



INTERIM RESULTS

for the six months ended 31 March 2021



CORONATION

TRUST IS EARNED™

Assets under management (AUM)

R629
billion

Diluted headline
earnings per share

255.8
cents

Fund management
earnings per share

244.0
cents

Interim dividend
per share

244.0
cents

CORONATION HALF-YEAR 2021 RESULTS

Our half-year financial reporting period coincided with the one-year anniversary of the outbreak of the Covid-19 pandemic in South Africa and the country's first hard lockdown. The unprecedented stimulus that was pumped into economies by central banks globally has buoyed capital markets, resulting in record-breaking short-term returns. As at 31 March 2021, most major indices were up well over 50% from their March 2020 lows. For the six-month reporting period, the MSCI All Country World Index was up 19.9% (USD), the MSCI Global Emerging Markets Index was up 22.4% (USD) and the FTSE/JSE All Share Index was up 24.2% (ZAR).

While economic recovery is underway in developed markets, most emerging markets are lagging due to more limited policy options and slow vaccine rollouts. Locally, the economy remains weak as systemic risks prevail, aggravated by poor economic conditions prior to the pandemic, high government debt levels, the effects of corruption and the impact of the Covid-19 crisis.

RESULTS

The past year has been an exceptional one for Coronation's clients and shareholders. Results for the six months ended 31 March 2021 are excellent, with revenue and earnings from fund management up 23% and 36%, respectively, from the prior reporting period.

This is a function of the sharp recovery in markets from March 2020 lows and the strong delivery of outperformance across our key mandates. Market reaction to Covid-19 presented rarely-seen opportunities for active investors like us, which, in turn, we converted into strong returns for our client portfolios, which positively impacted our revenue. It is worth noting that management views this as a cyclical high for investment returns. The investment opportunities presented during the pandemic are unlikely to be repeated and future market returns are expected to be lower than those seen in the past year.

We continued to experience net outflows (representing 3.9% of our AUM at the beginning of the financial year). As a sizable industry participant, it is likely that Coronation will continue to reflect the flows experience of the broader South African savings industry, which we expect will remain under pressure in the foreseeable future. Notwithstanding this, and given the strong outperformance across our portfolios, average AUM increased by 7% year on year to R600 billion (March 2020: R562 billion) and total AUM is up 11% to R629 billion (September 2020: R569 billion). As an investment-led business, our primary focus remains on growing the value of the client assets entrusted to us over the long term, rather than simply looking to grow the pool of assets under our management.

Total operating expenses increased by 15% compared to the six months ended March 2020. Fixed costs are up 6% compared to the same period, as we continue to invest in technology and information systems infrastructure, which is key to delivering on our promise of superior client service.

Diluted and basic headline earnings per share increased by 44% for the period to 255.8 cents (March 2020: 178.3 cents). Management measures operating financial performance based on earnings from fund management activities, which exclude the net impact of fair value gains and losses, and related foreign exchange, on investment securities held. Fund management earnings per share increased by 36% for the period to 244.0 cents (March 2020: 179.4 cents).

BUSINESS UPDATE AND CORPORATE CITIZENSHIP

We are a large independent asset manager and custodian of the savings of millions of South Africans, as well as several international retirement funds, endowments and family offices. This is a fiduciary responsibility that we take very seriously.

With this in mind, we are an active corporate citizen that is committed to contributing to the health and prosperity of South African society and the economy. We have been in the privileged position to operate efficiently throughout lockdown and we have not had to retrench or furlough employees, nor did we require any government relief. In 2020, we focused our corporate citizenship actions on Covid-19 relief programmes.

This year, we have continued to do so through our ongoing support of small businesses, and a further commitment of R5.6 million to the Solidarity Fund, feeding schemes and other relief initiatives. Our usual activities, such as our support of black brokerages, independent black adviser practices and social programmes, remain in place.

Coronation is an active participant in industry and government-related engagements to find solutions to help mitigate the socioeconomic effects of the lockdowns, boost employment levels and set South Africa on the road to economic recovery.

Governance

As a large listed company, we commit to demonstrating the behaviours that we encourage elsewhere. To ensure that we maintain a robust and diverse Board of Directors (Board) with adequate succession planning in place, we announced the appointment of three new independent non-executive directors, Messrs Neil Brown, Phakamani Hadebe and Saks Ntombela, on 19 October 2020.

On other matters related to our Board, Mr Jock Mckenzie has announced that he will be retiring from the Board, effective 30 June 2021. The Board and the management team thank him for the invaluable contribution that he made to Coronation during his tenure, and we wish him all the best in the future.

