

INTERIM REPORT  
Reviewed results 2013



CORONATION   
FUND MANAGERS

## ASSETS UNDER MANAGEMENT OF R409 BILLION

## DILUTED HEADLINE EARNINGS PER SHARE OF 163.4 CENTS

## INTERIM DIVIDEND PER SHARE OF 163 CENTS

Coronation Fund Managers produced an excellent set of results for the six months to 31 March 2013, underpinned by a substantial increase in assets under management and very strong investment performance.

Assets under management increased by 21% to R409 billion (September 2012: R339 billion), driven by total net inflows of R21.9 billion and rising global markets. Led by equity markets in the US and Japan, the MSCI World Index returned 10.7% (in US dollar terms) for the six months to end March 2013. Following a slightly negative return in the second half of the six-month period, the MSCI Emerging Markets Index produced 4% (in US dollar terms). The FTSE/JSE All Share Index also recorded a weaker second quarter, yet continued to reach new highs, producing a return of 13.1% (in rand terms) for the period. Notwithstanding the favourable yield-seeking global environment, the rand depreciated by 10.1% against the US dollar over the period to close at R9.23.

- **RESULTS** Excellent investment performance and a substantially increased asset base led to a 62% increase in revenue to R1 475 million for the six-month period. This resulted in an increase in diluted headline earnings per share of 88% to 163.4 cents (March 2012: 86.7 cents). If the effect of Secondary Tax on Companies (STC) in the comparative period is removed, as a result of the introduction of Dividends Tax (DT), the increase in diluted headline earnings per share is 72%.
- **INSTITUTIONAL** The institutional business attracted net inflows of R3.6 billion over the period. Over 3, 5 and 10 years both our domestic and global balanced portfolios ranked in the 1st quartile of the respective Alexander Forbes SA Large Manager Watch™ and Global Large Manager Watch™ surveys as at 31 March 2013. Since Coronation's inception 20 years ago, our Houseview Equity portfolio has generated an annualised alpha of 3.4% (gross of fees), while our longest running absolute portfolio, Coronation Global Absolute, has outperformed its inflation plus 6% benchmark by an annualised 5.5% (gross of fees) since inception to end March 2013.

The Balanced and Absolute Return product ranges closed to new investors on 31 December 2012.

- **RETAIL** The retail business attracted net inflows of R15.5 billion over the period. Coronation is the 2nd largest manager of long-term unit trust funds in South Africa and was named Raging Bull Domestic Management Company of the Year and Morningstar Best Large Fund House (for the third consecutive year). First quartile returns were recorded across the entire domestic flagship fund range over 3 years, 5 years and since launch to 31 March 2013 in their respective Morningstar categories. Highlights include:

**Coronation Top 20**, which has outperformed its benchmark by a strong 6.4% per annum (net of fees) since inception in October 2000;

**Coronation Balanced Plus**, the no. 1 balanced fund in South Africa since launch in April 1996, which has outperformed its average competitor by 2.7% per annum (net of fees) over this period;

**Coronation Capital Plus**, which has delivered returns 8.5% ahead of inflation per annum (net of fees) since inception in July 2001;

**Coronation Balanced Defensive**, South Africa's no. 1 conservative fund for the five-year period to end March 2013, which has outperformed inflation by 4.5% per annum (net of fees); and

**Coronation Strategic Income**, which has outperformed cash by 3% per annum (net of fees) since launch in July 2001.

- **INTERNATIONAL** International assets under management increased by 24% to \$5.3 billion. Since inception in October 2008, the Coronation Africa Frontiers Fund has outperformed its benchmark by 11.2% per annum (gross of fees), while the Coronation Global Emerging Markets Fund has produced an outperformance of 8.3% per annum (gross of fees) since launch in July 2008. We continue to gain traction across the entire fund range and are proud of the 2.9% annualised outperformance (gross of fees) of our global balanced fund, Coronation Global Managed, which recently reached its three-year track record.
- **TRANSFORMATION** Coronation's broad-based black economic empowerment partner, the Imvula Trust (Imvula), acquired 10% of Coronation in exchange for its shareholding in the unlisted Coronation Investment Management (Pty) Limited. For this purpose, the JSE granted the listing of 34 979 910 Coronation ordinary shares, with effect from 28 February 2013. Imvula was created in April 2005 to achieve a direct ownership for all black staff in Coronation and its subsidiaries.
- **INTERIM CASH DIVIDEND** We continue to reward shareholders through regular and significant distributions of free cash flow generated. We endeavour to distribute at least 75% of after-tax cash profit.

