CORONATION FUND MANAGERS

- Assets under management increase to R101 billion, up 24%
- Headline earnings per share of 52 cents, up 21%
- Earnings per share pre IFRS 2 of 66 cents, up 35%
- Distribution of 53 cents per share, up 47%

Reviewed financial results for the year ended 30 September 2006

RESULTS The strong financial results produced by Coronation Fund Managers Limited (Coronation) for the 2006 financial year, confirm it as one of the most successful fund management companies in the country. While robust domestic market conditions contributed to the health of the business, clear focus on fund management ensures that the company remains single minded in its delivery of long-term Investment Excellence across all client portfolios.

Coronation has reached a significant milestone with assets under management as at 30 September 2006 surpassing R100 billion. The growth in Coronation's assets under management reflects an unyielding trust by clients in our ability to deliver investment performance.

The 2006 financial year sees the first-time adoption of the International Financial Reporting Standards (IFRSs) by Coronation. The main effect on reported earnings resulting from the transition to IFRSs, are the share-based payment charges in terms of IFRS 2. For the year ended 30 September 2006 these total R51 million, compared to a charge for the comparable year to 30 September 2005 of R18 million. These charges are not tax deductible. If these charges are added back, attributable earnings per share for the year ended 30 September 2006 are 35% up on the previous year.

In the year under review, profit from fund management activities increased by 16% to R294 million. Headline earnings per share increased by 21% to 51,9 cents and diluted headline earnings per share by 14% to 46,8 cents.

CAPITAL STRUCTURE Coronation embarked on a share buy-back programme, whereby in the period June to August 2006 a total of 35 315 852 shares were bought back at a total cost of R200 million. These shares were all cancelled. Together with additional shares issued during the year in terms of the exercise of options granted to staff in December 2003 (2 618 324), this resulted in a weighted average number of shares in issue for the financial year of 376 670 543 (2005: 382 274 930). Actual shares in issue at 30 September 2006 were 349 577 402 (2005: 382 274 930).

Post the financial year-end, 4 560 000 of the 7 600 000 convertible redeemable cumulative preference shares in issue are to be converted into ordinary shares. These shares will not participate in the capital distribution detailed below. The balance of 3 040 000 preference shares will be redeemed.

CAPITAL DISTRIBUTION The cash-generating ability of the business remains exceptional and the board of directors wishes to continue its policy of generous distributions to shareholders. As in the past, this will be calculated as 75% of profits after tax but, for the year under review, will be increased to take account of the non-cash impact of share-based payment charges.

The resultant distribution for the 2006 financial year will be R185 million and will be based on the actual shares in issue of 349 577 402 as at 30 September 2006. This equates to a cash distribution per share of 53 cents. This represents an increase of 47% over the capital distribution for the 2005 financial year (36 cps). The reduced ordinary shares in issue at 30 September 2006 have contributed 8,6% to this uplift.

The distribution will once again take the form of a capital distribution, which will be paid out of the share premium account in Coronation. Capital distributions were approved by shareholders at the Annual General Meeting held in January 2006. This is in lieu of a dividend.

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

Last date to trade	Friday, 8 December 2006
Shares trade ex distribution	Monday, 11 December 2006
Record date	Friday, 15 December 2006
Payment date	Monday, 18 December 2006

Share certificates may not be dematerialised or rematerialised between Monday, 11 December 2006, and Friday, 15 December 2006, both dates inclusive.

INVESTMENT PERFORMANCE Long-term investment performance remains strong while our short term relative performance has been disappointing. This relative underperformance is a result of high-conviction domestic equity investment views. Due to the fact that all our portfolios reflect the same investment views/"DNA", this trend is evident across our domestic equity mandates.

INSTITUTIONAL Institutional assets grew by R13 billion to R75 billion. This excludes new client mandates across our equity, fixed interest and hedge fund offerings of some R4 billion that have been awarded, but where the assets have not been received.

