



## INTERIM RESULTS

*for the six months ended 31 March 2018*



**CORONATION**

TRUST IS EARNED™

 **ASSETS UNDER MANAGEMENT (AUM) OF R588 BILLION**

 **DILUTED HEADLINE EARNINGS PER SHARE OF 223.4 CENTS**

 **INTERIM DIVIDEND PER SHARE OF 223.0 CENTS**

As we mark our 25th year of providing investment excellence to clients, Coronation has delivered results in line with management expectations.

For the six months ended March 2018, local equity markets were flat. The FTSE/JSE All Share Index produced 1.0%, while the MSCI All Country World Index declined 8.6% (both in rand terms). However, local fixed interest markets continued to perform exceptionally well, with the All Bond Index delivering 10.5%. The local currency strengthened by 14.6% against the US dollar over the period to close at R11.82.

Against this backdrop, our fixed interest mandates continued to deliver excellent performance over all time periods, while the near-term returns of our equity and multi-asset class portfolios have been average. We believe that current market conditions present compelling opportunity for stock pickers like ourselves, and we have looked to take advantage of this in our specialist equity and multi-asset class products. We expect our positioning to have a positive impact on the long-term performance generated by these portfolios.

## RESULTS

While our total AUM declined by 4.2% to R588 billion at the end of March 2018 (September 2017: R614 billion), our average AUM increased by 6.0% for the six months in relation to average AUM in the prior comparable period. Together with improved investment performance during 2017, this contributed to an increase in revenue of 7.4% to R2.1 billion (March 2017: R1.9 billion). Total operating expenses increased by 6.8%, excluding unrealised losses for investments held as seed capital. While our fixed costs have increased as a result of the implementation of key initiatives, variable costs declined in line with the variable cost model. The combined effect of these factors was an increase of 1.2% in diluted and basic headline earnings per share for the period to 223.4 cents (March 2017: 220.7 cents).

## BUSINESS UPDATE

We are an independent active manager with a valuation-driven investment philosophy. The key driver of our success is our ability to create long-term value on behalf of our clients. Since our inception in 1993, we have built a track record of producing significant market-beating returns over meaningful time periods – an achievement very few fund managers can lay claim to. Of the institutional and retail assets that have been invested with us for at least 10 years, 99%\* have outperformed their respective benchmarks since inception.

We continue to make substantial investments in our business through various initiatives aimed at entrenching world-class service delivery to our local and growing offshore business. These initiatives include launching a new fund administration model that consolidates our service across local and offshore portfolios as well as insourcing retail client reporting and communication. In addition, we are moving our unit trust transfer agency administration to a newly-created, 100% black-owned business – once again demonstrating our commitment to making a real contribution to empowering black South Africans. These initiatives are on track for completion before the end of this year.

\* *Asset-weighted portfolios*

## INSTITUTIONAL BUSINESS

Our institutional business manages R355 billion (September 2017: R376 billion) on behalf of South African and a growing number of global clients.

### South African clients

We continue to manage a meaningful share of assets in the local pension funds industry, representing total AUM of R295 billion (September 2017: R305 billion).

Our local institutional portfolios recorded net outflows of R11.1 billion over the six months, compared to R43.7 billion recorded for the year ended September 2017. While we are encouraged by the sharp slowdown in net outflows, the local pension funds industry continues to see structural net outflows, given anaemic employment numbers and retrenchments in the formal employment sector. We therefore expect small levels of net outflows from this area of our business to be an ongoing feature in the years ahead.

Our decision to reopen our top performing South African equity and multi-asset portfolios to new investors has been very well received by the market. While it is too soon to see meaningful flows following the reopening of these strategies a year ago, we are cautiously optimistic about the engagements taking place.

Within our South African specialist equity strategies:

- + Coronation Houseview Equity has produced a return of 17.1% p.a. since its inception in October 1993, thereby delivering an active return (alpha) of 2.5% p.a.

Within our market-leading multi-asset strategies:

- + Coronation Global Houseview has delivered 16.1% p.a. since its launch in October 1993, thereby representing a real return of 10.0% p.a., while Coronation Managed has produced 16.4% p.a. since its launch in May 1996, representing a real return of 10.5% p.a.

Within our South African specialist fixed income strategies:

- + Coronation Strategic Bond has produced a return of 10.7% p.a. since its inception in January 2008, thereby outperforming the All Bond Index by 1.5% p.a., while Coronation Active Bond has produced a return of 11.9% p.a. since its launch in July 2000, representing alpha of 1.0% p.a.