Accounting for projected cash requirements, an interim gross dividend of 163 cents per share has been declared, resulting in a net dividend of 138.55 cents per share for shareholders subject to DT. No STC credits are available to be utilised.

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

Last day to trade	Friday, 31 May 2013
Shares trade ex dividend	Monday, 3 June 2013
Record date	Friday, 7 June 2013
Payment date	Monday, 10 June 2013

Share certificates may not be dematerialised or rematerialised between Monday, 3 June 2013, and Friday, 7 June 2013, both dates inclusive.

Dividends declared after 31 March 2012 are subject to DT, where applicable. In terms of the DT, the following additional information is disclosed:

- The local DT rate is 15%
- The number of ordinary shares in issue at the date of this declaration is 349 799 102
- Coronation's tax reference number is 9675 107 719

- **PROSPECTS** The strong returns posted by equity markets and exceptional investment performance generated during the period have had a highly positive impact on revenue. Although our short-term prospects appear robust, we would like to remind investors that our business is cyclical. Our revenues are highly geared to market returns and the alpha we deliver in the funds we manage. We are mindful that the alpha we generate is lumpy and there will be years where the performance fees earned do not significantly contribute to revenue. It is also our expectation that the markets will deliver lower returns in the future.

As always, we will remain unwavering in our pursuit of long-term value through the cycle and in serving our clients in what is likely to be a more difficult market environment.

- **EXTERNAL AUDIT REVIEW** The external auditors, Ernst & Young Inc., reviewed the condensed statement of financial position of Coronation Fund Managers Limited Group as at 31 March 2013 and the related condensed statement of comprehensive income, changes in equity and cash flows for the period then ended, and other explanatory notes. 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.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months reviewed 31 March 2013 R'000	Six months reviewed 31 March 2012 R'000	% Change	Full year audited 30 Sept 2012 R'000
Fund management activities				
Revenue	1 475 048	911 929	62	1 975 256
Other income	1 604	562		2 802
Operating expenses	(716 423)	(470 700)	52	(1 016 479)
Share-based payment expense	(1 213)	(1 427)		(3 239)
Other expenses	(715 210)	(469 273)		(1 013 240)
Results from operating activities	760 229	441 791	72	961 579
Finance and dividend income	11 011	7 797		17 966
Finance expense	(233)	(1 487)		(4 765)
Share of profit of equity-accounted investee	3 025	2 182		4 180
Profit from fund management	774 032	450 283	72	978 960
Income attributable to policyholder linked assets and investment partnerships	48 525	22 286		42 889
Net fair value gains on policyholder and investment partnership financial instruments	67 458	31 753		57 866
Administration expenses borne by policyholders and investors in investment partnerships	(18 933)	(9 467)		(14 977)
Profit before income tax	822 557	472 569	74	1 021 849
Income tax expense	(250 536)	(175 773)		(337 794)
Taxation on shareholder profits	(202 011)	(153 487)		(294 905)
Taxation on policyholder investment contracts	(48 525)	(22 286)		(42 889)
Profit for the period	572 021	296 796	93	684 055

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Six months reviewed 31 March 2013 R'000	Six months reviewed 31 March 2012 R'000	% Change	Full year audited 30 Sept 2012 R'000
Profit for the period	572 021	296 796	93	684 055
Other comprehensive income				
Foreign currency translation differences for foreign operations	8 447	(2 996)		217
Net change in fair value of available-for-sale financial assets	4 012	2 287		3 134
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(1 396)	–		(71)
Other comprehensive income/(expense) for the period	11 063	(709)		3 280
Total comprehensive income for the period	583 084	296 087		687 335
Profit attributable to:				
– equity holders of the company	571 636	295 878	93	684 090
– non-controlling interest	385	918		(35)
– equity holders of the company	582 699	295 169	97	687 370
– non-controlling interest	385	918		(35)
Total comprehensive income for the period	583 084	296 087		687 335
Earnings per share (cents)				
– basic	178.2	94.0	90	217.3
– diluted	163.5	86.7	89	197.8
Note to the statement of comprehensive income				
Headline earnings per share (cents)				
– basic	178.1	94.0	89	217.3
– diluted	163.4	86.7	88	197.8
Dividend per share (cents)				
– interim	163.0	95.0	72	95.0
– final				111.0