There have been changes to various Board committees:

Subject to approval by shareholders at the Company's annual general meeting (AGM) scheduled to take place in February 2022, as of April 2021, Ms Madichaba Nhlumayo and Mr Saks Ntombela have been recommended as members of the Audit and Risk Committee. With effect from 7 April 2021, Mr Neil Brown has been appointed as a member of the Remuneration and Nominations Committee and Mr Phakamani Hadebe has been appointed as a member of the Social, Ethics and Transformation Committee.

We will continue to ensure that our Board sustains the skills and diversity that are essential for effective oversight of a large, global asset manager.

Following our decision to be an early adopter of mandatory audit firm rotation, and after a rigorous tender process, the appointment of KPMG Inc. as the external auditors of Coronation, with effect from the financial year ending 30 September 2021, was approved at our 2021 AGM.

Stewardship

We have been active stewards of our clients' capital for almost 30 years and fully integrate environmental, social and governance considerations into all of the assets that we manage on their behalf. This includes active engagement, voting and shareholder activism. Governance was again a central engagement theme of our investment team, representing more than 60% of our engagements with investee companies.

In the 2020 calendar year, our investment team had 256 active engagements with 121 companies. Of note was the meaningful increase in our engagements on climate-related risks. In a first for a South African asset manager, to date, we have written letters to 89 JSE-listed companies urging them to adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) when reporting on climate risks in their businesses. Given the complexity of this process and the significant consideration required by companies at Board level, we have followed up on the letters with meetings.

We will continue to engage on these matters, supporting adoptees, and, importantly, placing pressure on those that are lagging on this requirement. Coronation is a signatory to the TCFD and has committed to this reporting standard, and included our first carbon footprint analysis in our 2020 Integrated Annual Report.

Our recently published third annual Stewardship Report discusses how Covid-19 placed sustainability issues and responsible investing front and centre of the investment stage. We have also disclosed our portfolio carbon footprints in the Report.

TRANSFORMATION AND EMPOWERMENT

Our culture and values are important factors in delivering on our commitment to be responsible stewards of our clients' assets, and we understand that we have been granted a social licence to operate. With the growing emphasis on transformation, diversity and inclusion globally, we continue to make progress in our diversity representation across both race and gender.

- ▶ R270 billion of AUM are managed by black investment professionals.
- ▶ Of our employees*
 - ▶ 50% are women;
 - ▶ 59% are black, of whom 59% are black women; and
 - ▶ for the six months under review, 87% of new hires are black (of whom 69% are black women) and 67% of new hires are women.
- ▶ Of our Board
 - ▶ 75% are black and 42% are women
- ▶ Key senior leadership positions are occupied by black individuals, including our Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Head of Institutional Business, Head of Fixed Income and Head of SA Equity Research.

Coronation is a level 2 contributor to broad-based black economic empowerment (B-BBEE) and is 30% black owned**. Through our recruitment process, as well as our black enterprise development initiatives and corporate social investment programmes, we will continue to promote and build a transformed financial services industry and an inclusive society.

* South Africa-based employees

** As per the Financial Sector Code scorecard

INSTITUTIONAL BUSINESS

Our institutional business manages R367 billion of assets (March 2020: R292 billion) on behalf of South African and global institutions.

South African Institutional Business

We continue to manage a meaningful share of assets in the local retirement fund industry, representing a total AUM of R287 billion (March 2020: R224 billion), making us one of the largest independent managers of retirement assets in the country.

Net outflows were broadly in line with our estimate of those experienced by the formal savings industry in the past year. As a result of the tough economic conditions, we believe that flows in the industry will remain under pressure in the foreseeable future. From a performance perspective, we are pleased to report another year of strong returns being generated across our client portfolios over all meaningful periods. We have again showcased our ability to add value through active management in:

- ▶ Clients representing more than 58% of our total institutional assets have been invested with Coronation for more than 10 years.
- ▶ Of these client assets, 96.4% have outperformed their benchmarks since inception.¹
- ▶ Of our institutional portfolios, 97.4% with 15-year track records and 97.9% with 20-year track records have delivered positive active returns over those periods.

Global Institutional Business

We manage a total of R80 billion (March 2020: R68 billion) in our global strategies on behalf of several leading international retirement funds, endowments and family offices. For the reporting period, net flows reflected some profit taking by clients after the strong returns of 2020. We continue to attract new clients into a number of our global strategies, predominantly the Global Emerging Markets Strategy.

