

- ▶ **Attributable earnings per share of 48,5 cents, up 48%**
- ▶ **Diluted headline earnings per share of 44,5 cents, up 33%**
- ▶ **Final distribution of 36 cents per share**
- ▶ **Assets under management of R82 billion, up 29%**

## Reviewed financial results for the year ended 30 September 2005

Coronation Fund Managers Limited ("Coronation") has once again confirmed its place as a leader in the South African investment management industry. Strong domestic markets, superior investment performance and a strategy firmly focused on growing a sustainable business, combined to produce an impressive set of results for 2005.

The integrity of our investment philosophy and ability to produce alpha is consistently reflected in the returns of our institutional and unit trust portfolios. We strongly believe in the equitable treatment of all clients, where all Coronation client portfolios reflect the same "DNA" in their construction. An example of this consistency is seen in terms of our relative position in both the retail and institutional performance surveys. In the retail business we have dominated 1st and 2nd place for 20 consecutive quarters in the Plexus Survey to end September 2005, and are the Raging Bull Unit Trust Company of the Year for 2004; while in the Alexander Forbes SA Large Manager Watch for institutional fund managers we are in 2nd position over one and three years and 3rd over five years.

▶ **ASSETS UNDER MANAGEMENT** Strong domestic markets and exceptional investment performance, together with significant net retail inflows, increased total assets under management by some 29% from R63,7 billion at 30 September 2004 to R82 billion at 30 September 2005. Approximately 60% of these assets has a performance fee component.

Institutional assets under management grew 24% to R61,4 billion (2004: R49,6 billion) and domestic retail assets by 76% to R13,7 billion (2004: R7,8 billion). International assets under management at year end are US\$1,1 billion.

▶ **RESULTS** Coronation has delivered an impressive 49% increase in revenue to R580 million. Headline earnings per share increased by 40% to 47,6 cents and diluted headline earnings per share by 33% to 44,5 cents. The dilution takes into consideration the weighted average effect of the potential issue of 43 million shares in or about 2015 in terms of the Imvula transaction. Cash earnings remained strong.

Performance fees, trading income and initial charges increased by R127 million or 106% to R247 million. The cost to revenue margin improved to 53% from 56%. This was despite a significant restraint of trade payment incurred in the first half of the year.

The effective tax rate increased from 25% in 2004 to 31% in the current year. This was mainly as a result of the increased secondary tax on companies on the dividend paid in December 2004.

### ▶ OPERATIONAL REVIEWS

#### Institutional

Our specialist equity portfolios continue to top the performance surveys, delivering an annualised outperformance of 5,4% over the markets for the past five years to end September 2005. Also dominating the top spot throughout the year were our flagship domestic balanced portfolios, ending in 2nd position in the Alexander Forbes SA Large Manager Watch over one year, and in 2nd and 3rd positions over the longer-term three and five-year periods. The absolute return funds also produced strong returns ahead of their benchmarks. In particular, the Coronation Absolute Fund yielded a convincing outperformance of 7,7% per annum since inception in August 1999 of its inflation +7% benchmark.

Significant inflows, backed by exceptional performance, have resulted in the closure of the Absolute Investments Unit to new investors as at the end of September 2005. This is the fulfilment of a promise made to investors at the time of launch that, upon reaching critical mass of R10 billion, the unit would be closed to new investors. This action, however, does not place limitations on our ability to manage other assets with an absolute orientation. For example, we see the development of our hedge fund franchise as an important and integral part of our business and continue to build on our existing five-year track record in this area and also to grow the product range.

#### Retail

The favourable conditions in the domestic financial markets were supported by a continued structural shift in the composition of South Africa's formal savings industry in favour of the unit trust industry. At industry level this resulted in a net inflow of R34,2 billion to long-term funds and a growth in assets to R273,9 billion, while our position as a premier provider was firmly entrenched with a growth in assets under management of 76%, to R13,7 billion (excluding international).

We achieved excellent investment performance across all asset classes, and are particularly pleased with both the relative and absolute performance of our core fund range. Those funds which attracted significant interest were our managed, equity, fixed interest and property funds, and in line with industry trends, marginal outflows were experienced from the rand-denominated international funds. Net inflows approaching R1,5 billion were received into our managed funds, and almost R1 billion into the Coronation Strategic Income Fund, confirming our competitive positioning in these fund categories. We remain in the number 1 position in the Plexus Survey of unit trust management companies to end September 2005 which confirms our positioning as the Raging Bull Unit Trust Company of the Year.

Building on our superior performance track record and in line with government's goal of pension fund reform and the availability of cost-efficient retirement funding vehicles, we have developed a range of individual retirement products which will be launched early in 2006.

#### International

While South African investors have largely avoided investments in global markets in recent times, we have continued to build a robust and credible international fund of funds business. Over the year we have identified some very exciting international product opportunities and remain focused on managing the international assets of both our South African institutional and retail clients.