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 March 2013 R'000	Reviewed 31 March 2012 R'000	Audited 30 Sept 2012 R'000
<b>Assets</b>			
Goodwill and intangible assets	1 087 772	1 087 772	1 087 772
Equipment	11 439	13 404	13 131
Investment in equity-accounted investees	32 152	30 782	32 779
Deferred tax asset	99 565	2 650	6 015
Investments backing policyholder funds and investments held through investment partnerships	64 047 311	40 276 713	53 669 044
Investment securities	108 288	104 482	111 911
Trade and other receivables	503 162	286 159	321 049
Cash and cash equivalents	415 305	215 746	426 120
<b>Total assets</b>	<b>66 304 994</b>	<b>42 017 708</b>	<b>55 667 821</b>
<b>Liabilities</b>			
Interest-bearing borrowing	–	20 300	–
Deferred tax liabilities	70 002	29 423	30 913
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	63 978 394	40 247 627	53 638 780
Income tax payable	86 530	6 836	13 157
Trade and other payables	496 275	320 305	509 577
<b>Total liabilities</b>	<b>64 631 201</b>	<b>40 624 491</b>	<b>54 192 427</b>
<b>Net assets</b>	<b>1 673 793</b>	<b>1 393 217</b>	<b>1 475 394</b>
<b>Equity</b>			
Total equity attributable to equity holders of the company	1 671 696	1 390 552	1 473 682
Non-controlling interest	2 097	2 665	1 712
<b>Total equity</b>	<b>1 673 793</b>	<b>1 393 217</b>	<b>1 475 394</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months reviewed 31 March 2013 R'000	Six months reviewed 31 March 2012 R'000	Full year audited 30 Sept 2012 R'000
<b>Cash flows from operating activities</b>			
Profit for the period	572 021	296 796	684 055
Income tax expense	250 536	175 773	337 794
Non-cash and other adjustments	(44 005)	(14 105)	(18 482)
<b>Operating profit before changes in working capital</b>	<b>778 552</b>	<b>458 464</b>	<b>1 003 367</b>
<b>Working capital changes</b>	<b>(195 437)</b>	<b>(84 563)</b>	<b>70 362</b>
<b>Cash generated from operations</b>	<b>583 115</b>	<b>373 901</b>	<b>1 073 729</b>
Interest paid	(211)	(2 244)	(6 065)
Income taxes paid	(231 624)	(162 584)	(320 159)
<b>Net cash from operating activities</b>	<b>351 280</b>	<b>209 073</b>	<b>747 505</b>
<b>Net cash from investing activities</b>	<b>15 356</b>	<b>(65 175)</b>	<b>(65 263)</b>
<b>Cash flows from financing activities</b>	<b>(385 898)</b>	<b>(318 325)</b>	<b>(649 508)</b>
– dividends to shareholders	(385 901)	(295 292)	(605 680)
– repayment of interest-bearing borrowing	–	(22 500)	(42 800)
– other	3	(533)	(1 028)
Net (decrease)/increase in cash and cash equivalents	(19 262)	(174 427)	32 734
Cash and cash equivalents at beginning of period	426 120	393 169	393 169
Exchange rate adjustments	8 447	(2 996)	217
<b>Cash and cash equivalents at end of period</b>	<b>415 305</b>	<b>215 746</b>	<b>426 120</b>

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.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Re-valuation reserve	Issued capital and reserves attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 30 September 2011	255 907	21 046	992 922	118 104	1 802	1 389 781	1 747	1 391 528
<b>Total comprehensive income for the period</b>								
Profit for the period			295 878			295 878	918	296 796
<b>Other comprehensive income</b>								
Currency translation differences		(2 996)				(2 996)		(2 996)
Revaluation of available-for-sale financial assets					2 287	2 287		2 287
– net change on fair value					2 287	2 287		2 287
– reclassified to profit or loss on disposal					–	–		–
Total other comprehensive income		(2 996)			2 287	(709)		(709)
<b>Total comprehensive income for the period</b>		(2 996)	295 878		2 287	295 169	918	296 087
<b>Transactions with owners recorded directly in equity</b>								
Share-based payments				1 427		1 427		1 427
Dividends paid			(295 292)			(295 292)		(295 292)
Imvula units acquired by the Imvula Trust			(533)			(533)		(533)
Total transactions with owners			(295 825)	1 427		(294 398)		(294 398)
Balance at 31 March 2012	255 907	18 050	992 975	119 531	4 089	1 390 552	2 665	1 393 217
<b>Total comprehensive income for the period</b>								
Profit for the period			388 212			388 212	(953)	387 259
<b>Other comprehensive income</b>								
Currency translation differences		3 213				3 213		3 213
Revaluation of available-for-sale financial assets					776	776		776
– net change in fair value					847	847		847
– reclassified to profit or loss on disposal					(71)	(71)		(71)
Total other comprehensive income		3 213			776	3 989		3 989
<b>Total comprehensive income for the period</b>		3 213	388 212		776	392 201	(953)	391 248



