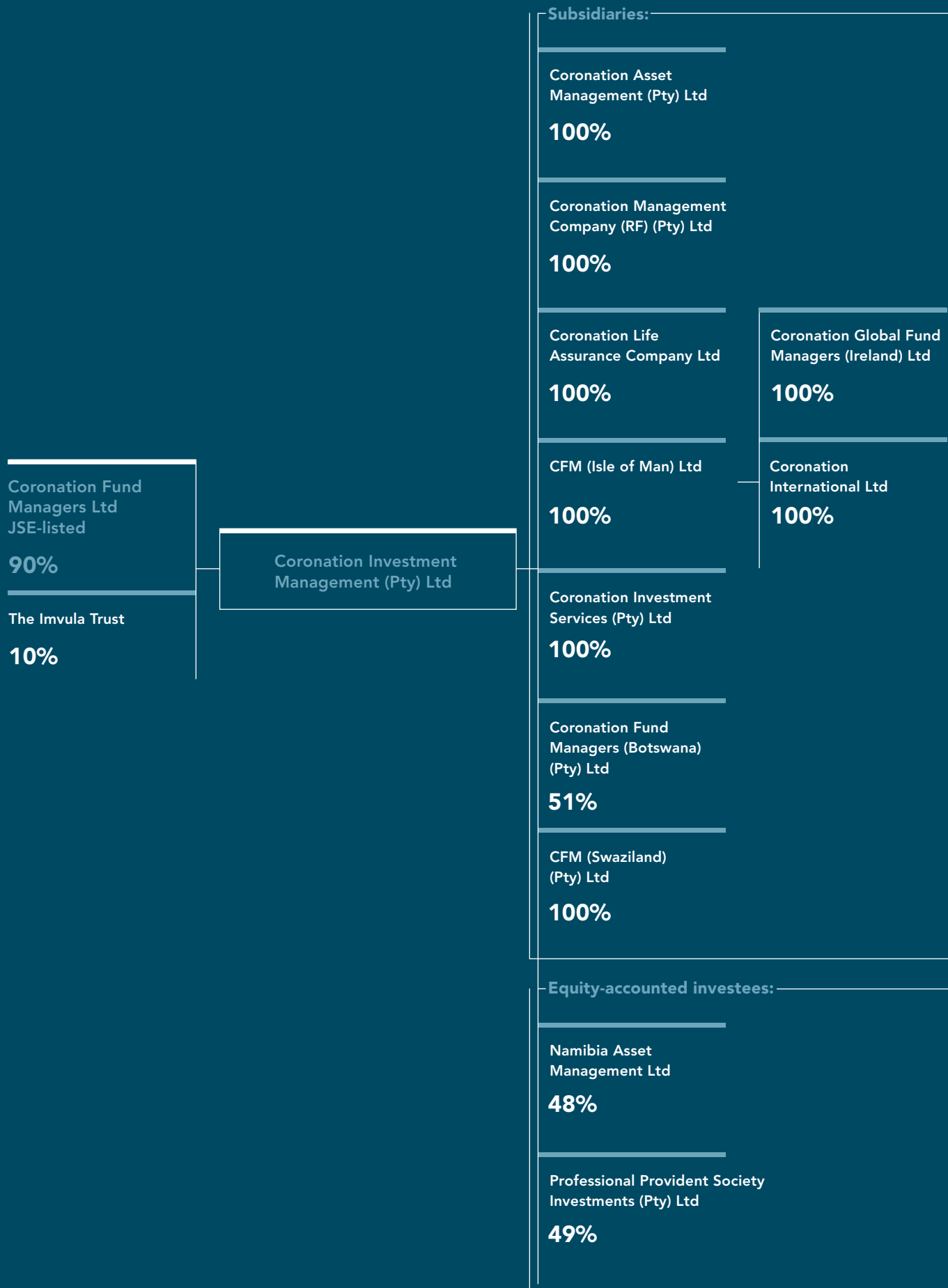


INTEGRATED ANNUAL REPORT
2012



CORONATION 
FUND MANAGERS

CORPORATE STRUCTURE



SCOPE OF THE REPORT

This report aims to provide all stakeholders with a complete and informed view of how we create value, both now and into the future. While primarily for shareholders, it also addresses clients and staff due to their importance in the delivery of long-term investment performance. Compiled, where applicable, in compliance with International Financial Reporting Standards (IFRS), the Companies Act, No. 71 of 2008, the Listings Requirements of the JSE, and guided by the King Report on Governance for South Africa 2009 (King III), this report includes the business strategy, objectives, performance and activities of the Coronation Fund Managers Group.

All non-financial information has been produced with reference to the requirements of the Global Reporting Initiative (GRI).

DIRECTORS' APPROVAL

The board of directors has approved the content of this report for the year ended 30 September 2012, of which the group's abridged financials form part.

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

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TRUST IS EARNED™

CORONATION 
FUND MANAGERS

TIMELINE

1993

Investment team forms Coronation Fund Managers and starts managing third-party assets

Total staff count of 18 at year-end

1994

AUM exceed R3 billion

First democratic elections in South Africa

Upper quartile in all investment performance surveys

1995

AUM more than double to R7 billion

Appointed to manage first large institutional client in Swaziland

1996

Unit Trust company formed

Launch of international fund of funds business following exchange control deregulation in South Africa

Launched equity long/short hedge fund

1997

AUM exceed R20 billion

Formation of Namibia Asset Management and Namibia Unit Trust Managers

Launch of first retail international fund of hedge funds in South Africa

2003

Publicly listed on the Johannesburg Stock Exchange

Runner-up Raging Bull Unit Trust Company of the Year

Best Larger Unit Trust Group over 1 year – Financial Mail/Standard & Poor's Awards

First asset manager in South Africa to gain GIPS® compliance

Rated Best Unit Trust Provider in PwC Survey of SA Bankers

AUM of R54 billion

Total staff of 133

2004

Raging Bull Unit Trust Company of the Year

AUM of R64 billion

Total staff of 138

2005

Launch of Coronation Fund Managers Botswana

Developed a range of retirement products for the retail market

Raging Bull Unit Trust Company of the Year

Formation of Imvula Trust – our B-BBEE partner

Closure of Absolute unit to new institutional investors

AUM of R82 billion

Total staff of 140

2006

AUM exceed R100 billion

Formation of PPS Investments

Symmetry Hedge Fund Award – Coronation Granite Fixed Income Fund

28% staff-owned

Total staff of 155

2007

Signatory to the United Nations' Principles for Responsible Investment (UNPRI)

Launch of Global Emerging Markets unit trust fund

Launch of Africa unit

31% staff-owned

AUM of R134 billion

Total staff of 169

1998

Dublin office established
Three new unit trusts launched
Established FinSource (now Maitland Fund Services), a provider of outsourced backoffice services

1999

First to introduce absolute products to the South African market
Opened London office
Revolutionised industry through offering of pooled products through Coronation Life

2000

AUM of R47 billion
Runner-up Raging Bull Unit Trust Company of the Year

2001

Rated Best Unit Trust Provider in PwC Survey of SA Bankers
Top 10 rating in Deloitte 'Best companies to work for' survey
Runner-up Raging Bull Unit Trust Company of the Year

2002

Launch of Kagiso Asset Management
Raging Bull Unit Trust Company of the Year
Named 2nd Best Larger Unit Trust Group over 1 and 3 years – Financial Mail/Standard & Poor's Awards

2008

Launch of two Africa portfolios
AUM of R125 billion
Total staff of 174
31% staff-owned

2009

Re-opened Absolute Unit to new institutional investors
AUM of R155 billion
Total staff of 181
30% staff-owned

2010

Best Africa Fund Manager – Africa investor Index Series Awards
AUM exceed R200 billion
POA Imbasa Yegolide Awards:
Overall Investment/Asset Manager of the Year
Equities Manager of the Year
30% staff-owned
Total staff of 189

2011

AUM of R247 billion
Total staff of 201
29% staff-owned
Rated Best Large Fund House – 2011 Morningstar South Africa Awards
Africa Fund Manager Performance Award for Coronation Top 20 South Africa (Best South Africa Equity Fund of the Year)
POA Imbasa Yegolide Award:
Equities Manager of the Year

2012

Rated Best Large Fund House – 2012 Morningstar South Africa Awards
Best Africa Fund Manager – Africa investor Index Series Awards
3rd Best Performing Company over 5 years – Sunday Times Top 100 Companies
Runner-up – Financial Mail Top Companies 2012
POA Imbasa Yegolide Awards:
Overall Investment/Asset Manager of the Year
Equities Manager of the Year
Absolute Returns Manager of the Year
Bond Manager of the Year
Closure of SA Equity product range to new institutional investors
AUM of R339 billion
29% staff-owned
Total staff of 218

VISION AND VALUES

Coronation's guiding principles have evolved over our 19-year history and have served us well in building a successful company. As part of this evolution we have condensed our 10 value statements to six. These six values more effectively and succinctly reflect the Coronation culture. They inform the 'what we do' and 'client charter' that, combined, enable us to achieve our vision.

OUR 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.

VALUES

Defining our culture, principles and behaviour:

- Always put clients first
- Think and act like an owner, not an employee
- Always act with integrity
- One business one team
- Excellence in all we do
- Think contribution not title

CLIENT CHARTER

In the delivery of long-term investment performance, our commitment to clients is encapsulated as follows:

- 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

We focus solely on fund management and earning our clients' trust through strong investment performance and appropriate product. 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.

The business comprises three key segments:

INSTITUTIONAL

As one of the largest managers of institutional assets in South Africa, we manage assets for approximately 85% of the top 200 retirement funds in the country. Our product offering covers all asset classes across a number of geographies in both segregated and pooled mandates. Clients include pension and provident funds, medical schemes, many of the major banking and insurance groups as well as a number of competitors through their multi-manager frameworks.

RETAIL

Our unit trust management company is the 2nd largest manager of long-term assets in the South African unit trust industry. We offer a focused range of funds matched to the needs of the majority of investors, distributed through the non-affiliated channels of independent financial advisors and linked investment service providers.

INTERNATIONAL

Managed from Cape Town and London we offer a compelling range of funds across the risk/return spectrum for both institutional and individual investors.

Total revenue split for 2012 was: 43% institutional, 40% retail and 17% international.

STAKEHOLDERS

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.

Please refer to the chairman's statement for details on our strategy (page 17) and the chief executive officer's review for how well the business has performed over the year (page 19).

KEY FOCUS AREAS AND PERFORMANCE

All material issues are framed by five focus areas, each of which contributes to addressing our core business values and executing our strategy.

The sustainability of our business lies in our ability to produce superior long-term investment performance and client retention.

1. INVESTMENT PERFORMANCE

Our long-term track record of consistent alpha generation is testament to the rigour of our single investment philosophy and process. To protect the future outcomes of clients, we have closed the institutional SA Equity product range and will close Balanced and Absolute Return to new clients, as detailed on page 17.