- ▶ Global Emerging Markets Strategy has delivered an active return of 4.3% p.a. since its inception in 2008.
- ▶ Coronation Global Frontiers Strategy has delivered a cumulative total return of 30.5% since its inception in 2014.
- ▶ Coronation Global Equity Strategy has delivered a total cumulative return of 79% since its inception in 2014.

All institutional performance returns are stated gross of fees.

RETAIL BUSINESS

With retail assets totalling R262 billion (March 2020: R216 billion), we are a significant independent manager of South Africa's household savings and investments. AUM continued to grow in the first half of the financial year and our retail fund range delivered good relative performance over this period.

Net client cash flows from longer-term funds were broadly in line with retail investment industry experience. Net outflows from our managed income and near-cash solutions lagged the marginal net inflows experienced into short-term funds at industry level.

We expect net client cash flows to remain subdued given the growth constraints faced by the South African economy and a general lack of domestic investor confidence, which is likely to continue to depress investor demand for long-term investment funds.

The long-term track record across our fund range remains compelling.

- ▶ 98% of the assets entrusted to our rand-denominated fund range are invested in funds that produced first quartile performance in their respective peer groups since inception¹.
- ▶ 18 out of 23 Coronation unit trusts rank first in their respective ASISA categories since their inception dates. This includes:
 - ▶ Coronation Balanced Plus, a leading traditional balanced fund in South Africa, has returned 14.0% since its inception in 1996, outperforming peers, inflation and the FTSE/JSE All Share Index;
 - ▶ Coronation Top 20, our concentrated domestic equity fund, delivering an annualised return of 17.3% since inception in 2000. This resulted in a total period return of close to double the domestic index for an investment made at inception; and
 - ▶ Coronation Optimum Growth, the top-performing fund in the worldwide flexible category, returning 14.3% p.a. since its inception in 1999.

¹ On an asset-weighted basis

Level 2

*B-BBEE contributor as
measured by the Financial
Sector Code*

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, an interim gross dividend of 244.0 cents per share has been declared for the half-year period ended 31 March 2021 from income reserves, resulting in a net dividend of 195.2 cents per share for shareholders subject to Dividends Tax.

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

| | |
|---------------------------------|------------------------|
| Declaration date: | Tuesday, 25 May 2021 |
| Last day to trade cum dividend: | Tuesday, 8 June 2021 |
| Trading ex-dividend commences: | Wednesday, 9 June 2021 |
| Record date: | Friday, 11 June 2021 |
| Payment date: | Monday, 14 June 2021 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 June and Friday, 11 June, both dates inclusive. In terms of Dividends Tax, the following additional information is disclosed: the local Dividends Tax 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

The impact of Covid-19 has tested the resilience of individuals, businesses, economies and governments across the globe, and the recent past has reminded all sectors of society to continue to expect the unexpected.

Looking ahead, we expect the South African economy to remain under pressure due to severe and ongoing systemic risks, although improved revenue collection by the South African Revenue Service and strong policy signals from National Treasury should see us moving in the right direction. Globally, economies are on track to recover, with the International Monetary Fund growth forecast for 2021 up from 5.2% to 6%. Key risks to this outlook are inflationary pressures, potential issues with vaccine supply and the mutation of the novel coronavirus variants.

Covid-19 created investment opportunities that do not present themselves in more normal times. As an active manager with a long time horizon, we took advantage of many of these on behalf of our clients. This resulted in meaningful outperformance of the market across much of our product range. This outperformance has resulted in a cyclical high in performance fees, which we believe is unlikely to be sustained as economies open and mobility is restored. We will remain focused on actively managing our clients' portfolios to ensure we deliver long-term investment excellence.

Deepening our understanding of, and focus on, stewardship, both within our business and in our investee companies, remains a priority. We will also continue to invest in our business and remain committed to playing our part as an active and responsible corporate citizen, especially given the current economic conditions.