Our flagship domestic balanced portfolios continue to perform strongly over the longer term, ending in 3rd position in the Alexander Forbes SA Large Manager Watch for the three and five-year periods. The exceptional performance of our fixed interest franchise is reflected in our upper quartile position within the SA Bond Manager Watch. While the absolute return funds remain closed to new business, our longest-standing fund, the Coronation Absolute Fund, yielded a compelling active return of 8,3% per annum since inception in August 1999 over its inflation + 7% benchmark.

RETAIL Domestic retail assets under management amounted to R17,8 billion, with R2,7 billion in net inflows into all long-term Coronation funds. Lower-risk managed funds continued to attract the bulk of new business.

Coronation continued to be rewarded for its investment excellence throughout the year. In 2005 the company was awarded the coveted Raging Bull Unit Trust Company of the Year. This was the third time in four years that we had been presented with this prestigious industry honour. Coronation also received a total of 14 individual funds awards, and was again ranked 'the best provider of retail asset management services' in the PwC Strategic and Emerging Issues in South Africa Banking Survey for 2005.

In January 2006 we successfully launched a range of individual retirement products, which include Retirement Annuity, Preservation, Pension and Provident funds, Living Annuity and Endowment Plans.

INTERNATIONAL We have continued to build the international fund of funds business despite South African investors having largely avoided investments in global markets in recent times.

The Coronation Global Equity Alternative Strategy Fund reached its 10th anniversary in August 2006, making it one of the longest-standing specialist global long/short fund of hedge funds in the world. It also is one of the largest, with assets of some US$438 million. Assets under management currently total US$1,2 billion.

OWNERSHIP AND TRANSFORMATION As a result of staff share options being exercised and the conversion of the preference shares subsequent to year-end, the direct staff shareholding in the company increased to 20%. Including the shares held by our staff empowerment vehicle, Imvula Trust, the effective total staff shareholding increases to 28%. These staff shareholding initiatives, which were implemented some 18 months ago, have reinvigorated the company with a spirit of ownership and allow for the enhanced alignment of interest that will benefit our clients, staff, shareholders and all other stakeholders.

In terms of transformation, our journey of creating broad-based sustainable black economic empowerment has been rewarded in our achieving an "A" rating by EmpowerDex for the second consecutive year.

In South Africa black staff currently comprises more than 50% of our total staff complement.

PROSPECTS The fund management industry, and Coronation in particular, is enjoying the strong conditions in domestic financial markets, the continuance of which is difficult to predict. It is our aim to continue building a long-term sustainable business focused on fund management which we believe will extend beyond financial market cyclicality. We will remain focused on long-term Investment Excellence for the benefit firstly of our clients and ultimately our shareholders and staff whose interests are significantly aligned. We remain singularly focused on fund management and are excited about our future.

FINANCIAL STATEMENTS The results have been reviewed by the company's auditors, KPMG Inc. A copy of their review report is available for inspection at the company's registered office.

First-time adoption of IFRS
As mentioned above, 2006 sees the first-time adoption of IFRSs. An explanation of the effects of this first-time adoption is presented below.

Change in accounting policy – previous GAAP
In presenting the results for the period, the board has reconsidered the accounting treatment applied under previous GAAP, to the common control transaction that involved the acquisition of the company's operating subsidiaries prior to its listing in 2003. The effect of the change in accounting policy is highlighted in the results as presented and has had the principal effect of recognising goodwill as an intangible asset, prior to the adoption of IFRS.