### **Global clients**

We manage a combined total of R60 billion (September 2017: R71 billion) in our global strategies on behalf of several leading international retirement funds, endowments and family offices. The strength of the local currency over the six months has had a significant negative impact on the AUM in rand terms. In dollar terms, AUM has remained flat relative to end-September 2017. We continue to focus on building relationships with global asset allocators to ensure that potential investors have access to our comprehensive range of products.

While an increase in volatility and geopolitical risk weighed on global market returns over the six months, we remain confident about the long-term outlook for our global strategies. Our track record in active management and asset allocation is best illustrated in the long-term value created for clients by our specialist equity and multi-asset strategies:

- + Coronation Global Emerging Markets Equity has produced a return of 8.1% p.a. (in US dollars) since its inception in July 2008, delivering alpha of 4.2% p.a., which places it in the top quartile of its peer group globally.
- + Coronation Africa Frontiers has delivered an absolute return of 11.2% p.a. (in US dollars) since its launch in October 2008, placing it in the top quartile of its peer group globally.
- + Coronation Global Managed has delivered a return of 8.6% p.a. (in US dollars) since its inception in November 2009, representing a real return of 6.9% p.a.

All institutional performance returns stated gross of fees.

### **RETAIL BUSINESS**

We remain one of the country's foremost managers of long-term assets in the collective investment schemes industry, with retail assets totalling R233 billion (September 2017: R238 billion). Savings levels continued to be impacted by weak economic conditions over the period, contributing to subdued net inflows at an industry level. Against this backdrop, we experienced net outflows of R1.4 billion for the six months compared to R6.9 billion for the 12 months ended September 2017.

Performance highlights across our domestic and international fund range are detailed below, reflecting consistent first-quartile rankings in their corresponding Morningstar categories since their respective inception dates:

- + Coronation Top 20, a top performing general equity fund, has outperformed its benchmark by 4.1% p.a. since its inception in October 2000, and by 3.5% p.a. over the past 10 years.
- + Coronation Balanced Plus, the no. 1 balanced fund in South Africa since its launch in April 1996, has outperformed its average competitor by 2.4% p.a. and inflation by 8.4% p.a. over this same period.
- + Coronation Capital Plus, the no. 1 multi-asset medium equity fund since its inception in July 2001, has delivered a real return of 6.3% p.a. over this same period.
- + Coronation Balanced Defensive, a top performing conservative fund, has produced a real return of 3.5% p.a. since its launch in February 2007.
- + Coronation Strategic Income, the no. 1 multi-asset income fund since its launch in July 2001, has outperformed cash by, on average, 2.6% p.a. over this same period.
- + Coronation Global Opportunities Equity [ZAR] Feeder, a top performing global equity general fund since its launch in August 1997, has outperformed the global equity market by 1.0% p.a. over its more than 20-year history.
- + Coronation Global Managed [ZAR] Feeder, the no. 1 global multi-asset high-equity fund in South Africa since its launch in October 2009, has outperformed its average competitor by 1.1% p.a. over this same period.

All performance returns are stated net of fees for the respective retail classes.

### **CORPORATE CITIZENSHIP**

As a proudly South African company, we are determined to ensure that our actions deliver sustainable and meaningful results. For the past quarter of a century, we have been active participants in advancing economic transformation in our industry as well as the communities in which we operate.

We continue to focus on substantively transforming our business to reflect our country's diversity. Our focus has delivered tangible results in that 56% of our employees are black, of which almost 60% are black females. In addition, 43% of senior portfolio managers within the South African-focused investment team are black, while three out of the four key investment leadership roles are held by black employees.

Since our inception, we have continually demonstrated our desire to support the establishment of new businesses and specifically black-owned businesses.

We continue to commit a minimum of 10% of our annual South African brokerage to emerging black stockbrokers, a programme launched 11 years ago. In 2017, we supported the establishment of an independent, 100% black-owned investment administrator.

We continue to empower the young people of South Africa with opportunities to access education and participate in the economy. We fund several full higher education bursaries for study at any South African university. Students are supported by trained tutors, mentored by Coronation employees and have access to work experience opportunities at our head office. Our successful workplace experience internship programme will be supplemented by our participation in the CEO Initiative's Youth Employment Services programme.

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## INTERIM CASH DIVIDEND

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 gross dividend of 223.0 cents per share has been declared for the interim period ended 31 March 2018, resulting in a net dividend of 178.4 cents per share for shareholders subject to Dividends Tax (DT).

