



# AUDITED ANNUAL FINANCIAL STATEMENTS

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2018



**CORONATION**

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## DIRECTORS' RESPONSIBILITY REPORT

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The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Coronation Fund Managers Limited, comprising the statement of financial position at 30 September 2018, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, the directors' report and the audit and risk committee report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The board reviews the operation of the system of internal control primarily through the audit and risk committee of Coronation Fund Managers Limited and various other risk monitoring committees.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group's and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate annual financial statements of Coronation Fund Managers Limited are fairly presented in accordance with International Financial Reporting Standards and the Companies Act of South Africa.

### APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Coronation Fund Managers Limited as identified in the first paragraph for the year ended 30 September 2018 set out on pages 7 to 51 were approved by the board of directors on 5 December 2018 and are signed on its behalf by:

**Shams Pather**  
Chairman

5 December 2018

**Anton Pillay**  
Chief executive officer

5 December 2018

## DECLARATION BY THE COMPANY SECRETARY

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In terms of the Companies Act of South Africa (the Act), and for the year ended 30 September 2018, I certify that Coronation Fund Managers Limited has lodged all returns required by the Act with the Companies and Intellectual Property Commission and that all such returns are true, correct and up to date.

**Lee-Anne Parezee**  
Company secretary

5 December 2018

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## AUDIT AND RISK COMMITTEE REPORT

to the shareholders of Coronation Fund Managers Limited

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The group audit and risk committee of Coronation Fund Managers, which acts as the audit and risk committee for all its subsidiaries, is a committee of the board of directors that serves in an advisory capacity to the board and assists the directors to discharge their duties relating to the safeguarding of assets, the operation of adequate systems, risk management and internal controls, the review of financial information and the preparation of the annual financial statements. This includes satisfying the board that adequate internal, operating and financial controls are in place and that material risks have been identified and are being effectively managed and monitored. In addition to the above, the audit and risk committee also has its own statutory responsibilities.

### TERMS OF REFERENCE

The audit and risk committee has adopted a formal audit committee charter that has been updated and approved by the board of directors, and has executed its duties during the past financial year in compliance with the terms of reference.

### Composition of the audit and risk committee and meeting process

The committee, chaired by Professor Alexandra Watson, an independent director, has three additional independent directors as members (Lulama Boyce, Hugo Nelson and Jock McKenzie). The committee met three times during the year with senior management, which included the chief executive officer, certain senior executive management, the chief financial officer, the internal auditor, the global head of risk and compliance and the risk assurance manager.

The external and internal auditors attend these meetings and have unrestricted access to the committee and to its chairman. Ad hoc meetings are held as required.

### Duties

In execution of its statutory duties during the past financial year, the audit and risk committee has:

- + Ensured the appointment as external auditor of the company and its subsidiaries of a registered auditor who, in the opinion of the audit and risk committee, was independent of the company and its subsidiaries.
- + Determined the fees to be paid to the external auditor and such auditor's terms of engagement.
- + Ensured that the appointment of the external auditor complies with any legislation relating to the appointment of such auditors.
- + Determined the nature and extent of any non-audit services which the auditor may provide to the company and its subsidiaries.
- + Pre-approved any proposed contract with the auditor for the provision of non-audit services to the company and its subsidiaries.
- + Considered the independence of the external auditors and has concluded that the external auditor has been independent of the company and its subsidiaries throughout the year taking into account all other non-audit services performed and circumstances known to the committee.
- + Received and dealt appropriately with any complaints relating to the accounting practices and internal audit of the company and its subsidiaries, the content or auditing of its financial statements, the internal financial controls of the company and its subsidiaries, or to any related matter.
- + Made submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting.

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## **LEGAL REQUIREMENTS**

The audit and risk committee has complied with all applicable legal, regulatory and other responsibilities for the financial year.

## **ANNUAL FINANCIAL STATEMENTS**

Following our review of the consolidated and separate annual financial statements for the year ended 30 September 2018, we are of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act of South Africa and International Financial Reporting Standards and that they fairly present the financial position at 30 September 2018 for Coronation Fund Managers Limited and the results of operations and cash flows for the year then ended.

In compliance with requirements of the King Report on Governance for South Africa 2016, an integrated annual report has been compiled for the 2018 financial year in addition to these annual financial statements.

