

AUDITED ANNUAL
FINANCIAL STATEMENTS

2015

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DIRECTORS' RESPONSIBILITY REPORT

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Coronation Fund Managers Limited, comprising the statement of financial position at 30 September 2015, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, the directors' report and the audit and risk committee report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

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

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

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

The auditor is responsible for reporting on whether the consolidated and separate annual financial statements of Coronation Fund Managers Limited are fairly presented in accordance with International Financial Reporting Standards and the Companies Act of South Africa.

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Coronation Fund Managers Limited as identified in the first paragraph for the year ended 30 September 2015 set out on pages 5 to 53 were approved by the board of directors on 19 November 2015 and are signed on its behalf by:

Shams Pather
Chairman
19 November 2015

Anton Pillay
Chief executive officer
19 November 2015

DECLARATION BY THE COMPANY SECRETARY

In terms of the Companies Act of South Africa (the Act), and for the year ended 30 September 2015, I certify that Coronation Fund Managers Limited has lodged all returns required by the Act with the Companies and Intellectual Property Commission and that all such returns are true, correct and up to date.

Lee-Anne Parenzee
Company secretary
19 November 2015

AUDIT AND RISK COMMITTEE REPORT

TO THE SHAREHOLDERS OF CORONATION FUND MANAGERS LIMITED

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

TERMS OF REFERENCE

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

Composition of the audit and risk committee and meeting process

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

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

Duties

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

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

LEGAL REQUIREMENTS

The audit and risk committee has complied with all applicable legal, regulatory and other responsibilities for the financial year.

ANNUAL FINANCIAL STATEMENTS

Following our review of the consolidated and separate annual financial statements for the year ended 30 September 2015, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act of South Africa and International Financial Reporting Standards and that they fairly present the financial position at 30 September 2015 for Coronation Fund Managers Limited and the results of operations and cash flows for the year then ended.

In compliance with requirements of the King Report on Governance for South Africa 2009, an integrated annual report has been compiled for the 2015 financial year in addition to these annual financial statements.

Alexandra Watson
Chairman of the audit and risk committee
19 November 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CORONATION FUND MANAGERS LIMITED

We have audited the consolidated and separate financial statements of Coronation Fund Managers Limited, set out on page 8 to 53, which comprise the statements of financial position as at 30 September 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Coronation Fund Managers Limited as at 30 September 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2015, we have read the Directors' Responsibility Report, the Declaration by the Company Secretary, the Audit and Risk Committee Report and the Directors' Report for the purpose of identifying whether there are any material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.
Malcolm Peter Rapson
Director
Registered Auditor
Chartered Accountant (SA)
19 November 2015

Ernst & Young House
35 Lower Long Street
Cape Town
8001

DIRECTORS' REPORT

BUSINESS ACTIVITIES

Coronation Fund Managers Limited (registration number 1973/009318/06) is one of southern Africa's most successful third-party fund management companies. It is a pure fund management business which offers both individual and institutional investors access to local and global expertise across all asset classes.

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

GROUP RESULTS

Despite a challenging market environment, Coronation Fund Managers delivered a credible set of results for the 12 months to 30 September 2015. Market volatility intensified throughout the year, reflecting the deterioration in the outlook for global growth and an assault on emerging market equities and currencies. The MSCI World Index returned -6.2%, while the MSCI Emerging Markets Index declined by 19.0% (in US dollar terms) for the year. The FTSE/JSE All Share delivered a US dollar return of -14.5%, which translated into a positive return of 4.8% in rand terms for the year. Albeit not the worst among the emerging market currency grouping, the rand fell 18.4% against the US dollar (to close at R13.82) and 7.9% against the euro (to close at R15.46) over the period.

Coronation has a proven philosophy of long-term investing, which has added significant value to investors over our 22-year history. The long-term success of our investment approach is best illustrated by the annualised alpha of 2.9% delivered by our flagship domestic equity fund, Houseview Equity, since inception in 1993.

Assets under management increased by 3.7% to R610 billion for the 12 months to end September (2014: R588 billion) against a backdrop of meaningful declines in global markets and total net outflows of R15.3 billion. We attracted strong inflows to our international products and retail business, and in line with management expectations, recorded net outflows in our established South African institutional business. These outflows are a result of our decision to close to new institutional investors in our SA Equity and Multi-asset portfolios three years ago. This active decision in a shrinking formal occupational retirement fund market means that stakeholders should expect continued institutional outflows in the years ahead. Coronation has a sizeable share of the South African institutional savings market, and given the above overall market share will decline to a normal level in coming years.

Coronation is a cyclical business and hence its annual revenue stream is highly geared to both the returns of the markets and the level of outperformance it generates on behalf of clients across its fund range.

Due to a decline in the abnormally high level of performance fees generated in the prior financial year, revenue for the current period declined by 7.0% to R4.4 billion. This, in turn, led to a 9.7% decline in diluted headline earnings per share of 516.0 cents (2014: 571.6 cents) compared with the record high earnings base achieved in the prior financial year.

FINANCIAL STATEMENTS

The financial statements for the year ended 30 September 2015 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

CASH RETURNED TO SHAREHOLDERS

We continue to reward shareholders through regular and significant distributions of free cash flow generated. We endeavour to distribute at least 75% of after-tax cash profit. After assessing any projected future cash requirements, a final gross dividend of 270 cents per share has been declared for the year ended 30 September 2015, resulting in a final net dividend of 229.5 cents per share for shareholders subject to Dividends Tax. Together with the interim gross dividend of 246.0 cents per share, this amounts to a total gross dividend of 516 cents per share for the year.

DIRECTORS' REPORT CONTINUED

SUBSIDIARY AND ASSOCIATE COMPANIES

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

The group consolidated its 51% shareholding in Coronation Fund Managers (Botswana) Proprietary Limited, until the entity was liquidated on 25 June 2015.

The group equity accounts its 48% shareholding in Namibia Asset Management Limited.

Coronation Investment Management Proprietary Limited has been renamed to Coronation Investment Management SA Proprietary Limited.

Coronation Treasury Company Proprietary Limited has been renamed to Coronation Investment Management International Proprietary Limited.

The group consolidates the Coronation Global Equity Select Fund and the Coronation Global Frontiers Fund due to the seed capital invested in these funds being significant relative to the total fund size.

DIRECTORS AND SECRETARY

Lulama Boyce was appointed as independent non-executive director effective 7 October 2014.

Profiles of directors are provided in the integrated annual report.

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

Executive directors are not employed on fixed-term contracts and have standard employment service agreements with a notice period of at least three months.

DIRECTORS' INTEREST

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

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

	Beneficial		%
	Direct	Indirect	
2015			
Ordinary shares			
Anton Pillay	343 889	4 087 403	1.27
John Snalam	547 473	–	0.16
2014			
Ordinary shares			
Anton Pillay	343 889	4 087 403	1.27
John Snalam	547 473	–	0.16
Alexandra Watson	–	2 382	0.00

There have been no changes in directors' interest subsequent to year-end up to the date of signing the financial statements.

DIRECTORS' EMOLUMENTS

Emoluments for services rendered for the year ended 30 September 2015 were as follows:

Executive directors	Salary and	Bonus	Total	Total
	other benefits		2015	2014
	R'000	R'000	R'000	R'000
Anton Pillay	1 414	11 275	12 689	15 271
John Snalam	1 414	2 183	3 597	3 403
Total	2 828	13 458	16 286	18 674

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

	Basic fee R'000	Board meetings R'000	Audit and risk committee meetings R'000	Remuneration and nominations committee meetings R'000	Social, ethics and transformation committee meetings R'000	Total 2015 R'000	Total 2014 R'000
Non-executive directors							
Shams Pather	90	375	129	129	–	723	601
Alexandra Watson	90	215	210	–	43	558	467
Judith February	90	215	21	–	45	371	328
Jock McKenzie	90	215	129	135	–	569	446
Lulama Boyce	90	129	–	–	–	219	–
Total	450	1 149	489	264	88	2 440	1 842

In addition emoluments for services rendered to subsidiary companies for the year ended 30 September were as follows:

	Basic fee R'000	Board meetings R'000	Total 2015 R'000	Total 2014 R'000
Non-executive directors				
Shams Pather	–	60	60	60
Alexandra Watson	–	60	60	60
Lulama Boyce	–	60	60	87
Total	–	180	180	207

SPECIAL RESOLUTIONS

At the annual general meeting of the company held on 15 January 2015 the following special resolutions were passed:

- The company was authorised to generally provide any direct or indirect financial assistance contemplated in and subject to the provisions of section 44 and 45 of the Companies Act of South Africa.
- The company's remuneration to non-executive directors in respect of the financial year ending 30 September 2015 was approved.
- The directors received general authority to repurchase up to 20% of the company's issued share capital, subject to certain conditions.