ONE INVESTMENT PHILOSOPHY

- Long-term time horizon
- Proprietary research
- All client portfolios reflect the Coronation DNA – best investment view

NO WINDOW DRESSING OF RETURNS

- Institutional and retail clients treated equally
- First manager in South Africa to become GIPS® compliant

APPROPRIATE PRODUCT

- Complete institutional offering across asset classes and geographies
- Focused range of domestic and international unit trust funds grouped by investor need

INVESTMENT TEAM

- Integrated global team headquartered in Cape Town
- One of the only investment teams in the world with three former CIOs still actively managing money
- 63 professionals, each with an average of more than 11 years in the industry and 7 years with Coronation

KEY PERFORMANCE INDICATOR

Ranking in Alexander Forbes SA Large Manager Watch™

Ranking in Alexander Forbes Global Large Manager Watch™

Performance data produced by Morningstar

MEASUREMENT

INSTITUTIONAL: BALANCED PORTFOLIOS

RANKING TO 30 SEPTEMBER 2012	3 YEARS	5 YEARS	7 YEARS	10 YEARS
Alexander Forbes SA Large Manager Watch™	3	2	4	2
Alexander Forbes Global Large Manager Watch™	4	2	3	4

RETAIL: FLAGSHIP FUNDS

INVESTOR NEED	FUND	5-YEAR RANKING	10-YEAR RANKING	S.I. RANKING
Long-term growth (equity only)	Top 20	1st Quartile	1st Quartile	1st Quartile
Long-term growth (multi-asset)	Balanced Plus	1st Quartile	1st Quartile	1st Quartile
Income and growth	Capital Plus	1st Quartile	1st Quartile	1st Quartile
	Balanced Defensive	1st Quartile	–	1st Quartile
Income only	Strategic Income	1st Quartile	2nd Quartile	1st Quartile

Source: Morningstar

MEASUREMENT CONTINUED

INTERNATIONAL: US DOLLAR FUNDS

FUNDS	ANNUAL ALPHA*	LAUNCH DATE	FEES
Global Equity Alternative Strategy Fund of Funds	3.91%	01-Aug-96	Net
Global Equity Fund of Funds	1.45%	01-Jul-00	Net
Global Emerging Markets	6.87%	14-Jul-08	Gross
Global Bond	2.27%	01-Oct-09	Gross
Africa Frontiers	10.16%	01-Oct-08	Gross
Global Capital Plus	6.98%	01-Sep-09	Gross
Global Managed	0.66%	01-Mar-10	Gross

* Annual alpha for institutional portfolios since launch to end September 2012

AWARDS 2012

IMBASA YEGOLIDE AWARDS



- Equities Manager of the Year
- Overall Investment/Asset Manager of the Year
- Absolute Returns Manager of the Year
- Bond Manager of the Year

RAGING BULL AWARDS



- Domestic Prudential Variable Equity – Coronation Balanced Plus
- Domestic Equity - Industrial – Coronation Industrial
- Best Global Offshore Equity Fund – Coronation Global Emerging Markets

MORNINGSTAR AWARDS



- Best Large Fund House 2012
- Cautious Allocation – Coronation Balanced Defensive
- Aggressive Allocation – Coronation Market Plus
- Bond - Short-term – Coronation Strategic Income

AFRICA INVESTOR INDEX SERIES AWARDS



- Best Africa Fund Manager 2012

SUNDAY TIMES TOP 100 COMPANIES



- 3rd Best Performing Company over 5 years

FINANCIAL MAIL TOP COMPANIES 2012



- Runner-up

2. CLIENT SERVICE

We work hard at building and maintaining our clients' trust, which is why almost half the institutional assets under our management are from clients who have been with us for more than a decade. As an independent asset manager with no tied assets, we understand the importance of client relationships.

Our institutional and retail investors include some of the largest retirement funds, medical schemes and multi-manager companies, many of the major banking and insurance groups, selected investment advisory businesses, prominent independent financial advisors, high-net-worth individuals and direct account holders of unit trusts and retirement products.

We manage assets for approximately 85% of the top 200 pension funds in South Africa, including assets for the government pension funds of South Africa, Botswana, Lesotho, Namibia and Swaziland.

Consistent with our client charter and the values that guide our behaviour, putting clients' needs at the forefront of what we do is a key priority. We know that without clients we have no business and that the assets under our management can leave on 24 hours' notice. We aim to provide excellent levels of service to all our clients, achieved and measured through ongoing client engagement and regular qualitative research within the professional advisor market. We have introduced customer satisfaction surveys for direct account holders and plan to roll out a number of other forms of measurement. Coronation fully supports the FSB's *Treating Customers Fairly* programme, set to be introduced during the course of 2014.



CLIENTS, REPRESENTING 45% OF TOTAL INSTITUTIONAL ASSETS, HAVE BEEN WITH CORONATION FOR MORE THAN 10 YEARS.

3. GOVERNANCE

Coronation maintains high standards of corporate governance, effected through a unitary board and solid framework of subcommittees.

The regulatory environment continues to evolve, both within South Africa and in the other countries in which the group operates and markets. We welcome the opportunity to participate in shaping a safer financial sector as contemplated in National Treasury's *A safer financial sector to serve South Africa better* (aka the Red Book), through our involvement with industry body, Association for Savings & Investment South Africa (ASISA), and direct engagement with the regulators. The business has identified the full regulatory universe and its impact on the group. Compliance risk management follows an integrated approach. It is well entrenched in the group and in anticipation of growing operational requirements we have bolstered our skill set. No contravention has been identified that could expose the business to any actual or contingent risk.

The board is of the opinion that the group has applied all significant governance principles in King III and that it is fully compliant with all significant requirements of the Listings Requirements of the JSE. The group continues to place a high priority on ensuring it complies with all regulatory and statutory obligations.

4. STAFF

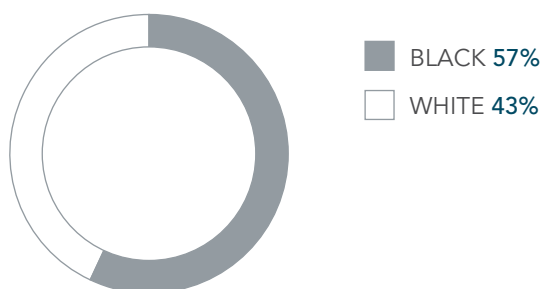
At the heart of the Coronation 'DNA' are our people. It is their passion, insight and extraordinary blend of skill which will sustain our business into the future. We operate in a flat structure with a culture of excellence.

Teamwork, individual achievement and continuous learning that is fully supported by the company, are all key components of our culture. We employ a total staff complement of 218, of whom 63 are investment professionals. Staff retention is critical to the success of the business (see staff turnover diagram below) and is achieved through a range of initiatives.

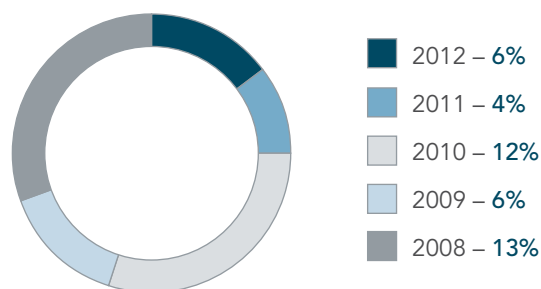
As a pure fund manager, staff compensation is directly linked to the strength of investment performance and retention of clients. The bonus pool, which is calculated as 30% of the pre-tax profit, is utilised to reward staff for their contribution towards the success of the company, including acknowledgment of exceptional performance.

In line with our long-term focus, the bonus pool trust is also utilised to allocate investments in Coronation shares and unit trusts to staff, which vest over a predetermined number of years. The settlement of the debt within our staff empowerment vehicle has also facilitated the realisation of economic benefit to beneficiaries. Staff are encouraged to maintain their shareholding in Coronation, which currently stands at 29%.

SOUTH AFRICAN STAFF



STAFF TURNOVER OVER LAST 5 YEARS



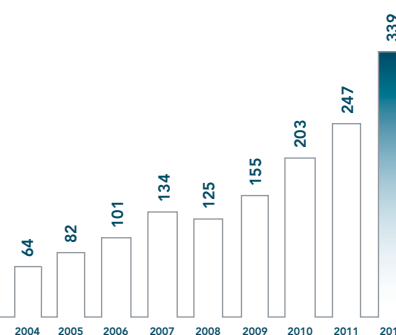
KEY FOCUS AREAS AND PERFORMANCE CONTINUED

5. SHAREHOLDER VALUE

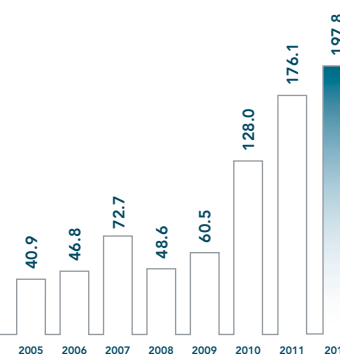
All key focus areas, as previously defined, combine in the execution of our strategy to create shareholder value. Over the past few years the company has enjoyed a fairly stable shareholder base.

KEY PERFORMANCE INDICATORS	2012	2011
Cost-to-income ratio	51.2%	47.9%
Dividend distributions (cents)	206	172
Rolling 5-year total return	26% p.a.	20% p.a.

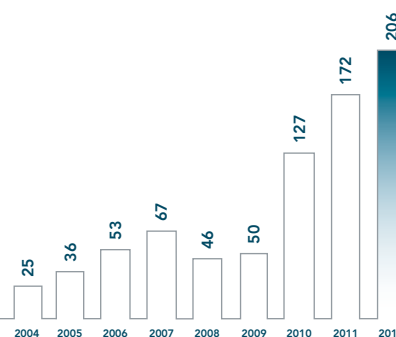
ASSETS UNDER MANAGEMENT OF R339 BILLION, UP 37%