Gavan Ryan	Thys du Toit	John Snalam
Chairman	*Chief executive officer*	*Company secretary*

Cape Town
14 November 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2006	Notes	Reviewed 2006 R'000	Growth %	Reviewed 2005 R'000
Fund management activities				
Revenue	4.1	706 238	20	588 249
Financial income	4.1	36 054	18	30 640
Interest and dividend income		21 614		12 686
Other income		14 440		17 954
Operating expenses		(436 593)	21	(360 580)
Share-based payment expense	2.2	(51 384)		(18 038)
Other expenses	4.2	(385 209)		(342 542)
Interest expense		(13 005)		(6 009)
Share of profit of associates	5	1 799		967
Income from fund management		294 493	16	253 267
Income attributable to policyholder linked assets and investment partnerships	2.3	43 168		18 641
Net fair value gains on policyholder and investment partnership financial instruments		48 982		40 847
Administration expenses borne by policyholders and investors in investment partnerships		(5 814)		(22 206)
Profit before tax		337 661		271 908
Income tax expense		(141 207)	37	(103 039)
Taxation on shareholder profits		(98 039)	16	(84 398)
Taxation on policyholder investment contracts	2.3	(43 168)		(18 641)
Profit for the year		196 454	16	168 869
Attributable to:				
– equity holders of the company		196 454		168 283
– minority interest		–		586
Profit for the year		196 454		168 869
Earnings per share (cents)				
– basic		51,9	19	43,8
– diluted		46,8	12	41,7
Note to the income statement				
Headline earnings per share (cents)				
– basic		51,9	21	42,9
– diluted		46,8	14	40,9
BEE transaction (cents per share)				
– special dividend		–		1,0
– special capital distribution		–		24,0
Capital distribution per share (cents)				
– payable		53,0	47	36,0
Shares in issue (millions)		349,6		382,3
Weighted average number of ordinary shares (millions)		376,7		382,3
Weighted average number of ordinary shares (diluted) (millions)		424,5		405,1

CONSOLIDATED BALANCE SHEET

As at 30 September 2006	Notes	Reviewed 2006 R'000	Reviewed 2005 R'000
Assets			
Goodwill	3	1 087 772	1 087 772
Equipment		5 932	5 539
Investments in associates	5	11 021	–
Deferred tax assets		2 044	5 466
Investments backing policyholder funds and investments held through investment partnerships	2.3	15 984 792	13 644 642
Financial assets available-for-sale		87 327	65 382
Financial assets at fair value through profit or loss		64 804	77 627
Trade and other receivables		97 636	110 348
Cash and cash equivalents		253 590	245 752
Total assets		17 594 918	15 242 528
Liabilities			
Interest-bearing borrowing		139 533	148 000
Deferred tax liabilities		39 906	18 764
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	2.3	15 946 396	13 627 367
Income tax payable		78 955	31 635
Trade and other payables		140 092	108 320
Total liabilities		16 344 882	13 934 086
Net assets		1 250 036	1 308 442
Equity			
Issued capital and reserves attributable to equity holders of the company		1 250 036	1 307 856
Minority interest		–	586
Total equity		1 250 036	1 308 442

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2006	Reviewed 2006 R'000	Reviewed 2005 R'000
Cash flows from operating activities		
Profit for the period	196 454	168 869
Income tax expense	141 207	103 039
Non-cash adjustments	14 033	(2 538)
Working capital changes	45 353	15 737
Cash generated from operations	397 047	285 107
Interest paid	(13 874)	(480)
Income taxes paid	(69 323)	(123 382)
Net cash from operating activities	313 850	161 245
Net cash from investing activities	10 627	(13 091)
Net cash from financing activities	(339 083)	(44 064)
Shares issued, repurchased and cancelled	(191 200)	–
Capital distributions and dividends paid	(139 416)	(192 064)
(Decrease)/increase in interest-bearing borrowings	(8 467)	148 000
Net (decrease)/increase in cash and cash equivalents	(14 606)	104 090
Cash and cash equivalents at beginning of period	245 752	143 667
Exchange rate adjustments	22 444	(2 005)
Cash and cash equivalents at end of period	253 590	245 752