EVENTS SUBSEQUENT TO THE REPORTING DATE

The final cash dividend for the 2015 financial year of R944 million (270 cents per share) was declared based on the actual shares in issue of 349 799 102.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 R million	2014 R million
Fund management activities			
Revenue	2	4 442	4 774
Financial income		60	56
Finance and dividend income	3.1	32	42
Other income	4	28	14
Operating expenses	5	(2 090)	(2 171)
Share-based payment expense	6	(11)	(1)
Other expenses		(2 079)	(2 170)
Finance expense	3.2	(15)	(4)
Share of profit of equity-accounted investees	11	8	7
Profit from fund management		2 405	2 662
Income attributable to policyholder linked assets and investment partnerships		25	41
Net fair value gains on policyholder and investment partnership financial instruments	13	54	59
Administration expenses borne by policyholders and investors in investment partnerships	14	(29)	(18)
Profit before income tax		2 430	2 703
Income tax expense	7	(620)	(699)
Taxation on shareholder profits	7	(595)	(658)
Taxation on policyholder investment contracts	7	(25)	(41)
Profit for the year		1 810	2 004
Other comprehensive income (to be reclassified to profit and loss in future periods)		53	31
Foreign currency translation differences for foreign operations		99	22
Net change in fair value of available-for-sale financial assets		(46)	9
Total comprehensive income for the year		1 863	2 035
Profit attributable to:			
– equity holders of the company		1 812	2 001
– non-controlling interest		(2)	3
Profit for the year		1 810	2 004
Total comprehensive income attributable to:			
– equity holders of the company		1 865	2 032
– non-controlling interest		(2)	3
Total comprehensive income for the year		1 863	2 035
Earnings per share (cents)			
– basic	8	517.9	572.1
– diluted	8	517.9	572.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Note	2015 R million	2014 R million
Assets			
Intangible assets	9	1 088	1 088
Equipment	10	37	22
Investments in equity-accounted investees	11	41	38
Deferred tax asset	12	145	166
Investments backing policyholder funds and investments held through investment partnerships	13	66 256	73 721
Investment securities	15.2	751	234
Taxation receivable		2	–
Trade and other receivables	18	509	760
Cash and cash equivalents		728	832
Total assets		69 557	76 861
Liabilities			
Long-term borrowings	16	300	152
Deferred tax liabilities	12	78	76
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	14	66 181	73 647
External investors in consolidated funds		124	–
Taxation payable		–	59
Trade and other payables	18	705	731
Total liabilities		67 388	74 665
Net assets		2 169	2 196
Equity			
Share capital and premium	17	256	256
Retained earnings		1 757	1 841
Reserves		156	92
Total equity attributable to equity holders of the company		2 169	2 189
Non-controlling interest		–	7
Total equity		2 169	2 196

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Share capital and premium R million	Foreign currency translation reserve R million
Balance at 30 September 2013	256	42
Total comprehensive income for the year		
Profit for the year		
Other comprehensive income (available to be recycled to profit and loss in future periods)		
Currency translation differences		22
Revaluation of available-for-sale financial assets		
– Net change in fair value		
– Reclassified to profit or loss on disposal		
Total other comprehensive income		22
Total comprehensive income for the year	–	22
Transactions with owners recorded directly in equity		
Share-based payments		
Transfer to retained earnings		
Dividends paid		
Total transactions with owners	–	–
Balance at 30 September 2014	256	64
Total comprehensive income for the year		
Profit for the year		
Other comprehensive income (available to be recycled to profit or loss in future periods)		
Currency translation differences		99
Revaluation of available-for-sale financial assets		
– Net change in fair value		
– Reclassified to profit or loss on disposal		
Total other comprehensive income		99
Total comprehensive income for the year	–	99
Transactions with owners recorded directly in equity		
Share-based payments		
Dividends paid		
Closure of subsidiary		
Total transactions with owners	–	–
Balance at 30 September 2015	256	163

Retained earnings R million	Share-based payment reserve R million	Revaluation reserve R million	Issued capital and reserves attributable to equity holders of the company R million	Non- controlling interest R million	Total equity R million
1 570	127	8	2 003	4	2 007
2 001			2 001	3	2 004
		9	22		22
		9	9		9
		–	–		–
		9	31		31
2 001	–	9	2 032	3	2 035
117	1		1		1
(1 847)	(117)		–		–
(1 730)	(116)	–	(1 846)	–	(1 846)
1 841	11	17	2 189	7	2 196
1 812			1 812	(2)	1 810
			99		99
		(46)	(46)		(46)
		(40)	(40)		(40)
		(6)	(6)		(6)
		(46)	53		53
1 812	–	(46)	1 865	(2)	1 863
(1 896)	11		11		11
(1 896)	11	–	(1 885)	(5)	(1 896)
(1 896)	11	–	(1 885)	(5)	(1 890)
1 757	22	(29)	2 169	–	2 169

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 R million	2014 R million
Cash flows from operating activities			
Profit from fund management		2 405	2 662
Non-cash and other adjustments	22	(21)	(38)
Operating profit before changes in working capital		2 384	2 624
Working capital changes			
Decrease in trade and other receivables		264	186
(Decrease)/increase in trade and other payables		(26)	85
Cash flows from policyholders and investment partnership activities	23	(6 171)	(772)
Cash (utilised by)/generated from operations		(3 549)	2 123
Interest paid		(15)	(2)
Income taxes paid		(634)	(664)
Net cash from operating activities		(4 198)	1 457
Cash flows from investing activities			
Finance and dividend income	3.1	32	42
Acquisition of equipment		(27)	(18)
Net acquisition of investment securities		(435)	(40)
Net cash from investing activities		(430)	(16)
Cash flows from financing activities			
Issue of preference shares		150	150
Dividends paid		(1 896)	(1 847)
Net cash from financing activities		(1 746)	(1 697)
Decrease in cash and cash equivalents			
Net (decrease)/increase in cash and cash equivalents – shareholders		(203)	516
Net decrease in cash and cash equivalents – policyholders and investment partnerships		(6 171)	(772)
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at beginning of year – shareholders		832	294
Cash and cash equivalents at beginning of year – policyholders and investment partnerships		14 010	14 782
Effect of exchange rate fluctuations on cash held		99	22
Cash and cash equivalents at end of year			
Cash and cash equivalents at end of year – shareholders		728	832
Cash and cash equivalents at end of year – policyholders and investment partnerships		7 839	14 010

The above cash flows include the policyholder and investment partnership activities. These cash flows represent net contributions and withdrawals by policyholders and investment partnerships and the related investing activities. Cash and cash equivalents of policyholders and investment partnerships are not available for use by the shareholders of the group.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Coronation Fund Managers Limited (Coronation) is incorporated in South Africa. The consolidated financial statements for the year ended 30 September 2015 include the company and its subsidiaries and the group's interest in associates. The financial statements were authorised for issue by the directors on 19 November 2015.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRS and its interpretations issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act of South Africa and the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

BASIS OF PREPARATION

The financial statements are presented in South African rand, rounded to the nearest million. They are prepared on the going concern and historical cost basis except that the following assets and liabilities are stated at fair value: financial assets and liabilities at fair value through profit or loss and financial assets classified as available-for-sale.

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

These financial statements have been prepared under the supervision of H Rawoot CA(SA).

BASIS OF CONSOLIDATION

Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Consolidation

Coronation applies IFRS 10 *Consolidated Financial Statements*. The consolidated financial statements combine the financial statements of Coronation and all its subsidiaries. Subsidiaries are entities over which Coronation has control.

The group has control over another entity when the group has all of the following:

- power over the relevant activities of the investee, for example through voting or other rights;
- exposure to, or rights to, variable returns from its involvement with the investee; and
- the ability to affect those returns through its power over the investee.

The assessment of control is based on the consideration of all facts and circumstances. The group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the group for the purposes of the consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control. Details of the principal subsidiaries are given in note 21.

Associates

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

Investments in associates are initially recognised at cost.

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

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

Unconsolidated structured entities

Coronation applies *IFRS 12 Disclosure of Interests in Other Entities* to identify unconsolidated structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Any significant assumptions and judgements made by management in determining whether an entity meets the definition of a structured entity, and the details of Coronation's interest in these entities, are included in note 21. Interest in another entity refers to contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity.

FOREIGN CURRENCY

Foreign currency transactions

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

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated to rand at foreign exchange rates ruling at the reporting date.

The income and expenses of foreign operations are translated to rand at rates approximating foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in the foreign currency translation reserve in other comprehensive income. This reserve is reclassified to profit or loss when foreign operations are disposed of.

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

Net investment in foreign operations

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

FINANCIAL INSTRUMENTS

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

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

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

Where available, market prices provide the best evidence of fair value. Where market prices are not available, the fair value is determined by using appropriate valuation techniques.

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

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

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

held through investment partnerships are held for trading or are designated at fair value through profit or loss since the financial assets are managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

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

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. The fair value of the external investors in consolidated funds is determined with reference to the quoted prices in an active market of the investments underlying the liability. Changes in the fair value of the external investors in consolidated funds liability are recognised in profit or loss.