DILUTED HEADLINE EARNINGS PER SHARE OF 197.8 CENTS, UP 12%

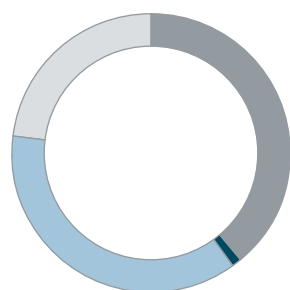


TOTAL DIVIDEND PER SHARE OF 206 CENTS



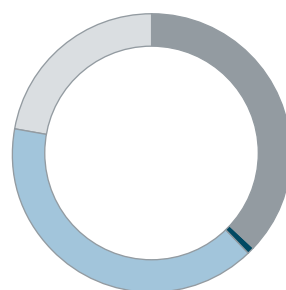
DISTRIBUTIONS TO STAKEHOLDERS

2012



■ STAFF COSTS – 37%
■ FINANCE COSTS – 1%
■ DIVIDENDS – 40%
■ TOTAL TAX – 22%

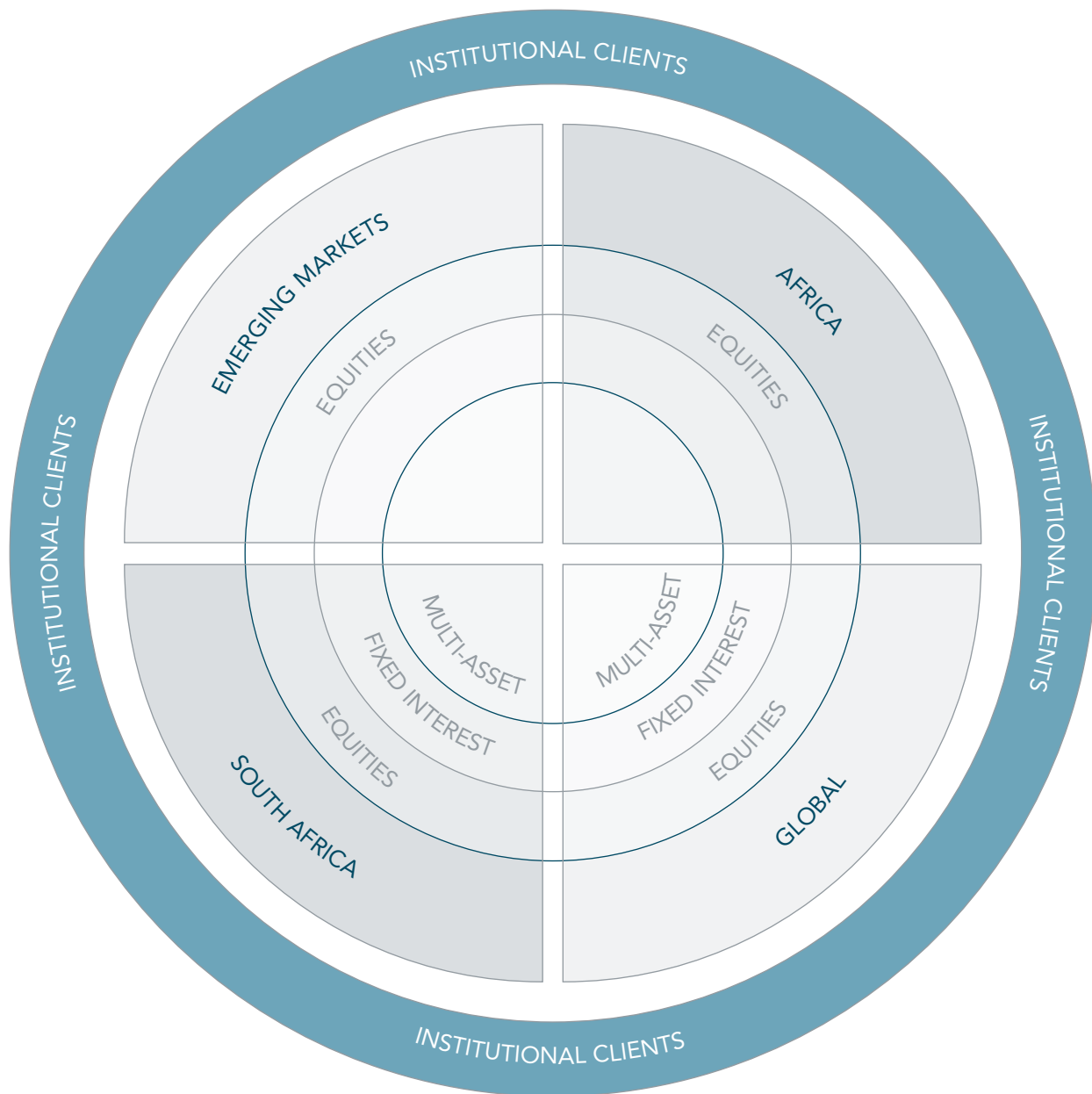
2011



■ STAFF COSTS – 39%
■ FINANCE COSTS – 1%
■ DIVIDENDS – 37%
■ TOTAL TAX – 23%

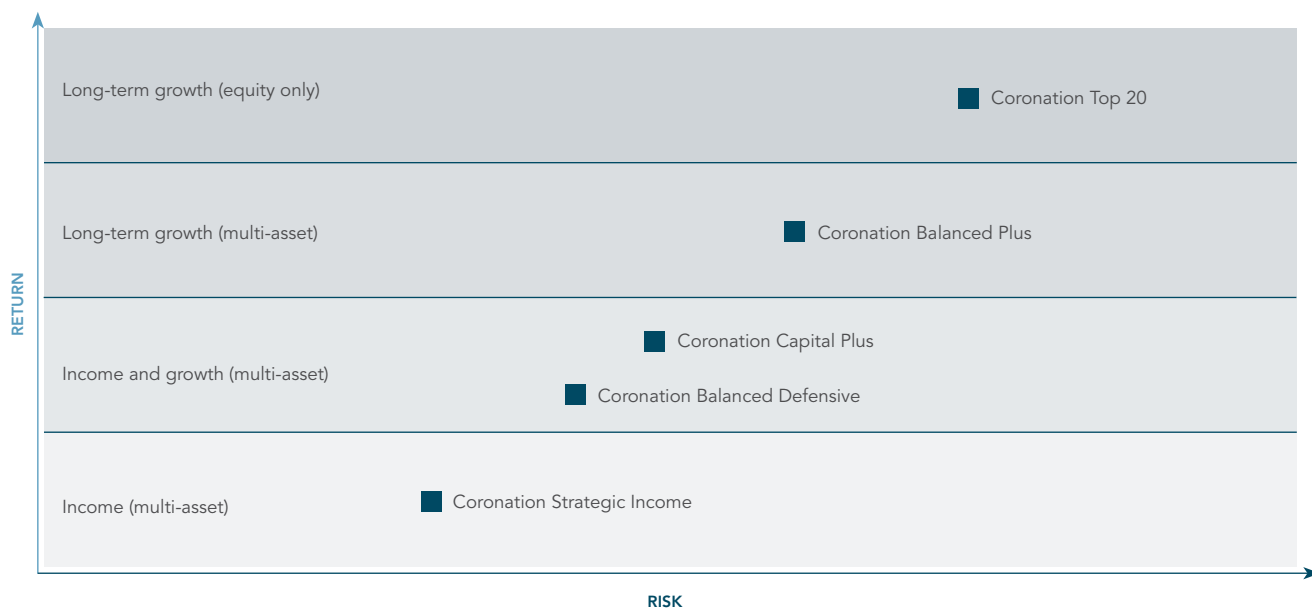
PRODUCT RANGE

INSTITUTIONAL

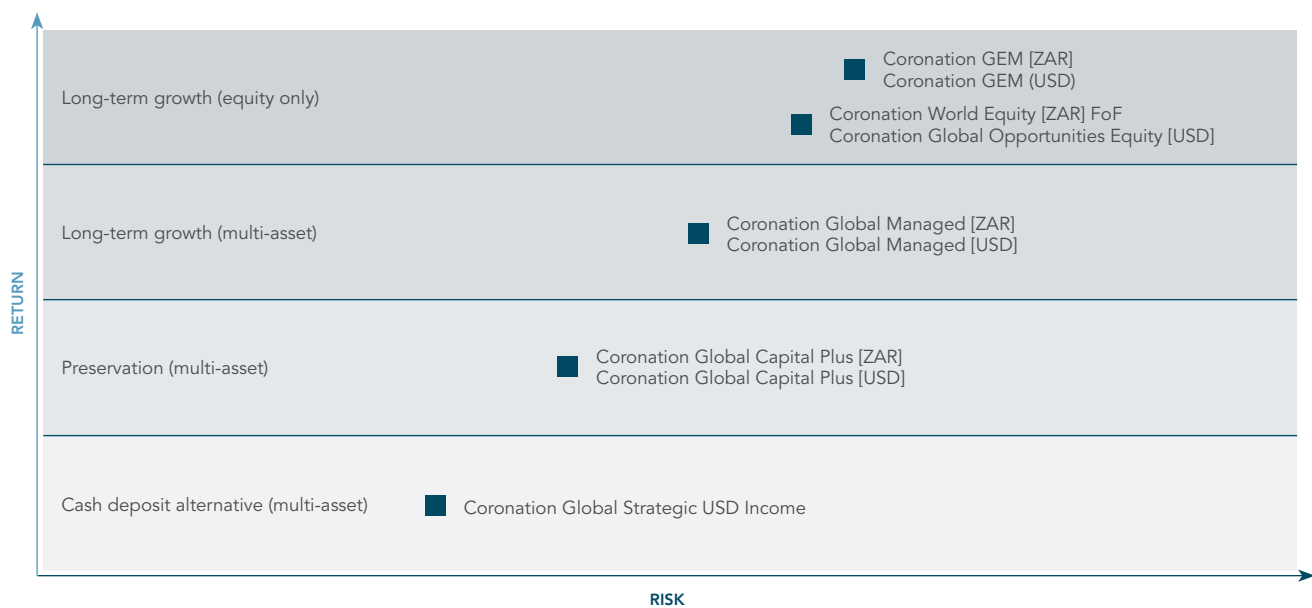


RETAIL

DOMESTIC FLAGSHIP FUND RANGE



INTERNATIONAL FUND RANGE



BOARD OF DIRECTORS

AS AT 30 SEPTEMBER 2012



SHAMS PATHER

Independent non-executive chairman, 62
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.



HUGO NELSON

Chief executive officer, 42
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.

Note: As per the SENS announcement dated 17 February 2012, Hugo steps down as CEO on 31 January 2013.



JUDITH FEBRUARY

Independent non-executive director, 41
BA (Law), LLB, LLM

Judith is the Executive Director: Democracy and Governance at the Human Sciences Research Council (HSRC). Prior to that, she headed up IDASA's South African governance programme for 12 years. She obtained her BA (Law) and LLB degrees from the University of Cape Town (UCT) and practised law in Cape Town until 2000, the same year in which she obtained her LLM in Commercial Law (UCT). 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.

APPOINTED 8 NOVEMBER 2012



JOHN SNALAM

Chief financial officer, 53
BCom (CTA), CA(SA)

John has been the chief financial officer of Coronation Fund Managers since its inception in 1993. During that time he has been responsible for all finance and legal functions related to the business as well as responsibilities for operations, risk and compliance. He has also held directorships on the boards of all South African operating subsidiaries of the group. Prior to joining Coronation, John spent eight years in the fields of finance, operations and compliance within financial services companies in London and South Africa. John was appointed to the board in November 2012.



JOCK McKENZIE

Independent non-executive director, 65
BSc (Chem Eng), MA (Lancaster)

Jock is a member of the boards of Sappi, Capitec 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.



ANTON PILLAY

Chief operating officer, 42
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.

Note: As per the SENS announcement dated 17 February 2012, Anton takes on the role of chief executive officer on 1 February 2013.

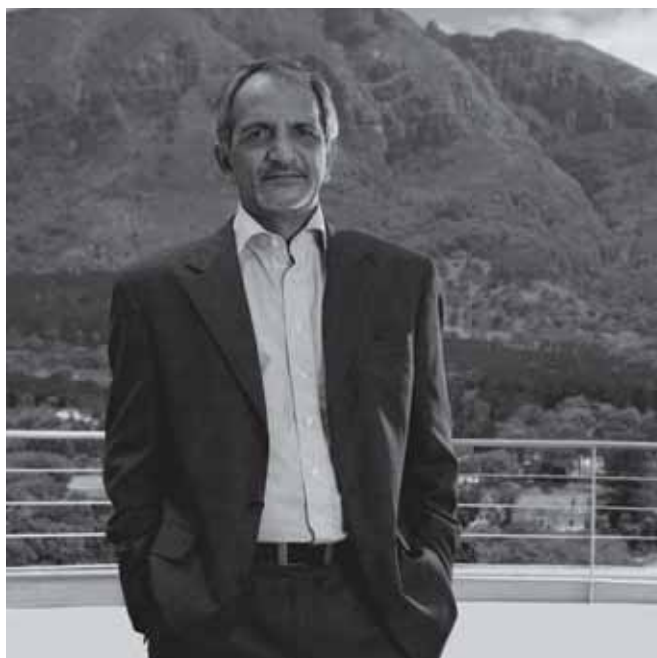


ALEXANDRA WATSON

Independent non-executive director, 56
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 college of accounting. Until recently she was the chairman of the accounting practices committee, the technical accounting committee of SAICA and is a member of the financial reporting investigations panel and the South African integrated reporting working group. Alexandra 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.

CHAIRMAN'S STATEMENT



SHAMS PATHER CHAIRMAN

Coronation delivered a solid set of results for the past financial year, increasing assets under management by 37% to R339 billion (September 2011: R247 billion).

Four years on from the start of the Great Recession, markets continued to be plagued by negative sentiment. Concerns throughout the year revolved around the future of the euro, interspersed with the looming fiscal cliff in the US and the economic slowdown and regime change in China. Globally and locally the economic environment remains fragile. It is further impacted by the growing Middle East crisis which, again, is threatening to engulf the entire region.

Closer to home, the headline event was the Marikana tragedy, which highlighted the desperate socio-economic realities of the country and raised questions of policy that led, in part, to the Moody's downgrade in late September. The current industrial unrest, coupled with ongoing service delivery protests, is having a deleterious effect on consumer and investment confidence.

While the major indices ended the year in strong positive territory, volatility was high as market participants responded to stimulatory measures taken by central bankers around

the world. The consequent abundance of liquidity saw the MSCI World Index returning 22.3% (in US dollars), the MSCI Emerging Markets Index 17.3% (in US dollars) and the FTSE/JSE All Share Index 24.4% (in rands). The rand remained relatively strong, falling 2.63% against the US dollar to close at R8.30.

Total inflows for the year were R41.5 billion, entrenching Coronation's position within the institutional market and consolidating its standing as the 2nd largest manager of long-term funds in the unit trust industry.