In compliance with the Listings Requirements of the JSE Ltd, the following dates are applicable:

|                          |                        |
|--------------------------|------------------------|
| Last day to trade        | Tuesday, 5 June 2018   |
| Shares trade ex dividend | Wednesday, 6 June 2018 |
| Record date              | Friday, 8 June 2018    |
| Payment date             | Monday, 11 June 2018   |

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 June 2018 and Friday, 8 June 2018, both dates inclusive.

In terms of DT, the following additional information is disclosed:

- + The local DT rate is 20%.
- + The number of ordinary shares in issue at the date of this declaration is 349 799 102.
- + Coronation's tax reference number is 9 675 107 719.

## PROSPECTS

We are optimistic about the outlook for the South African economy following meaningful changes in the political leadership and certain key institutions. While we expect economic growth to improve, we remain mindful that this may take time. Addressing the country's long-term challenges will require hard work and patience.

As long-term valuation-driven investors, we are presented with significant opportunities in local and global markets and we expect our current positioning to have a positive impact on the long-term performance of our various strategies.

In pursuing our goal of providing world-class service to our clients, we continue to strengthen our business by investing in infrastructure, technology and people, thereby ensuring the delivery of sustainable long-term value for all stakeholders.

## EXTERNAL AUDIT REVIEW

The external auditors, EY, reviewed the condensed consolidated statement of financial position of Coronation Fund Managers Ltd Group as at 31 March 2018, and the related condensed consolidated statement of comprehensive income, changes in equity and cash flows for the period then ended, and other explanatory notes. The review has been conducted in accordance with the International Standard on Review Engagements 2410. Copies of the unqualified report of EY are available for inspection at the registered office of the company. Any forward-looking information contained in this announcement has not been reviewed or reported on by the company's external auditors.

**Shams Pather**  
Chairman

**Anton Pillay**  
Chief executive officer

**John Snalam**  
Chief financial officer

Cape Town  
22 May 2018

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | SIX MONTHS<br>REVIEWED<br>31 MARCH<br>2018<br>R MILLION | SIX MONTHS<br>REVIEWED<br>31 MARCH<br>2017<br>R MILLION | %<br>CHANGE | FULL YEAR<br>AUDITED<br>30 SEPT<br>2017<br>R MILLION |
|---|---|---|-------------|--|
| <b>Fund management activities</b>   |   |   |             |  |
| <b>Revenue</b>  | <b>2 079</b>  | 1 936   | 7%          | 3 919  |
| Other income  | 1   | 1   |             | 6  |
| <b>Total operating expenses*</b>  | <b>(1 055)</b>  | (933)   |             | (1 934)  |
| Other expenses*   | (68)  | (9)   |             | (6)  |
| Operating expenses*   | (987)   | (924)   | 7%          | (1 928)  |
| <b>Results from operating activities</b>  | <b>1 025</b>  | 1 004   | 2%          | 1 991  |
| Finance and dividend income   | 17  | 16  |             | 37   |
| Finance expense   | (13)  | (13)  |             | (23)   |
| Share of profit of equity-accounted investee  | 5   | 5   |             | 8  |
| <b>Profit from fund management</b>  | <b>1 034</b>  | 1 012   | 2%          | 2 013  |
| <b>Income attributable to policyholder linked assets<br/>and investment partnerships</b>        | <b>-</b>  | 3   |             | 2  |
| Net fair value gains on policyholder and investment<br>partnership financial instruments        | 13  | 17  |             | 45   |
| Administration expenses borne by policyholders<br>and investors in investment partnerships      | (13)  | (14)  |             | (43)   |
| <b>Profit before income tax</b>   | <b>1 034</b>  | 1 015   | 2%          | 2 015  |
| <b>Income tax expense</b>   | <b>(252)</b>  | (252)   |             | (492)  |
| Taxation on shareholder profits   | (252)   | (249)   |             | (490)  |
| Taxation on policyholder investment contracts   | -   | (3)   |             | (2)  |
| <b>Profit for the period</b>  | <b>782</b>  | 763   | 2%          | 1 523  |
| <b>Other comprehensive income (to be reclassified to profit<br/>and loss in future periods)</b> |   |   |             |  |
| Foreign currency translation differences for<br>foreign operations                              | (19)  | (20)  |             | (24)   |
| Net change in fair value of available-for-sale<br>financial assets                              | 4   | 36  |             | 91   |
| <b>Other comprehensive income for the period</b>  | <b>(15)</b>   | 16  |             | 67   |
| <b>Total comprehensive income for the period</b>  | <b>767</b>  | 779   |             | 1 590  |
| <b>Profit attributable to:</b>  |   |   |             |  |
| - equity holders of the company   | 782   | 763   | 2%          | 1 523  |
| <b>Profit for the period</b>  | <b>782</b>  | 763   |             | 1 523  |
| <b>Total comprehensive income attributable to:</b>  |   |   |             |  |
| - equity holders of the company   | 767   | 779   | (2%)        | 1 590  |
| <b>Total comprehensive income for the period</b>  | <b>767</b>  | 779   |             | 1 590  |
| <b>Earnings per share (cents)</b>   |   |   |             |  |
| - basic   | 223.4   | 218.5   | 2%          | 435.4  |
| - diluted   | 223.4   | 218.5   | 2%          | 435.4  |
| <b>Note to the statement of comprehensive income</b>  |   |   |             |  |
| <b>Headline earnings per share (cents)</b>  |   |   |             |  |
| - basic   | 223.4   | 220.7   | 1%          | 437.5  |
| - diluted   | 223.4   | 220.7   | 1%          | 437.5  |
| <b>Dividend per share (cents)</b>   |   |   |             |  |
| - interim   | 223.0   | 220.0   | 1%          | 220.0  |
| - final   |   |   |             | 217.0  |