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund.

Fair values are determined according to the following hierarchy based on the requirements of IFRS 13: 'Fair Value Measurement':

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of policyholder and investment partnership liabilities that are included in Level 1 of the hierarchy, are measured with reference to the quoted prices in an active market of the investments underlying the liabilities. There are no other significant unobservable inputs that impact the valuation basis of these liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as closing prices) or indirectly (i.e. derived from closing prices). The majority of Level 2 investments are deposits held with financial institutions. The fair values of these deposits are determined using a discounted cash flow valuation methodology based on market rates, reflecting the time value of money and counter party credit risk. The fair values of the policyholder and investment partnership liabilities included in Level 2, are measured with reference to the fair values of the mentioned assets underlying these liabilities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Held-to-maturity investments

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

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

Loans and receivables

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

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

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

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

Cash and cash equivalents comprise balances held with banks that are not held for investment purposes.

Financial assets available-for-sale

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

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

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

Other financial liabilities

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

Derecognition of financial assets and liabilities

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

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

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

Derivative instruments

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

Offsetting of financial assets and financial liabilities

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

Issued debt and equity financial instruments

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

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

Equity instruments are initially measured at cost/considerations net of directly attributable issue costs.

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

Assets measured at amortised cost

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

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, limited to what the carrying value would have been had no impairment loss been recognised in the past.

Available-for-sale financial assets

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

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

EQUIPMENT

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

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

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

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the 'cash-generating unit'). If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs will be determined. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

LEASES

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

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

INTANGIBLE ASSETS AND GOODWILL

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

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

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

Intangible assets

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

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

Subsequent expenditure

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

Amortisation

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

Derecognition

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

EMPLOYEE BENEFITS

Short-term employee benefits

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

Defined contribution plans

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

Share-based payment transactions with employees

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

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

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

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

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are liabilities of uncertain timing or amount, and are recognised if, as a result of a past event, the group has created a legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent assets and contingent liabilities are not recognised.

REVENUE

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

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

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

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

Financial and other income

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

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

EXPENSES

Finance expense

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

Income tax expense

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or different tax entities, but they intend to settle current tax assets and liabilities on a net basis or if their tax assets and liabilities will be realised simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recorded.

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

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

Effective 1 April 2012, STC is no longer applicable. STC has been replaced by dividends withholding tax, which is a tax on the shareholders as opposed to the company. The withholding tax amount payable to SARS is included in the trade and other payables balance and the amount declared as dividend is recorded in equity.

EARNINGS PER SHARE

The group presents basic, diluted and headline earnings per share data for its ordinary shares. Basic earnings per share is based on profit or loss attributable to equity holders of the company, and will not include non-controllable interest, and is calculated on the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Headline and diluted headline earnings per share is calculated in accordance with circular 2/2015 issued by the South African Institute of Chartered Accountants.

SEGMENT REPORTING

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

BLACK ECONOMIC EMPOWERMENT TRANSACTIONS

Share-based payment transactions

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

MANAGED FUNDS AND TRUST ACTIVITIES

Certain companies within the group operate unit trusts and hold and invest funds on behalf of clients. Assets and liabilities representing such activities are not reflected on the statement of financial position, as these relate directly to clients. The values of these items are disclosed in the notes. Income from these activities is brought to account over the period to which the service relates.

KEY MANAGEMENT ASSUMPTIONS

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

The valuation of unlisted investments is the principal area of judgement applied in the preparation of these financial statements. It is the opinion of the directors that fair value approximates carrying amount.

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

Key areas in which judgement is applied include:

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

IFRS, AMENDMENTS AND IFRIC INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following IFRS and amendments that are relevant to the group have been issued but are not yet effective for the current financial year. The group will adopt these no later than their effective dates, to the extent that they are applicable to its activities. The impact of these is still being assessed.

■ **IFRS 9: Financial Instruments: Classification and Measurement**

Effective for annual periods beginning on or after 1 January 2018

The chapters regarding classification and measurement of financial instruments have been issued by the International Accounting Standards Board (IASB). This phase of the new standard will have an impact on the classification and measurement of financial assets and a change in reporting regarding financial liabilities designated at fair value through profit or loss using the fair value option.

■ **IFRS 15: Revenue for contracts with customers**

Effective for annual periods beginning on or after 1 January 2018

The standard emphasises how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard applies a single, principle-based five-step model to be applied to all contracts with customers.

■ **IAS 1: Presentation of Financial Statements**

Effective for annual periods beginning on or after 1 January 2016

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. Although these amendments clarify existing requirements of IAS 1, the clarifications may facilitate enhanced disclosure effectiveness.

■ **IAS 16: Property, Plant and Equipment**

Effective for annual periods beginning on or after 1 January 2016

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset.

■ **IAS 19: Employee Benefits**

Effective for annual periods beginning on or after 1 January 2016

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

■ **IAS 27: Equity Method in Separate Financial Statements**

Effective for annual periods beginning on or after 1 January 2016

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

■ **IAS 38: Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation/amortisation**

Effective for annual periods beginning on or after 1 January 2016

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset.

■ **IFRS 10, IFRS 12 and IAS 28: Consolidated Financial Statements, Disclosure of Interests in Other Entities, Investments in Associates**

Effective for annual periods beginning on or after 1 January 2016

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1 Operating segments

Segment information is presented in respect of the group's operating segments based on geographical location. The international segment consists of internationally domiciled funds and clients as well as South African clients with international mandates.

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

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

Each segment's operating profitability is measured based on segment results and the segment's income from fund management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

	Africa		International		Group	
	2015 R million	2014 R million	2015 R million	2014 R million	2015 R million	2014 R million
1 Operating segments (continued)						
Segment report						
Fund management						
Segment external revenue	3 008	3 260	1 434	1 514	4 442	4 774
Segment operating expenses	(1 356)	(1 427)	(734)	(744)	(2 090)	(2 171)
Share-based payment expense	(11)	(1)	–	–	(11)	(1)
Other expenses	(1 345)	(1 426)	(734)	(744)	(2 079)	(2 170)
Segment result	1 652	1 833	700	770	2 352	2 603
Segment financial income	42	60	18	(4)	60	56
Finance and dividend income	32	42	–	–	32	42
Other income/(expense)	10	18	18	(4)	28	14
Segment finance expense	(15)	(4)	–	–	(15)	(4)
Share of profit of equity-accounted investees	8	7	–	–	8	7
Segment income from fund management	1 687	1 896	718	766	2 405	2 662
Income attributable to policyholder linked assets and investment partnerships					25	41
Net fair value gains on policyholder and investment partnership financial instruments					54	59
Administration expenses borne by policyholders and investors in investment partnerships					(29)	(18)
Profit before income tax					2 430	2 703
Income tax expense					(620)	(699)
Taxation on shareholder profits					(595)	(658)
Taxation on policyholder investment contracts					(25)	(41)
Profit for the year					1 810	2 004
Attributable to:						
– equity holders of the company					1 812	2 001
– non-controlling interest					(2)	3
Profit for the year					1 810	2 004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

	Africa		International		Group	
	2015 R million	2014 R million	2015 R million	2014 R million	2015 R million	2014 R million
1 Operating segments (continued)						
Segment report (continued)						
Segment assets	1 373	1 329	652	519	2 025	1 848
Intangible assets					1 088	1 088
Investment in equity-accounted investee					41	38
Taxation receivable					2	–
Deferred tax assets					145	166
Investments backing policyholder funds and investments held through investment partnerships					66 256	73 721
Total assets	1 373	1 329	652	519	69 557	76 861
Segment liabilities	965	812	164	71	1 129	883
Deferred tax liabilities					78	76
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships					66 181	73 647
Taxation payable					–	59
Total liabilities	965	812	164	71	67 388	74 665

Major customers

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

	2015 R million	2014 R million
2 Revenue		
Management, performance and service fees	4 442	4 774
3 Finance and dividend income and expense		
3.1 Finance and dividend income		
Finance income on available-for-sale financial assets	2	15
Finance income from loans and receivables	25	26
Dividend income on financial assets at fair value through profit or loss	5	1
	<u>32</u>	<u>42</u>
3.2 Finance expense		
Finance expense on interest-bearing borrowings	15	4
	<u>15</u>	<u>4</u>
4 Other income		
Profit on disposal of available-for-sale financial assets	6	–
Foreign exchange gains	13	2
Revaluation of financial assets at fair value through profit or loss	4	9
Gain on disposal of group operations	1	2
Other sundry gains	4	1
	<u>28</u>	<u>14</u>
5 Operating expenses		
are stated after taking into account:		
Auditor's remuneration: audit fees		
– current year	2	2
– prior year	2	1
Depreciation	11	12
Distribution expenses attributable to the group	455	435
Fund administration services	122	108
Information technology and communication costs	77	53
Marketing expenses	62	68
Operating lease payments	16	15
Personnel expenses (including executive directors' emoluments)		
– salaries and incentive compensation	1 209	1 311
– provident fund contributions	30	26
– social security costs	6	5
– share-based payment expense	11	1

Details of the directors' remuneration and their interests are disclosed in the directors' report on pages 6 to 7 and in notes 6 and 20.