Revenue increased by 14% to R2.0 billion (September 2011: R1.7 billion) on the back of strong growth in assets under management. In line with our variable cost model, total operating costs increased by 21% to R1.0 billion. Profit from fund management increased by 7% to R979 million and diluted headline earnings per share by 12% to 197.8 cents (September 2011: 176.1 cents).

As always, we continue to reward shareholders, endeavouring to distribute at least 75% of after-tax cash profit. After considering projected cash requirements, a final gross dividend of 111 cents per share has been declared, resulting

in a net dividend of 94.35 cents per share for shareholders subject to dividends tax. This amounts to a total gross dividend of 206 cents per share for the year. In calculating the total dividend, account was taken of the negative impact on the current year's earnings, resulting from the STC charge applicable to the dividend paid in December 2011. This was added back to arrive at attributable cash earnings generated for the year.

STRATEGY

We recognise that as an asset manager we are the appointed custodians of our clients' money. Our business strategy and model remain focused on consistent long-term superior returns for all stakeholders.

Our strategic focus is to nurture our established institutional business and invest in the future growth of our international and retail businesses. This we will do through the provision of appropriate products that satisfy 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 and Swaziland.

Over the course of the year, we took pre-emptive measures within our institutional business to protect the future investment outcomes of clients. Given the size of this part of our business, which represents 65% of total assets under management, this is the area in which domestic equity market capacity pressures are felt more acutely. Accordingly, on 31 March 2012 we closed our SA Equity products to new clients and will close the Balanced and Absolute Return product ranges on 31 December 2012. The closures do not impact existing clients or our unit trust business. Our institutional South African Fixed Interest, Hedge and International fund ranges remain open to new clients.

We also continue to build brand awareness, particularly in the retail market, where our highly impactful advertising campaign has contributed to the significant growth experienced in our unit trust business.

The detail and means of measurement of the key focus areas critical to our achieving this strategy are documented on pages 6 to 11.

CORPORATE GOVERNANCE

The principles of the Code of Corporate Practices and Conduct, as set out in King III, have been considered and applied, except where otherwise indicated. Coronation has been a signatory to the United Nations' Principles for Responsible Investment since 2007 and supports the Code for Responsible Investing in South Africa, introduced on 1 February 2012.

In April 2012, a social, ethics and transformation committee was formed with the objective of monitoring, assessing and measuring all related activities.

Coronation operates with the highest standards of ethical conduct when engaging with all stakeholders. Full details of the corporate governance philosophy, approach, board structure and subcommittees can be found on pages 24 to 26.

As at the date of issue of this report, the board comprises four independent non-executive directors and three executive directors, with all subcommittees chaired by non-executive directors.

TRANSFORMATION

On 29 August 2012, we announced that Coronation's broad-based black economic empowerment partner, the Imvula Trust (Imvula), the beneficiaries of which comprise all black staff within the group, had settled its remaining debt. The conversion of the Imvula investment in Coronation Investment Management (Pty) Limited to listed Coronation shares will be completed once the final version of the Financial Sector Charter has been gazetted.

As a South African business, transformation is a key component of our business strategy. We take great care in ensuring that true transformation takes place at all levels of our business. We are also conscious of our sphere of influence in terms of our procurement processes and how we channel our corporate social investment spend. Full details are provided as part of the sustainability report on page 35.

In terms of the Department of Trade and Industry's Code of Good Practice on Broad-Based Black Economic Empowerment, Coronation is rated as a Level III contributor.

CHAIRMAN'S STATEMENT CONTINUED

THE BOARD

On behalf of the board and the company I would like to thank outgoing chief executive officer Hugo Nelson who steps down on 31 January 2013. Hugo has contributed significantly to the success of the group – as an analyst, portfolio manager and most recently as chief executive. We wish him well in his future endeavours.

In the role of chief executive officer I welcome Anton Pillay with effect 1 February 2013. Anton has been chief operating officer since 2006 and executive director since June 2009. He enjoys the trust and confidence of the board and I look forward to working with him as chief executive officer.

I also welcome John Snalam as executive director with effect 8 November 2012. John has 25 years' industry experience and has been with Coronation since its formation in 1993.

Group legal consultant, Lee-Anne Parenzee, takes on the role of company secretary, also from 8 November 2012.

ACKNOWLEDGEMENTS

I thank our staff for their dedication, professionalism and loyalty to the Coronation brand. It is their living of the culture that ensures our continued success. To our clients and intermediaries, I thank you for the ongoing trust you place in our ability to deliver superior long-term investment performance. And lastly, thank you to our shareholders and to my fellow members of the board.

PROSPECTS

We pursue a single philosophy of investing for the long term across all client portfolios. In the current low growth, low inflation environment the search for alpha is critical to achieving strong long-term returns for all stakeholders. In the year ahead, we will continue to pursue our strategy of consolidating our institutional business and nurturing our international and retail franchises.

CHIEF EXECUTIVE OFFICER'S REVIEW



HUGO NELSON CHIEF EXECUTIVE OFFICER

2012 has been a spectacular year for Coronation in many respects. The exceptional growth in assets under management occurred despite closing one third of our institutional business to new clients in the middle of our financial year. A further third of our institutional business, the Balanced and Absolute Return product ranges, will close to new clients at the end of the calendar year. It will be interesting to observe the evolution of our assets under management in light of this further step to protect the investment returns of our existing clients. Our retail business has continued the strong asset growth of the past few years and is now firmly entrenched as the 2nd largest manager of long-term unit trust funds in South Africa.

This increase in capacity and scale, evidenced by the growth in assets under management, has led to a 9% increase in our staff complement, and we anticipate further growth in this area as we appropriately resource for delivery on our client promises. Coronation is fortunate to be well regarded by job seekers and we are confident in the enhanced contribution which our new team members will enable.

Key to our client promise is delivery on long-term return expectations harboured by our clients. Coronation is currently in a rare position, where we have had exceptional

relative returns, and we would be surprised if future shorter-term evaluation periods do not reflect a less rosy picture. As a long-term investor with a good track record we will have many challenging years. It is important for clients to understand that this comes with the territory and it is often in these periods that the best long-term investments are made. For now, however, we are grateful to be in this position.

Delivering on our client promise leads to a growth in trust with our stakeholders, which in turn fuels our assets under management flow experience. Naturally the future will never be exactly like the past and one of the key challenges we, and our industry, will face relates to regulation.

National Treasury recently released four technical discussion papers in which they expanded on the proposals contained in their May 2012 paper *Strengthening Retirement Savings*. Some of the proposals include:

- A default annuity option for retirees, with the aim of reducing costs and making outcomes more efficient. This will reduce the need for advice on retirement and alter the engagement between service providers and clients.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

- Longevity protection. This is an issue we have highlighted many times in our client communiqués. Essentially, National Treasury is seeking to legislate a solution to the undue level of risk which retirees have taken by purchasing market-linked retirement annuities with no guarantee of income until death. The key complication being that the average person saves too little, retires too early, and lives too long. National Treasury is seeking to address the impact of the third issue.
- Making existing market-linked income plans more efficient by introducing age-dependent income withdrawal limits, reducing investment choice and limiting payments for advice which can be made from within the income plan.

We are using the public consultation process to ensure that the proposals are implemented in a manner consistent with current market infrastructure, so as to minimise unintended consequences. We do not anticipate any major changes to the structure of the market before 2014 at the earliest.

INSTITUTIONAL

The institutional business enjoyed exceptional growth, attracting net inflows of R17.6 billion; an increase of 77% over last year's strong R9.9 billion. This is a significant achievement given the relative maturity of the market.

Inflows were received from both new and existing clients across all product categories, with particular emphasis on our balanced, absolute return and flexible fixed interest offerings.

LANDSCAPE

It was an extremely busy year for boards of trustees as they grappled with volatile global market conditions, intensifying legislation, changing strategy and the reality of trying to provide pensions for their members.

On 1 February 2012, the adoption of the voluntary Code for Responsible Investing in South Africa (CRISA) came into play. This resulted in the adaptation of appropriate frameworks by boards of trustees for the integration of sustainability issues, incorporating environmental, social and governance (ESG) into their long-term investment strategies. While South African companies rate highly in terms of reporting on

corporate governance, the definitions and reporting on economic and social metrics are still in their infancy. For detailed information regarding Coronation's approach to ESG please refer to page 34.

Notices relating to Regulation 28 of the Pension Funds Act, hedge funds and Regulation 30, which governs medical aid schemes, are currently in issue for comment.

INVESTMENT PERFORMANCE

Our domestic balanced portfolios ranked 2nd over 5 and 10 years in the Alexander Forbes (AF) SA Large Manager Watch™ survey to end September 2012, while our global balanced portfolios ranked 2nd over 5 years and 4th over 10 years in the AF Global Large Manager Watch™ survey. Our longest running absolute portfolio, Coronation Global Absolute, outperformed its benchmark of inflation plus 6% by 5.3% per annum since inception, and the Coronation Core Equity portfolio outperformed the market by 2.9% per annum since 2004 to end September 2012.

During the year we received Imbasa Yegolide Awards for Equities Manager of the Year, Absolute Returns Manager of the Year, Bond Manager of the Year and Overall Investment/Asset Manager of the Year. These awards are under the auspices of the Principal Officers' Association in South Africa.

CLIENT-CENTRIC FOCUS AND PRODUCT DEVELOPMENT

At the core of our business is the meeting of our clients' expectations and delivery of superior levels of performance. It is vital that we understand our clients' needs and anticipate, where possible, opportunities to better realise their investment objectives.

In the current low growth, low interest rate environment we have expanded our fixed interest offering to include the Coronation Liability Driven Investment Product, a specialised solution aimed at matching a pension fund's assets to its liabilities. After many months of development, we have created a bespoke system to provide fully funded solutions. While still early days, we have already seen keen interest from a number of the large benefit consultants and retirement funds.

During the year, we engaged with more than 650 key clients through a series of topical conferences held in the major centres of Johannesburg and Cape Town. The conferences covered a wide range of topics developed to provide meaningful insight and usable information. This year's *Talking Investments* held in June 2012 was a particular highlight, featuring the world's greatest living explorer Sir Ranulph Fiennes as part of a line-up of international speakers.

In line with the reshaped regulatory landscape we continued to bed down all new reporting standards, and are developing systems that will ensure that we remain at the forefront of risk management and compliance in the years ahead (see risk report on page 27).

BOTSWANA

We are delighted to report a 78% increase in assets under management, to end the year at P4.1 billion. The flagship Botswana Global Balanced Fund has produced a 2% annualised outperformance of the benchmark to end September, since launch five years ago.

During the year, our local partner, Club m10, increased its shareholding from 10% to 15%, facilitated through the sale by The Citizen's Trust, which now owns 9% of the business. Staff ownership remains at 25% of the business.

NAMIBIA

Namibia Asset Management enjoyed strong flows, growing assets under management by 30% to end the year at N\$12.2 billion.

RETAIL

In a good year for the South African unit trust industry, Coronation attracted one of the highest levels of net inflows. This can be attributed to the strength of long-term investment performance, brand awareness and deepening market support. Coronation grew market share from 9.9% to 11.3%, consolidating its position as the 2nd largest manager of long-term funds. The primary beneficiaries of the R23.9 billion in net inflows were our multi-asset funds and our flagship flexible fixed interest fund, Coronation Strategic Income.

LANDSCAPE

The industry recorded total net inflows of R91 billion, taking total assets to its highest level ever at R1.1 trillion.

The key cash flow theme for the year was a significant rotation out of cash funds into longer-dated fund categories such as bond, real estate and managed income funds. The cause for this was the strong performance of the higher yielding asset classes, supported by a surprise rate cut in June – moving policy rates to multi-decade low levels – as well as significant foreign inflows as a result of the global search for yield. The move into longer-dated securities was amplified by tax law changes that removed the tax advantages previously enjoyed by structured dividend income funds. As a result, the longer-dated fund categories attracted combined net inflows of R59 billion, while money market and dividend income funds saw net outflows in excess of R41 billion for the year. Coronation Strategic Income is a strong contender in the managed income fund market, which on the back of significant outperformance of cash and the majority of its direct competitors, attracted 14% of total industry flows.