\* The following changes have been made to the presentation of operating expenses in order to more appropriately describe the nature of such expenses. Other expenses now includes foreign exchange losses as well as share based payment expenses. Previously the share based payment expense was separately disclosed as Shared based payment expense. Foreign exchange losses, which were previously disclosed under Operating expenses, have been transferred to Other expenses in the current period. Comparatives have accordingly been re-presented, resulting in the transfer of a R6 million foreign exchange loss from Operating expenses to Other expenses for the 6 month period ended 31 March 2017 (30 September 2017: nil).

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | <b>REVIEWED<br/>31 MARCH<br/>2018<br/>R MILLION</b> | REVIEWED<br>31 MARCH<br>2017<br>R MILLION | AUDITED<br>30 SEPT<br>2017<br>R MILLION |
|---|---|---|---|
| <b>Assets</b>   |   |   |   |
| Intangible assets   | <b>1 088</b>  | 1 088                                     | 1 088                                   |
| Equipment   | <b>17</b>   | 22  | 21                                      |
| Investment in equity-accounted investees  | <b>38</b>   | 36  | 39                                      |
| Deferred tax asset  | <b>122</b>  | 144                                       | 171                                     |
| Investments backing policyholder funds and investments held through investment partnerships                     | <b>54 504</b>                                       | 59 848                                    | 55 721                                  |
| Investment securities   | <b>862</b>  | 834                                       | 934                                     |
| Trade and other receivables   | <b>466</b>  | 530                                       | 558                                     |
| Cash and cash equivalents   | <b>553</b>  | 524                                       | 564                                     |
| <b>Total assets</b>   | <b>57 650</b>                                       | 63 026                                    | 59 096                                  |
| <b>Liabilities</b>  |   |   |   |
| Long-term borrowings (note 3)   | <b>300</b>  | 300                                       | 150                                     |
| Deferred tax liabilities  | <b>10</b>   | 23  | 24                                      |
| Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships | <b>54 503</b>                                       | 59 832                                    | 55 718                                  |
| Short-term portion of long-term borrowings (note 3)   | <b>-</b>  | -   | 150                                     |
| Taxation payable  | <b>9</b>  | 82  | 35                                      |
| Trade and other payables  | <b>560</b>  | 587                                       | 747                                     |
| <b>Total liabilities</b>  | <b>55 382</b>                                       | 60 824                                    | 56 824                                  |
| <b>Net assets</b>   | <b>2 268</b>  | 2 202                                     | 2 272                                   |
| <b>Equity</b>   |   |   |   |
| Share capital and premium   | <b>256</b>  | 256                                       | 256                                     |
| Retained earnings   | <b>1 630</b>  | 1 587                                     | 1 607                                   |
| Reserves  | <b>229</b>  | 219                                       | 243                                     |
| Total equity attributable to equity holders of the company  | <b>2 115</b>  | 2 062                                     | 2 106                                   |
| Non-controlling interest in consolidated funds  | <b>153</b>  | 140                                       | 166                                     |
| <b>Total equity</b>   | <b>2 268</b>  | 2 202                                     | 2 272                                   |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|  | SIX MONTHS<br>REVIEWED<br>31 MARCH<br>2018<br>R MILLION | SIX MONTHS<br>REVIEWED<br>31 MARCH<br>2017<br>R MILLION | FULL YEAR<br>AUDITED<br>30 SEPT<br>2017<br>R MILLION |
|--|---|---|--|
| <b>Cash flows from operating activities</b>  |   |   |  |
| Profit from fund management  | 1 034   | 1 012   | 2 013  |
| Non-cash and other adjustments   | 74  | 27  | 15   |
| <b>Operating cash flows before changes in working capital</b>                                | <b>1 108</b>  | 1 039   | 2 028  |
| Working capital changes  | <b>(162)</b>  | (145)   | (5)  |
| Cash flows from policyholders and investment partnership activities                          | <b>(993)</b>  | (391)   | (977)  |
| <b>Cash (utilised by)/generated from operations</b>  | <b>(47)</b>   | 503   | 1 046  |
| Interest paid  | <b>(13)</b>   | (13)  | (23)   |
| Income taxes paid  | <b>(240)</b>  | (152)   | (454)  |
| <b>Net cash from operating activities</b>  | <b>(300)</b>  | 338   | 569  |
| <b>Cash flows from investing activities</b>  |   |   |  |
| Finance and dividend income  | 17  | 16  | 37   |
| Acquisition of equipment   | <b>(4)</b>  | (2)   | (10)   |
| Net sales of investment securities   | 61  | 25  | 9  |
| <b>Net cash from investing activities</b>  | <b>74</b>   | 39  | 36   |
| <b>Cash flows from financing activities</b>  |   |   |  |
| Dividends paid   | <b>(759)</b>  | (762)   | (1 532)  |
| <b>Net cash from financing activities</b>  | <b>(759)</b>  | (762)   | (1 532)  |
| <b>Decrease in cash and cash equivalents</b>   | <b>(985)</b>  | (385)   | (927)  |
| Net increase in cash and cash equivalents – shareholders                                     | <b>8</b>  | 6   | 50   |
| Net decrease in cash and cash equivalents – policyholders and investment partnerships        | <b>(993)</b>  | (391)   | (977)  |
| <b>Cash and cash equivalents at beginning of period</b>                                      | <b>8 259</b>  | 9 210   | 9 210  |
| Cash and cash equivalents at beginning of period – shareholders                              | <b>564</b>  | 538   | 538  |
| Cash and cash equivalents at beginning of period – policyholders and investment partnerships | <b>7 695</b>  | 8 672   | 8 672  |
| <b>Effect of exchange rate fluctuations on cash held</b>                                     | <b>(19)</b>   | (20)  | (24)   |
| <b>Cash and cash equivalents at end of period</b>  | <b>7 255</b>  | 8 805   | 8 259  |
| Cash and cash equivalents at end of period – shareholders                                    | <b>553</b>  | 524   | 564  |
| Cash and cash equivalents at end of period – policyholders and investment partnerships       | <b>6 702</b>  | 8 281   | 7 695  |

