

- Assets under management up 10% to R59,3 billion
- Revenue up to R188,9 million from R164,5 million
- Net income before tax down 7%



## Reviewed interim results for the Group for the six months ended 31 March 2004

### RESULTS

Coronation Fund Managers ("Coronation"), a leading fund management company, has again demonstrated its ability to produce solid operating earnings. Revenue for the six-month period ended March 2004 was R188,9 million, up from R164,5 million for the previous five-month period to 30 September 2003. Assets under management increased by 10% from R53,7 billion at September 2003 to R59,3 billion at 31 March 2004. Diluted headline earnings of 16 cents per share was 16% lower and net income before tax of R86,6 million was 7% lower than the grossed up figures for the preceding five months to 30 September 2003.

The South African business benefited from its diversified product range, domestic performance fees, stronger financial markets and most importantly from strong investment performance, particularly in the retail market where the strength and consistency of returns across the product range received much industry recognition. The international business, which operates in the alternative strategies arena, continues to produce good performance and has started to benefit from the increase in demand for this niched product type.

The effective tax rate increased from 21,9% to 31,1%, adversely affecting net income attributable to shareholders. This was mainly as a result of the secondary tax on companies ("STC") on the dividend paid in December 2003, and a decrease in the proportion of income earned in tax jurisdictions subject to a lower corporate tax rate than that of South Africa. In addition, the earnings contribution of the international business in rands, relative to the domestic contribution, decreased from 37% in 2003 to 13% in the current reporting period due to rand strength and the lack of international performance fees.

### TRANSFORMATION

We are happy to report that significant progress has been made in implementing a sustainable transformation programme at Coronation. The Financial Sector Charter has been used as a guideline for this process.

### PROSPECTS

Formerly the "darling" of the nineties, the fund management industry now finds itself under growing pressure. Notwithstanding the short-term recovery in financial markets, the squeeze on margins continues with many of the mid-sized participants with insufficient scale in the savings industry coming under terminal pressure.

As an established investment product provider with a well diversified range of products, we believe we are well positioned for a strong future. We were the first to introduce absolute return products to both institutional and retail investors and continue to be the market leader in South Africa. Furthermore, the outstanding performance produced by our fixed interest franchise firmly establishes Coronation as a key competitor, and provides the business with strong growth opportunities. In response to margin pressure, we have succeeded in introducing performance fees across a wide range of products which will make our earnings more lumpy, but should raise margins over the medium and long term.

The depth, skill, knowledge and structure of Coronation have never been better aligned to meeting the needs of our clients, and we are confident in the future prospects for the business.

We remain committed to the long-term focus of generating quality recurring income through our commitment to good consistent investment performance, exceptional client service and maintaining our reputation as a leader in the fund management industry.

### FINANCIALS

#### Basis of preparation and accounting policies

The condensed consolidated interim financial report for the six months ended 31 March 2004 has been prepared in compliance with the South African Statement of Generally Accepted Accounting Practice applicable to Interim Financial Reporting, the Listings Requirements of the JSE Securities Exchange South Africa and the South African Companies Act, 1973, as amended. The accounting policies applied in the presentation of the interim financial report are consistent with those applied for the year ended 30 September 2003. As Coronation only acquired the shares in Coronation Investment Management (Pty) Ltd on 30 April 2003, the comparative figures do not include the consolidated results of these subsidiaries prior to acquisition.

#### Related party transactions

Coronation and its subsidiaries, in the ordinary course of business, enter into various service and investment transactions with associates and other entities in which the group has a material interest. These transactions are under terms no less favourable than those arranged with third parties.

#### Independent review by the auditors

The condensed consolidated balance sheet at 31 March 2004 and the related condensed consolidated statements of income, changes in equity and cash flow for the six months then ended have been reviewed by our auditors, KPMG Inc. Their unqualified review report is available for inspection at the registered office of the company.

#### CHANGES TO THE BOARD OF DIRECTORS

Anthony Gibson was appointed as an executive director to the board with effect from 10 February 2004.

#### DIVIDEND

Coronation's policy is to declare one dividend per annum, payable after the announcement of the year-end results.

#### CAUTIONARY ANNOUNCEMENT

The cautionary announcement issued with the trading update on 1 April 2004 is hereby withdrawn.

Gavan Ryan  
Chairman

Thys du Toit  
Chief Executive  
Officer

Derek McDonald  
Company  
Secretary

Cape Town

17 May 2004

### GROUP INCOME STATEMENT

	31 March 2004 6 months Reviewed R'000	30 Sept 2003 5 months Audited R'000	31 March 2003 6 months Reviewed R'000
<b>REVENUE</b>	<b>188 905</b>	<b>164 533</b>	<b>454</b>
Management and service fees	127 823	108 218	453
Performance fees, trading income and initial charges	56 575	41 398	–
Interest income	3 163	4 232	1
Investment income	8	29	–
Other income	1 336	10 656	–
<b>OPERATING EXPENSES</b>	<b>(99 386)</b>	<b>(83 767)</b>	<b>(30)</b>
Interest expense	(2 944)	(3 170)	–
<b>NET INCOME BEFORE TAXATION</b>	<b>86 575</b>	<b>77 596</b>	<b>424</b>
Income tax	(26 958)	(17 027)	(128)
<b>NET INCOME AFTER TAXATION</b>	<b>59 617</b>	<b>60 569</b>	<b>296</b>
Share of associates' retained income	867	300	–
<b>NET INCOME ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>60 484</b>	<b>60 869</b>	<b>296</b>
<b>Earnings per share (cents)</b>			
Attributable	15,7	15,9	–
Headline	16,1	15,9	–
<b>Diluted earnings per share (cents)</b>			
Attributable	15,5	15,9	–
Headline	16,0	15,9	–
<b>Dividends per share</b>			
The final dividend for 2003 was 12 cents per share.			