Coronation retirement fund

All staff are members of a defined contribution provident fund, which is governed by the Pension Funds Act, 24 of 1956, as amended. No valuation is performed as the liability of the fund cannot exceed its assets. Other than ongoing contributions charged against income as incurred, the group has no further retirement benefit obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

6 Share-based payment expense

Share transactions

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

1 February 2005

– Assumed employee turnover rate per annum		5.0%
– Number of shares		11 193 336
– Vesting period	31 January 2008 to 31 January 2010	
– Closing share price on grant date (cents per share)		402
– Offer price (cents per share)		150
– Restriction on sale while employed		one third

1 April 2005

– Assumed employee turnover rate per annum		5.0%
– Number of shares		13 600 000
– Vesting period	15 April 2008 to 15 April 2010	
– Closing share price on grant date (cents per share)		395
– Offer price (cents per share)		150
– Restriction on sale while employed		13 600 000

	2015 Number	2014 Number
Details of number of restricted shares held during the year		
At beginning of year	23 960 001	24 793 336
Forfeited during the year	–	–
Exercised during the year	(428 333)	(833 335)
At end of year	<u>23 531 668</u>	<u>23 960 001</u>

B-BBEE transaction

Coronation established the Imvula Trust to facilitate its B-BBEE transactions. On 1 April 2005, the Imvula Trust acquired 10% of Coronation Investment Management Proprietary Limited from Coronation. The acquisition consideration amounted to R147 million, based on a price per Coronation share of R3.85, and was funded by the issue of redeemable preference shares to a third party financier. The funding was guaranteed by Coronation and the Imvula Trust was consolidated into the group's financial statements.

The Imvula Trust was no longer consolidated into the group as from 28 February 2013. The impact on the group is insignificant.

A board of trustees was established to nominate the beneficiaries of the Imvula II Trust who will, upon fulfilment of certain conditions, have an interest in the underlying shares held by the Imvula Trust. Performance and service conditions impact the vesting period of the shares, which ranges from three to five years. The majority of these units have been allocated to beneficiaries as at 30 September 2015.

The fair value was estimated at the date of the sale in 2005 using an option valuation model. The inputs into the model were as follows:

– Assumed employee forfeiture rate per annum	5%
– Dividend yield	6.50%
– Fair value at grant date (cents per share)	385

During 2014 the Imvula II Trust was formed to house unallocated units.

	2015 R million	2014 R million
6 Share-based payment expense (continued)		
Expense charged to profit or loss		
B-BBEE transaction	11	1
Total expense	11	1

Equity-based remuneration of executive directors

CIT transaction (Coronation shares)	Restricted balance 1 October 2014	Granted	Vested	Vesting date	Restricted balance 30 September 2015	Market value 30 September 2015 R'000
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2015

Anton Pillay	125 000	–	–	–	125 000	8 161
	Restricted balance 1 October 2013	Granted	Vested	Vesting date	Restricted balance 30 September 2014	Market value 30 September 2014 R'000

2014

Anton Pillay	125 000	–	–	–	125 000	12 081
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Black economic empowerment schemes

Imvula Trust (units)	Restricted balance 1 October 2014	Granted	Vested	Vesting date	Restricted balance 30 September 2015	Market value 30 September 2015 R'000	IFRS 2 charge R'000
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2015

Anton Pillay	47 188	–	(47 188)	3 November 2014	–	–	94
	Restricted balance 1 October 2013	Granted	Vested	Vesting date	Restricted balance 30 September 2014	Market value 30 September 2014 R'000	IFRS 2 charge R'000

2014

Anton Pillay	194 576	–	(147 388)	1 February 2014	47 188	4 611	129
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

	2015 R million	2014 R million
7 Income tax expense		
Taxation on shareholder profits		
Current tax		
South Africa		
– current tax on income for the year	461	604
– adjustments in respect of prior years	(2)	–
Other – International		
– current tax on income for the year	105	108
– adjustments in respect of prior years	–	(1)
Total current tax	564	711
Deferred tax		
South Africa	32	(52)
– origination and reversal of temporary difference	32	(52)
International	(1)	(1)
Total deferred tax	31	(53)
Taxation on shareholder profits	595	658
Taxation on policyholder investment contracts	25	41
Income tax expense	620	699
The rates of corporation tax for the relevant years are:		
South Africa	28%	28%
International (average)	16%	19%
Profit from fund management before tax	2 405	2 662
Taxation on shareholder profits	595	658
Effective tax rate excluding policyholder tax	25%	25%
Effective tax rate including policyholder tax	26%	26%

	2015 R million	2014 R million
7 Income tax expense (continued)		
Reconciliation of taxation on shareholder profits		
The tax charge is different to the standard rate as detailed below:		
Tax on profit from fund management before tax, at SA rate of 28%	673	745
Effect of tax rates in foreign jurisdictions	(82)	(82)
Share-based payment expense	3	–
Non-deductible expenses	8	4
Tax exempt income	(3)	(6)
Overprovided in prior years	(2)	(1)
Effect of equity-accounted profits included net of tax	(2)	(2)
Taxation on shareholder profits	595	658
Tax on policyholder investment contracts		
Current tax		
South Africa		
– current tax on income for the year	27	44
Deferred tax		
South Africa	(2)	(3)
Tax on policyholder investment contracts	25	41
Income tax expense	620	699
8 Earnings per share		
Basic earnings per share (cents)	Cents	Cents
Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted number of ordinary shares in issue during the year.	517.9	572.1
	Number	Number
	'000	'000
Issued ordinary shares at beginning of year	349 799	349 799
Weighted average number of ordinary shares in issue during the year	349 799	349 799
Adjusted weighted number of ordinary shares potentially in issue	349 799	349 799
	R million	R million
Earnings attributable to shareholders	1 810	2 004
Non-controlling interest	2	(3)
Earnings attributable to ordinary shareholders	1 812	2 001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

	2015	2014			
	Cents	Cents			
8 Earnings per share (continued)					
Diluted earnings per share (cents)					
Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the year plus the weighted average number of ordinary shares potentially in issue.	517.9	572.1			
	R million	R million			
Earnings attributable to shareholders	1 812	2 001			
Diluted earnings attributable to ordinary shareholders	1 812	2 001			
Headline earnings per share (cents)					
Headline earnings per share has been calculated in accordance with circular 2/2015 issued by the South African Institute of Chartered Accountants					
	Profit before tax R million	Tax R million	Non- controlling interest R million	Earnings attributable to ordinary shareholders R million	Per share Cents
2015					
Per the financial statements	2 430	(620)	2	1 812	517.9
Adjustments:					
– Gain on disposal of subsidiary	(1)	–	–	(1)	(0.2)
– Profit on disposal of investments	(6)	–	–	(6)	(1.7)
Headline earnings	2 423	(620)	2	1 805	516.0
Diluted headline earnings per share (cents)				1 805	516.0
2014					
Per the financial statements	2 703	(699)	(3)	2 001	572.1
Adjustments:					
– Gain on disposal of associate	(2)	–	–	(2)	(0.5)
Headline earnings	2 701	(699)	(3)	1 999	571.6
Diluted headline earnings per share (cents)				1 999	571.6
Dividends per share				2015	2014
				Cents	Cents
Dividend distribution					
– interim: declared 19 May 2015 (2014: 20 May 2014)				246	275
– final: declared 10 November 2015 (2014: 11 November 2014)				270	296
Total dividend				516	571

	2015 R million	2014 R million
9 Intangible assets		
Goodwill (cost)	1 088	1 088
Total	1 088	1 088

For the purposes of impairment testing, goodwill is considered based on the segmental cash-generating units of the group's fund management operations based on acquisition values. The impairment tests were based on fair value less costs to sell, evidenced by reference to the traded share price and the cash-generating ability of the segmental cash-generating units.

