

- ▶ **Assets under management up 19% to R63.7 billion**
- ▶ **Return on equity of 67%**
- ▶ **Headline earnings of R130 million**
- ▶ **Strong cash flow, dividend of 25 cents per share**



## Reviewed financial results for the year ended 30 September 2004 and further cautionary announcement

▶ **RESULTS** Coronation Fund Managers Limited ("Coronation") has in its first full year as a listed company proved its ability to deliver superior investment performance to clients, generate profit and provide strong dividend flows to shareholders. For the year ended 30 September 2004, headline earnings totalled R130 million and headline earnings per share were 34 cents based on the 382 274 930 shares in issue throughout the period. Assets under management increased by 19% from R53.7 billion at 30 September 2003 to R63.7 billion at 30 September 2004.

Our performance for the past year is pleasing. The most important aspect has been the level of investment returns that we have delivered for our clients. Within institutional we rank in the upper quartile of all recognised performance surveys. Our equity investment performance in particular has been exceptional, adding alpha of 10% (active return over that of the market) for the year, while on the retail side our consistency of superior investment returns across the full range of collective investment funds (unit trusts) is evidenced in our first place position in the Plexus Survey as at 30 September 2004.

The remarkable recovery in the local equity market combined with the strength in the local economy and exceptional investment performance provided a favourable backdrop to the 19% increase in assets under management.

▶ **INSTITUTIONAL** The South African retirement savings industry has been characterised by a lack of growth in the total asset pool and a greater emphasis on a move from traditional balanced mandates to specialist mandates. Strong financial markets provided support across portfolios and this contributed to an increase in institutional assets under management from R40.8 billion at 30 September 2003 to R49.6 billion at 30 September 2004. This represents growth of 22% and a 12% share of the total retirement fund market.

The outstanding performance track record of our fixed interest portfolios has entrenched Coronation not only as a leader in equity, balanced and global funds of funds, but as a leading manager of specialist fixed interest investing.

We have also seen heightened interest in our international multi-manager business as trustees begin to recognise the risk diversification benefits provided by the inclusion of funds of hedge funds in an overall portfolio. We await further regulatory guidance from the Financial Services Board on the situation regarding hedge funds in the South African market.

▶ **RETAIL** The collective investments (unit trust) industry grew by 39% over the period fuelled by strong domestic equity performance. A marked improvement in the flow of assets into equity and managed funds was recorded, and absolute, property, managed fixed interest and money market funds continued to attract investments. The strength in the rand continued to deter investors from investing offshore and, as a result, rand-denominated foreign funds continued to suffer outflows.

The combination of positive market conditions and strong support from Coronation's traditional client base resulted in a more than R2 billion increase in assets under management. As at 30 September 2004, assets under management totalled R8.7 billion which is an increase of 42% over the past financial year.

Investments into managed funds have continued at an accelerated pace; a pattern which is reflected in the significant inflows to the Coronation managed funds: Capital Plus, Absolute, Strategic Income and Market Plus. Furthermore, investors continue to seek the returns produced by the listed property market and this is mirrored in the inflows to the Coronation Property Equity fund.

The business benefited greatly from the exceptional investment performance produced by the Coronation fixed interest team and we continue to be a market leader in absolute return funds, both in terms of inflows and investment performance. Our equity funds also delivered exceptional results for clients as the ranking tables recorded strong consistent investment performance across the range. In the Plexus Survey of consistency of performance, we ranked first as at 30 September 2004. This marks Coronation's 16th consecutive first or second placing in this quarterly survey.

▶ **INTERNATIONAL** The international business continued to perform well in what has been a very difficult market environment where many hedge and absolute return funds have been under considerable pressure. Assets under management remain stable at US\$1 billion.

A particular highlight of the period has been our growing acceptance by international investment consultants and institutional investors, and the long awaited breakthrough in attracting international (non-South African) assets from a number of European pension fund clients. This affirms our strategy of organic growth in building a sustainable offshore business.

▶ **MARKET POSITIONING** The substance and quality of our business is better than ever before. In the 17 months as a listed entity we have proved to be a sustainable, independent and profitable business. We employ 138 people and generate profits after tax of R126 million. Coronation is the second largest independent fund manager in South Africa (independent of a bank or life company).