**Alexandra Watson**

Chairman of the audit and risk committee

5 December 2018

# INDEPENDENT AUDITOR'S REPORT

To the shareholders of Coronation Fund Managers Limited

## REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Coronation Fund Managers Limited set out on page 10 to 51, which comprise the consolidated and separate statement of financial position as at 30 September 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 September 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (IESBA code) and other independence requirements applicable to performing the audit of Coronation Fund Managers Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Coronation Fund Managers Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p><b>1. Management and performance fees</b></p> <p>We consider the occurrence and completeness of performance and management fees to be significant to the audit of the Coronation Fund Managers Limited group. This is as a result of the fees being quantitatively significant to the group's annual financial statements and in respect of performance fees in particular are based on differing external benchmarks and rolling periods of performance.</p> <p>The management and performance fees are included in Revenue as set out in note 2 of the group's annual financial statements.</p>	<p>Our audit included the following audit procedures, amongst others:</p> <ul style="list-style-type: none"> <li>+ Understanding the fee arrangements and mandates with clients.</li> <li>+ Assessing that the revenue recognition policies were in terms of International Financial Reporting Standards.</li> <li>+ Considering the financial reporting controls implemented by management to accurately recognise and record performance and management fees.</li> <li>+ Selecting a sample of management and performance fees, and assessing if the fees were calculated in terms of the fee arrangements and mandates with clients.</li> <li>+ Conducting analytical review procedures over performance fees and management fees. These procedures were conducted with reference to the appropriate asset bases.</li> <li>+ Evaluating performance fees earned in the previous financial year as compared to the current financial year and evaluating variances.</li> <li>+ Conducting cut-off accrual testing of performance and management fees.</li> <li>+ Assessing that the management and performance fees were appropriately recorded in the financial statements.</li> </ul>

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p><b>2. Investments</b></p> <p>As disclosed in notes 15.2 and 13 the investment securities and investments backing policyholder funds and investments held through investment partnerships are quantitatively significant to the group as they represent 95.4% of total assets. We thus consider the existence and valuation of these investments to be significant to the audit of the Coronation Fund Managers Limited group. The investments form the basis upon which the respective management and performance fee revenues are earned by the group.</p>	<p>Our audit included the following audit procedures amongst others:</p> <ul style="list-style-type: none"> <li>+ Understanding the operating model and risk management processes of the group in safeguarding investments, including segregation of duties between responsible parties.</li> <li>+ Considering and evaluating the controls, and tests thereof, implemented by management, and at significant outsourced service providers, to evaluate the risks over the existence and valuation assertions of these investments.</li> <li>+ Obtaining independent confirmations of a sample of investment securities to confirm the existence thereof.</li> <li>+ Re-performing the valuations of a sample of investments including where applicable to quoted prices or to the valuation models used by management.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the Directors' Responsibility Report, Directors' Report, Audit and Risk Committee Report and the Declaration by the Company Secretary as required by the Companies Act of South Africa, and the Analysis of Shareholders, Glossary of Financial Reporting Terms, Shareholders' Diary and Corporate Information which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Integrated Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

## INDEPENDENT AUDITORS REPORT

To the shareholders of Coronation Fund Managers Limited (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- + Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- + Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- + Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- + Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- + Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- + Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Coronation Fund Managers Limited for 8 years.

Ernst & Young Inc.  
Director: Leigh-Ann Caroline Killin  
Registered Auditor  
Chartered Accountant (SA)

Waterway House  
3 Dock Road  
Waterfront  
Cape Town  
5 December 2018



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## DIRECTORS' REPORT

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### BUSINESS ACTIVITIES

Coronation Fund Managers Limited (Coronation) (registration number 1973/009318/06) is one of southern Africa's most successful third-party fund management companies. It is a pure fund management business which offers both individual and institutional investors access to local and global expertise across all asset classes. Our institutional and retail investors include some of the largest retirement funds, medical schemes and multi-manager companies, many of the major banking and insurance groups, selected investment advisory businesses, prominent independent financial advisors, high-net-worth individuals and direct account holders of unit trusts and retirement products in South Africa. We also manage a growing number of global institutional clients.

### GROUP RESULTS

Due to the cyclical nature of the business, our revenue stream is highly geared to the returns of the markets and the level of performance that we generate on behalf of our clients. Over the past 12 months, these cyclical pressures have been particularly acute. A very weak domestic economy, combined with meaningful pressure on emerging markets, resulted in the FTSE/JSE All Share Index producing a mediocre return of 3.3% for the year. Emerging markets (as measured by the MSCI Emerging Markets Index) lost 0.8%, while developed markets (as measured by the MSCI All Country World Index) gained 9.8% (both in US dollars). Over the period, the local currency weakened by 4.3% against the US dollar to close at R14.20.

Against this backdrop, our total AUM declined by 4.4% to R587 billion (September 2017: R614 billion), but remained flat compared to that of end March 2018. While our average AUM increased by 3.1% for the 12 months in relation to that of the prior comparable period, revenue declined by 1.8% to R3.8 billion (September 2017: R3.9 billion) for the year.