10 Equipment	Computer equipment R million	Furniture and fittings R million	Office equipment R million	Leasehold improvements R million	Total R million
2015					
Cost					
At beginning of year	57	14	10	3	84
Additions	26	1	–	–	27
Disposals	(1)	–	–	–	(1)
Exchange adjustments	1	–	–	1	2
At end of year	83	15	10	4	112
Accumulated depreciation					
At beginning of year	(41)	(11)	(8)	(2)	(62)
Depreciation	(9)	(1)	(1)	–	(11)
Disposals	1	–	–	–	1
Exchange adjustments	(2)	–	–	(1)	(3)
At end of year	(51)	(12)	(9)	(3)	(75)
Net carrying value – 2015	32	3	1	1	37
2014					
Cost					
At beginning of year	43	13	9	2	67
Additions	15	1	1	1	18
Disposals	(1)	–	–	–	(1)
Exchange adjustments	–	–	–	–	–
At end of year	57	14	10	3	84
Accumulated depreciation					
At beginning of year	(33)	(10)	(6)	(2)	(51)
Depreciation	(9)	(1)	(2)	–	(12)
Disposals	1	–	–	–	1
Exchange adjustments	–	–	–	–	–
At end of year	(41)	(11)	(8)	(2)	(62)
Net carrying value – 2014	16	3	2	1	22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

	2015 R million	2014 R million
11 Investment in equity-accounted investees		
Analysis of the movement in our share of net assets:		
At beginning of year	38	34
Share of profit from equity-accounted investee	8	7
Dividends received	(5)	(3)
At end of year	41	38

Summary financial information of equity-accounted investees:

2015	Country	Ownership %	Assets R million	Liabilities R million	Equity R million	Revenue R million	Profit R million
Namibia Asset Management Limited	Namibia	48.05	31	15	16	47	8
2014	Country	Ownership %	Assets R million	Liabilities R million	Equity R million	Revenue R million	Profit R million
Namibia Asset Management Limited	Namibia	48.05	22	12	10	43	7

	Assets		Liabilities		Net	
	2015 R million	2014 R million	2015 R million	2014 R million	2015 R million	2014 R million
12 Deferred tax						
Deferred tax assets and liabilities are attributable to the following:						
Employee benefits	136	166	–	–	136	166
Unrealised fair value adjustments on financial assets						
– shareholders	9	–	(3)	(2)	6	(2)
– policyholders	–	–	(75)	(74)	(75)	(74)
Net deferred tax assets/liabilities	145	166	(78)	(76)	67	90

Movement in temporary differences during the year	Balance 2014	Recognised in profit or loss	Recognised in other comprehensive income	Foreign currency translation differences	Balance 2015
	R million	R million	R million	R million	R million
Employee benefits	166	(31)	–	1	136
Unrealised fair value adjustments on financial assets	(76)	2	5	–	(69)
	90	(29)	5	1	67

	Balance 2013	Recognised in profit or loss	Recognised in other comprehensive income	Foreign currency translation differences	Balance 2014
	R million	R million	R million	R million	R million
Employee benefits	111	53	–	2	166
Unrealised fair value adjustments on financial assets	(78)	3	–	(1)	(76)
	33	56	–	1	90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

	2015 R million	2014 R million
13 Investments backing policyholder funds and investments held through investment partnerships		
Net fair value gains on policyholder and investment partnership financial instruments		
Investment income	3 317	3 176
Realised and unrealised gains on financial assets	1 096	5 073
Increase in liabilities to policyholders and holders of redeemable interests in investment partnerships	(4 359)	(8 190)
	54	59
Policyholder and investment partnership investments		
Equities	22 997	26 241
Mining	3 236	4 899
Banks, insurance and financial services	4 328	3 957
Industrial, retail and other sectors	15 417	17 361
Unlisted investments	16	24
Derivative financial instruments	100	14
Real estate funds and property loan stock companies	5 815	5 052
Interest-bearing stocks, debentures and other loans	17 534	15 877
Deposits at financial institutions	7 839	14 010
Domestic unit trusts	2 087	1 728
Mutual funds	9 245	10 071
International bonds	73	266
Trade and other receivables*	714	435
Trade and other payables*	(430)	(324)
	65 974	73 370
Investments at book value	68 859	72 525
Unrealised investment (losses)/gains	(2 885)	845
Partnership trade receivables	281	351
Balance at end of year	66 256	73 721
Comprising:		
Investments backing policyholder funds	59 241	65 731
Investments held through investment partnerships	7 015	7 990
	66 256	73 721
* Trade and other receivables and trade payables relate to unsettled trades at the reporting date.		
14 Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships		
Movement in financial liability:		
Balance at beginning of year	70 922	68 353
Contributions from policyholders and investors	17 648	16 744
Investment income	14 331	13 568
	3 317	3 176
	(25 403)	(19 248)
Withdrawals by policyholders and investors	(25 349)	(19 189)
Operating expenses	(29)	(18)
Taxation on policyholder investment contracts	(25)	(41)
Realised and unrealised net fair value gains on investments designated at fair value through profit or loss backing policyholder funds and holders of interest in investment partnerships	1 096	5 073
Balance at end of year	64 263	70 922
Trade payables	330	375
Short positions	1 588	2 350
Deferred tax	75	74
Balance at end of year	66 256	73 721

	2015 R million	2014 R million
14 Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships (continued)		
Comprising:		
Liability to policyholders in respect of investment contracts	59 166	65 657
Liability to holders of redeemable interests in investment partnerships	7 015	7 990
	66 181	73 647
Deferred tax liabilities	75	74
	66 256	73 721

The amount of cash placed as collateral in respect of scrip borrowings amounts to R216 million (2014: R472 million). This amount is recognised as a receivable by the investment partnerships. In addition to this, the investment partnerships have placed scrip as collateral amounting to R1.48 billion (2014: R2.0 billion). This collateral relates to the short sale transactions.

Policyholder liabilities are payable on demand. Trade payables relate to costs incurred on behalf of policyholders.

15 Financial assets and financial liabilities

15.1 Accounting classifications and fair values

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

R million	Note	Designated at fair value through profit or loss	Loans and receivables	Available- for-sale	Financial liabilities at amortised cost	Carrying amount	Fair value
2015							
Cash and cash equivalents		-	728	-	-	728	728
Trade and other receivables		-	509	-	-	509	509
Investments backing policyholder funds	13	59 241	-	-	-	59 241	59 241
Investments held through investment partnerships	13	7 015	-	-	-	7 015	7 015
Investment securities	15.2	140	-	611	-	751	751
		66 396	1 237	611	-	68 244	68 244
Trade and other payables		-	-	-	705	705	705
Liability to policyholders in respect of investment contracts		59 166	-	-	-	59 166	59 166
Liability to holders of redeemable interests in investment partnerships		7 015	-	-	-	7 015	7 015
External investors in consolidated funds		124	-	-	-	124	124
Long-term borrowings		-	-	-	300	300	300
		66 305	-	-	1 005	67 310	67 310

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

15 Financial assets and financial liabilities (continued)

15.1 Accounting classifications and fair values (continued)

R million	Note	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Carrying amount	Fair value
2014							
Cash and cash equivalents		–	832	–	–	832	832
Trade and other receivables		–	760	–	–	760	760
Investments backing policyholder funds	13	65 731	–	–	–	65 731	65 731
Investments held through investment partnerships	13	7 990	–	–	–	7 990	7 990
Investment securities	15.2	–	–	234	–	234	234
		73 721	1 592	234	–	75 547	75 547
Trade and other payables		–	–	–	731	731	731
Liability to policyholders in respect of investment contracts		65 657	–	–	–	65 657	65 657
Liability to holders of redeemable interest in investment partnerships		7 990	–	–	–	7 990	7 990
Long-term borrowings		–	–	–	152	152	152
		73 647	–	–	883	74 530	74 530
						2015	2014
						R million	R million

15.2 Investment securities

Financial assets available-for-sale

– Mutual funds and unit trusts	250	234
– Listed equities and bonds in respect of consolidated funds	361	–

Financial assets at fair value through profit and loss

– Unit trusts	140	–
	751	234

16 Long-term borrowings

Balance at beginning of year	152	–
Received during the year	150	150
Interest accrued	15	4
Interest paid	(17)	(2)
	300	152

Two tranches of cumulative redeemable preference shares were issued as follows:

Cumulative redeemable preference shares were issued by Coronation Investment Management SA (Pty) Ltd on 31 March 2015 in order to seed the launch of the new international funds. Dividends, linked to prime, are payable on a quarterly basis with capital repayment due on 31 March 2018.

Cumulative redeemable preference shares were issued by Coronation Investment Management SA (Pty) Ltd on 31 March 2014 in order to recapitalise licensed subsidiary companies for regulatory capital adequacy requirements. Dividends, linked to prime, are payable on a quarterly basis with capital repayment being due on 31 March 2017.

	2015 R'000	2014 R'000
17 Share capital		
Authorised		
750 000 000 (2014: 750 000 000) ordinary shares of 0.01 (2014: 0.01) cent per share	75	75
Issued, allotted and fully paid	Number ('000)	Number ('000)
	2015	2014
Number of ordinary shares		
At beginning of year	349 799	349 799
Issued during the year	-	-
At end of year	349 799	349 799
	R million	R million
Share capital and premium	256	256

Unissued shares

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

Shareholders with a direct or indirect beneficial interest of 5% or more in shares are disclosed on page 55.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

18 Financial risk disclosures

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

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

Risk management and control are integral to the governance of the group as more fully explained in the integrated report. There has been no change in the documented risk and control policies in the current year.

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

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

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

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

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

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

Credit risk

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

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

Investments are allowed only in liquid securities and only with counterparties that have high credit ratings.