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.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | SHARE<br>CAPITAL<br>AND<br>PREMIUM<br>R MILLION | FOREIGN<br>CURRENCY<br>TRANSLATION<br>RESERVE<br>R MILLION |
|---|---|--|
| <b>Balance at 30 September 2016 (audited)</b>               | 256   | 155  |
| <b>Total comprehensive income for the period</b>            |   |  |
| Profit for the period                                       |   |  |
| <b>Other comprehensive income</b>                           |   |  |
| Currency translation differences                            |   | (20)   |
| Revaluation of available-for-sale financial assets          |   |  |
| Total other comprehensive income                            |   | (20)   |
| <b>Total comprehensive income for the period</b>            |   | (20)   |
| <b>Transactions with owners recorded directly to equity</b> |   |  |
| Share-based payments  |   |  |
| Dividends paid  |   |  |
| Change in non-controlling interest in consolidated funds    |   |  |
| Total transactions with owners                              |   |  |
| <b>Balance at 31 March 2017 (reviewed)</b>                  | 256   | 135  |
| <b>Total comprehensive income for the period</b>            |   |  |
| Profit for the period                                       |   |  |
| <b>Other comprehensive income</b>                           |   |  |
| Currency translation differences                            |   | (4)  |
| Revaluation of available-for-sale financial assets          |   |  |
| Total other comprehensive income                            |   | (4)  |
| <b>Total comprehensive income for the period</b>            |   | (4)  |
| <b>Transactions with owners recorded directly to equity</b> |   |  |
| Share-based payments  |   |  |
| Transfer to retained earnings                               |   |  |
| Dividends paid  |   |  |
| Change in non-controlling interest in consolidated funds    |   |  |
| Total transactions with owners                              |   |  |
| <b>Balance at 30 September 2017 (audited)</b>               | 256   | 131  |
| <b>Total comprehensive income for the period</b>            |   |  |
| Profit for the period                                       |   |  |
| <b>Other comprehensive income</b>                           |   |  |
| Currency translation differences                            |   | (19)   |
| Revaluation of available-for-sale financial assets          |   |  |
| Total other comprehensive income                            |   | (19)   |
| <b>Total comprehensive income for the period</b>            |   | (19)   |
| <b>Transactions with owners recorded directly to equity</b> |   |  |
| Share-based payments  |   |  |
| Dividends paid  |   |  |
| Change in non-controlling interest in consolidated funds    |   |  |
| Total transactions with owners                              |   |  |
| <b>Balance at 31 March 2018 (reviewed)</b>                  | 256   | 112  |