Fixed expenses continued to be impacted by the implementation costs associated with changing our outsourced fund administration and unit trust client administration service providers, as well as related systems changes. These were mitigated by a commensurate decrease in variable expenses, resulting in total operating expenses remaining flat year on year – a credible performance in an economy with inflationary cost pressures. Headline earnings per share declined by 3.8% to 420.7 cents (September 2017: 437.5 cents).

### FINANCIAL STATEMENTS

The financial statements for the year ended 30 September 2018 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

### CASH RETURNED TO SHAREHOLDERS

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 final gross dividend of 197.0 cents per share has been declared for the year ended 30 September 2018, which has resulted in a final net dividend of 157.6 cents per share for shareholders subject to Dividends Tax (DT). Together with the interim gross dividend of 223.0 cents per share, this amounts to a total gross dividend of 420.0 cents per share for the year.

## DIRECTORS' REPORT (continued)

### SUBSIDIARY AND ASSOCIATE COMPANIES

Details of the principal subsidiary and associate companies are set out in note 21.

The group equity accounts its 40% shareholding in Namibia Asset Management Limited.

The group consolidates the Coronation Global Frontiers Fund as well as the Coronation Global Equity Select Feeder Fund due to the investment in these funds being significant relative to the total fund size.

### DIRECTORS AND SECRETARY

Profiles of directors are provided in the integrated annual report.

Details of the company secretary and the company's registered address are set out on the inside back cover of this report. The business address of the company secretary is the same as the company's registered address.

Executive directors are not employed on fixed-term contracts and have standard employment service agreements with a notice period of at least three months.

### DIRECTORS' INTEREST

There were no material contracts entered into during the financial year in which a director or officer of the company had any interest.

The directors' direct and indirect beneficial interests in the issued share capital of the company were:

	BENEFICIAL		
	DIRECT	INDIRECT	%
<b>2018</b>			
<b>Ordinary shares</b>			
Anton Pillay	357 741	4 348 175	1.35
John Snalam	548 785	22 046	0.16
Hugo Nelson	3 751 046	2 576 370	1.81
<b>2017</b>			
<b>Ordinary shares</b>			
Anton Pillay	343 889	4 349 969	1.34
John Snalam	547 473	22 351	0.16
Hugo Nelson	3 751 046	2 677 480	1.84

There have been no changes in directors' interest subsequent to year-end up to the date of signing the financial statements.

## DIRECTORS' REMUNERATION

Remuneration paid by subsidiaries for services rendered for the year ended 30 September 2018 were as follows:

EXECUTIVE DIRECTORS	SALARY AND OTHER BENEFITS R'000	CASH VARIABLE REMUNERATION R'000	TOTAL CASH REMUNERATION 2018 R'000	TOTAL CASH REMUNERATION 2017 R'000
Anton Pillay	1 732	8 775	10 507	11 061
John Snalam	1 732	2 884	4 616	4 000
<b>Total</b>	<b>3 464</b>	<b>11 659</b>	<b>15 123</b>	<b>15 061</b>

In addition, for non-cash remuneration, refer to the share-based payments and related party notes in the annual financial statements.

Non-executive directors' remuneration for services rendered to the group were as follows:

NON-EXECUTIVE DIRECTORS	BASIC FEE R'000	BOARD MEETINGS R'000	AUDIT AND RISK COMMITTEE MEETINGS R'000	REMUNERATION AND NOMINATIONS COMMITTEE MEETINGS R'000	SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE MEETINGS R'000	TOTAL 2018 R'000	TOTAL 2017 R'000
Shams Pather	135	539	121	224	-	1 019	1 052
Alexandra Watson	124	318	277	-	106	825	735
Judith February	135	304	91	-	148	678	617
Jock McKenzie	135	304	182	210	-	831	829
Lulama Boyce	118	265	159	-	-	542	471
Hugo Nelson	132	296	175	189	-	792	642
<b>Total</b>	<b>779</b>	<b>2 026</b>	<b>1 005</b>	<b>623</b>	<b>254</b>	<b>4 687</b>	<b>4 346</b>

In addition, remuneration for services rendered to subsidiary companies for the year ended 30 September 2018 were as follows:

NON-EXECUTIVE DIRECTORS	BASIC FEE R'000	BOARD MEETINGS R'000	TOTAL 2018 R'000	TOTAL 2017 R'000
Shams Pather	-	91	91	68
Alexandra Watson	-	83	83	68
Lulama Boyce	-	80	80	68
<b>Total</b>	<b>-</b>	<b>254</b>	<b>254</b>	<b>204</b>

## SPECIAL RESOLUTIONS

At the annual general meeting of the company held on 20 February 2018 the following special resolutions were passed:

- + The company was authorised to generally provide any direct or indirect financial assistance contemplated in and subject to the provisions of section 44 and 45 of the Companies Act of South Africa.
- + Correction of the company's remuneration to non-executive directors fees adopted on 14 February 2017 and ratification of payment already made.
- + The company's remuneration to non-executive directors in respect of the financial year ending 30 September 2018 was approved.
- + The directors received general authority to repurchase up to 20% of the company's issued share capital, subject to certain conditions.