At the reporting date, the majority of cash and cash equivalents were held with one financial institution. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

18 Financial risk disclosures (continued)

Credit risk (continued)

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

	Carrying amount	
	2015 R million	2014 R million
Trade and other receivables	509	760
Cash and cash equivalents	728	832
	1 237	1 592

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

Not past due	424	538
Past due 0 – 30 days	27	32
Past due 31 – 120 days	58	190
Past due 121 – 365 days	–	–
Total	509	760

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

Trade and other receivables comprise fees receivable.

Capital adequacy

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

These are as follows:

- South Africa – Financial Services Board of South Africa (FSB)
- United Kingdom – Financial Conduct Authority (FCA)
- Ireland – Ireland Financial Services Regulatory Authority (IFSRA)

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

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

Liquidity risk

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

Amounts due to policyholders is the fair value of the underlying assets, and the amount at which these assets are realised will be paid to policyholders.

Amounts due to external investors in consolidated funds are carried at the fair value of the underlying assets, and the amount at which these assets are realised will be paid to unitholders.

The two tranches of cumulative redeemable preference shares were issued by Coronation Investment Management SA (Pty) Ltd on 31 March 2014 and 31 March 2015. These tranches are repayable on 31 March 2017 and 31 March 2018 respectively. For more information on these cumulative redeemable preference shares, see note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

18 Financial risk disclosures (continued)

Liquidity risk (continued)

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

R million	Carrying	Contractual	6 months or less	6 – 12 months
2015				
Non-derivative financial liabilities	705	(705)	(705)	–
Trade and other payables				
	705	(705)	(705)	–
2014				
Non-derivative financial liabilities				
Trade and other payables	731	(731)	(731)	–
	731	(731)	(731)	–

Trade and other payables relate to operating expenses incurred in the ordinary course of business.

Market risk

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

The revenues and profit generation of the group are linked to the value of assets under management. Movements in equity markets and interest rates, currency exchange rates and commodity prices that adversely affect the value of assets under management will impact the group's revenues and reported profits. In the event that performance benchmarks are not met, the group may be exposed to underperformance rebates. The group manages this risk through its structured investment process. The value of assets under management at the reporting date is as follows:

	2015 R billion	2014 R billion
Assets under management		
Fair value of assets under management – by geographical region		
Africa	469	461
International	141	127
	610	588

The group earned an average revenue margin of 64 basis points (2014: 79 basis points) on assets under management.

18 Financial risk disclosures (continued)

Interest rate risk

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

R million	Total	1 year or less	1 – 5 years	Non- interest- bearing
2015				
Assets				
Trade and other receivables	509	–	–	509
Cash and cash equivalents	728	728	–	–
	1 237	728	–	509
Liabilities				
Long-term borrowings	300	–	300	–
Trade and other payables	705	–	–	705
	1 005	–	300	705
2014				
Assets				
Trade and other receivables	760	–	–	760
Cash and cash equivalents	832	832	–	–
	1 592	832	–	760
Liabilities				
Long-term borrowings	152	–	152	–
Trade and other payables	731	–	–	731
	883	–	152	731

South African cash balances earn interest at a rate of prime minus 4.5% per annum. Foreign cash balances earn negligible interest rates.

Price risk

The group is exposed to other price risks in respect of its investments in mutual funds and unit trusts and listed equities and bonds as per note 15.2 and consequently for external investors in consolidated funds. A reasonable possible change in the price of the investments as per note 15.2 of 10%, with other variables held constant, would result in a 10% gain or loss recognised in profit or loss in the case of financial instruments designated as fair value through profit and loss or other comprehensive income in the case of financial assets designated as available for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

18 Financial risk disclosures (continued)

Foreign currency risk

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

The following currency profile analyses the group's financial assets and liabilities according to the currencies in which they are held at 30 September 2015. The totals are then expressed in the equivalent rand amount (in millions). In addition, the vast majority of the liability for external investors in consolidated funds of R124 million is exposed to USD.

2015

Currency	ZAR	PULA	EUR	GBP	USD	Total
Exchange rate	1.000	1.3149	15.5001	20.9764	13.8633	
Assets						
Trade and other receivables	448	–	3	10	48	509
Cash and cash equivalents	521	–	19	31	157	728
	969	–	22	41	205	1 237
Liabilities						
Long-term borrowings	300	–	–	–	–	300
Trade and other payables	658	–	2	21	24	705
	958	–	2	21	24	1 005

2014

Currency	ZAR	PULA	EUR	GBP	USD	Total
Exchange rate	1.0000	1.2201	14.2693	18.3155	11.2970	
Assets						
Trade and other receivables	699	2	7	8	44	760
Cash and cash equivalents	398	14	28	63	329	832
	1 097	16	35	71	373	1 592
Liabilities						
Long-term borrowings	152	–	–	–	–	152
Trade and other payables	681	2	–	27	21	731
	833	2	–	27	21	883

18 Financial risk disclosures (continued)

Foreign currency risk (continued)

Sensitivity analysis

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

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

R million	Equity	Profit or loss
2015		
PULA	–	–
EUR	–	(2)
GBP	–	(2)
USD	–	(6)
2014		
PULA	–	(1)
EUR	–	(4)
GBP	–	(4)
USD	–	(35)

A 10% weakening of the rand against the above currencies at 30 September 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain the same.

Fair value hierarchy

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of policyholder and investment partnership liabilities that are included in Level 1 of the hierarchy, are measured with reference to the quoted prices in an active market of the investments underlying the liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as closing prices) or indirectly (i.e. derived from closing prices). The majority of Level 2 investments are deposits held with financial institutions. The fair values of these deposits are determined using a discounted cash flow valuation methodology based on market rates, reflecting the time value of money and counter party credit risk. The fair values of the policyholder and investment partnership liabilities included in Level 2, are measured with reference to the fair values of the mentioned assets underlying these liabilities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

R million	Level 1	Level 2	Level 3	Total
2015				
Investments backing policyholder funds and investments held through investment partnerships	56 909	6 075	–	62 984
Investment securities	717	–	34	751
	57 626	6 075	34	63 735
Policyholder and investment partnership liabilities	56 909	6 003	–	62 915
2014				
Investments backing policyholder funds and investments held through investment partnerships	59 482	8 563	–	68 045
Investment securities	206	–	28	234
	59 688	8 563	28	68 279
Policyholder and investment partnership liabilities	57 171	8 449	–	65 620

During the current reporting period, it was determined that transfers between levels of the assets and liabilities held at fair value occurred. R810 million in debentures were transferred from Level 1 to Level 2 as these are now considered to be held in an inactive market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

	2015 R million	2014 R million
19 Commitments and contingent liabilities		
Operating lease commitments		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	17	14
Between one and five years	74	75
More than five years	112	133

Future sublease payments expected to be received under non-cancellable subleases amount to R2 million as at 30 September 2015.

At 30 September 2015, the group was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 7% and 8% per annum.

Guarantees

Coronation Investment Management SA Proprietary Limited and Coronation Asset Management Proprietary Limited, are the disclosed partners in the Coronation Granite Fixed Income, the Coronation Multi-Strategy Arbitrage, Coronation Presidio and Coronation Enhanced Income Fund Limited Liability partnerships. As the disclosed partners, they are liable to third parties for all the liabilities of the partnership over and above the capital contributions, and future income which accrues to the partners as well as the retained and current profits and assets of the partnerships. The other partners have no further liability for further contributions, or to incur any liability to any third party over and above their contributions. Based on current performance the probability of payment is insignificant.

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

20 Related parties

Identity of related parties

The group has related party relationships with its subsidiaries, associates and with its key management personnel.

Transactions with key management personnel

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

Key management compensation

	2015 R million	2014 R million
Short-term remuneration	224	275
Long-term remuneration	237	325
Total	461	600

Key management compensation excludes fees paid to non-executive directors for services rendered as directors. Fees paid to non-executive directors are disclosed on page 7.

20 Related parties (continued)

Other related party balances at year-end

Directors' interest in share capital and directors' emoluments (refer directors' report)

Loans from related parties (refer note 21)

Share transactions with employees and Coronation Investments and Trading Limited (refer note 6)

Deferred bonuses	2015 R million	2014 R million
Executive directors		
Anton Pillay	10	15
John Snalam	4	5
	14	20

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

21 Principal subsidiaries, associates and unconsolidated structured entities

The following represent the subsidiary and associate companies of Coronation:

Company (% of equity capital held)	Country of incorporation	Functional currency	Stated/issued share capital	2015 R million	Indebtedness by/(to) 2014 R million
Coronation Fund Managers Limited					
100 Coronation Investment Management SA Proprietary Limited	South Africa	ZAR	100	-	-
100 Coronation Asset Management Proprietary Limited	South Africa	ZAR	250 000	1	8
100 Coronation Management Company (RF) Proprietary Limited	South Africa	ZAR	2 000 000	-	-
100 Coronation Life Assurance Company Limited	South Africa	ZAR	1 800	-	-
100 CFM (Isle of Man) Limited	British Virgin Islands	USD	20 000	-	-
100 Coronation International Limited	United Kingdom	GBP	1 000 002	-	-
100 Coronation Global Fund Managers (Ireland) Limited	Ireland	USD	136 538	-	-
100 Coronation Investment Services Proprietary Limited	South Africa	ZAR	10	-	-
100 Coronation Investment Management International Proprietary Limited	South Africa	ZAR	1 000	-	-
48 Namibia Asset Management Limited	Namibia	NAD	2 000 000	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

21 Principal subsidiaries, associates and unconsolidated structured entities (continued)

All transactions with related parties occur on an arm's length basis. All balances are interest-free, unsecured and repayable on demand.