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2006

R'000	Share capital	Share premium	Foreign currency translation reserve	Accumulated earnings	Share-based payment reserve	Revaluation reserve	Issued capital and reserves attributable to equity holders of the company	Minority interest	Total equity
Balance at 30 September 2004 – as previously reported	39	93 561	(9 242)	140 185		1 188	225 731		225 731
Change in accounting policy – note 3		1 170 696		(82 924)			1 087 772		1 087 772
Balance at 30 September 2004 – SA GAAP restated	39	1 264 257	(9 242)	57 261		1 188	1 313 503		1 313 503
Share-based payment expense				(3 569)	3 569				
Balance at 30 September 2004 – under IFRS	**39**	**1 264 257**	**(9 242)**	**53 692**	**3 569**	**1 188**	**1 313 503**		**1 313 503**
Currency translation differences			(2 005)				(2 005)		(2 005)
Revaluation of available-for-sale financial investments						2 101	2 101		2 101
Net income recognised directly in equity			(2 005)			2 101	96		96
Profit for the period				168 283			168 283	586	168 869
– SA GAAP				186 321					
– Adoption of IFRS: share-based payment expense				(18 038)					
Total recognised income and expense for the year			(2 005)	168 283		2 101	168 379	586	168 965
Share-based payment reserve					18 038		18 038		18 038
Dividends paid				(100 318)			(100 318)		(100 318)
Capital distribution		(91 746)					(91 746)		(91 746)
Balance at 30 September 2005	**39**	**1 172 511**	**(11 247)**	**121 657**	**21 607**	**3 289**	**1 307 856**	**586**	**1 308 442**
Currency translation differences			22 444				22 444		22 444
Revaluation of available-for-sale financial investments						2 514	2 514		2 514
Net income recognised directly in equity			22 444			2 514	24 958		24 958
Profit for the period				196 454			196 454		196 454
Total recognised income and expense for the year			22 444	196 454		2 514	221 412		221 412
Share-based payment reserve					51 384		51 384		51 384
Dividends paid				(1 219)			(1 219)		(1 219)
Capital distribution		(138 197)					(138 197)		(138 197)
Shares issued		8 967					8 967		8 967
Shares repurchased and cancelled	(3)	(200 164)					(200 167)		(200 167)
Acquisition of minority interest								(586)	(586)
Balance at 30 September 2006	**36**	**843 117**	**11 197**	**316 982**	**72 991**	**5 803**	**1 250 036**		**1 250 036**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. **Basis of preparation and transition to IFRS**
The group has adopted International Financial Reporting Standards (IFRSs) for the year ended 30 September 2006. The financial information has been prepared in accordance with the recognition and measurement principles of IFRS, the disclosure and presentation requirements of IAS34 *Interim Financial Reporting*, the requirements of the South African Companies Act, Act 61 of 1973, as amended, and the Listings Requirements of the JSE Limited (JSE). These are the group's first IFRS consolidated financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1) has been applied. The condensed consolidated financial statements do not include all of the information required for full annual financial statements.
The accounting policies adopted on transition to IFRSs have been applied consistently throughout the group for purposes of preparing these condensed consolidated financial statements.

2. **Application of IFRS 1 and accounting policies adopted on conversion to IFRS**

2.1 Application of IFRS 1
The group has elected not to apply IFRS 3 *Business Combinations (IFRS 3)* retrospectively to business combinations that occurred prior to 1 October 2004. The group has however reconsidered the accounting policy applied to common control transactions under its previous GAAP, prior to transition to IFRS (refer note 3 below).

2.2 Share-based payment transactions
The fair value of share options under employee share incentive schemes and other equity instruments granted to group employees is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met. This accounting policy has been applied to all equity instruments granted after 7 November 2002 that had not yet vested at 1 January 2005.
Black economic empowerment transactions
Transaction recognition criteria
In circumstances where a portion of the equity in a subsidiary company is disposed of and serves as security for the funding of the proceeds receivable, the accounting recognition of the disposal of such shares in the group financial statements is deferred until the funding subject to the security of the equity sold, has been fully repaid.
Share-based payment
The group is extending the scope of IFRS 2 *Share-based payment (IFRS 2)* to include the group's black economic 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 entity cannot specifically identify the goods and services received.
The terms and conditions of the share grants and BEE transaction are disclosed in the most recent annual financial statements and interim financial results for the period ended 31 March 2006, together with the assumptions applied in determining the value of services received for these share grants and hence the share-based payment expense.