## EVENTS SUBSEQUENT TO THE REPORTING DATE

The final cash dividend for the 2018 financial year of R689 million (197 cents per share) was declared based on the actual shares in issue of 349 799 102.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2018

	NOTE	2018 R MILLION	2017 R MILLION
<b>Fund management activities</b>			
Revenue	2	3 848	3 919
Other income	4	18	6
<b>Total operating expenses*</b>	5	<b>(1 933)</b>	(1 934)
Other expenses*	6	(3)	(6)
Operating expenses*		(1 930)	(1 928)
<b>Results from operating activities</b>		<b>1 933</b>	1 991
<b>Finance and dividend income</b>	3.1	<b>38</b>	37
Finance expense	3.2	(24)	(23)
Share of profit of equity-accounted investees	11	8	8
<b>Profit from fund management</b>		<b>1 955</b>	2 013
<b>Income attributable to policyholder linked assets and investment partnerships</b>		<b>5</b>	2
Net fair value gains on policyholder and investment partnership financial instruments	13	99	45
Administration expenses borne by policyholders and investors in investment partnerships	14	(94)	(43)
<b>Profit before income tax</b>		<b>1 960</b>	2 015
<b>Income tax expense</b>	7	<b>(489)</b>	(492)
Taxation on shareholder profits	7	(484)	(490)
Taxation on policyholder investment contracts	7	(5)	(2)
<b>Profit for the year</b>		<b>1 471</b>	1 523
<b>Other comprehensive income (to be reclassified to profit and loss in future periods)</b>		<b>55</b>	67
Foreign currency translation differences for foreign operations		22	(24)
Net change in fair value of available-for-sale financial assets		33	91
<b>Total comprehensive income for the year</b>		<b>1 526</b>	1 590
<b>Profit attributable to:</b>			
– equity holders of the company		1 471	1 523
– non-controlling interest		–	–
<b>Profit for the year</b>		<b>1 471</b>	1 523
<b>Total comprehensive income attributable to:</b>			
– equity holders of the company		1 526	1 590
– non-controlling interest		–	–
<b>Total comprehensive income for the year</b>		<b>1 526</b>	1 590
<b>Earnings per share (cents)</b>			
– basic	8	420.7	435.4
– diluted	8	420.7	435.4

\* 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 'Share-based payment expense'. No foreign exchange losses were incurred in the 2017 financial year, and the foreign exchange losses reported at interim have all reversed.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2018

	NOTE	2018 R MILLION	2017 R MILLION
<b>Assets</b>			
Intangible assets	9	1 088	1 088
Equipment	10	20	21
Investments in equity-accounted investees	11	41	39
Deferred tax asset	12	125	171
Investments backing policyholder funds and investments held through investment partnerships	13	51 424	55 721
Investment securities	15.2	1 190	934
Taxation receivable		15	-
Trade and other receivables	18	448	558
Cash and cash equivalents	18	805	564
<b>Total assets</b>		<b>55 156</b>	<b>59 096</b>
<b>Liabilities</b>			
Long-term borrowings	16	300	150
Deferred tax liabilities	12	23	24
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	14	51 421	55 718
Short-term portion of long-term borrowings	16	-	150
External investors in consolidated funds	15.1	221	-
Taxation payable		-	35
Trade and other payables	18	935	747
<b>Total liabilities</b>		<b>52 900</b>	<b>56 824</b>
<b>Net assets</b>		<b>2 256</b>	<b>2 272</b>
<b>Equity</b>			
Share capital and premium	17	256	256
Retained earnings		1 539	1 607
Reserves		301	243
Total equity attributable to equity holders of the company		2 096	2 106
Non-controlling interest in consolidated funds		160	166
<b>Total equity</b>		<b>2 256</b>	<b>2 272</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2018