All funds in the range performed well, with the highlight being our flagship institutional fund, the Coronation Global Equity Alternative Strategy Fund, winning the InvestHedge "best large global long/short fund of funds of the year" for 2004. This fund currently has assets in excess of US\$500 million. Our long-only funds, the Coronation Global Equity and International Active Fund of Funds, both outperformed their benchmarks and combined, attracted new assets approaching US\$100 million despite the lack of appetite for international products from the South African market.

▶ **OWNERSHIP** Through the conclusion of our BEE deal with the Imvula Trust, and the sale to staff of a significant holding in Coronation by our major shareholder, Coronation Investments and Trading ("CIT"), we have enhanced the long-term sustainability of the business.

#### BEE shareholding

Coronation was the first financial services company to implement a "staff only" empowerment transaction. On 1 April 2005, 10% of Coronation's business was sold to the Imvula Trust, the beneficiaries of which are all current (54 people) and future black staff of Coronation. The deal was concluded at the market price of 385 cents and was 100% externally financed by a third-party financier to the extent of R147 million. This unique transaction represents the largest financial value per black staff member in the financial services industry.

#### Staff shareholding

In two separate deals, CIT sold 15% of its shareholding in Coronation to Coronation staff. The first transaction involved the sale of 10% which was effected in January 2005, and a further sale of 5% in September 2005. As a result of these two transactions and the effective sale of 10% to the Imvula Trust, as at 30 September 2005, staff own 25% of Coronation.

A total of 103 staff participated in these transactions.

▶ **THE FUTURE** It has been a dynamic and eventful year throughout which we have demonstrated the true mettle of our people and our ability to produce exceptional investment returns for clients. We have the right strategy in place upon which we continue to grow a long-term sustainable business. We remain singularly focused on fund management and are very excited about our imminent launch into third generation tax-effective retirement products. The return to a culture of staff ownership brings long-term incentivisation and the alignment of interests, which combined ensure that if we do well for our clients, all stakeholders will benefit.

▶ **BOARD CHANGES** We are pleased to announce that Shams Pather joined the board as a non-executive director and Louis Stassen as an executive director with effect from 9 November 2005. These appointments replace Eric Molobi (non-executive director) and Tony Gibson (executive director) whom the Board wishes to thank for their valuable contribution.

▶ **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.

▶ **CAPITAL DISTRIBUTION** Subject to shareholder approval, shareholders are advised that the Board has proposed a capital distribution ("the distribution") of R138 million payable to Coronation shareholders in lieu of dividends, which equates to 36 cents per ordinary share. This distribution will be written off against the share premium account.

▶ **DIVIDEND** In view of the fact that a capital distribution is proposed, Coronation will not be declaring a final cash dividend.

<b>Gavan Ryan</b> Chairman	<b>Thys du Toit</b> Chief Executive Officer	<b>Jacob Mahlangu</b> Company Secretary
Cape Town		15 November 2005

### GROUP INCOME STATEMENT

For the year ended 30 September 2005	Reviewed 2005 R'000	% change	Audited 2004 R'000
<b>REVENUE</b>	<b>580 185</b>	<b>49</b>	<b>389 025</b>
Management and service fees	313 128		263 308
Performance fees, trading income and initial charges	246 966		119 965
Interest income	12 039		6 906
Investment income	647		17
Other income	7 405		(1 171)
<b>OPERATING EXPENSES</b>	<b>(303 838)</b>	<b>40</b>	<b>(217 597)</b>
Interest expense	(6 009)		(1 993)
<b>NET INCOME BEFORE TAXATION</b>	<b>270 338</b>	<b>60</b>	<b>169 435</b>
Income tax expense	(84 398)		(43 014)
<b>NET INCOME AFTER TAXATION</b>	<b>185 940</b>	<b>47</b>	<b>126 421</b>
Share of associates' retained income	967		116
<b>GROUP INCOME AFTER TAXATION</b>	<b>186 907</b>	<b>48</b>	<b>126 537</b>
Minority interest	(586)		-
<b>NET INCOME ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>186 321</b>	<b>47</b>	<b>126 537</b>
<b>Earnings per share (cents)</b>			
Attributable	48,5	48	32,8
Headline	47,6	40	33,9
<b>Diluted earnings per share (cents)</b>			
Attributable	45,3	39	32,5
Headline	44,5	33	33,5
<b>Dividends per share</b>			
The dividend for 2004 was 25 cents per share.			
The special dividend for 2005 was 1 cent per share.			
<b>Capital distributions per share</b>			
The special distribution for 2005 was 24 cents per share.			
The proposed final distribution for 2005 is 36 cents per share.			