| RETAINED EARNINGS<br>R MILLION | SHARE-BASED<br>PAYMENT RESERVE<br>R MILLION | REVALUATION RESERVE<br>R MILLION | ISSUED CAPITAL AND RESERVES<br>ATTRIBUTABLE TO EQUITY<br>HOLDERS OF THE COMPANY<br>R MILLION | NON-CONTROLLING INTEREST<br>R MILLION | TOTAL EQUITY<br>R MILLION |
|--------------------------------|---|----------------------------------|--|---------------------------------------|---------------------------|
| 1 586                          | 29  | 16                               | 2 042  | 136                                   | 2 178                     |
| 763                            |   |                                  | 763  |                                       | 763                       |
|                                |   |                                  | (20)   |                                       | (20)                      |
|                                |   | 36                               | 36   |                                       | 36                        |
|                                |   | 36                               | 16   |                                       | 16                        |
| 763                            |   | 36                               | 779  |                                       | 779                       |
|                                | 3   |                                  | 3  |                                       | 3                         |
| (762)                          |   |                                  | (762)  |                                       | (762)                     |
|                                |   |                                  |  | 4                                     | 4                         |
| (762)                          | 3   |                                  | (759)  | 4                                     | (755)                     |
| 1 587                          | 32  | 52                               | 2 062  | 140                                   | 2 202                     |
| 760                            |   |                                  | 760  |                                       | 760                       |
|                                |   |                                  | (4)  |                                       | (4)                       |
|                                |   | 55                               | 55   |                                       | 55                        |
|                                |   | 55                               | 51   |                                       | 51                        |
| 760                            |   | 55                               | 811  |                                       | 811                       |
|                                | 3   |                                  | 3  |                                       | 3                         |
| 30                             | (30)  |                                  |  |                                       |                           |
| (770)                          |   |                                  | (770)  |                                       | (770)                     |
|                                |   |                                  |  | 26                                    | 26                        |
| (740)                          | (27)  |                                  | (767)  | 26                                    | (741)                     |
| 1 607                          | 5   | 107                              | 2 106  | 166                                   | 2 272                     |
| <b>782</b>                     |   |                                  | <b>782</b>   |                                       | <b>782</b>                |
|                                |   |                                  | (19)   |                                       | (19)                      |
|                                |   | 4                                | 4  |                                       | 4                         |
|                                |   | 4                                | (15)   |                                       | (15)                      |
| <b>782</b>                     |   | <b>4</b>                         | <b>767</b>   |                                       | <b>767</b>                |
|                                | 1   |                                  | 1  |                                       | 1                         |
| (759)                          |   |                                  | (759)  |                                       | (759)                     |
|                                |   |                                  |  | (13)                                  | (13)                      |
| (759)                          | 1   |                                  | (758)  | (13)                                  | (771)                     |
| <b>1 630</b>                   | <b>6</b>                                    | <b>111</b>                       | <b>2 115</b>   | <b>153</b>                            | <b>2 268</b>              |

## EARNINGS PER SHARE

|  | SIX MONTHS<br>REVIEWED<br>31 MARCH<br>2018<br>R MILLION | SIX MONTHS<br>REVIEWED<br>31 MARCH<br>2017<br>R MILLION | FULL YEAR<br>AUDITED<br>30 SEPT<br>2017<br>R MILLION |
|--|---|---|--|
| Earnings attributable to shareholders                          | 782   | 763   | 1 523  |
| Non-controlling interest                                       | -   | -   | -  |
| <b>Earnings attributable to ordinary shareholders</b>          | <b>782</b>  | <b>763</b>  | <b>1 523</b>   |
| Loss on disposal of financial assets available for sale        | -   | 8   | 7  |
| <b>Headline earnings attributable to ordinary shareholders</b> | <b>782</b>  | <b>771</b>  | <b>1 530</b>   |