Investors continued the well-established trend of investing in multi-asset class funds, directing R77 billion of total flows to the category. These funds provide investors with the diversification benefits of good asset allocation decisions, investing in both income and growth assets. Coronation is currently seen as the industry leader in this category, attracting R12.3 billion of total flows.

Flows into pure equity and international funds remained subdued at R7 billion. Of this, Coronation attracted R3.2 billion. Our share of international fund flows, at 13%, has normalised with the experience in our domestic fund range, demonstrating that our international franchise has gained market acceptance.

Industry flows were further supported by a number of large fund managers moving existing portfolios from life balance sheets to collective investment scheme portfolios. Driving this move was the mitigation of recently introduced capital adequacy requirements applicable to market-linked portfolios of insurance companies (and not unit trusts).

INVESTMENT PERFORMANCE

For the second consecutive year, Coronation was named Best Large Fund House at the 2012 Morningstar South Africa Awards. All funds in the domestic flagship fund range delivered to mandate, recording top quartile performances over 1, 3 and 5 years and since launch to end September 2012 in their respective Morningstar categories. Highlights include:

- Coronation Top 20, our concentrated equity fund for investors seeking long-term capital growth, has outperformed its benchmark by an impressive 6.6% per annum since launch in October 2000;
- Coronation Balanced Plus, the no. 1 balanced fund in South Africa since launch in April 1996, has outperformed its average competitor by 2.4% per annum over this period;
- Coronation Capital Plus, our flagship absolute return fund, has outperformed inflation by 8.3% per annum since inception in July 2001;
- Coronation Balanced Defensive, the no. 1 conservative fund in South Africa for the 5-year period to end September 2012, has outperformed inflation by 4.4% per annum over this period, and
- Coronation Strategic Income, has outperformed cash by 3% per annum since launch in July 2001.

We also received a number of individual fund awards, detailed as part of key focus areas and performance on page 7. While positive industry recognition is always a good thing, our satisfaction comes from the fact that our funds consistently meet our investors' expectations.

CLIENT-CENTRIC FOCUS AND PRODUCT DEVELOPMENT

True to our client charter, clients are at the centre of what we do. A vital aspect of our service delivery is ensuring that our intermediary and direct clients are kept abreast of latest market developments and relevant product updates. This we do by means of our quarterly *Corospondent* newsletter and targeted communications. For the independent financial advisors we extended our programme of active support to include a monthly information portal *coroconnect*, aimed at facilitating greater sharing of information. Supplementary to

our ongoing regular client interactions, we ran our highly successful *Conversations with Coronation* series of presentations in Johannesburg, Pretoria, Port Elizabeth, George, East London, Pietermaritzburg, Durban, Bloemfontein and Cape Town to audiences totalling 4 600 advisors.

As brand recognition has grown, the number of direct account holders has shown proportionate growth to the increase in assets under management. While representative of a very small percentage of retail assets, this segment of the market has provided us with a unique opportunity to establish where we rank in terms of living up to our clients' expectations. During the year we introduced a series of surveys after each client interaction to assess client satisfaction and loyalty across a number of metrics. While we are pleased to have received a rating of 93% in terms of overall satisfaction by respondents, the exercise proved extremely useful in identifying and targeting areas of improvement in our client service process. It is a vital business tool that we will continue to use to assess client satisfaction.

INTERNATIONAL

Assets under management increased by 62% to US\$4.4 billion, supported by growth in our institutional and retail businesses. In addition, the excellent performances from our specialist Africa and Global Emerging Markets units continued to attract interest from global capital allocators.

LANDSCAPE

The enormity of the sovereign debt crisis in Europe played heavily on the global financial system. The year began with the fall of the Greek government, followed by Silvio Berlusconi in Italy and a change in government in Spain. This set the scene for austerity measures that triggered social unrest as electorates took to the streets in protest. The gravity of the situation played out in the Italian and Spanish bond rates, which elicited continued dramatic responses from both leading European politicians and global central banks. By the end of March, markets rallied on the back of heightening conviction that the US economic recovery was gaining traction. But by the third quarter sentiment had again turned negative and confidence levels unravelled as the US uplift proved elusive, despite definite signs that the economy was at a turning point. Prompted by stubbornly high unemployment statistics, the US Fed announced the third round of quantitative easing – an open-ended monthly purchase of US\$40 billion of mortgage-backed securities until at least 2015. The ECB then joined the US in a high-risk

strategy to stimulate growth, by pledging to do 'whatever it takes' to preserve the euro. Stimulatory measures were also taken by the People's Bank of China and the Bank of Japan.

The current global investment environment is shrouded in a very abnormal set of circumstances; circumstances that are likely to endure for some time to come. Investors are fleeing to 'safety' and it is not an easy environment in which to add alpha. The sovereign bond market is extremely expensive yet trillions of dollars have poured in from financial institutions around the world, taking equity exposure to historically low levels. These are asset allocation decisions that pose a very real risk to investors' portfolios.

INVESTMENT PERFORMANCE

Interest in our Africa and Global Emerging Markets product offerings gained traction as the drive towards explicit allocations to these mandates intensified. Since inception in October 2008, the Coronation Africa Frontiers Fund has outperformed its benchmark by 10.2% per annum (gross of fees), while the Coronation Global Emerging Markets Fund has produced an annualised outperformance of almost 7% (gross of fees) ahead of benchmark since inception in July 2008.

We are pleased with the performance track records across the global fund range and for the recognition achieved as follows:

- Best Africa Fund Manager for the second time at the prestigious annual Africa investor Index Series Awards held in New York
- Raging Bull Award for the Coronation Global Emerging Markets Fund in the category Best Offshore Global Equity Fund available to South African investors based on performance over three years to end December 2011
- Coronation Global Managed ranked by Morningstar as the no. 1 foreign multi-asset unit trust fund in South Africa for the 12 months to end September 2012

CLIENT-CENTRIC FOCUS AND PRODUCT DEVELOPMENT

As offshore investment across our institutional multi-asset class products has increased, the level of assets invested in our global fund range has grown. As such, these investments, when aggregated across all our institutional global balanced

and absolute return clients, allowed us to pass on the benefits emanating from this increase in scale. As a gesture of appreciation for their continued loyalty and support, all international fees paid by these clients were reduced by an average of 25% on the international portion of their portfolios, effective 1 October 2012.

JOINT VENTURE

PPS Investments continued to grow market share in its niched target market. For the year, assets under management increased by 35%, to R10 billion.

PROSPECTS

We don't expect the world's problems to disappear and we don't expect markets to be any less testing. The path to a complete resolution of the European debt crisis will be a difficult one, requiring structural reform and austerity measures.

The global search for yield has pushed South African assets to all-time highs and the rand is relatively strong. Unlike global equities, where all negative concerns are in the price, the deterioration in local fundamentals has been ignored. When the retracement happens, the attendant risk will be the confidence effect on savers.

Our focus remains on finding the opportunities amongst the volatility, emotion and news flow that will deliver strong long-term returns for all our clients.

WORD OF THANKS

This has been my final year as chief executive officer of Coronation Fund Managers and next year you will be in the competent hands of Anton Pillay. The last five years have flown by and delivered outcomes I would never dared imagine or hope for. I have cherished the unwavering support of all my colleagues. Their commitment is the chief enabler of all our achievements at Coronation. To our chairman and board I remain indebted, both for their trust in and support of me and for my colleagues. The support of our clients has been astounding.

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 2012 financial year as set out in King III. In the instances where the business has elected not to apply certain aspects, the board has provided explanations as below.

The chairman of the board should not be the chairman or member of the audit committee.	Compliant with paragraph 3.84(d) (as amended) of the Listings Requirements of the JSE, the chairman of the board is a member of the audit and risk committee. He has extensive experience, provides valuable insight and guidance to the committee and has the support of the board. Shareholders will be requested to approve his election at the annual general meeting as indicated on page 51.
The induction and ongoing training and development of directors should be concluded through a formal process.	The induction process is geared to the individual needs of each director. Informal ongoing training and development is provided to all directors.
It is recommended that the group's remuneration policy is proposed to shareholders for a non-binding advisory vote and that the remuneration of senior executives be disclosed.	The remuneration policy, established since listing, is linked to performance, has not changed, is widely understood and is therefore not disclosed. The remuneration structure is provided in detail in the remuneration report on page 32.
Sustainability reporting and disclosure should be independently assured.	Given the elements of measuring sustainability, the board does not consider independent assurance to be necessary.

BOARD OF DIRECTORS

Coronation's unitary board as at 30 September 2012, comprised 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 14 and 15.

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.

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 four 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 memorandum of incorporation. 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 six occasions during the 2012 financial year.

An appraisal by the board and its committees has been concluded during the financial year with reference to the respective charters. 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 social, ethics and transformation committee and the remuneration and nominations committee as at 30 September 2012, are detailed below:

	Board of directors	Audit and risk committee	Social, ethics and 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	Member	
Anton Pillay ²	COO		Member	

¹ Independent non-executive

² Executive

Attendances at the meetings of the board and the committees as at 30 September 2012 were as follows:

	Board of directors	Audit and risk committee	*Social, ethics and transformation committee	Remuneration and nominations committee
Shams Pather	100%	100%		100%
Hugo Nelson	100%		100%	
Judith February	100%		100%	
Jock McKenzie	100%	100%		100%
Alexandra Watson	100%	100%	100% [•]	
Anton Pillay	100%		100%	

* The transformation committee merged into the social, ethics and transformation committee with effect from 1 April 2012.

[•] Attendance as part of social, ethics and transformation committee.

AUDIT AND RISK COMMITTEE

The audit and risk 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 committee meets at least three times a year, in May, August and November, as well as on an ad hoc basis if required. The committee met on four occasions during the 2012 financial year.

The board has established the audit and risk committee to assist in the oversight and review of the financial, operational and risk management of the group's activities. The audit and risk committee has responsibility for ensuring the integrity of the financial reporting process, the risk management system, internal reporting and controls, management of strategic and major financial and operational risks, and the external audit process based on sound principles of accountability, transparency and responsibility.

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 plus one other independent non-executive director. 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 2012 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 32.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

In compliance with the requirements of the Companies Act, the social, ethics and transformation committee was formed by the board on 1 April 2012. To achieve this, the existing transformation committee was reconstituted with increased membership and the broader mandate of social, ethics and transformation.

The committee is chaired by an independent non-executive director and consists of one other independent non-executive director and two executive directors.

The objective of the committee is to review and approve the policy, strategy and structure to manage transformation, social and ethics issues in the company. In line with corporate governance requirements, it oversees the monitoring, assessment and measurement of the company's activities relating to transformation, good corporate citizenship, corporate social investment, the environment, health and public safety, consumer relationships and engagement with stakeholders. It also plays a monitoring role of the company's labour and employment practices and determines clearly articulated ethical standards (code of ethics) to achieve a sustainable ethical corporate culture. In discharging these responsibilities it considers the legal and regulatory frameworks, industry scorecards and the vision of the company.

The committee relies on management for the implementation of strategies and initiatives, of which the primary contributors are the executive committee, transformation task team, employment equity and corporate social investment committees.

The committee met on two occasions throughout the year. For more information please refer to the sustainability report on page 34.

WHISTLE BLOWING

Coronation is committed to conducting healthy business practices with honesty and integrity, which will not only ensure a stable employment environment but also ensure the continued future success of the group. For this reason, Coronation has subscribed to a service that enables all stakeholders, but most specifically everyone who is employed by Coronation, to report anonymously on dishonest and unethical practices within or impacting the business. All feedback from the independent service provider is conveyed directly to the chairman of the audit and risk committee, who is an independent non-executive director.

No material incidents were reported during the year.

RISK REPORT

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.