EXTERNAL AUDIT REVIEW

The external auditors, KPMG Inc. reviewed the condensed consolidated statement of financial position of Coronation Fund Managers Ltd as at 31 March 2021, and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows, earnings per share and condensed consolidated segment report for the period then ended and explanatory notes. The review has been conducted in accordance with the International Standard on Review Engagements 2410. Copies of the unmodified report of KPMG Inc. 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

Mary-Anne Musekiwa
Chief Financial Officer

Cape Town
25 May 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | SIX MONTHS REVIEWED 31 MARCH 2021 R MILLION | SIX MONTHS REVIEWED 31 MARCH 2020 R MILLION | % CHANGE | FULL YEAR AUDITED 30 SEPT 2020 R MILLION |
|--|---|---|-------------|--|
| Fund management activities | | | | |
| Revenue (note 2) | 2 168 | 1 769 | 23% | 3 642 |
| Other income | 43 | 13 | | 29 |
| Total operating expenses | (1 088) | (950) | 15% | (1 952) |
| Other expenses | (1) | (15) | | (1) |
| Operating expenses | (1 087) | (935) | | (1 951) |
| Results from operating activities | 1 123 | 832 | 35% | 1 719 |
| Finance and dividend income | 5 | 13 | | 23 |
| Finance expense | (15) | (14) | | (30) |
| Share of profit of equity-accounted investee | 3 | 3 | | 6 |
| Profit from fund management | 1 116 | 834 | 35% | 1 718 |
| Sundry gains/(losses) | 74 | (6) | | 96 |
| Income attributable to policyholder linked assets and investment partnerships | (2) | - | | 9 |
| Net fair value gains on policyholder and investment partnership financial instruments | 48 | 35 | | 72 |
| Administration expenses borne by policyholders and investors in investment partnerships | (50) | (35) | | (63) |
| Profit before income tax | 1 188 | 828 | 44% | 1 823 |
| Income tax expense | (293) | (204) | | (429) |
| Taxation on shareholder profits | (295) | (204) | | (420) |
| Taxation on policyholder investment contracts | 2 | - | | (9) |
| Profit for the period | 895 | 624 | 44% | 1 394 |
| Other comprehensive income/(loss) (to be reclassified to profit and loss in future periods) | (38) | 27 | | (3) |
| Foreign currency translation differences for foreign operations | (38) | 27 | | (3) |
| Total comprehensive income for the period | 857 | 651 | | 1 391 |
| Profit attributable to: | | | | |
| - equity holders of the Company | 895 | 624 | 44% | 1 394 |
| Profit for the period | 895 | 624 | | 1 394 |
| Total comprehensive income attributable to: | | | | |
| - equity holders of the Company | 857 | 651 | 32% | 1 391 |
| Total comprehensive income for the period | 857 | 651 | | 1 391 |
| Earnings per share (cents) | | | | |
| - basic | 255.8 | 178.3 | 44% | 398.5 |
| - diluted | 255.8 | 178.3 | 44% | 398.5 |
| Note to the statement of comprehensive income | | | | |
| Headline earnings per share (cents) | | | | |
| - basic | 255.8 | 178.3 | 44% | 398.5 |
| - diluted | 255.8 | 178.3 | 44% | 398.5 |
| Dividend per share (cents) | | | | |
| - interim | 244.0 | 178.0 | 37% | 178.0 |
| - final | | | | 205.0 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | REVIEWED 31 MARCH 2021 R MILLION | REVIEWED 31 MARCH 2020 R MILLION | AUDITED 30 SEPT 2020 R MILLION |
|---|---|---|---|
| Assets | | | |
| Intangible assets | 1 088 | 1 088 | 1 088 |
| Equipment | 15 | 15 | 18 |
| Right-of-use asset | 68 | 78 | 76 |
| Investment in equity-accounted investees | 39 | 38 | 41 |
| Deferred tax asset | 160 | 98 | 151 |
| Investments backing policyholder funds and investments held through investment partnerships | 54 696 | 44 967 | 49 473 |
| Investment securities | 1 978 | 1 363 | 1 702 |
| Taxation receivable | – | – | 35 |
| Trade and other receivables | 733 | 569 | 695 |
| Cash and cash equivalents | 425 | 340 | 519 |
| Total assets | 59 202 | 48 556 | 53 798 |
| Liabilities | | | |
| Long-term borrowings (note 4) | 448 | 328 | 467 |
| Long-term other payables | 29 | – | 29 |
| Deferred tax liabilities | 34 | 4 | 44 |
| Lease liabilities | 101 | 109 | 108 |
| Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships | 54 691 | 44 966 | 49 464 |
| Short-term portion of long-term borrowings (note 4) | – | 150 | – |
| External investors in consolidated funds | 759 | 349 | 577 |
| Taxation payable | 5 | 70 | – |
| Trade and other payables | 672 | 397 | 804 |
| Total liabilities | 56 739 | 46 373 | 51 493 |
| Net assets | 2 463 | 2 183 | 2 305 |
| Equity | | | |
| Share capital and premium | 256 | 256 | 256 |
| Retained earnings | 1 930 | 1 604 | 1 752 |
| Reserves | 130 | 196 | 167 |
| Total equity attributable to equity holders of the Company | 2 316 | 2 056 | 2 175 |
| Non-controlling interest in consolidated funds | 147 | 127 | 130 |
| Total equity | 2 463 | 2 183 | 2 305 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | SIX MONTHS REVIEWED 31 MARCH 2021 R MILLION | SIX MONTHS REVIEWED 31 MARCH 2020 R MILLION | FULL YEAR AUDITED 30 SEPT 2020 R MILLION |
|--|---|---|--|
| Cash flows from operating activities | | | |
| Profit from fund management | 1 116 | 834 | 1 718 |
| Non-cash and other adjustments | (12) | 39 | 41 |
| Operating cash flows before changes in working capital | 1 104 | 873 | 1 759 |
| Working capital changes | (156) | (417) | (112) |
| Cash flows from policyholders and investment partnership activities | 404 | 1 443 | (99) |
| Cash generated from operations | 1 352 | 1 899 | 1 548 |
| Interest on lease liabilities | (6) | – | (12) |
| Interest paid | (15) | (14) | (30) |
| Income taxes paid | (270) | (162) | (504) |
| Net cash from operating activities | 1 061 | 1 723 | 1 002 |
| Cash flows from investing activities | | | |
| Finance and dividend income | 5 | 13 | 23 |
| Acquisition of equipment | (2) | (1) | (12) |
| Net sales/(purchases) of securities | 13 | (223) | (191) |
| Net cash from/(utilised in) investing activities | 16 | (211) | (180) |
| Cash flows from financing activities | | | |
| Dividends paid | (717) | (616) | (1 238) |
| Proceeds from long-term borrowings | – | 178 | 167 |
| Lease liabilities paid | (12) | – | (10) |
| Net cash utilised in financing activities | (729) | (438) | (1 081) |
| Increase/(decrease) in cash and cash equivalents | 348 | 1 074 | (259) |
| Net decrease in cash and cash equivalents – shareholders | (56) | (369) | (160) |
| Net increase/(decrease) in cash and cash equivalents – policyholders and investment partnerships | 404 | 1 443 | (99) |
| Cash and cash equivalents at beginning of period | 5 742 | 6 004 | 6 004 |
| Cash and cash equivalents at beginning of period – shareholders | 519 | 682 | 682 |
| Cash and cash equivalents at beginning of period – policyholders and investment partnerships | 5 223 | 5 322 | 5 322 |
| Effect of exchange rate fluctuations on cash held | (38) | 27 | (3) |
| Cash and cash equivalents at end of period | 6 052 | 7 105 | 5 742 |
| Cash and cash equivalents at end of period – shareholders | 425 | 340 | 519 |
| Cash and cash equivalents at end of period – policyholders and investment partnerships | 5 627 | 6 765 | 5 223 |