▶ **TRANSFORMATION** We are pleased to report that our transformation task team has made considerable progress regarding employment equity and skills development, procurement, enterprise development and corporate social investment. Our staff composition is now 44% black and we continue to focus efforts on recruiting black staff at senior and executive management level. With regard to ownership and control, we continue to pursue corporate action to further enhance our credentials and are currently reviewing the existing structure of the board.

▶ **PROSPECTS** Coronation has developed a strong brand in its target markets and ranks high as one of South Africa's most successful and most innovative fund management companies.

At the time of listing, we stated that "we will remain focused on the core competencies of providing consistent superior investment performance, innovative products and exceptional client service, and to retain a high return on capital and maintain the low level of fixed costs". This has been, and will remain, our long-term focus.

Coronation will continue to adapt to the changing market and client environment, while remaining undiluted in our focus on fund management.

▶ **FINANCIAL STATEMENTS** The financial statements for Coronation have been prepared in compliance with South African Statements of Generally Accepted Accounting Practice on a going concern basis. 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.

▶ **DIVIDEND** It is the intention to declare dividends annually at the discretion of the Board of Directors. Notice is hereby given that a final cash dividend of 25 cents per ordinary share has been declared for the year ended 30 September 2004. This equates to approximately 75% of the earnings for the period. In compliance with the requirements of the JSE Securities Exchange South Africa, the following dates are applicable:

|                                 |                          |
|---------------------------------|--------------------------|
| Last date to trade cum dividend | Friday, 3 December 2004  |
| Shares trade ex dividend        | Monday, 6 December 2004  |
| Record date                     | Friday, 10 December 2004 |
| Payment date                    | Monday, 13 December 2004 |

Share certificates may not be dematerialised or rematerialised between Monday, 6 December 2004 and Friday, 10 December 2004, both days inclusive. In terms of the requirements of the Companies Act, the directors confirm that after the payment of the distribution, Coronation will be able to pay its debts as they become due in the ordinary course of business, and its consolidated assets, fairly valued, will exceed its consolidated liabilities.

▶ **FURTHER CAUTIONARY ANNOUNCEMENT** Further to the cautionary announcements dated 27 July 2004, 6 September 2004 and 18 October 2004, shareholders are advised that negotiations are still in progress which, if successfully concluded, may have a material effect on the price of Coronation's securities.

Accordingly, shareholders are advised to continue exercising caution when dealing in Coronation securities until a further announcement is made.

|                               |  |  |
|-------------------------------|--|--|
| <b>Gavan Ryan</b><br>Chairman | <b>Thys du Toit</b><br>Chief Executive Officer | <b>Derek McDonald</b><br>Company Secretary |
| Cape Town                     | 16 November 2004                               |  |

### GROUP INCOME STATEMENT

|  | Reviewed<br>12 months<br>30 Sept 2004<br>R'000 | Audited<br>5 months<br>30 Sept 2003<br>R'000 |
|--|--|--|
| <b>Revenue</b>                                       | <b>389 025</b>                                 | <b>164 533</b>                               |
| Management and service fees                          | 263 308  | 108 218                                      |
| Performance fees, trading income and initial charges | 119 965  | 41 398                                       |
| Interest income                                      | 6 906  | 4 232  |
| Investment income                                    | 17   | 29   |
| Other income   | (1 171)  | 10 656                                       |
| <b>Operating expenses</b>                            | <b>(217 597)</b>                               | <b>(83 767)</b>                              |
| Interest expense                                     | (1 993)  | (3 170)                                      |
| <b>Net income before taxation</b>                    | <b>169 435</b>                                 | <b>77 596</b>                                |
| Income tax   | (43 014)                                       | (17 027)                                     |
| <b>Net income after taxation</b>                     | <b>126 421</b>                                 | <b>60 569</b>                                |
| Share of associates' retained income                 | 116  | 300  |
| <b>Net income attributable to shareholders</b>       | <b>126 537</b>                                 | <b>60 869</b>                                |
| <b>Earnings per share (cents)</b>                    |  |  |
| Attributable   | 32.8   | 15.9   |
| Headline   | 33.9   | 15.9   |
| <b>Diluted earnings per share (cents)</b>            |  |  |
| Attributable   | 32.5   | 15.9   |
| Headline   | 33.5   | 15.9   |

The final dividend for 2003 was 12 cents per share.  
The proposed final dividend for 2004 is 25 cents per share.