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

Coronation Life Assurance Company Limited is restricted in its ability to borrow in that borrowings require approval of the Registrar of Insurance, in terms of the South African Long-term Insurance Act, 52 of 1998.

Principal subsidiaries

The group has access to the assets and liabilities of all principal subsidiaries other than policyholder assets and liabilities. Details of policyholder assets and liabilities are included in note 13 and 14.

Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

Depending on the group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

The hedge fund partnerships as listed in note 19 are consolidated structured entities within the group. Details regarding the group's contractual commitments to these partnerships is included in note 19.

The group has no equity interest in the following entities, which are consolidated based on control:

- Coronation Granite Fixed Income Fund Partnership
- Coronation Multi-Strategy Arbitrage Fund Partnership
- Coronation Presidio Fund Partnership
- Coronation Enhanced Income Fund Partnership (consolidated from 1 July 2014)

The group also consolidates the Coronation Global Equity Select Fund as well as the Coronation Global Frontiers Fund due to the seed capital invested in these funds relative to the total fund size being significant.

Unconsolidated structured entities

The CFM Bonus Pool Trust, the Imvula Trust and the Imvula II Trust are unconsolidated structured entities of the group.

Refer to note 6 for information relating to the Imvula Trust and The Imvula II Trust.

The CFM Bonus Pool Trust (the Trust) is not consolidated as it is a completely separate entity from the group and decisions are made by independent trustees solely for the benefit of beneficiaries (employees). Trustees consider guidance from the Coronation remuneration and nominations committee when making such decisions. The objective of the Trust is to incentivise the employees of the group by acquiring restricted equity instruments (either CFM shares and/or other products that are managed by Coronation) for the benefit of the employees. The group transfers 30% of its profits before tax, after deducting amounts allocated for cash bonuses and restraint of trade payments, to the Trust.

21 Principal subsidiaries, associates and unconsolidated structured entities (continued)

This reward system takes cognisance of the long term and instruments vest in the beneficiary over a period of three to seven years. The group's remuneration policy and reward system aims to be consistent with and promote sound and effective risk management. It is desirable to increase the staff equity ownership in the business. Through the use of staff ownership and the Trust, the group discourages risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the entities being managed.

Once this amount has been transferred to the Trust, the group does not bear any risk relating to instruments purchased by the Trust. Risks related to fluctuations in the value of these instruments are borne by the beneficiaries.

At 30 September 2015, included in trade payables is an amount of R100 million (2014: R11 million) owing to the Trust.

The group does not receive any income from the Trust; however, it does pay an administrative charge to facilitate the activities of the Trust on an ongoing basis.

22 Non-cash and other adjustments

	2015 R million	2014 R million
Depreciation	11	12
Finance expense	15	4
Finance and dividend income	(32)	(42)
Foreign exchange gains	(13)	–
Profit on disposal of available-for-sale financial assets	(6)	–
Revaluation of financial assets at fair value through profit or loss	(4)	(9)
Share of profit of equity-accounted investees	(8)	(7)
Share-based payment expense	11	1
Other	5	3
Total	(21)	(38)

	2015 R million	2014 R million
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23 Cash flows from policyholders and investment partnerships

Investment income	3 317	3 176
Realised and unrealised gains	1 096	5 073
Tax expense	(25)	(41)
Operating expenses	(29)	(18)
Profit after taxation	4 359	8 190
Non-cash adjustments	3 051	(1 026)
Unrealised loss/(gains)	3 026	(1 067)
Tax expense	25	41
Tax paid	(27)	(44)
Working capital changes	(59)	70
Increase in trade and other receivables	(210)	(122)
Increase in trade and other payables	151	192
Cash flow from operating activities	7 324	7 190
Contributions from policyholders and investors	14 331	13 568
Withdrawals from policyholders and investors	(25 349)	(19 189)
Cash flow from financing activities	(11 018)	(5 621)
Net purchases of investments	(2 477)	(2 341)
Cash from investing activities	(2 477)	(2 341)
Cash flows from policyholders and investment partnership activities	(6 171)	(772)

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 R million	2014 R million
Dividend income from subsidiaries		1 907	1 996
Operating expenses		(4)	(3)
Income before tax		1 903	1 993
Income tax expense	b	–	–
Profit for the year		1 903	1 993
Other comprehensive income (to be reclassified to profit and loss in future periods)			
Change in fair value of financial assets available-for-sale	c	(10 970)	9 812
Total comprehensive (loss)/income for the year		(9 067)	11 805

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Note	2015 R million	2014 R million
Assets			
Investment in subsidiary	c	22 838	33 808
Total assets		22 838	33 808
Liabilities			
Loan from group company	d	1	8
Total liabilities		1	8
Net assets		22 837	33 800
Equity			
Share capital and premium	e	905	905
Retained earnings		1 423	1 416
Revaluation reserve		20 509	31 479
Total equity		22 837	33 800

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Share capital and premium R million	Retained earnings R million	Revaluation reserve R million	Total equity R million
Balance at 30 September 2013	905	1 270	21 667	23 842
Total comprehensive income for the year				
Profit for the year	–	1 993	–	1 993
Other comprehensive income (available to be recycled to profit and loss in future periods)				
Revaluation of financial assets available-for-sale	–	–	9 812	9 812
Total comprehensive income for the year	–	1 993	9 812	11 805
Transactions with owners recorded directly to equity				
Dividends paid	–	(1 847)	–	(1 847)
Shares issued	–	–	–	–
Total transactions with owners	–	(1 847)	–	(1 847)
Balance at 30 September 2014	905	1 416	31 479	33 800
Total comprehensive income for the year				
Profit for the year	–	1 903	–	1 903
Other comprehensive loss (available to be recycled to profit and loss in future periods)				
Revaluation of financial assets available-for-sale	–	–	(10 970)	(10 970)
Total comprehensive loss for the year	–	1 903	(10 970)	(9 067)
Transactions with owners recorded directly to equity				
Dividends paid	–	(1 896)	–	(1 896)
Shares issued	–	–	–	–
Total transactions with owners	–	(1 896)	–	(1 896)
Balance at 30 September 2015	905	1 423	20 509	22 837

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 R million	2014 R million
Cash flows from operating activities		
Profit for the year	1 903	1 993
Non-cash and other adjustments	(1 907)	(1 996)
Dividends received	(1 907)	(1 996)
Operating loss before changes in working capital	(4)	(3)
Working capital changes	(7)	(146)
Decrease in trade payables and loan from group company	(7)	(146)
Cash utilised by operations	(11)	(149)
Dividends received	1 907	1 996
Net cash from operating activities	1 896	1 847
Cash flows from investing activities	-	-
Cash flows from financing activities	(1 896)	(1 847)
Dividends paid	(1 896)	(1 847)
Net increase/(decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

NOTES TO CORONATION FUND MANAGERS LIMITED COMPANY ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

a Accounting policies

Statement of compliance

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

Basis of preparation

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

The accounting policies set out on pages 13 to 21 have been applied consistently to all periods presented in these financial statements.

	2015 R million	2014 R million
b Income tax expense		
The standard rate of corporation tax for the year is:	28%	28%
Profit before tax	1 903	1 993
Tax on profit	–	–
Effective tax rate	0%	0%
The tax charge for the year is different to the standard rate as detailed below:		
Tax on profit before tax, at SA rate of 28%	533	558
Secondary tax on companies	–	–
Non-deductible expenses	1	1
Tax exempt revenues	(534)	(559)
Total income tax expense for the year	–	–

	2015 R million	2014 R million
c Investment in group companies		
Investment in subsidiary		
Balance at beginning of the year	33 808	23 996
Revaluation adjustment	(10 970)	9 812
Balance at the end of the year	22 838	33 808

The fair value of the investment in subsidiary is classified as a level 2 instrument. The investment in subsidiary is valued using the Coronation Fund Managers share price as a proxy.

NOTES TO CORONATION FUND MANAGERS LIMITED COMPANY ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2015 CONTINUED

d Loan from group companies

These loans are unsecured, not subject to interest and payable or repayable on demand. They are Level 2 financial instruments and are carried at amortised cost.

e Share capital

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

f Related parties

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

g Price risk

The company is exposed to price risk through its investment in subsidiary which is carried at fair value. The fair value of the investment in subsidiary is primarily determined by reference to the listed share price of Coronation Fund Managers Limited shares. Movements in the listed price will impact the fair value movements of the investment in subsidiary recorded through other comprehensive income.