### GROUP BALANCE SHEET

	31 March 2004 Reviewed R'000	30 Sept 2003 Audited R'000
<b>ASSETS</b>		
Equipment	6 299	5 889
Investment in associates	6 642	7 563
Financial investments	190 145	136 205
<b>Non-current assets</b>	<b>203 086</b>	<b>149 657</b>
Financial investments	10 751	6 859
Securities held for trading	39 420	39 339
Trade receivables	67 851	33 887
Other receivables	7 402	6 287
Deferred tax asset	2 412	–
Cash and cash equivalents	69 885	157 029
<b>Current assets</b>	<b>197 721</b>	<b>243 401</b>
<b>Total assets</b>	<b>400 807</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	(14 698)	(3 916)
Distributable reserve	75 134	60 523
<b>Total shareholders' interest</b>	<b>154 036</b>	<b>150 207</b>
Policyholders' funds	11 033 893	10 623 395
Linked assets backing policyholders' funds	(11 033 893)	(10 623 395)
Interest-bearing borrowings	110 326	118 009
Deferred tax liability	33 098	35 402
<b>Non-current liabilities</b>	<b>143 424</b>	<b>153 411</b>
Trade payables	83 980	78 464
Taxation owing	19 367	10 976
<b>Current liabilities</b>	<b>103 347</b>	<b>89 440</b>
<b>Total equity and liabilities</b>	<b>400 807</b>	<b>393 058</b>

### GROUP STATEMENT OF CHANGES IN EQUITY

	31 March 2004 6 months Reviewed R'000	30 Sept 2003 5 months Audited R'000	31 March 2003 6 months Reviewed R'000
<b>Equity at beginning of period</b>	<b>150 207</b>	<b>23 083</b>	<b>23 083</b>
Issue of share capital	–	37	–
Premium on issue of share capital	–	85 040	–
Share issue expenses	–	(4 569)	–
Issue of preference shares	–	1	–
Premium on issue of preference shares	–	13 071	–
Currency translation differences	(10 782)	(3 916)	–
Net profit for the period	60 484	60 869	296
Ordinary dividend	(45 873)	(23 409)	–
<b>Equity at end of period</b>	<b>154 036</b>	<b>150 207</b>	<b>23 379</b>

### GROUP CASH FLOW STATEMENT

	31 March 2004 6 months Reviewed R'000	30 Sept 2003 5 months Audited R'000	31 March 2003 6 months Reviewed R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(12 321)</b>	<b>(187 811)</b>	<b>116</b>
Operating profit before working capital changes	90 228	79 079	424
Working capital changes	(33 535)	(240 560)	160
Cash flows generated from return on investments	227	1 091	1
Taxation paid	(23 368)	(4 012)	(469)
Dividend paid	(45 873)	(23 409)	–
<b>CASH FLOWS APPLIED TO INVESTING ACTIVITIES</b>	<b>(64 041)</b>	<b>(1 566)</b>	<b>–</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>–</b>	<b>8 503</b>	<b>–</b>
Net (decrease)/increase in cash and cash equivalents	(76 362)	(180 874)	116
Cash and cash equivalents at beginning of period	157 029	(113)	(113)
Cash obtained on acquisition of business	–	341 233	–
Exchange rate adjustments	(10 782)	(3 217)	–
<b>Cash and cash equivalents at end of period</b>	<b>69 885</b>	<b>157 029</b>	<b>3</b>

### SEGMENT REPORT

	6 months to 31 March 2004		
	South Africa operations Reviewed R'000	International operations Reviewed R'000	Group Reviewed R'000
<b>Segment revenue</b>	<b>162 122</b>	<b>26 783</b>	<b>188 905</b>
<b>Segment operating expenses</b>	<b>(82 347)</b>	<b>(19 983)</b>	<b>(102 330)</b>
<b>Segment net income before taxation</b>	<b>79 775</b>	<b>6 800</b>	<b>86 575</b>
% contributions to headline earnings	92	8	100

### CALCULATION OF HEADLINE EARNINGS

	31 March 2004 Reviewed R'000	30 Sept 2003 Audited R'000
Weighted average number of shares in issue (thousand)	382 275	382 275
Number of shares in issue for diluted earnings per share (thousand)	389 875	382 275
	R'000	R'000
Reconciliation of headline earnings		
Earnings attributable to shareholders, calculated as follows:		
Net income attributable to shareholders	60 484	60 869
Less: Dividend on convertible cumulative redeemable preference shares	(503)	–
STC on convertible cumulative redeemable preference dividend	(63)	–
Impairment of investment	1 315	–
Loss on scrapping of equipment	450	56
<b>Headline earnings attributable to shareholders</b>	<b>61 683</b>	<b>60 925</b>

**Directors:** G M C Ryan\* Chairman, M M du Toit Chief Executive Officer, W T Floquet\*†, A J Gibson, E Molobi\*† (\* Non-executive † Independent)

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**Registration number:** 1973/009318/06

**Transfer secretaries:** Computershare Limited, 70 Marshall Street, Johannesburg 2001

**JSE share code:** CML **ISIN:** ZAE000047353 **Website:** www.coronation.com