### GROUP BALANCE SHEET

|  | Reviewed<br>as at<br>30 Sept 2004<br>R'000 | Audited<br>as at<br>30 Sept 2003<br>R'000 |
|--|--|---|
| <b>ASSETS</b>                              |  |   |
| Equipment                                  | 5 684                                      | 5 889                                     |
| Investment in associates                   | 3 706                                      | 7 563                                     |
| Financial investments                      | 120 575                                    | 136 205                                   |
| Long-term receivable                       | 1 660                                      | -   |
| <b>Non-current assets</b>                  | <b>131 625</b>                             | <b>149 657</b>                            |
| Financial investments                      | 6 690                                      | 6 859                                     |
| Securities held for trading                | 14 378                                     | 39 339                                    |
| Trade receivables                          | 65 727                                     | 33 887                                    |
| Other receivables                          | 20 967                                     | 6 287                                     |
| Cash and cash equivalents                  | 143 667                                    | 157 029                                   |
| <b>Current assets</b>                      | <b>251 429</b>                             | <b>243 401</b>                            |
| <b>Total assets</b>                        | <b>383 054</b>                             | <b>393 058</b>                            |
| <b>EQUITY AND LIABILITIES</b>              |  |   |
| Ordinary share capital                     | 38   | 38  |
| Preference share capital                   | 1  | 1   |
| Share premium                              | 93 561                                     | 93 561                                    |
| Non-distributable reserve                  | (9 242)                                    | (3 916)                                   |
| Distributable reserve                      | 141 373                                    | 60 523                                    |
| <b>Total shareholders' interest</b>        | <b>225 731</b>                             | <b>150 207</b>                            |
| Policyholders' funds                       | 11 386 588                                 | 10 623 395                                |
| Linked assets backing policyholders' funds | (11 386 588)                               | (10 623 395)                              |
| Interest-bearing borrowing                 | 38 871                                     | 118 009                                   |
| Deferred tax liability                     | 11 661                                     | 35 402                                    |
| <b>Non-current liabilities</b>             | <b>50 532</b>                              | <b>153 411</b>                            |
| Trade payables                             | 69 046                                     | 78 464                                    |
| Taxation owing                             | 37 745                                     | 10 976                                    |
| <b>Current liabilities</b>                 | <b>106 791</b>                             | <b>89 440</b>                             |
| <b>Total equity and liabilities</b>        | <b>383 054</b>                             | <b>393 058</b>                            |

### GROUP CASH FLOW STATEMENT

|  | Reviewed<br>12 months<br>30 Sept 2004<br>R'000 | Audited<br>5 months<br>30 Sept 2003<br>R'000 |
|--|--|--|
| <b>Net cash inflow/(outflow) from operating activities</b> | <b>78 629</b>                                  | <b>(187 811)</b>                             |
| Operating profit before working capital changes            | 185 204  | 79 079                                       |
| Working capital changes                                    | (24 644)                                       | (240 560)                                    |
| Cash return on investments                                 | 4 930  | 1 091  |
| Taxation paid  | (39 986)                                       | (4 012)                                      |
| Dividends paid   | (46 875)                                       | (23 409)                                     |
| <b>Net cash outflow from investing activities</b>          | <b>(76 863)</b>                                | <b>(1 566)</b>                               |
| <b>Net cash (outflow)/inflow from financing activities</b> | <b>(9 784)</b>                                 | <b>8 503</b>                                 |
| Net decrease in cash and cash equivalents                  | (8 018)  | (180 874)                                    |
| Cash and cash equivalents at beginning of year             | 157 029  | (113)  |
| Cash obtained on acquisition of business                   | -  | 341 233                                      |
| Exchange rate adjustments                                  | (5 344)  | (3 217)                                      |
| <b>Cash and cash equivalents at end of year</b>            | <b>143 667</b>                                 | <b>157 029</b>                               |