A reasonable possible change of 10% (2014: 10%), in the quoted price of Coronation Fund Managers Limited shares, with other variables held constant, could lead to the following increase or decrease in fair values:

- R2.3 billion (2014: R3.4 billion) in the fair value of the investment in subsidiary with the corresponding movement in other comprehensive income

h Events subsequent to the reporting date

The unbundling of Coronation Investment Management International Proprietary Limited by Coronation Investment Management SA Proprietary Limited to Coronation Fund Managers Limited was effective 1 October 2015. The unbundling had no effect on the consolidated financial statements and will have no material effect on the company's total comprehensive income.

ANALYSIS OF SHAREHOLDERS

AS AT 30 SEPTEMBER 2015

Distribution of shareholders	Number of shareholders	%	Number of shares '000	%
1 – 1 000 shares	8 743	54.86	3 842	1.10
1 001 – 10 000 shares	6 065	38.06	19 696	5.63
10 001 – 100 000 shares	914	5.74	25 931	7.41
100 001 – 1 000 000 shares	173	1.09	60 448	17.28
1 000 001 shares and over	42	0.26	239 882	68.58
	15 937	100.00	349 799	100.00

Distribution of shareholders	Number of shareholders	%	Number of shares '000	%
Banks	122	0.77	73 548	21.03
Brokers	33	0.21	10 212	2.92
Close corporations	152	0.95	612	0.18
Endowment funds	47	0.30	337	0.10
Individuals	12 183	76.45	30 355	8.67
Insurance companies	66	0.41	4 394	1.26
Investment companies	14	0.09	671	0.19
Medical aid schemes	16	0.10	184	0.05
Mutual funds	235	1.47	41 706	11.92
Nominees and trusts	2 296	14.41	18 346	5.24
Other corporations	84	0.52	454	0.13
Pension funds	194	1.21	48 521	13.87
Private companies	304	1.91	4 975	1.42
Public companies	20	0.13	17 158	4.91
Staff holdings	167	1.04	87 123	24.91
Sovereign wealth funds	4	0.03	11 203	3.20
	15 937	100.00	349 799	100.00

Public/non-public shareholders	Number of shareholders	%	Number of shares '000	%
Non-public shareholders	167	1.05	87 123	24.91
Directors*	5	0.03	5 614	1.61
Shares held by staff	162	1.02	81 509	23.30
Public shareholders	15 770	98.95	262 676	75.09
	15 937	100.00	349 799	100.00

* Includes directors of subsidiary companies

Geographical ownership	Number of shareholders	%	Number of shares '000	%
South Africa	15 537	97.49	240 645	68.80
International	400	2.51	109 154	31.20
	15 937	100.00	349 799	100.00

Shareholders with direct or indirect beneficial interest of 5% or more in shares	Number of shares '000	%
Government Employees Pension Fund	40 193	11.49
The Imvula Trust	24 902	7.12
Louis Stassen	17 495	5.00

GLOSSARY OF FINANCIAL REPORTING TERMS

GROUP STRUCTURES

<i>Company</i>	A legal business entity registered in terms of the applicable legislation of that country.
<i>Entity</i>	Coronation Fund Managers Limited, a subsidiary or associate.
<i>Equity-accounted investee</i>	An entity, other than a subsidiary or joint venture, in which the group has significant influence over the financial and operating policies.
<i>Group</i>	Coronation Fund Managers Limited and its subsidiaries and associate.
<i>Operation</i>	A component of the group that: – represents a separate major line of business or geographical area of operation; and – can be distinguished separately for financial and operating purposes.
<i>Subsidiary</i>	Any entity over which the group has control.

GENERAL ACCOUNTING TERMS

<i>Acquisition date of a business</i>	The date on which control in respect of subsidiaries and significant influence in respect of associates commences.
<i>Consolidated financial statements</i>	The financial results of the group which comprise the financial results of Coronation Fund Managers Limited and its subsidiaries and its interests in associates.
<i>Control</i>	An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
<i>Disposal date</i>	The date on which the control in respect of subsidiaries and significant influence in respect of associates ceases.
<i>Fair value</i>	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
<i>Financial results</i>	Comprise the financial position (assets, liabilities and equity), financial performance (revenue and expenses) and cash flows of the group or an entity within the group.
<i>Functional currency</i>	The currency of the primary economic environment in which the entity operates.
<i>Long term</i>	A period longer than twelve months from reporting date.
<i>Other comprehensive income</i>	Comprises items of income and expenses (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs.
<i>Presentation currency</i>	The currency in which the financial statements are presented.
<i>Reclassification</i>	Amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous period.
<i>Recoverable amount</i>	The amount that reflects the greater of the fair value less costs to sell and value in use that can be attributed to a non-financial asset as a result of its ongoing use by the entity. In determining the value in use, expected pre-tax future cash flows are discounted to their present values using the appropriate discount rate.

<i>Related parties</i>	The following entities or parties are considered related parties to the reporting entity: <ul style="list-style-type: none"> – a subsidiary, fellow subsidiary, associate, jointly controlled entity or an entity having joint control in relation to the reporting entity; – key management personnel and their close members of family and entities which they control, jointly control or over which they exercise significant influence; and – post-employment benefit plan for the benefit of employees of the entity or any related party.
<i>Significant influence</i>	The power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

FINANCIAL INSTRUMENT TERMS

<i>Available-for-sale financial assets</i>	A non-derivative financial asset that is designated as available-for-sale or is not classified as: <ul style="list-style-type: none"> – a loan or receivable; – a held-to-maturity investment; or – a financial asset at fair value through profit or loss.
<i>Cash and cash equivalents</i>	Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.
<i>Derivative instrument</i>	A financial instrument: <ul style="list-style-type: none"> – whose value changes in response to movements in a specified interest rate, commodity price, instrument price, foreign exchange rate or similar variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract; – that requires minimal initial net investment; and – is settled at a future date.
<i>Effective interest rate</i>	The rate that discounts the expected future cash flows to the net carrying amount of the financial asset or financial liability.
<i>Equity instrument</i>	Any financial instrument (including investments) that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities.
<i>Financial asset</i>	Cash or cash equivalents, a right to receive cash or cash equivalents, an equity instrument of another entity, a right to exchange a financial instrument under favourable conditions.
<i>Financial guarantee contract</i>	A contract that requires the issuer to make specified payments to reimburse the holder for the loss it incurs, because a specified debtor fails to make payment when due in accordance with the original or modified terms of the debt instrument.
<i>Financial liability</i>	A contractual obligation to pay cash or transfer other benefits or an obligation to exchange a financial instrument under unfavourable conditions.
<i>Financial instruments classified as held for trading</i>	Derivatives or instruments that are held principally with the intention of short-term disposal.

GLOSSARY OF FINANCIAL REPORTING TERMS CONTINUED

<i>Financial assets and liabilities at fair value through profit or loss</i>	Financial instruments held at fair value through profit or loss include all instruments classified as held for trading and those instruments designated as held at fair value through profit or loss on initial recognition.
<i>Financial instruments issued by the group classified as financial liabilities</i>	Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to transfer cash or another financial asset or to exchange financial assets or liabilities under potentially unfavourable conditions.
<i>Financial instruments issued by the group classified as equity</i>	Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the net assets of the group.
<i>Held-to-maturity investments</i>	Non-derivative financial assets, with a fixed maturity and fixed or determinable future payments, that the entity has the positive intent and ability to hold to maturity, other than those designated upon initial recognition as at fair value through profit or loss, those designated as available-for-sale and those that meet the definition of loans and receivables.
<i>Loans and receivables</i>	Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude: <ul style="list-style-type: none">– those that the group intends to trade in, which are classified as held for trading, and those that the group designates as at fair value through profit or loss;– those that the group designates as available-for-sale; and– those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.
<i>Monetary asset</i>	Units of currency held or an asset which will be received in a fixed or determinable amount of money.
<i>Monetary liability</i>	A liability which will be settled in a fixed or easily determinable amount of money.
<i>Structured entity</i>	An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangement.
<i>Transaction date</i>	The date when the entity becomes a party to the contractual provisions of an instrument.

SHAREHOLDERS' DIARY AND CORPORATE INFORMATION

Annual general meeting

Tuesday, 12 January 2016 at 10:00

Share code (ordinary shares): CML

ISIN number: ZAE000047353

BOARD OF DIRECTORS

Shams Pather (independent non-executive chairman)

Anton Pillay (chief executive officer)

John Snalam (chief financial officer)

Lulama Boyce

Appointed 7 October 2014

Judith February

Jock McKenzie

Alexandra Watson

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

70 Marshall Street

Johannesburg 2001

POSTAL ADDRESS

PO Box 61051

Marshalltown 2107

COMPANY SECRETARY

Lee-Anne Parenzee

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

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