	SHARE CAPITAL AND PREMIUM R MILLION	FOREIGN CURRENCY TRANSLATION RESERVE R MILLION
Balance at 30 September 2016	256	155
<b>Total comprehensive income for the year</b>		
Profit for the year		
<b>Other comprehensive income (available to be recycled to profit or loss in future periods)</b>		
Currency translation differences		(24)
Revaluation of available-for-sale financial assets		
Total other comprehensive income		(24)
<b>Total comprehensive income for the year</b>	-	(24)
<b>Transactions with owners recorded directly in 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</b>	256	131
<b>Total comprehensive income for the year</b>		
Profit for the year		
<b>Other comprehensive income (available to be recycled to profit or loss in future periods)</b>		
Currency translation differences		22
Revaluation of available-for-sale financial assets		
Total other comprehensive income		22
<b>Total comprehensive income for the year</b>	-	22
<b>Transactions with owners recorded directly in equity</b>		
Share-based payments		
Dividends paid		
Change in non-controlling interest in consolidated funds		
Total transactions with owners	-	-
<b>Balance at 30 September 2018</b>	256	153

RETAINED EARNINGS R MILLION	SHARE-BASED PAYMENT RESERVE R MILLION	REVALUATION 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
1 586	29	16	2 042	136	2 178
1 523			1 523		1 523
			(24)		(24)
		91	91		91
		91	67		67
1 523	-	91	1 590	-	1 590
	6		6		6
30	(30)				
(1 532)			(1 532)		(1 532)
				30	30
(1 502)	(24)	-	(1 526)	30	(1 496)
1 607	5	107	2 106	166	2 272
1 471			1 471		1 471
			22		22
		33	33		33
		33	55		55
1 471	-	33	1 526	-	1 526
	3		3		3
(1 539)			(1 539)		(1 539)
				(6)	(6)
(1 539)	3	-	(1 536)	(6)	(1 542)
1 539	8	140	2 096	160	2 256

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2018

	NOTE	2018 R MILLION	2017 R MILLION
<b>Cash flows from operating activities</b>			
Profit from fund management		1 955	2 013
Non-cash and other adjustments	22	(15)	15
<b>Operating cash flows before changes in working capital</b>		<b>1 940</b>	<b>2 028</b>
<b>Working capital changes</b>			
Decrease/(increase) in trade and other receivables		126	(58)
Increase in trade and other payables		188	53
<b>Cash flows from policyholder and investment partnership activities</b>	23	<b>(2 427)</b>	<b>(977)</b>
<b>Cash (utilised by)/generated from</b>			
Interest paid		(173)	1 046
Income taxes paid		(24)	(23)
		(490)	(454)
<b>Net cash from operating activities</b>		<b>(687)</b>	<b>569</b>
<b>Cash flows from investing activities</b>			
Finance and dividend income	3.1	38	37
Acquisition of equipment		(12)	(10)
Net (acquisition)/disposal of investment securities		(8)	9
<b>Net cash from investing activities</b>		<b>18</b>	<b>36</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(1 539)	(1 532)
<b>Net cash from financing activities</b>		<b>(1 539)</b>	<b>(1 532)</b>
<b>Decrease in cash and cash equivalents</b>			
Net increase in cash and cash equivalents – shareholders		219	50
Net decrease in cash and cash equivalents – policyholders and investment partnerships		(2 427)	(977)
<b>Cash and cash equivalents at beginning of year</b>			
Cash and cash equivalents at beginning of year – shareholders		564	538
Cash and cash equivalents at beginning of year – policyholders and investment partnerships		7 695	8 672
Effect of exchange rate fluctuations on cash held		22	(24)
<b>Cash and cash equivalents at end of year</b>			
Cash and cash equivalents at end of year – shareholders		805	564
Cash and cash equivalents at end of year – policyholders and investment partnerships		5 268	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.



## ACCOUNTING POLICIES

for the year ended 30 September 2018

Coronation Fund Managers Limited (Coronation) is incorporated in South Africa. The consolidated financial statements for the year ended 30 September 2018 include the company and its subsidiaries, the group's interest in associates and consolidated funds. The financial statements were authorised for issue by the directors on 5 December 2018.

### STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRS and its interpretations issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act of South Africa and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

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

### BASIS OF PREPARATION

The financial statements are presented in South African rand, rounded to the nearest million. They are prepared on the going concern and historical cost basis except that the following assets and liabilities are stated at fair value: financial assets and liabilities at fair value through profit or loss and financial assets classified as available-for-sale.

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

These financial statements have been prepared under the supervision of H Rawoot CA(SA).

### BASIS OF CONSOLIDATION

#### Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the case of the company, investments in subsidiaries are carried at fair value as available-for-sale financial assets.

#### Consolidation

Coronation applies IFRS 10: Consolidated Financial Statements. The consolidated financial statements combine the financial statements of Coronation and all its subsidiaries. Subsidiaries are entities over which Coronation has control.

The group has control over another entity when the group has all of the following:

- + power over the relevant activities of the investee, for example through voting or other rights;
- + exposure to, or rights to, variable returns from its involvement with the investee; and
- + the ability to affect those returns through its power over the investee.