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 director responsible for finance for the period ended 30 September 2012, 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 2012, meetings were held four 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 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.

The board of the group is ultimately responsible for ensuring that risks are managed effectively. The board sets the risk appetite, which is the level of risk the board is willing to take in order to deliver its strategic objectives. The risk appetite is aligned to the risk and business strategy and is intended to be the link between business strategy and the risk management framework by bringing strategic context to identified risks.

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 managers responsible for risk management. More structured feedback at board meetings is provided by the chairman of the audit and risk committee. In addition, the responsibilities of the audit and risk committee include independent monitoring of risk management and compliance.

Nothing has come to the attention of the board to indicate that there has been any material breakdown in the risk management function, processes or systems during the year under review.

Coronation's risk management objectives are to:

- Create awareness and understanding of risks at all levels of the organisation by training employees and by management providing guidance;
- Integrate concerns for risk into the organisation's daily decision-making and implementation process;
- Identify risks and manage the risk within the risk appetite and risk tolerance of the group, which coincides with the board's strategy and objectives;
- Improve the group's ability to prevent, detect, correct, escalate and respond to critical risk issues by executing risk management plans, recommendations and monitoring effectively, and
- Comply with appropriate risk management practices in terms of corporate governance guidelines and King III.

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 and expand 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 the risk management framework, for which the board is ultimately responsible.

Coronation has developed, implemented and continuously improves the risk management framework to ensure that the management of risk is integrated into the organisation's overall corporate governance structures, strategy and planning management, reporting processes, policies, values and culture.

RISK MANAGEMENT MATRIX

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Credit risk	The risk of loss resulting from a counterparty's inability to service or pay its debt timeously.	<ul style="list-style-type: none"> ■ The business has a credit and counterparty risk committee, chaired by an independent chairman, that is responsible for credit policy, reviewing credit risk limits and authorisations, reviewing concentrations of credit risk and making decisions in cases requiring the highest level of authority. ■ A dedicated credit analyst utilises conservative credit analysis methodologies together with proprietary credit models. Exposure to high-risk counterparties and excessive exposure to any single counterparty, rating class or product is avoided.
Market risk	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.	<ul style="list-style-type: none"> ■ The business manages market risk through its structured investment process. ■ The group has stringent personal account trading rules and complies with the General Code of Conduct for Financial Services Providers and Representatives.
Liquidity risk	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 that obligation.	<ul style="list-style-type: none"> ■ Coronation has controls and processes in place to ensure that future liquidity requirements are met. Forecasting and management accounts are conducted on a monthly basis to determine liquidity requirements.
Operational risk	The risk arising from the execution of the company's business functions in terms of people, systems and processes.	<ul style="list-style-type: none"> ■ A weekly operations committee meeting addresses all matters, actions and duties. ■ Operational processes are regularly evaluated, assessed and managed in the context of their likelihood of occurrence and potential impact on the business. ■ A whistle blowing programme is in place to anonymously report dishonest and unethical practices within or impacting the business.
Reputational risk	The risk that an event or transaction may compromise the Coronation brand.	<ul style="list-style-type: none"> ■ 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.
Human resource risk	The risk of key staff departures.	<ul style="list-style-type: none"> ■ Coronation provides personal and career development. ■ As a people-centred business, staff ownership is part of the culture. ■ The remuneration policy is designed to attract and retain skills and talent. ■ The group is committed to employment equity. ■ The group has an appropriate succession plan in place.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Compliance, regulatory and legal risk	The risk of non-adherence to regulation and legislation.	<ul style="list-style-type: none"> Coronation has in-house legal advisors and compliance officers 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. The compliance officers and legal advisors are members of appropriate bodies and keep abreast of all industry, legislative and regulatory changes. The compliance officers have direct access to the chairman of the audit and risk committee. Proactive engagement with policymakers, regulators, intermediaries and consumers on policy, regulatory and other important issues of common concern through our industry body ASISA.
New business risk	The risk associated with new business ventures and products.	<ul style="list-style-type: none"> 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 authorisation and approval process.
Information technology (IT) risk	The risk of IT disruption caused by an unforeseen disaster.	<ul style="list-style-type: none"> Coronation has a dedicated IT department that, together with internal audit, assesses the risk environment for the implementation of world-class IT security. Software and hardware throughout the organisation is updated and tested in terms of the disaster recovery plan. An IT steering committee scrutinises the threat and opportunities relating to IT.
Disaster recovery and business continuity	The risk of the business being unable to operate due to an unforeseen event or disaster.	<ul style="list-style-type: none"> A comprehensive business continuity plan has been developed and tested. The plan provides guidance to staff 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 disaster, Coronation has an alternative facility where key management and staff are able to resume the organisation's most critical business functions.
Tax risk	The threat that an event or action will adversely affect the group's ability to achieve its tax objectives.	<ul style="list-style-type: none"> The group's tax philosophy is to prudently manage tax affairs in a manner that will protect its reputation with all stakeholders. Independent tax specialists are employed in an advisory capacity (as required) to perform reviews of tax risks, risk mitigation and monitoring.

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 objective of our remuneration policy is to warrant that we are able to attract, retain and encourage employees at all levels.

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 group pre-tax profit is allocated to the bonus pool. The bonus pool is utilised to incentivise 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 (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 are 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.

Please refer to the corporate governance report on page 24 for further explanations regarding King III non-compliance.

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Cash payments to directors for services rendered for the year ended 30 September 2012 were as follows:

	Salary and other benefits R'000	Bonus R'000	Total 2012 R'000	Total 2011 R'000
Executive directors				
Hugo Nelson	1 143	12 653	13 796	14 861
Anton Pillay	1 143	3 456	4 599	4 886
Total	2 286	16 109	18 395	19 747

Hugo Nelson and Anton Pillay are the two prescribed officers of the group.

For non-cash emoluments refer to share-based payments and related-party notes on pages 33 and 51 in the full set of annual financial statements respectively.

	Basic fee R'000	Board meetings R'000	Audit and risk committee meetings R'000	Remuner- ation and nominations committee meetings R'000	Social, ethics and trans- formation committee meetings R'000	Total 2012 R'000	Total 2011 R'000
Non-executive directors							
Shams Pather	56	210	63	84	–	413	350
Alexandra Watson	56	125	105	–	21	307	227
Judith February	56	125	–	–	56	237	182
Jock McKenzie	56	125	63	63	–	307	265
Total	224	585	231	147	77	1 264	1 024

SUSTAINABILITY REPORT

The sustainability of the business lies in our ability to produce strong investment performance over the long term. Fundamental to achieving this, is our ability to retain investment professionals and key staff members. For more detail, please refer to key focus areas and performance on page 9.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

In line with the vision of the company and corporate governance requirements, the social, ethics and transformation committee, chaired by independent non-executive director Judith February, oversees the monitoring, assessment and measurement of the company's activities in the following key areas:

- Environmental, social and governance
- Transformation
- Employment equity and human resource development
- Code of ethics and conduct
- Procurement and enterprise development
- Corporate social investment

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Coronation believes that integrating economic growth with respect to the environment is good business practice and is committed to the principles of sustainable development.

As a signatory to the United Nations' Principles for Responsible Investing since 2007, we consider any factor that may materially affect the sustainable long-term performance of an investment. We incorporate environmental, social and governance (ESG) into our investment

decision-making in a manner that is fully consistent with our long-term investment horizon. In addition, Coronation fully supports the Code for Responsible Investing in South Africa (CRISA) and Regulation 28 of the Pension Funds Act, which requires the integration of sustainability issues into long-term investment strategies.

In valuing businesses, we incorporate the sustainability of a business reflected in the discount rate applied to its cash flows. In our ratings of the businesses we analyse, we therefore implicitly build in the risks relating to environmental and social obligations. It does not automatically exclude investments in companies that perform poorly on this front, but does force us to carefully consider this as part of the decision. In practice, a business with an ambiguous ESG profile requires a much higher hurdle rate to justify its inclusion.

Throughout our history, we have taken a very firm view on corporate governance. All governance issues are prioritised and feed into our investment valuation process. Should a governance concern exist in a potential investment, this is reflected in our valuation of the asset. Where the governance flag pertains to an existing investment, appropriate action is taken. As an example, Coronation was at the forefront of the shareholder action to ensure that Shoprite remained listed in 2006, incurring legal costs for our own account.

In terms of proxy voting, we comply with strict internal guidelines and maintain detailed records of all voting, an excerpt of which is detailed in the table below. Ancillary to the guidelines, investment analysts apply considered judgement to each proxy vote in consultation with the chief investment officer.

	2012	2011
Total number of meetings	221	156
Number of resolutions	2 916	1 642
Voted in favour	2 721	1 500
Voted against	195	142

Coronation pro-actively engages with management on all major corporate issues and maintains detailed records of all ESG issues.

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 introduced video conferencing facilities in our Cape Town, Johannesburg, Dublin and London offices. We have also 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, with a goal 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.

The committee identifies business areas where transformation will be effected. It also monitors all transformation strategies and measures their respective impact. The committee reviews the results of any surveys undertaken and assesses management's response to transformation initiatives. Ultimately it ensures that true transformation is taking place within the business with regard to recruitment, staff retention, work environment and career development.

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. A board of trustees approves 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.

On 29 August 2012, all debt was settled and the conversion of the Imvula investment in Coronation Investment Management (Pty) Limited to listed Coronation shares will be completed once the final version of the Financial Sector Charter has been gazetted.

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.

As a business, we devote 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, currently 57% black and 43% white. 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.

SUSTAINABILITY REPORT CONTINUED

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.

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 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. Of the total training spend for the year of R8.3 million, 59% was allocated 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 60 individuals 40% are black, of whom 11% are black females. As at 30 September 2012 the South African staff complement 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	2	0	7	0	1	0	1	0	0	12
Professionally qualified and experienced specialists and mid-management	5	10	3	41	5	12	5	20	3	0	104
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2	13	5	4	8	29	6	14	0	0	81
Semi-skilled and discretionary decision-making	0	1	0	0	0	4	0	1	0	0	6
Unskilled and defined decision-making	0	0	0	0	1	0	0	0	0	0	1
Total permanent	8	27	9	54	14	46	12	36	3	0	209
Temporary employees	0	0	1	0	0	0	0	0	0	0	1
Grand total	8	27	10	54	14	46	12	36	3	0	210

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

CODE OF ETHICS AND CONDUCT

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 Coronation's code of ethics and conduct policy 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 conduct policy, and to monitor compliance with the code. All new staff members are required to read, acknowledge and agree to adhere to the code of ethics and conduct policy and procedures 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, and
- Encourage a productive environment in which we are all able to achieve our full potential without fear of victimisation, harassment or abuse.

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.

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. In addition to facilitating transformation in established companies, the programme is also about assisting young B-BBEE companies to establish themselves.

Over the past financial year, a total of R29 million was allocated to participants in the programme and approximately R130 million since inception more than six years ago. The Coronation Business Support Programme is regarded by the industry as a highly effective means of both transforming and strengthening the local stockbroking community.

CORPORATE SOCIAL INVESTMENT

Corporate social investment (CSI) at Coronation is more than just making donations to needy causes. It is about empowering individuals and uplifting communities. We do this by establishing and contributing to sustainable programmes which will result in meaningful community and ultimately national economic and social upliftment.

SUSTAINABILITY REPORT CONTINUED

The framework and guiding principles of all our CSI engagements are governed by a clearly defined policy aligned to our business objectives. The 2012 CSI budget totalled 1% of profit after tax (exceeding the sector's gazetted target of 0.5%), of which 16% was allocated to smaller ad hoc social needs organisations.

In line with our philosophy of investing for the long term, our commitment to social interventions is no less than three years. All partner programmes report on the progress of clearly articulated objectives and desired outcomes bi-annually.

The four key CSI focus areas in which we are involved 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. In terms of implementation, we believe that successful intervention relies on programmes that cater for the needs of both the educator and the learner.