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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | SHARE CAPITAL AND PREMIUM R MILLION | FOREIGN CURRENCY TRANSLATION RESERVE R MILLION | RETAINED EARNINGS R MILLION | SHARE- BASED PAYMENT RESERVE R MILLION | ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY R MILLION | NON- CONTROLLING INTEREST R MILLION | TOTAL EQUITY R MILLION |
|---|---|--|-----------------------------------|--|---|--|------------------------------|
| Balance at 30 September 2019 (audited) | 256 | 160 | 1 609 | 9 | 2 034 | 147 | 2 181 |
| IFRS 16 adjustment | | | (13) | | (13) | | (13) |
| Profit for the period | | | 624 | | 624 | | 624 |
| Other comprehensive income | | | | | | | |
| Currency translation differences | | 27 | | | 27 | | 27 |
| Total comprehensive income for the period | | 27 | 624 | | 651 | | 651 |
| Transactions with owners recorded directly to equity | | | | | | | |
| Share-based payments | | | | | | | |
| Dividends paid | | | (616) | | (616) | | (616) |
| Change in non-controlling interest in consolidated funds | | | | | | (20) | (20) |
| Total transactions with owners | | | (616) | | (616) | (20) | (636) |
| Balance at 31 March 2020 (reviewed) | 256 | 187 | 1 604 | 9 | 2 056 | 127 | 2 183 |
| Total comprehensive income for the period | | | | | | | |
| Profit for the period | | | 770 | | | | 770 |
| Other comprehensive income | | | | | | | |
| Currency translation differences | | (30) | | | | | (30) |
| Total comprehensive income for the period | | (30) | 770 | | | | 740 |
| Transactions with owners recorded directly to equity | | | | | | | |
| Share-based payments | | | | 1 | 1 | | 1 |
| Dividends paid | | | (622) | | (622) | | (622) |
| Change in non-controlling interest in consolidated funds | | | | | | 3 | 3 |
| Total transactions with owners | | | (622) | 1 | (621) | (3) | (618) |
| Balance at 30 September 2020 (audited) | 256 | 157 | 1 752 | 10 | 2 175 | 130 | 2 305 |
| Profit for the period | | | 895 | | 895 | | 895 |
| Other comprehensive income | | | | | | | |
| Currency translation differences | | (38) | | | (38) | | (38) |
| Total comprehensive income for the period | | (38) | 895 | | 857 | | 857 |
| Transactions with owners recorded directly to equity | | | | | | | |
| Share-based payments | | | (717) | 1 | (717) | | (717) |
| Dividends paid | | | | | | 17 | 17 |
| Change in non-controlling interest in consolidated funds | | | | | | | |
| Total transactions with owners | | | (717) | 1 | (716) | 17 | (699) |
| Balance at 31 March 2021 (reviewed) | 256 | 119 | 1 930 | 11 | 2 316 | 147 | 2 463 |

