for and effect of special resolution number 3

To substitute the existing memorandum of incorporation of the company with an amended memorandum of incorporation, so as to harmonise the provisions of the memorandum of incorporation of the company with the Act.

The amended memorandum of incorporation which has been signed by both the company secretary and one director for purposes of identification will be available for inspection by shareholders at the registered office of the company from 22 December 2011 to 26 January 2012 during office hours Monday to Friday between 08:00 and 17:00 or on the website, www.coronation.co.za.

4. To approve the company's remuneration to non-executive directors in respect of the following:

	Year ending 30 Sept 2011 R'000	Year ending 30 Sept 2012 R'000
Basic fees		
Chairman	52	56
Non-executive director	52	56
Attendance fees per meeting		
Board – chairman	32	35
Board – non-executive director	19	21
Audit and risk committee – chairman	26	35
Audit and risk committee – non-executive director	19	21
Transformation committee – chairman	26	28
Remuneration and nominations committee – chairman	26	28
Remuneration and nominations committee – non-executive director	19	21



Reason for and effect of special resolution number 4

To approve the company's remuneration to non-executive directors in terms of section 66(9) of the Act and as per the recommendation of King III. The above authority and approval shall not endure beyond the earlier of the next annual general meeting of the company or beyond 15 months from the date of the meeting.

5. That the directors be hereby authorised, by way of a renewable general authority, to approve the purchase of its own ordinary shares or to approve the purchase of ordinary shares in the company by any subsidiary of the company at such price, and in such manner and subject to such terms and conditions as the directors may deem fit, provided that:

- This general authority shall be valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter.
- The ordinary shares be purchased through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and/or the relevant subsidiary and the counterparty.
- An announcement complying with paragraph 11.27 of the Listings Requirements of the JSE be published by the company (i) when the company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time the general authority was given (the initial number); and (ii) for each 3% in aggregate of the initial number of ordinary shares acquired by the company and/or its subsidiaries.
- The general repurchase by the company of its own ordinary shares shall not in the aggregate in any one financial year exceed 20% of the company's issued share capital of that class, provided that the acquisition of ordinary shares as treasury stock by a subsidiary of the company shall not exceed 10% in the aggregate of the number of issued shares in the company.

- Repurchases are not to be made at a price more than 10% above the weighted average of the market value for the ordinary shares for the five business days immediately preceding the date upon which the transaction is effected.
- At any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf or on behalf of any of its subsidiaries.
- A resolution by the board of directors that they authorised the repurchase, that the company passed the solvency and liquidity test and that since this test was done there have been no material changes to the financial position of the group.
- The company and its subsidiaries will not repurchase ordinary shares during a prohibited period (as defined in the Listings Requirements of the JSE), unless they have a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been announced on SENS (stock exchange news service) prior to the commencement of the prohibited period.
- Such repurchase shall be subject to compliance with the Companies Act, the company's MOI and the Listings Requirements of the JSE.

Reasons for and effect of special resolution number 5 and statement required in terms of paragraphs 11.26 and 11.30 of the Listings Requirements of the JSE

To grant the directors the general authority to contract the company and/or any of its subsidiaries to acquire the shares in the company, should the directors consider it appropriate in the circumstances.

The effect of the special resolution number 5 is that the directors will be granted the general authority, subject to the provisions set out in the resolution, to acquire shares in the company, should they deem it appropriate in the circumstances and should the company comply with the relevant statutes and authority applicable thereto.



Notice to shareholders continued

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

The directors shall not make any payment in whatever form to acquire any shares issued by the company as contemplated in special resolution number 5 if, after the directors have considered the effects of the maximum repurchase or payment, there are reasonable grounds for believing that:

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

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

In compliance with paragraphs 11.26(b) and 11.30(b) of the Listings Requirements, the information listed below has been included in the integrated annual report, in which this notice of annual general meeting is included, at the places indicated:

- The company's directors (pages 8 and 9)
- Major shareholders (pages 39 and 40)
- Directors' interests in securities (page 7 in the annual financial statements)
- Share capital (page 44 in the annual financial statements)

Other than the facts and developments reported on in the annual financial statements, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this notice and the posting thereof.