The assessment of control is based on the consideration of all facts and circumstances. The group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the group for the purposes of the consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control. Details of the principal subsidiaries are given in note 21.

#### Associates

The consolidated financial statements include the group's share of the income and expenses and equity movements of associates on an equity-accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

Investments in associates are initially recognised at cost.

In the case of the company, investments in associates are carried at cost less impairments.

Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, to the extent that there is no evidence of impairment.

#### Unconsolidated structured entities

Coronation applies IFRS 12: Disclosure of Interests in Other Entities to identify unconsolidated structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Any significant assumptions and judgements made by management in determining whether an entity meets the definition of a structured entity, and the details of Coronation's interest in these entities, are included in note 21.

## ACCOUNTING POLICIES

for the year ended 30 September 2018 (continued)

### FOREIGN CURRENCY

#### Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to rand at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation, realisation or settlement are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to rand at foreign exchange rates ruling at the dates the fair value was determined.

#### Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated to rand at foreign exchange rates ruling at the reporting date.

The income and expenses of foreign operations are translated to rand at rates approximating foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in the foreign currency translation reserve in other comprehensive income. This reserve is reclassified to profit or loss when foreign operations are disposed of.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised on the same basis as the foreign operation.

#### Net investment in foreign operations

Foreign exchange differences arising from the translation of the net investment in foreign operations are taken to a foreign currency translation reserve. They are reclassified into profit or loss upon disposal.

### FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial instruments are initially recognised at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Purchase and sale transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at trade date.

Where available, market prices provide the best evidence of fair value. Where market prices are not available, the fair value is determined by using appropriate valuation techniques.

#### Financial assets and financial liabilities at fair value through profit or loss

Financial instruments classified as held for trading or designated as at fair value through profit or loss are initially recognised at fair value excluding transaction costs directly attributable to their acquisition which are recognised immediately in profit or loss. After initial recognition, financial assets at fair value through profit or loss are measured at fair value with resulting fair value gains or losses recognised in profit or loss. Financial instruments designated as at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition. Financial instruments measured at fair value include investment securities, investments backing policyholder funds and external investors in consolidated funds, investments held through investment partnerships, policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships.

All investment contract liabilities issued by the group are designated on initial recognition at fair value through profit or loss. This designation significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value. Investments backing policyholder funds and investments held through investment partnerships are held for trading or are designated at fair value through profit or loss since the financial assets are managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The fair value of linked investment contract liabilities is determined based on the fair value of the associated linked financial assets and is net of the taxation payable on investment gains. Changes in the fair value of these financial instruments are recognised in profit or loss in the period in which they arise. Contributions received from policyholders and benefit payments made to policyholders are not recognised in profit or loss but are accounted for as deposits. The taxation payable is separately disclosed as part of taxation in the statement of comprehensive income.

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. The fair value of the external investors in consolidated funds is determined with reference to the quoted prices in an active market of the investments underlying the liability. Changes in the fair value of the external investors in consolidated funds liability are recognised in profit or loss.

### **Fair value hierarchy**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

Fair values are determined according to the following hierarchy based on the requirements of IFRS 13: Fair Value Measurement:

- + 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 values of the policyholder and investment partnership liabilities included in Level 2, are measured with reference to the fair values of the mentioned assets underlying these liabilities.
- + Level 3: Inputs for the asset or liability that are not based on observable market data (significant unobservable inputs).

### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment losses.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reductions for impairment of financial assets.

Financial assets held at amortised cost comprise cash and cash equivalents, trade and other receivables.

Cash and cash equivalents comprise balances held with banks that are not held for investment purposes.

### **Financial assets available-for-sale**

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value on the statement of financial position, with unrealised gains and losses recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on available-for-sale monetary items which are recognised in profit or loss. Cumulative realised gains and losses are reclassified to profit or loss in the period in which the asset is realised. If an available-for-sale financial asset is to be impaired, the respective cumulative losses previously recognised in equity are reclassified to profit or loss in the period in which the impairment is identified.

Financial assets available-for-sale consist of investment securities.

Impairment losses on available-for-sale equity instruments are not reversed through profit or loss once recognised in profit or loss.

### **Other financial liabilities**

Other financial liabilities are subsequently recorded at amortised cost applying the effective interest method. These consist of trade and other payables and interest-bearing borrowings.

### **Derecognition of financial assets and liabilities**

A financial asset, or a portion thereof, is derecognised when the group's contractual rights to cash flows have expired; or when the group has transferred its rights to cash flows relating to the financial assets, in a transaction that transfers substantially all the risks and rewards associated with the financial assets.