EARNINGS PER SHARE

| | SIX MONTHS REVIEWED 31 MARCH 2021 R MILLION | SIX MONTHS REVIEWED 31 MARCH 2020 R MILLION | FULL YEAR AUDITED 30 SEPT 2020 R MILLION |
|--|---|---|--|
| Earnings attributable to equity holders of the Company | 895 | 624 | 1 394 |
| Earnings attributable to equity holders of the Company | 895 | 624 | 1 394 |
| Headline earnings attributable to equity holders of the Company | 895 | 624 | 1 394 |
| Earnings per share (cents) | | | |
| - basic | 255.8 | 178.3 | 398.5 |
| - diluted | 255.8 | 178.3 | 398.5 |
| Headline earnings per share (cents) | | | |
| - basic | 255.8 | 178.3 | 398.5 |
| - diluted | 255.8 | 178.3 | 398.5 |

CONDENSED CONSOLIDATED SEGMENT REPORT

| | AFRICA | | | INTERNATIONAL | | | GROUP | | |
|--|--|--|--|--|--|--|--|--|--|
| | SIX MONTHS REVIEWED 31 MARCH 2021 R MILLION | SIX MONTHS REVIEWED 31 MARCH 2020 R MILLION | FULL YEAR AUDITED 30 SEPT 2020 R MILLION | SIX MONTHS REVIEWED 31 MARCH 2021 R MILLION | SIX MONTHS REVIEWED 31 MARCH 2020 R MILLION | FULL YEAR AUDITED 30 SEPT 2020 R MILLION | SIX MONTHS REVIEWED 31 MARCH 2021 R MILLION | SIX MONTHS REVIEWED 31 MARCH 2020 R MILLION | FULL YEAR AUDITED 30 SEPT 2020 R MILLION |
| Segment external revenue | 1 309 | 1 139 | 2 331 | 859 | 630 | 1 311 | 2 168 | 1 769 | 3 642 |
| Segment operating expenses | (778) | (703) | (1 463) | (310) | (247) | (489) | (1 088) | (950) | (1 952) |
| Segment profit | 531 | 436 | 868 | 549 | 383 | 822 | 1 080 | 819 | 1 690 |
| Share of income of equity-accounted investee | 3 | 3 | 6 | - | - | - | 3 | 3 | 6 |
| Net finance and other income/ (expenses) | 91 | 11 | 38 | (58) | 1 | (16) | 33 | 12 | 22 |
| Profit from fund management | 625 | 450 | 912 | 491 | 384 | 806 | 1 116 | 834 | 1 718 |
| Sundry (losses)/ gains | | | | | | | 74 | (6) | 96 |
| Income* | | | | | | | (2) | - | 9 |
| Profit before income tax | | | | | | | 1 188 | 828 | 1 823 |
| Segment assets | 2 071 | 1 285 | 1 901 | 1 148 | 1 003 | 1 068 | 3 219 | 2 288 | 2 969 |
| Investments* | | | | | | | 55 983 | 46 268 | 50 829 |
| Total assets | | | | | | | 59 202 | 48 556 | 53 798 |
| Segment liabilities | 910 | 750 | 999 | 346 | 308 | 453 | 1 256 | 1 058 | 1 452 |
| Investor liabilities** | | | | | | | 55 483 | 45 315 | 50 041 |
| Total liabilities | | | | | | | 56 739 | 46 373 | 51 493 |

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

** Investor liabilities include policyholder investment contract liabilities and liabilities to holders of interest in investment partnerships and external investors in consolidated funds.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of 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 Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the South African Companies Act, No. 71 of 2008 (as amended). The condensed consolidated interim financial statements do not include all of the information required for a complete set of IFRS annual financial statements.