## CONDENSED CONSOLIDATED SEGMENT REPORT

|  | AFRICA   |  |  | INTERNATIONAL  |  |  | GROUP  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  | SIX<br>MONTHS<br>REVIEWED<br>31 MARCH<br>2018<br>R MILLION | SIX<br>MONTHS<br>REVIEWED<br>31 MARCH<br>2017<br>R MILLION | FULL YEAR<br>AUDITED<br>30 SEPT<br>2017<br>**RESTATED<br>R MILLION | SIX<br>MONTHS<br>REVIEWED<br>31 MARCH<br>2018<br>R MILLION | SIX<br>MONTHS<br>REVIEWED<br>31 MARCH<br>2017<br>R MILLION | FULL YEAR<br>AUDITED<br>30 SEPT<br>2017<br>**RESTATED<br>R MILLION | SIX<br>MONTHS<br>REVIEWED<br>31 MARCH<br>2018<br>R MILLION | SIX<br>MONTHS<br>REVIEWED<br>31 MARCH<br>2017<br>R MILLION | FULL YEAR<br>AUDITED<br>30 SEPT<br>2017<br>R MILLION |
| <b>Segment external revenue</b>              | <b>1 315</b>   | 1 276  | 2 525  | <b>764</b>   | 660  | 1 394  | <b>2 079</b>   | 1 936  | 3 919  |
| <b>Segment operating expenses</b>            | <b>(787)</b>   | (710)  | (1 461)  | <b>(268)</b>   | (223)  | (473)  | <b>(1 055)</b>   | (933)  | (1 934)  |
| <b>Segment profit</b>                        | <b>528</b>   | 566  | 1 064  | <b>496</b>   | 437  | 921  | <b>1 024</b>   | 1 003  | 1 985  |
| Share of income of equity-accounted investee | 5  | 5  | 8  | -  | -  | -  | 5  | 5  | 8  |
| Net finance and other income/ (expenses)     | 62   | 11   | 17   | (57)   | (7)  | 3  | 5  | 4  | 20   |
| <b>Profit from fund management</b>           | <b>595</b>   | 582  | 1 089  | <b>439</b>   | 430  | 924  | <b>1 034</b>   | 1 012  | 2 013  |
| Income*                                      |  |  |  |  |  |  | -  | 3  | 2  |
| <b>Profit before income tax</b>              |  |  |  |  |  |  | <b>1 034</b>   | 1 015  | 2 015  |
| Segment assets                               | <b>1 070</b>   | 1 126  | 1 121  | <b>828</b>   | 784  | 956  | <b>1 898</b>   | 1 910  | 2 077  |
| Investments*                                 |  |  |  |  |  |  | <b>55 752</b>  | 61 116   | 57 019   |
| <b>Total assets</b>                          |  |  |  |  |  |  | <b>57 650</b>  | 63 026   | 59 096   |

\* Income and investments are attributable to and backing policyholder funds and investments held through investment partnerships, consolidated funds and other assets.

\*\* Segmental assets to the value of R505 million previously categorised as Africa assets have been restated as International assets.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information has been prepared in accordance with and containing the information required by the International Financial Reporting Standards (IFRS); the International Accounting Standard 34 Interim Financial Reporting; the Listings Requirements of the JSE Ltd; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, as well as the South African Companies Act, No 71 of 2008. The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS annual financial statements.

These condensed consolidated financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments which are stated at fair value. The condensed consolidated financial statements are presented in rand, rounded to the nearest million. The accounting policies applied in the presentation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those presented in the previous annual financial statements.

These reviewed results have been prepared under the supervision of H Rawoot CA(SA).

## 2 RELATED PARTY TRANSACTIONS

Related party transactions for the current period are similar to those disclosed in the group's annual financial statements for the year ended 30 September 2017. No new significant related party transactions arose during the current period.

## 3 LONG-TERM AND SHORT-TERM BORROWINGS

Cumulative redeemable preference shares with dividends linked to prime are payable on a quarterly basis, with R150 million capital repayments due on 1 April 2020 and 1 April 2021. The latter was previously due on 31 March 2018, with the terms now renegotiated.

## 4 FAIR VALUE DISCLOSURE

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or 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 value of policyholder and investment partnership liabilities that are included in Level 2 of the hierarchy are measured with reference to the quoted prices in an active market of the investments underlying the liabilities. Cash and cash equivalent balances along with their related liabilities of R1 989 million (R2 253 million: 30 September 2017 and R2 294 million: 31 March 2017) have been excluded from the fair value table on page 11 in current and prior years respectively.