### GROUP STATEMENT OF CHANGES IN EQUITY

|                                       | Reviewed<br>12 months<br>30 Sept 2004<br>R'000 | Audited<br>5 months<br>30 Sept 2003<br>R'000 |
|---------------------------------------|--|--|
| <b>Equity at beginning of year</b>    | <b>150 207</b>                                 | <b>23 083</b>                                |
| Issue of share capital                | -  | 37   |
| Issue of preference shares            | -  | 1  |
| Premium on issue of share capital     | -  | 85 040                                       |
| Share issue expenses                  | -  | (4 569)                                      |
| Premium on issue of preference shares | -  | 13 071                                       |
| Currency translation differences      | (5 326)  | (3 916)                                      |
| Net income for the year               | 126 537  | 60 869                                       |
| Revaluation reserve                   | 1 188  | -  |
| Dividends paid                        | (46 875)                                       | (23 409)                                     |
| <b>Equity at end of year</b>          | <b>225 731</b>                                 | <b>150 207</b>                               |

### SEGMENTAL INFORMATION

|  | Reviewed<br>South African<br>operations<br>12 months<br>R'000 | Reviewed<br>International<br>operations<br>12 months<br>R'000 | Reviewed<br>Group<br>12 months<br>R'000 |
|--|---|---|---|
| <b>2004</b>                                |   |   |   |
| <b>Segment revenue</b>                     | <b>323 986</b>  | <b>65 039</b>   | <b>389 025</b>                          |
| <b>Segment net income before taxation</b>  | <b>144 120</b>  | <b>25 315</b>   | <b>169 435</b>                          |
| <b>Segment assets</b>                      | <b>258 743</b>  | <b>124 311</b>  | <b>383 054</b>                          |
| <b>% contribution to headline earnings</b> | <b>84</b>   | <b>16</b>   | <b>100</b>                              |

### EARNINGS PER SHARE

|   | Reviewed<br>12 months<br>30 Sept 2004<br>R'000 | Audited<br>5 months<br>30 Sept 2003<br>R'000 |
|---|--|--|
| <b>Earnings per share</b>   |  |  |
| <b>Undiluted</b>  |  |  |
| Weighted average number of shares in issue (thousand)   | 382 275  | 382 275                                      |
| Earnings attributable to shareholders, calculated as follows:                                     |  |  |
| Net income for the year   | 126 537  | 60 869                                       |
| Less: Dividend on convertible cumulative redeemable preference shares                             | (1 002)  | -  |
| <b>Earnings attributable to ordinary shareholders</b>   | <b>125 535</b>                                 | <b>60 869</b>                                |
| Diluted earnings attributable to shareholders, calculated as follows:                             |  |  |
| Net income for the year   | 126 537  | 60 869                                       |
| Add: Secondary tax on companies - dividend on convertible cumulative redeemable preference shares | 125  | -  |
| <b>Diluted earnings attributable to ordinary shareholders</b>                                     | <b>126 662</b>                                 | <b>60 869</b>                                |
| <b>Headline earnings per share</b>  |  |  |
| <b>Undiluted</b>  |  |  |
| Earnings attributable to shareholders, calculated as follows:                                     |  |  |
| Attributable earnings   | 125 535  | 60 869                                       |
| Add: Capital expenses   | 2 207  | -  |
| Write-down of investment in associate   | 1 315  | -  |
| Loss on scrapping of equipment  | 450  | 56   |
| <b>Headline earnings</b>  | <b>129 507</b>                                 | <b>60 925</b>                                |
| <b>Diluted headline earnings</b>  | <b>130 634</b>                                 | <b>60 925</b>                                |
| <b>Diluted number of shares</b>   |  |  |
| Weighted average number of shares in issue (thousand)   | 382 275  | 382 275                                      |
| Shares to be issued on conversion of convertible cumulative redeemable preference shares          | 7 600  | -  |
| <b>Weighted average number of shares in issue for diluted earnings per share (thousand)</b>       | <b>389 875</b>                                 | <b>382 275</b>                               |

|  | Reviewed<br>South African<br>operations<br>5 months<br>R'000 | Reviewed<br>International<br>operations<br>5 months<br>R'000 | Reviewed<br>Group<br>5 months<br>R'000 |
|--|--|--|--|
| <b>2003</b>                                |  |  |  |
| <b>Segment revenue</b>                     | <b>109 797</b>   | <b>54 736</b>  | <b>164 533</b>                         |
| <b>Segment net income before taxation</b>  | <b>49 312</b>  | <b>28 284</b>  | <b>77 596</b>                          |
| <b>Segment assets</b>                      | <b>242 975</b>   | <b>150 083</b>   | <b>393 058</b>                         |
| <b>% contribution to headline earnings</b> | <b>63</b>  | <b>37</b>  | <b>100</b>                             |