These condensed consolidated interim 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 interim financial statements are presented in South African Rand (R), rounded to the nearest million.

The preparation of the condensed consolidated interim financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key areas in which judgement is applied include:

- the valuation of unlisted investments is the principal area of judgement applied in the preparation of these condensed consolidated interim financial statements. It is the opinion of the directors that fair value approximates carrying amount;
- valuation of the share-based payment expense where inputs are based on observable market inputs, adjusted for factors that specifically apply to the transaction and recognise market volatility;
- assessing whether the Group controls an investee by assessing the power over the investee, exposure or rights, to variable returns from its involvement with its investee and the ability to use its power over the investee to affect the amount of the Group's returns; and
- assessing the probability of a negative outcome in relation to areas of tax uncertainty. In addition, judgement has been applied in determining the ultimate tax authority.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Estimating the incremental borrowing rate used in lease liabilities

The Group applied judgement in determining the incremental borrowing rate. The Group uses its incremental borrowing rate, which reflects what the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs, such as comparable market interest rates for similar financed transactions (where and when available), and is required to make certain entity-specific estimates, such as the adjustments to the rates for the subsidiaries' stand-alone credit rating and country-specific risks.

The accounting policies applied in the presentation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those presented in the 2020 annual financial statements.

These condensed consolidated interim financial statements have been prepared under the supervision of N Salie CA(SA).

2 REVENUE FROM CONTRACTS WITH CUSTOMERS

| | SIX MONTHS REVIEWED 31 MARCH 2021 R MILLION | SIX MONTHS REVIEWED 31 MARCH 2020 R MILLION | AUDITED 30 SEPT 2020 R MILLION |
|------------------|---|---|---|
| Management fees | 1 602 | 1 546 | 3 068 |
| Performance fees | 566 | 223 | 574 |
| | 2 168 | 1 769 | 3 642 |

Revenue from contracts with customers comprises fees earned in respect of fund management activities.

Refer to the condensed consolidated segment report for the geographical split of revenue earned.

All revenue from contracts with customers are earned over time.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3 RELATED PARTY TRANSACTIONS

Related party transactions for the interim period are similar to those disclosed in the Group's annual financial statements for the year ended 30 September 2020. No new significant related party transactions arose during the interim period.

4 LONG-TERM AND SHORT-TERM BORROWINGS

Cumulative redeemable preference shares with fixed dividends payable on a quarterly basis, with R300 million capital repayments due on 1 April 2025.

In addition, long-term borrowings at period end reflect a term loan facility of R148 million (US\$10 million) with The Standard Bank of South Africa Ltd (Standard Bank).

The loan facility is at a fixed rate and capital repayment is due on 17 October 2024.

5 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 counterparty 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 R2 228 million (R2 286 million: 30 September 2020 and R2 957 million: 31 March 2020) have been excluded from the below table in current and prior years respectively.

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

| | LEVEL 1 R MILLION | LEVEL 2 R MILLION | LEVEL 3 R MILLION | TOTAL R MILLION |
|---|----------------------|----------------------|----------------------|--------------------|
| March 2021 (reviewed) | | | | |
| Investments backing policyholder funds and investments held through investment partnerships | 47 284 | 5 184 | - | 52 468 |
| Investment securities | 1 968 | - | 10 | 1 978 |
| | 49 252 | 5 184 | 10 | 54 446 |
| Policyholder, external investor and investment partnership liabilities | - | 53 222 | - | 53 222 |
| March 2020 (reviewed) | | | | |
| Investments backing policyholder funds and investments held through investment partnerships | 36 946 | 5 064 | - | 42 010 |
| Investment securities | 1 353 | - | 10 | 1 363 |
| | 38 299 | 5 064 | 10 | 43 373 |
| Policyholder, external investors and investment partnership liabilities | - | 42 358 | - | 42 358 |
| September 2020 (audited) | | | | |
| Investments backing policyholder funds and investments held through investment partnerships | 42 459 | 4 728 | - | 47 187 |
| Investment securities | 1 692 | - | 10 | 1 702 |
| | 44 151 | 4 728 | 10 | 48 889 |
| Policyholder, external investors and investment partnership liabilities | - | 47 755 | - | 47 755 |

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 R249 million in debentures were transferred from level 1 to level 2 as these are no longer considered to be held in an active market.