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 FAIR VALUE DISCLOSURE (CONTINUED)

|   | LEVEL 1<br>R MILLION | LEVEL 2<br>R MILLION | LEVEL 3<br>R MILLION | TOTAL<br>R MILLION |
|---|----------------------|----------------------|----------------------|--------------------|
| <b>March 2018 (Reviewed)</b>  |                      |                      |                      |                    |
| Investments backing policyholder funds and investments held through investment partnerships | 46 171               | 6 344                | -                    | 52 515             |
| Investment securities   | 861                  | -                    | 1                    | 862                |
|   | <b>47 032</b>        | <b>6 344</b>         | <b>1</b>             | <b>53 377</b>      |
| Policyholder and investment partnership liabilities   | -                    | 52 514               | -                    | 52 514             |
| <b>March 2017 (Reviewed)</b>  |                      |                      |                      |                    |
| Investments backing policyholder funds and investments held through investment partnerships | 50 656               | 6 898                | -                    | 57 554             |
| Investment securities   | 834                  | -                    | -                    | 834                |
|   | 51 490               | 6 898                | -                    | 58 388             |
| Policyholder and investment partnership liabilities   | -                    | 57 538               | -                    | 57 538             |
| <b>September 2017 (Audited)</b>   |                      |                      |                      |                    |
| Investments backing policyholder funds and investments held through investment partnerships | 46 960               | 6 508                | -                    | 53 468             |
| Investment securities   | 933                  | -                    | 1                    | 934                |
|   | 47 893               | 6 508                | 1                    | 54 402             |
| Policyholder and investment partnership liabilities   | -                    | 53 465               | -                    | 53 465             |

Fair value for all other financial assets and liabilities have not been presented because they are not carried at fair value and their carrying amounts approximate fair value.

During the current reporting period a net amount of R495 million in debentures were transferred from Level 1 to Level 2 as these are no longer considered to be held in active market.

### 5 NON-CONTROLLING INTEREST AND EXTERNAL INVESTORS IN CONSOLIDATED FUNDS

The non-controlling interest in consolidated funds arises as a result of the continued consolidation of the Coronation Global Frontiers Fund.

### 6 CONTINGENT LIABILITIES: SOUTH AFRICAN REVENUE SERVICE (SARS) MATTERS

From time to time, in common with other organisations, companies in the group are subject to review by SARS. One of our companies has been the subject of a review on a matter of principle relating to international operations, and assessed for the 2012, 2013 and 2014 financial periods, to which management strongly disagrees and has objected. Management is confident, supported by external advisors, of the company's position and an outflow is not considered probable should the matter be interpreted by a court of law, the ultimate tax authority on these matters. Any amounts involved are currently not considered capable of reliable estimation.

|                              |  |
|------------------------------|--|
| <b>Directors:</b>            | S Pather (Chairman)*, A C Pillay (CEO), J A Snalam (CFO), A Watson*, H Nelson*, J D McKenzie*, J G February*, L Boyce* (* Independent non-executive) |
| <b>Registered office:</b>    | 7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont 7708, Cape Town   |
| <b>Postal address:</b>       | PO Box 44684, Claremont 7735, Cape Town  |
| <b>Registration number:</b>  | 1973/009318/06   |
| <b>Transfer secretaries:</b> | Computershare Investor Services Proprietary Limited<br>Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, Gauteng                                   |
| <b>JSE share code:</b>       | CML  |
| <b>ISIN:</b>                 | ZAE000047353   |
| <b>Website:</b>              | www.coronation.com   |
| <b>Sponsor:</b>              | Deutsche Securities (SA) Proprietary Limited   |

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**CAPE TOWN** 7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont 7708  
PO Box 44684, Claremont 7735  
Telephone: +27 (0)21 680 2000 Fax: +27 (0)21 680 2100

**JOHANNESBURG** 3rd Floor, Building 2, Oxford and Glenhove, 114 Oxford Road, Houghton 2196  
PO Box 652643, Benmore 2010  
Telephone: +27 (0)11 328 8200 Fax: +27 (0)11 684 2187

**PRETORIA** 1st Floor, Block 4, The Boardwalk Office Park, Eros Street, Faerie Glen 0043  
Telephone: +27 (0)12 990 9040 Fax: +27 (0)12 991 6079

**DURBAN** Suite 6, 15 The Boulevard, Westway Office Park, Westville 3635  
Telephone: +27 (0)87 354 0508

**LONDON** 7th Floor, St Albans House, 57-59 Haymarket, London, SW1Y 4QX United Kingdom  
Telephone: +44 (0)207 389 8840 Fax: +44 (0)207 389 8899

**DUBLIN** Suite 1, 2 Grand Canal Square, Macken Street, Dublin D02 A342, Ireland  
Telephone: +353 (0)1 674 5410 Fax: +353 (0)1 674 5411