### SEGMENTAL REPORT

For the year ended 30 September 2005	South Africa	International	Group
	operations	operations	
Primary	Reviewed R'000	Reviewed R'000	Reviewed R'000
Segment revenue	517 078	63 107	580 185
Segment net income before taxation	252 502	17 836	270 338
Segment contributions to headline earnings (%)	92	8	100
Segment assets	380 531	129 583	510 114
For the year ended 30 September 2004	Audited R'000	Audited R'000	Audited R'000
Segment revenue	323 986	65 039	389 025
Segment net income before taxation	144 120	25 315	169 435
Segment contributions to headline earnings (%)	84	16	100
Segment assets	258 742	124 312	383 054
	Reviewed 2005 R'000		Audited 2004 R'000
<b>Secondary</b>			
Segment revenue	346 126		197 556
Retail	170 952		99 985
International	63 107		91 484
	580 185		389 025

### GROUP BALANCE SHEET

At 30 September 2005	Reviewed 2005 R'000	Audited 2004 R'000
<b>ASSETS</b>		
Equipment	5 539	5 684
Investment in associates	-	3 706
Financial investments	119 857	120 575
Deferred tax asset	5 466	-
Long-term receivable	-	1 660
<b>Non-current assets</b>	<b>130 862</b>	<b>131 625</b>
Financial investments	2 705	6 690
Securities held at fair value	20 447	14 378
Trade receivables	94 612	65 727
Other receivables	15 736	20 967
Cash and cash equivalents	245 752	143 667
<b>Current assets</b>	<b>379 252</b>	<b>251 429</b>
<b>Total assets</b>	<b>510 114</b>	<b>383 054</b>
<b>EQUITY AND LIABILITIES</b>		
Ordinary share capital	38	38
Preference share capital	1	1
Share premium	1 815	93 561
Non-distributable reserve	(11 247)	(9 242)
Distributable reserves	229 477	141 373
<b>Total shareholders' equity</b>	<b>220 084</b>	<b>225 731</b>
<b>Minority interest</b>	<b>586</b>	<b>-</b>
Policyholders' funds	13 388 419	11 386 588
Linked assets backing policyholders' funds	(13 388 419)	(11 386 588)
Interest-bearing borrowing	148 000	38 871
Deferred tax liability	1 489	11 661
<b>Non-current liabilities</b>	<b>149 489</b>	<b>50 532</b>
Trade payables	108 320	69 046
Taxation owing	31 635	37 745
<b>Current liabilities</b>	<b>139 955</b>	<b>106 791</b>
<b>Total equity and liabilities</b>	<b>510 114</b>	<b>383 054</b>

### GROUP CASH FLOW STATEMENT

For the year ended 30 September 2005	Reviewed 2005 R'000	Audited 2004 R'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>73 100</b>	<b>53 079</b>
Operating profit before working capital changes	252 134	188 542
Working capital changes	15 225	(53 532)
Cash flows generated from return on investments	12 206	4 930
Taxation paid	(106 147)	(39 986)
Dividends paid	(100 318)	(46 875)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(25 264)</b>	<b>(51 313)</b>
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>56 254</b>	<b>(9 784)</b>
Net increase/(decrease) in cash and cash equivalents	104 090	(8 018)
Cash and cash equivalents at beginning of year	143 667	157 029
Exchange rate adjustments	(2 005)	(5 344)
<b>Cash and cash equivalents at end of year</b>	<b>245 752</b>	<b>143 667</b>

### GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2005	Reviewed 2005 R'000	Audited 2004 R'000
<b>Equity at beginning of year</b>	<b>225 731</b>	<b>150 207</b>
Reduction in share capital	(91 746)	-
Currency translation differences	(2 005)	(5 326)
Net income attributable to shareholders	186 321	126 537
Dividends paid	(100 318)	(46 875)
Revaluation of available-for-sale financial investments	2 101	1 188
<b>Equity at end of year</b>	<b>220 084</b>	<b>225 731</b>

### EARNINGS PER SHARE

	Reviewed 2005 R'000	Audited 2004 R'000
<b>Undiluted</b>		
Earnings attributable to shareholders, calculated as follows:		
Net income attributable to shareholders	186 321	126 537
Less: Dividend on convertible cumulative redeemable preference shares	(927)	(1 002)
Earnings attributable to ordinary shareholders	185 394	125 535
Diluted earnings attributable to ordinary shareholders, calculated as follows:		
Net income attributable to shareholders	186 321	126 537
Add: Secondary tax on companies - dividend on redeemable preference shares	807	125
Diluted earnings attributable to ordinary shareholders	187 128	126 662
<b>Headline earnings per share</b>		
<b>Undiluted</b>		
Headline earnings calculated as follows:		
Earnings attributable to ordinary shareholders	185 394	125 535
Add: Capital expenses	1 355	2 207
Write-down of investment in associate	-	1 315
Profit on sale of investment in associates	(4 934)	-
Loss on disposal of equipment	160	450
<b>Headline earnings</b>	<b>181 975</b>	<b>129 507</b>
<b>Diluted headline earnings</b>	<b>183 709</b>	<b>130 634</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	7 600
Weighted shares to be issued - 2003 Employee Share Incentive Scheme	1 513	-
Weighted shares to be issued - BEE transaction	21 744	-
Weighted average number of shares in issue for diluted earnings per share (thousand)	413 132	389 875