6 NON-CONTROLLING INTEREST IN CONSOLIDATED FUNDS AND EXTERNAL INVESTORS IN CONSOLIDATED FUNDS

The Group consolidates the Coronation Global Frontiers Fund, Coronation Global Equity Select [ZAR] Feeder Fund and the Coronation Global Sustainable Equity Income Fund (CCF) due to the seed capital invested in the funds relative to the total fund size being significant. In the current year the Group seeded the Coronation Sustainable Global Emerging Markets Fund (CCF) and Coronation International Equity Fund (CCF) and is the largest unitholder in these funds.

The Group's interest in the Coronation Global Frontiers Fund is 57% (30 September 2020: 57%); its interest in Coronation Global Equity Select [ZAR] Feeder Fund is 22% (30 September 2020: 40%) and its interest in the Coronation Global Sustainable Equity Fund (CCF) is 100% (30 September 2020: 100%) and its holding in Coronation Sustainable Global Emerging Markets Fund and Coronation International Equity Fund is 100%.

7 CONTINGENT LIABILITIES: SOUTH AFRICAN REVENUE SERVICE (SARS) MATTER

From time to time, in common with other organisations, the Group is subject to review by SARS. The Group has been the subject of a review on a matter of principle relating to international operations, and assessed for the 2012 to 2017 financial periods, to which management strongly disagrees and has objected. Management is confident, supported by external advisers, of the Group's position and an outflow is not considered probable when the matter is interpreted by a court of law, the ultimate tax authority on these matters. This matter has been heard and is awaiting judgment by the Western Cape Tax Court. Any amounts involved are currently not considered capable of reliable estimation.

8 RECONCILIATION OF FUND MANAGEMENT EARNINGS

Fund management earnings are used by management to measure operating financial performance, which excludes the net impact of fair value gains and losses, and related foreign exchange, on investment securities held by the Group. In management's view this measure represents the earnings from core business activities of the Group, being fund management activities.

The calculation of fund management earnings is based on headline earnings attributable to ordinary shareholders, adjusted for the after tax and after bonus impact of sundry gains or losses disclosed in the condensed consolidated statement of comprehensive income. These sundry gains and losses include the fair value and foreign exchange movements on investment securities disclosed in the condensed consolidated statement of financial position.

| | SIX MONTHS REVIEWED 31 MARCH 2021 RMILLION | SIX MONTHS REVIEWED 31 MARCH 2020 R MILLION | AUDITED 30 SEPT 2020 R MILLION |
|--|--|---|---|
| Headline earnings attributable to equity holders of the Company | 895 | 624 | 1 394 |
| Sundry (gains)/losses (condensed consolidated statement of comprehensive income) | (74) | 6 | (96) |
| Related tax (28% at capital gains inclusion rate) and bonus impact | 33 | (3) | 42 |
| Fund management earnings | 854 | 627 | 1 340 |
| Fund management earnings per share (cents) | 244.0 | 179.4 | 383.1 |
| Diluted fund management earnings per share (cents) | 244.0 | 179.4 | 383.1 |

9 EVENTS AFTER THE REPORTING PERIOD

The interim cash dividend for the 2021 financial year of R854 million (244 cents per share) was declared based on the actual shares in issue of 349 799 102.

| | |
|------------------------------|--|
| Directors: | S Pather (Chairman)*, A C Pillay (Chief Executive Officer), L Boyce*, N Brown*#, J G February*, P Hadebe*#, J D McKenzie*, M A Musekiwa (Chief Financial Officer), H Nelson*, M Nhlumayo*, S Ntombela*#, A Watson* (* Independent non-executive) (# Appointed 19 October 2020) |
| Company Secretary: | N Hawa |
| Registered office: | 7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont 7708, Cape Town |
| Postal address: | PO Box 44684, Claremont 7735, Cape Town |
| Registration number: | 1973/009318/06 |
| Transfer secretaries: | Computershare Investor Services (Pty) Ltd Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, Gauteng |
| JSE share code: | CML |
| ISIN: | ZAE000047353 |
| LEI: | 3789001BC9A29E6FF77 |
| Website: | www.coronation.com |
| Sponsor: | PSG Capital (Pty) Ltd |

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