2.3 Investment contract liabilities and associated linked investments
The financial instruments that arise as a result of the issuance of investment contracts by the group are accounted for in terms of IAS 32 *Financial Instruments – Presentation and Disclosure* and IAS 39 *Financial Instruments – Recognition and Measurement* and are designated as financial instruments at fair value through profit or loss. This designation significantly reduces a measurement inconsistency that would otherwise arise. Commitments received from policyholders and benefit payments made to policyholders are not recognised in the income statement. Changes in the fair value of these financial instruments are recognised in the income statement in the period in which they arise. The fair value of linked investment contract liabilities is determined based on the fair value of the associated linked financial asset and is net of the taxation payable on investment gains. The taxation payable is separately disclosed as part of taxation in the income statement.

2.4 Goodwill
Goodwill is frozen at the amortised value at 1 October 2004 and is tested for impairment annually in terms of IAS 36 *Impairment of Assets*.

3. **Change in accounting policy – previous GAAP**
Common control transactions
The board has reconsidered the accounting treatment applied under the company's previous GAAP, to the acquisition of its operating subsidiaries prior to the company's listing in 2003. Having previously accounted for this common control transaction at net book value, the board has elected to restate this acquisition by applying the requirements of AC131, which was the most relevant standard effective at that time, so as to more clearly reflect the value at which that transaction was concluded. The effect of the change in accounting policy is highlighted in the results as presented and has had the principal effect of recognising goodwill as an intangible asset prior to the adoption of IFRS. The transaction has been restated so as to be recorded at R1,26 billion in the group accounts, being the value at which the 382 274 930 ordinary shares that were issued in settlement of the purchase consideration, listed on 13 June 2003.
Goodwill thereby recognised after amortisation, amounts to R1,2 billion. The carrying value was amortised from the effective date of the transaction to 30 September 2004.

4. **Explanation of transition to IFRS**
An explanation of how the transition to IFRSs has affected the reported financial position and financial performance of the group is provided in the Statement of Changes in Equity. This statement includes reconciliations of equity and profit after tax as reported for comparative periods under SA GAAP, to that reported under IFRSs.

4.1 Revenue
Revenue from fund management activities comprise fund management fees, service fees and initial charges. Revenue under SA GAAP included interest, dividend and other income. These items have been reclassified as financial income in presenting the income statement on adoption of IFRSs. Revenue has been grossed up to adjust for trail commission and fees payable to financial intermediaries for services rendered to the group.

4.2 Operating expenses
Certain items previously included as operating expenses have been reclassified to financial income in presenting the income statement on adoption of IFRSs. Expenses have been grossed up to adjust for trail commission and fees payable to financial intermediaries for services rendered to the group.

4.3 Balance sheet presentation
The presentation of assets and liabilities in the balance sheet has been amended to be based on liquidity.

4.4 Cash flow statement
There is no impact on the value of cash and cash equivalents as a result of the adoption of IFRSs. Dividends paid were previously disclosed as part of net cash from operating activities and have been reclassified so as to form part of net cash from financing activities.

5. **Investment in associate**
Coronation purchased 48% of the issued shares in Namibia Asset Management Limited, which is listed on the Namibian Stock Exchange, for R9 million.

Directors: G M C Ryan* Chairman, M M du Toit Chief Executive Officer, W T Floquet*†, L F Stassen, S Pather*†
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Postal address: PO Box 993, Cape Town 8000
Registration number: 1973/009318/06
Transfer secretaries: Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg 2001
JSE share code: CML **ISIN:** ZAE000047353 **Website:** www.coronation.com

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