If the group enters into a transaction whereby it retains substantially all of the risks and rewards of the assets, and retains control of the assets, the assets are not derecognised.

A financial liability is derecognised when it is extinguished; that is, when the obligation is discharged, cancelled or expired.

### **Derivative instruments**

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The group does not speculate in derivative financial instruments. Derivatives that do not qualify for hedge accounting are accounted for as financial instruments at fair value through profit or loss and the group has not applied hedge accounting in the current or comparative period.

### **Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset when there is both an intention to settle on a net basis or to realise the asset and settle the liability simultaneously and a legal right to offset exists.

## ACCOUNTING POLICIES

for the year ended 30 September 2018 (continued)

### Issued debt and equity financial instruments

The components of compound issued financial instruments are accounted for separately, with the liability component separated first at its fair value and any residual amount being allocated to the equity component.

Equity instruments include share capital and share premium. Equity instruments issued by subsidiaries and consolidated funds of Coronation and not held by the group are recorded as non-controlling interests in the statement of financial position.

Equity instruments are initially measured at cost/considerations net of directly attributable issue costs.

Treasury shares represent issued equity of Coronation repurchased by a group company and which have not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity in the period in which they are declared to the shareholders.

### IMPAIRMENT OF FINANCIAL ASSETS

The group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets, excluding financial assets at fair value through profit or loss, is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred that have a negative effect on the estimated future cash flows of that asset.

#### Assets measured at amortised cost

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The impairment loss is recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, limited to what the carrying value would have been had no impairment loss been recognised in the past.

#### Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation, where relevant) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss. Reversals of impairment in respect of equity instruments classified as available-for-sale are recognised directly in other comprehensive income.

Reversals of impairment losses on available-for-sale debt instruments are recognised in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

### EQUIPMENT

Equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the equipment is capitalised as part of the equipment. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the estimated useful life of the component. The depreciable amount related to each component is determined as the difference between the cost and the residual value of the component. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of a component of similar age and condition as expected at the end of its useful life. The residual values, estimated useful lives and depreciation methods of equipment are reassessed at each reporting date.

The estimated depreciation rates for each class of equipment for the current and comparative periods are as follows:

+ Computer equipment	33% – 50%
+ Furniture and fittings	10% – 20%
+ Office equipment	20%

Leasehold improvement depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the operating lease.

Routine maintenance of assets is expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

The carrying amount of an item of equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition, determined as the difference between the net disposal proceeds and the carrying amount of the item, is recognised in profit or loss when the item is derecognised.

## **IMPAIRMENT OF NON-FINANCIAL ASSETS**

At each reporting date, the group assesses whether there is any indication that an asset (excluding deferred tax assets) may be impaired. The recoverable amount, being the higher of fair value less costs to sell and value in use, is determined for any asset for which an indication of impairment is identified. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the 'cash-generating unit'). If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs will be determined. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised as an expense in profit or loss in the period in which they are identified. An impairment loss in respect of goodwill is not reversed. In respect of other assets, reversal of impairment losses is recognised in profit or loss in the period in which the reversal is identified, to the extent that the asset is not increased to a carrying value higher than it would have been had no impairment loss been recognised for the asset in prior years.

## **LEASES**

Leases in terms of which the group as the lessee assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised in profit or loss on a straight-line basis over the term of the lease as an integral part of the total lease expense.

## **INTANGIBLE ASSETS AND GOODWILL**

### **Goodwill**

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries and associates. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the equity-accounted investee.

A gain on a bargain purchase arising on an acquisition is recognised directly in profit or loss.

### **Intangible assets**

Intangible assets that are acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

### **Subsequent expenditure**

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### **Amortisation**

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite, from the date they are available for use.

### **Derecognition**

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

## **EMPLOYEE BENEFITS**

The cost of all employee benefits is recognised as an expense during the period in which the employee renders the related service. The accrual for employee entitlements to remuneration and annual leave represents the amount which the group has a present obligation to pay as a result of employees' services provided by the reporting date. These accruals have been calculated at undiscounted amounts based on current salary rates.

## ACCOUNTING POLICIES

for the year ended 30 September 2018 (continued)

### Defined contribution plans

A defined contribution plan is a benefit plan under which an entity pays fixed contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

### Share-based payment transactions with employees

The group engages in equity-settled share-based payment transactions in respect of services received from employees.

The fair value of the services received in respect of equity-settled share-based payment transactions is determined by reference to the fair value of the shares or share options on the grant date to the employee. The cost of the share-based payment is recognised as an expense, with a corresponding increase in equity, over the vesting period of the grant. The amount recognised as an expense is adjusted to reflect the actual number of instruments that are expected to vest.