The directors, whose names are set out on pages 8 and 9 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information contained in the ordinary resolutions and special resolutions and certify that to the best of their knowledge and belief that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard and that the notice of the annual general meeting contains all information required by law and the Listings Requirements of the JSE.

There are no legal or arbitration proceedings (including such proceedings that are pending or threatened of which the company is aware) which may have or have had a material effect on the group's financial position in the previous 12 months.



Notice to shareholders continued

Voting and proxies

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

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

The attention of the members is drawn to the fact that, if it is to be effective, the completed proxy form is to reach the company's transfer secretaries in Johannesburg at least 48 hours before the time appointed for the meeting (which period excludes Saturdays, Sundays and South African public holidays).

By order of the board

John Snalam
Company secretary

8 December 2011

Registered office
7th Floor, MontClare Place
Cnr Campground and Main Roads
Claremont 7708
Cape Town
South Africa



Form of proxy



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

Thirty-eighth annual general meeting of members

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

I/We _____

of (address) _____

being a member of the abovementioned company and holding _____

do hereby appoint _____ of _____ or failing him/her,

_____ of _____ or failing him/her,

the chairman of the meeting,

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held in the boardroom of the offices of the company at 7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont, Cape Town, on Thursday, 26 January 2012, at 10:00 and any adjournment thereof.

Dated this _____ day of _____ 20 _____

Signature/s _____

	Mark with an X whichever is applicable.		
I/We desire to vote as follows:	Vote for	Vote against	Abstain
Ordinary resolutions			
1. To receive and consider the audited annual financial statements of the company for the year ended 30 September 2011			
2. a) To re-elect, by way of a separate vote, retiring director Prof Alexandra Watson who is eligible and available for re-election b) To re-elect, by way of a separate vote, retiring director Ms Judith Gail February who is eligible and available for re-election			
3. To authorise the directors to determine the remuneration of the company’s auditors			
4. To confirm the reappointment of Mr MR Isaacs of Ernst & Young Inc. as the company’s registered auditor			
5. To appoint audit and risk committee members each by way of a separate vote: a) To elect Prof Alexandra Watson b) To elect Mr Shams Pather c) To elect Mr Jock McKenzie			
Special resolutions			
1. To provide the directors with a specific authority to issue shares in respect of the purchase price payable to the Imvula Trust			
2. To authorise the company to generally provide any direct or indirect financial assistance contemplated in and subject to the provisions of sections 44 and 45 of the Act			
3. To substitute the existing memorandum of incorporation of the company with an amended memorandum of incorporation which is in line with the Act			
4. To approve the company’s remuneration to non-executive directors in respect of the financial year ending 30 September 2011 and 30 September 2012			
5. To provide the directors with a general authority to repurchase up to 20% of the company’s issued share capital			

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

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

Members holding certificated shares or dematerialised shares registered in their own name

1. Only members who hold certificated shares and members who have dematerialised their shares with 'own name' registration may use this proxy form.
2. Each member is entitled to appoint one or more proxies (none of whom needs be a member of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting, by inserting the name of the proxy or the names of two alternate proxies of the member's choice in the space provided, with or without deleting 'the chairman of the meeting'. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as the proxy to the exclusion of those whose names follow.
3. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairman of the meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting, as he deems fit, in respect of all the member's votes exercisable thereat.
4. A member or his proxy is not obliged to vote in respect of all the shares held or represented by him, but the total number of votes for or against the resolutions in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his proxy is entitled.
5. Forms of proxy must be lodged and/or posted to the company's transfer secretaries (Computershare Investor Services (Pty) Limited) at 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107), to be received by the transfer secretaries by not later than 10:00 on Tuesday, 24 January 2012.
6. The completion and return of this form of proxy in accordance with point 5 above will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. A minor must be assisted by the minor's parent or guardian, unless the relevant documents establishing the minor's capacity are produced or have been registered by the company.
8. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
9. This proxy form must be signed by all joint members. If more than one of those members are present at the annual general meeting either in person or by proxy, the person whose name stands first in the register shall alone be entitled to vote.
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer office or waived by the chairman of the annual general meeting.
11. The chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.

Members holding dematerialised shares

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

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