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

R'000	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Re-valuation reserve	Issued capital and reserves attributable to equity holders of the company	Non-controlling interest	Total equity
<b>Total comprehensive income for the period</b>		3 213	388 212		776	392 201	(953)	391 248
<b>Transactions with owners recorded directly to equity</b>								
Share-based payments				1 812		1 812		1 812
Dividends paid			(310 388)			(310 388)		(310 388)
Imvula units acquired by the Imvula Trust			(495)			(495)		(495)
<b>Total transactions with owners</b>			(310 883)	1 812		(309 071)		(309 071)
<b>Balance at 30 September 2012</b>	255 907	21 263	1 070 304	121 343	4 865	1 473 682	1 712	1 475 394
<b>Total comprehensive income for the period</b>								
Profit for the period			571 636			571 636	385	572 021
<b>Other comprehensive income</b>								
Currency translation differences		8 447				8 447		8 447
Revaluation of available-for-sale financial assets					2 616	2 616		2 616
– net change in fair value					4 012	4 012		4 012
– reclassified to profit or loss on disposal					(1 396)	(1 396)		(1 396)
<b>Total other comprehensive income</b>		8 447			2 616	11 063		11 063
<b>Total comprehensive income for the period</b>		8 447	571 636		2 616	582 699	385	583 084
<b>Transactions with owners recorded directly to equity</b>								
Share-based payments				1 213		1 213		1 213
Dividends paid to equity holders			(349 449)			(349 449)		(349 449)
Distributions to Imvula Trust beneficiaries			(36 452)			(36 452)		(36 452)
Shares issued	3					3		3
<b>Total transactions with owners</b>	3		(385 901)	1 213		(384 685)		(384 685)
<b>Balance at 31 March 2013</b>	255 910	29 710	1 256 039	122 556	7 481	1 671 696	2 097	1 673 793

## EARNINGS PER SHARE

	Six months reviewed 31 March 2013	Six months reviewed 31 March 2012	Full year audited 30 Sept 2012
Weighted average number of ordinary shares in issue during the period	320 777 309	314 819 192	314 819 192
Weighted average number of ordinary shares potentially in issue	349 724 973	349 643 634	349 616 989
	R'000	R'000	R'000
Earnings attributable to shareholders	572 021	296 796	684 055
Non-controlling interest	(385)	(918)	35
Earnings attributable to ordinary shareholders	571 636	295 878	684 090
Profit on disposal of equipment	–	–	(6)
Profit on disposal of financial assets available for sale	(1 220)	–	(62)
Loss on loss of control of the Invula Trust	958	–	–
Headline earnings attributable to ordinary shareholders	571 374	295 878	684 022
Actual number of shares in issue at the end of the period	349 799 102	314 819 192	314 819 192

## CONDENSED CONSOLIDATED SEGMENT REPORT

	Africa			International			Group		
	Six months reviewed 31 March 2013	Six months reviewed 31 March 2012	Audited 30 Sept 2012	Six months reviewed 31 March 2013	Six months reviewed 31 March 2012	Audited 30 Sept 2012	Six months reviewed 31 March 2013	Six months reviewed 31 March 2012	Audited 30 Sept 2012
R'000									
Segment external revenue	1 219 968	767 376	1 642 811	255 080	144 553	332 445	1 475 048	911 929	1 975 256
Segment profit from fund management before tax and finance income/expense	555 915	331 695	700 653	202 710	109 534	258 124	758 625	441 229	958 777

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The financial information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting; the Listings Requirements of the JSE Limited; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the South African Companies Act, Act 71 of 2008. The condensed consolidated financial statements do not include all of the information required for full annual financial statements.

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

These 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 on an arm's length basis at market rates with related parties.

---

<b>Directors:</b>	S Pather (Chairman)*, A C Pillay (CEO), J G February*, J D McKenzie*, J A Snalam (CFO), A Watson* (* Independent Non-Executive)
<b>Registered office:</b>	7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont 7708, Cape Town
<b>Postal address:</b>	PO Box 44684, Claremont 7735, Cape Town
<b>Registration number:</b>	1973/009318/06
<b>Transfer secretaries:</b>	Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001
<b>JSE share code:</b>	CML
<b>ISIN:</b>	ZAE000047353
<b>Website:</b>	<a href="http://www.coronation.com">www.coronation.com</a>

- 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 5413 Fax: +353 (0)1 674 5411