The improvement of the quality of education in South Africa is an urgent and critical challenge. Literacy is probably the single most important skill for the individual and society at large. With current national literacy rates averaging at just 35% and numeracy at 28%, our engagement focuses on programmes aimed at greatly improving the literacy and numeracy skills of learners at foundation phase. Our current involvement extends to four inspiring programmes:

THE CORONATION READING ADVENTURE ROOMS

Established in January 2010 in collaboration with Living Through Learning (LTL), The Coronation Reading Adventure Rooms is aimed at addressing literacy at foundation phase – the greatest hindrance to a successful school career. The programme comprises a comprehensive literacy curriculum, which is aligned with the National Department of Basic Education's Curriculum Assessment Policy Statements, and offers specialised training sessions, teacher manuals and the provision of stationery and workbooks for students.

Over the past year, a total of 1 000 students were involved in the programme across a total of seven primary schools. The positive impact on the learners has taken overall literacy rates to a commendable range of between 75% and 80%, from the previous level of 30% to 40%.

COUNTING WITH CORONATION

Research has shown that early difficulty with foundation-phase mathematical concepts has lasting and cumulative effects as children progress through their school career. By focusing on the first three years, learners are equipped with the skills required to achieve success in the intermediate phase.

Counting with Coronation was launched in July 2012 to 15 schools in the Western Cape. The programme comprises intensive foundation phase mathematics training, which is run in collaboration with the Western Cape Primary Science Programme Trust (PSP). To kick-start the programme, all foundation phase teachers (averaging 10 per school) attended a six-hour course, which focused on activities that develop mathematics concept knowledge and practical teaching methodologies, which are in line with the new national curriculum. With effect from January 2013, intensive individual classroom visits (teacher coaching and support) will be conducted at the beginning of each of the first three terms of the school year.

CORONATION AND NATURAL SCIENCES

The Coronation and Natural Sciences Programme, through PSP's Cluster Schools Project, develops primary school teachers' content knowledge of the natural sciences curriculum by providing in-depth training, coaching and support for good teaching in the classroom.

The project works with small clusters of schools in urban townships and rural areas, and focuses on foundation and intermediate phases. In our fifth year of being involved in the programme, we are pleased with the overall average increase of 40%, taking the average score to 81% in teachers' content knowledge.

TEACHER DEVELOPMENT

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 for their Bachelor of Education degree through the University of South Africa (Unisa). LEAP aims to recruit 10% of each year's matriculating learners. Currently a total of 21 students are enrolled in the programme, of whom four are fully integrated into the teaching staff.

■ RECOGNISING KEEN MINDS

The youth are the future of the nation. By channelling a significant proportion of funding towards education-related initiatives, we provide learners with the supplementary tuition needed to obtain the all-important senior certificate.

This is achieved through our support of the Association for Educational Transformation's (ASSET) Learner Development Programme, which enables disadvantaged learners in the Western Cape to attend additional lessons in a range of key subjects. Known as the Saturday School, the programme aims to improve final Grade 12 results so that students may gain access to higher education through bursaries provided by ASSET's Bursary Programme. In 2012 it reached approximately 1 828 Grade 11 and 12 learners registered at Masiphumelele High School outside Fish Hoek and Bloekombos and Masibambane High Schools in Kraaifontein, all of which achieved results well ahead of the 70.2% national average: scoring 85%, 82% and 92% respectively.

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.

■ THE CORONATION GROWING ENTREPRENEURS PROGRAMME

Pioneered in 2004, in collaboration with the South African Institute for Entrepreneurship, the Coronation Growing Entrepreneurs Programme continues to make significant strides in rural and peri-urban communities' economic development, job creation and poverty alleviation, especially among small-scale agricultural farmers.

Since inception, a total of 340 agricultural development facilitators have been trained and continue to be provided with ongoing support. By 2012, these trained agricultural development facilitators had assisted more than 4 178 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 most farmers to progress from subsistence to a market-led approach to farming.

Linking the welfare of young learners to the Coronation Growing Entrepreneurs Programme, we are pleased to report that it benefited approximately 5 250 school learners across the country over the past year. This was achieved through school garden programmes, which have become a source of vegetable supply for school nutrition programmes or feeding schemes.

■ BUILDING COMMUNITIES

For the 8th consecutive year, Coronation participated in the Habitat for Humanity Corporate Blitz in the Western Cape. Over the course of one week in October, 32 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.

FINANCIAL PERFORMANCE

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Note	30 Sept 2012 R'000	% Change	30 Sept 2011 R'000
Fund management activities				
Revenue	2	1 975 256	14	1 725 910
Other income		2 802		21 407
Operating expenses		(1 016 479)	21	(838 056)
Share-based payment expense		(3 239)		(4 856)
Other expenses	2	(1 013 240)		(833 200)
Results from operating activities		961 579	6	909 261
Finance and dividend income		17 966		12 263
Finance expense		(4 765)		(5 262)
Share of income of equity-accounted investee		4 180		2 365
Profit from fund management		978 960	7	918 627
Income attributable to policyholder linked assets and investment partnerships		42 889		19 518
Net fair value gains on policyholder and investment partnership financial instruments		57 866		34 431
Administration expenses borne by policyholders and investors in investment partnerships		(14 977)		(14 913)
Profit before income tax		1 021 849		938 145
Income tax expense		(337 794)		(314 295)
Taxation on shareholder profits		(294 905)		(294 777)
Taxation on policyholder investment contracts		(42 889)		(19 518)
Profit for the year		684 055	10	623 850
Other comprehensive income		3 280		19 890
Foreign currency translation differences for foreign operations		217		20 627
Net change in fair value of available-for-sale financial assets		3 134		(737)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(71)		–
Total comprehensive income for the year		687 335		643 740
Profit attributable to:				
– equity holders of the company		684 090	10	623 977
– non-controlling interest		(35)		(127)
Profit for the year		684 055		623 850
Total comprehensive income attributable to				
– equity holders of the company		687 370	7	643 867
– non-controlling interest		(35)		(127)
Total comprehensive income for the year		687 335		643 740
Earnings per share (cents)				
– basic		217.3	10	198.2
– diluted		197.8	9	181.3
Note to the statement of comprehensive income				
Headline earnings per share (cents)				
– basic		217.3	13	192.4
– diluted		197.8	12	176.1
Dividend per share (cents)				
– interim		95.0	19	80.0
– final		111.0	21	92.0

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

	30 Sept 2012 R'000	30 Sept 2011 R'000
Assets		
Goodwill and intangible assets	1 087 772	1 087 772
Equipment	13 131	14 839
Investment in equity-accounted investees	32 779	31 338
Deferred tax asset	6 015	8 069
Investments backing policyholder funds and investments held through investment partnerships	53 669 044	31 566 179
Investment securities	111 911	28 467
Trade and other receivables	321 049	242 450
Cash and cash equivalents	426 120	393 169
Total assets	55 667 821	33 372 283
Liabilities		
Interest-bearing borrowing	–	42 800
Deferred tax liabilities	30 913	18 629
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	53 638 780	31 547 550
Income tax payable	13 157	9 860
Trade and other payables	509 577	361 916
Total liabilities	54 192 427	31 980 755
Net assets	1 475 394	1 391 528
Equity		
Share capital and premium	255 907	255 907
Retained earnings	1 070 304	992 922
Reserves	147 471	140 952
Total equity attributable to equity holders of the company	1 473 682	1 389 781
Non-controlling interest	1 712	1 747
Total equity	1 475 394	1 391 528

FINANCIAL PERFORMANCE CONTINUED

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2012

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 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 available-for-sale financial assets					(737)	(737)		(737)
– Net change on fair value					(737)	(737)		(737)
– Reclassified to profit or loss on disposal								
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
Total comprehensive income for the year								
Profit for the year			684 090			684 090	(35)	684 055
Other comprehensive income								
Currency translation differences		217				217		217
Revaluation of available-for-sale financial assets					3 063	3 063		3 063
– Net change on fair value					3 134	3 134		3 134
– Reclassified to profit or loss on disposal					(71)	(71)		(71)
Total other comprehensive income	–	217	–	–	3 063	3 280	–	3 280
Total comprehensive income for the year	–	217	684 090	–	3 063	687 370	(35)	687 335
Transactions with owners recorded directly in equity								
Share-based payments				3 239		3 239		3 239
Dividends paid			(605 680)			(605 680)		(605 680)
Imvula units acquired by the Imvula Trust			(1 028)			(1 028)		(1 028)
Total transactions with owners	–	–	(606 708)	3 239	–	(603 469)	–	(603 469)
Balance at 30 September 2012	255 907	21 263	1 070 304	121 343	4 865	1 473 682	1 712	1 475 394

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 Sept 2012 R'000	30 Sept 2011 R'000
Cash flows from operating activities		
Profit for the year	684 055	623 850
Income tax expense	337 794	314 295
Non-cash and other adjustments	(18 482)	(12 598)
Operating profit before changes in working capital	1 003 367	925 547
Working capital changes	70 362	10 361
Cash generated from operations	1 073 729	935 908
Interest paid	(6 065)	(6 773)
Income taxes paid	(320 159)	(314 718)
Net cash from operating activities	747 505	614 417
Cash flows from investing activities		
Finance and dividend income	17 966	12 263
Conversion of subsidiary to associate	–	(1 305)
Acquisition of equipment	(5 563)	(6 991)
Purchases of investment securities	(77 666)	(930)
Net cash from investing activities	(65 263)	3 037
Cash flows from financing activities		
Dividends to shareholders	(605 680)	(495 351)
Repayment of interest-bearing borrowing	(42 800)	(39 200)
Other	(1 028)	(10 999)
Net cash from financing activities	(649 508)	(545 550)
Net increase in cash and cash equivalents	32 734	71 904
Cash and cash equivalents at beginning of year	393 169	300 638
Exchange rate adjustments	217	20 627
Cash and cash equivalents at end of year	426 120	393 169

The cash flows above represent cash and cash equivalents of shareholders only. Cash and cash equivalents of policyholders are not available for use by the group.

FINANCIAL PERFORMANCE CONTINUED

REVIEWED DILUTED NUMBER OF SHARES (THOUSAND)

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 Sept 2012	30 Sept 2011
Weighted average number of shares in issue	314 819	314 819
Shares to be issued		
– BEE transaction	34 798	34 693
Diluted weighted average number of shares in issue	349 617	349 512

REVIEWED RECONCILIATION OF HEADLINE EARNINGS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 Sept 2012 R'000	30 Sept 2011 R'000
Earnings attributable to ordinary shareholders	684 090	623 977
Effect of adjustments	(78)	(18 136)
Profit on disposal of equipment	(7)	(6)
Gain on loss of control of subsidiary	–	(18 130)
Profit on disposal of available-for-sale financial assets	(71)	–
Total tax effect of adjustments	9	1
Headline earnings attributable to ordinary shareholders	684 021	605 842

REVIEWED CONDENSED CONSOLIDATED SEGMENT REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Africa		International		Group	
	30 Sept 2012 R'000	30 Sept 2011 R'000	30 Sept 2012 R'000	30 Sept 2011 R'000	30 Sept 2012 R'000	30 Sept 2011 R'000
Segment external revenue	1 642 811	1 531 729	332 445	194 181	1 975 256	1 725 910
Segment operating expenses	(942 158)	(770 937)	(74 321)	(67 119)	(1 016 479)	(838 056)
Segment profit	700 653	760 792	258 124	127 062	958 777	887 854
Share of income of equity- accounted investee	4 180	2 365	–	–	4 180	2 365
Net financial income/(expense)	18 217	28 078	(2 214)	330	16 003	28 408
Profit from fund management	723 050	791 235	255 910	127 392	978 960	918 627
Segment assets	55 466 684	33 182 681	201 137	189 602	55 667 821	33 372 283

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

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, No. 71 of 2008, as amended, and the Listings Requirements of the JSE. The condensed consolidated financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated financial statements have been prepared in accordance with the historical cost 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 International Financial Reporting Standards and are consistent with those presented in the previous annual financial statements.

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

2. RELATED-PARTY TRANSACTIONS

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

3. SOUTH AFRICAN REVENUE SERVICE (SARS) MATTERS

From time to time, as is common with other organisations, companies within the group are subject to review by SARS, or may have matters awaiting clarification with SARS. The board is confident that the possibility of any liability arising from these open matters is remote.

4. EXTERNAL AUDIT REVIEW

The external auditors, Ernst & Young Inc., reviewed the condensed statement of financial position of Coronation Fund Managers Limited Group as at 30 September 2012 and the related condensed statement of comprehensive income, changes in equity and cash flows for the period then ended, and other explanatory notes, from which this information has been extracted. The review has been conducted in accordance with the International Standard on Review Engagements 2410. Copies of the unqualified report of Ernst & Young Inc. are available for inspection at the registered office of the company.

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

AS AT 30 SEPTEMBER 2012

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.

COMPANY SECRETARY

Mr JA Snalam was the company secretary until his resignation from the position on 8 November 2012. The board is satisfied that his expertise, experience and qualifications were appropriate to meet the responsibilities of the position.

Ms LJ Parenzee was duly appointed as company secretary by the board in accordance with the Companies Act, No. 71 of 2008, as amended, with effect 8 November 2012.

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.

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.

CONFLICT OF INTEREST POLICY

Coronation has implemented a conflict of interest management 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, No. 37 of 2002, as amended (FAIS).

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

DEALING IN SECURITIES

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 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.
- 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.

PERSONAL ACCOUNT TRADING

The company has a stringent personal account trading policy and 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 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. Personal account trades 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.

MONEY LAUNDERING AND FINANCIAL CRIME

Money laundering involves the intentional or reckless conversion of tainted property, generated from 'criminal conduct', into clean property, so that the criminal origin of the tainted property is difficult to trace.

Coronation recognises the need to create a culture of compliance, ensuring that Coronation's policies, procedures and processes, designed to limit and control risks of money laundering and terrorist financing, are fully consistent with the law and that staff adhere to them. The board, executive committee and senior management are fully engaged in the decision-making processes and take ownership of the risk-based measures adopted, since they will be held accountable if the approach is found to be inadequate.

Coronation appointed the compliance officer as its money laundering reporting officer who has sufficient knowledge of Coronation's products, services and systems; and also of FICA and guidelines.

All employees follow Coronation's internal rules and procedures prepared in terms of money laundering legislation. Coronation ensures that all employees receive the required training to enable them to comply with the provisions of the legislation and the internal rules applicable to them. Management is encouraged to continuously evaluate the training requirements of employees, as it is a statutory obligation for Coronation to train staff and monitor compliance.

No suspicious client transactions were recorded during the course of the year.

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.

SHAREHOLDERS' INFORMATION

AS AT 30 SEPTEMBER 2012

ANALYSIS OF SHAREHOLDERS

Distribution of shareholders	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 714	30.88	1 529 974	0.49
1 001 – 10 000 shares	4 751	54.06	17 836 537	5.67
10 001 – 100 000 shares	1 057	12.03	29 177 347	9.27
100 001 – 1 000 000 shares	215	2.45	71 673 802	22.77
1 000 001 shares and over	51	0.58	194 601 532	61.80
	8 788	100.00	314 819 192	100.00

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks	68	0.77	51 776 740	16.45
Brokers	24	0.27	5 926 483	1.88
Close corporations	88	1.00	894 850	0.28
Endowment funds	33	0.38	773 979	0.25
Individuals	6 690	76.13	41 970 932	13.33
Insurance companies	20	0.23	5 156 337	1.64
Investment companies	17	0.19	4 625 519	1.47
Medical aid schemes	8	0.09	463 519	0.15
Mutual funds	171	1.95	63 549 545	20.19
Nominees and trusts	1 257	14.30	48 334 056	15.35
Other corporations	64	0.73	430 665	0.14
Pension funds	96	1.09	31 599 746	10.03
Private companies	138	1.57	6 676 874	2.12
Public companies	12	0.14	1 207 674	0.38
Staff holdings	102	1.16	51 432 273	16.34
	8 788	100.00	314 819 192	100.00

Public/non-public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	102	1.16	64 754 371	20.57
Directors*	6	0.07	13 322 098	4.23
Shares held by staff	96	1.09	51 432 273	16.34
Public shareholders	8 686	98.84	250 064 821	79.43
	8 788	100.00	314 819 192	100.00

* Includes directors of subsidiaries

Geographical ownership	Number of shareholders	%	Number of shares	%
South Africa	8 502	96.75	260 461 126	82.73
International	286	3.25	54 358 066	17.27
	8 788	100.00	314 819 192	100.00

Shareholders with beneficial interest of 5% or more in shares	Number of shares	%
The Gabriel Trust	19 500 000	6.19
Louis Stassen	17 018 207	5.41
Government Employees Pension Fund	16 870 395	5.36

GLOSSARY OF TERMS

ASISA	Association for Savings and Investment South Africa
ASSET	Association for Educational Transformation
AUM	Assets under management
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
ECB	European Central Bank
ESG	Environmental, Social and Governance
FAIS	Financial Advisory and Intermediary Services
FICA	Financial Intelligence Centre Act
FSB	Financial Services Board
GEM	Global Emerging Markets
GIPS®	Global Investment Performance Standards
GRI	Global Reporting Initiative
IDASA	The Institute for Democracy in South Africa
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
POA	Principal Officers' Association in South Africa
PSP	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 39th annual general meeting of Coronation Fund Managers Limited ('the company') 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, 24 January 2013, at 10:00.

The record date to receive the notice of annual general meeting (determined in accordance with section 59(1) (a) of the Companies Act, No. 71 of 2008, as amended ('the Act')) is Friday, 14 December 2012, being the date on which a person must be registered as a shareholder of the company for purposes of being entitled to receive a notice of the annual general meeting. The record date for the annual general meeting (determined in accordance with section 59(1)(b) of the Act) is Friday, 18 January 2013, 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, 11 January 2013.

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 a 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 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.

In accordance with Regulation 43(5)(c) of the Act, a report on the social, ethics and transformation committee is set out on page 34 of the Integrated Annual Report.

ORDINARY RESOLUTIONS

1. To receive and consider the audited Annual Financial Statements of the company for the year ended 30 September 2012, together with the reports by the directors, the external auditors and the audit and risk committee.
2. a) To re-elect, by way of a separate vote, Mr Jock McKenzie who retires by rotation in accordance with the provisions of the company's memorandum of incorporation ('MOI'), who is eligible and available for re-election.
b) To re-elect, by way of a separate vote, Mr Anton Pillay who retires by rotation in accordance with the provisions of the company's MOI, who is eligible and available for re-election.
c) To confirm and approve the appointment of Mr John Snalam as a director, with effect from 8 November 2012.

A profile in respect of each director is set out on pages 14 and 15.

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, Ernst & Young Inc. as the company's registered auditors and to note Mr MR Isaacs as the designated audit partner.
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

A profile in respect of each member recommended for election to the audit and risk committee is contained on pages 14 and 15. 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.

NOTICE TO SHAREHOLDERS CONTINUED

SPECIAL RESOLUTIONS

1. To authorise the directors by way of a specific authority in terms of section 41 of the Act, as amended, 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), to 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 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 from 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 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 approve the company's remuneration to non-executive directors in respect of the following:

	Year ending 30 Sept 2013 R'000
<hr/>	
Basic fees	
Chairman	60.0
Non-executive director	60.0
Attendance fees per meeting	
Board – chairman	42.0
Board – non-executive director	22.5
Audit and risk committee – chairman	37.5
Audit and risk committee – non-executive director	22.5
Social, ethics and transformation committee – chairman	30.0
Social, ethics and transformation committee – non-executive director	22.5
Remuneration and nominations committee – chairman	30.0
Remuneration and nominations committee – non-executive director	22.5
Invitee fees for all committees – non-executive director	11.25

REASON AND EFFECT OF SPECIAL RESOLUTION NUMBER 3

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 the King Code of Governance for South Africa 2009 (King III). The above authority and approval shall not endure beyond the earlier of the next annual general meeting of the company or beyond fifteen (15) months from the date of the meeting.

4. That the directors be hereby authorised, by way of a renewable general authority, to approve the purchase by the company 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 in place a repurchase programme 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 prior to the commencement of the prohibited period.
 - The company's sponsor has reported to the JSE that it has discharged its responsibilities in terms of Schedule 25 of the Listings Requirements of the JSE relating to the company's working capital for the purposes of undertaking the repurchase of ordinary shares prior to entering the market to proceed with the repurchase.
 - Such repurchase shall be subject to compliance with the Act, the company's MOI and the Listings Requirements of the JSE.

REASONS AND EFFECT OF SPECIAL RESOLUTION NUMBER 4 AND THE STATEMENT REQUIRED IN TERMS OF PARAGRAPH 11.26 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 special resolution number 4 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. It is, however, 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 4 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 annual group 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 special resolution number 4 and the requirements of paragraph 5.72 of the Listings Requirements of the JSE.

In compliance with paragraph 11.26(b) of the Listings Requirements of the JSE, the information listed below has been included in the Integrated Annual Report and the Annual Financial Statements as indicated, in which this notice of annual general meeting is included, at the places indicated:

- The company's directors (pages 14 and 15 of the Integrated Annual Report).
- Major shareholders (pages 48 and 49 of the Integrated Annual Report).

- Directors' interests in securities (page 7 in the Annual Financial Statements).

- Share capital (page 43 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 14 and 15 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 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 in the previous 12 months, a material effect on the group's financial position.

VOTING AND PROXIES

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

Members who have already dematerialised their shares (other than those with 'own name' registration) 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 form of proxy 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

Lee-Anne Parenzee
Company secretary

7 December 2012

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-ninth 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 _____

ordinary shares entitling me/us to _____ of _____ votes (1 per share),

_____ 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, 24 January 2013, at 10:00 and any adjournment thereof.

Dated this _____ day of _____ 20 _____

Signature/s _____

	Mark with an X whichever is applicable		
	Vote for	Vote against	Abstain
I/We desire to vote as follows:			
Ordinary resolutions			
1. To receive and consider the audited annual financial statements of the company for the year ended 30 September 2012			
2. a) To re-elect, by way of a separate vote, retiring director Mr Jock McKenzie who is eligible and available for re-election			
b) To re-elect, by way of a separate vote, retiring director Mr Anton Pillay who is eligible and available for re-election			
c) To confirm and approve the appointment of Mr John Snalam as a director, with effect from 8 November 2012			
3. To authorise the directors to determine the remuneration of the company's auditors			
4. To confirm the re-appointment of Ernst & Young Inc. as the company's registered auditors and to note Mr MR Isaacs as the designated audit partner			
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 allot and 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 approve the company's remuneration to non-executive directors in respect of the financial year ending 30 September 2013, as set out in the notice of annual general meeting			
4. 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 a poll, vote in his or her stead. The proxy so appointed need not be a member of the company.

FORM OF PROXY CONTINUED

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 form of proxy.
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, 22 January 2013.
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 form of proxy 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 form of proxy 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 24 January 2013 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

John Snalam (chief financial officer)

Appointed 8 November 2012

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited

70 Marshall Street

Johannesburg 2001

POSTAL ADDRESS

PO Box 61051

Marshalltown 2107

COMPANY SECRETARY

Lee-Anne Parenzee

John Snalam

Appointed 8 November 2012

Resigned 8 November 2012

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 Kgale, PO Box AD44, ACJ, Gaborone, Botswana
Telephone: +267 (0)390 0152 Fax: +267 (0)390 0267

SWAZILAND Ning Office Park, 649 Somhlolo Road, Mbabane, Swaziland
PO Box 44684, Claremont 7735
Telephone: +27 (0)21 680 2000 Fax: +27 (0)21 680 2100

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 5410 Fax: +353 (0)1 674 5411