The increase in equity arising on the recognition of the share-based payments expense is recorded in the share-based payments reserve. Subsequently, once the transaction which gave rise to the initial expense has reached its conclusion, the portion of the share-based payments reserve which arose as a result of that particular transaction is transferred to retained earnings.

The grant date fair value measurement is based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends, share price as at grant date and any market-based performance conditions attaching to the grant.

### PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are liabilities of uncertain timing or amount, and are recognised if, as a result of a past event, the group has created a legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent assets and contingent liabilities are not recognised.

### REVENUE

Revenue from fund management activities comprises fund management fees, service fees and initial charges.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is determined by reference to services rendered to date in terms of the relevant agreements.

Performance fee income is included in management fee income and is recognised as and when the group is unconditionally entitled to the revenue and no contingency with respect to future performance exists.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax and rebates.

### Financial and other income

Financial income comprises interest and dividend income. Other income comprises realised and unrealised profits and losses on disposal or gains or losses on revaluation of financial assets, realised and unrealised foreign exchange gains and losses and other sundry income.

Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established.

### EXPENSES

#### Finance expense

Finance expense comprises interest payable on borrowings calculated using the effective interest method.

#### Income tax expense

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss unless the underlying transaction is recognised in other comprehensive income or equity, in which case the related tax is also recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary deductible and taxable differences are not provided for: initial recognition of goodwill not deductible for tax purposes; the initial recognition of assets or liabilities in a transaction that is not a business combination that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and associates to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or different tax entities, but they intend to settle current tax assets and liabilities on a net basis or if their tax assets and liabilities will be realised simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recorded.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Uncertain tax treatments are considered individually or collectively depending on the uncertainty of the impact on the taxation and deferred taxation and how the tax authority will make its examination. Judgements and estimates made in accounting for uncertain tax treatments are reassessed if the facts and circumstances on which the judgement or estimate was based change or as a result of new information. In determining the tax impact of an uncertainty, management considers whether it is probable that the taxation authority, ultimately being the court of law, will accept the uncertain treatment, and, if so no tax liability is raised, otherwise management reflects the uncertainty in estimating the tax liability.

### **EARNINGS PER SHARE**

The group presents basic, diluted and headline earnings per share data for its ordinary shares. Basic earnings per share is based on profit or loss attributable to equity holders of the company, and will not include non-controllable interest, and is calculated on the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Headline and diluted headline earnings per share is calculated in accordance with the circular titled Headline Earnings issued by the South African Institute of Chartered Accountants.

### **SEGMENT REPORTING**

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. An operating segment's operating results are reviewed regularly by the executive committee in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the executive committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### **BLACK ECONOMIC EMPOWERMENT TRANSACTIONS**

The scope of IFRS 2: Share-based Payment includes the group's B-BBEE ownership initiatives in accordance with international interpretations in this regard. Where goods or services are received from black economic empowerment partners as consideration for equity instruments of the group, then these transactions are accounted for in terms of IFRS 2, even when the goods and services cannot be specifically identified.

### **MANAGED FUNDS AND TRUST ACTIVITIES**

Certain companies within the group operate unit trusts and hold and invest funds on behalf of clients. Assets and liabilities representing such activities are not reflected on the statement of financial position, as these relate directly to clients. The values of these items are disclosed in the notes. Income from these activities is brought to account over the period to which the service relates.

### **KEY MANAGEMENT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of 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 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 recognising 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 groups returns (refer note 21).
- + Assessing the probability of a negative outcome in relation to areas of tax uncertainty. In addition, judgement has been applied in determination of the ultimate tax authority.



## ACCOUNTING POLICIES

for the year ended 30 September 2018 (continued)

### IFRS, AMENDMENTS AND IFRIC INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following IFRS and amendments that are relevant to the group have been issued but are not yet effective for the current financial year. The group will adopt these no later than their effective dates, to the extent that they are applicable to its activities. With the exception of IFRS 9 and IFRS 15, the impact of these are currently being assessed by management in light of internal interpretation and practice in the market.

+ **IFRS 2: Share-based Payment**

*Effective for annual periods beginning on or after 1 January 2018*

The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement.

+ **IFRS 9: Financial Instruments**

*Effective for annual periods beginning on or after 1 January 2018*

The chapters regarding classification and measurement of financial instruments have been issued by the International Accounting Standards Board (IASB). This phase of the new standard will have an impact on the classification and measurement of financial assets and a change in reporting regarding financial liabilities designated at fair value through profit or loss using the fair value option.

IFRS 9 will not have a material impact on opening equity for the 2019 financial year. Comparatives will not be restated.

+ **IFRS 15: Revenue from Contracts with Customers**

*Effective for annual periods beginning on or after 1 January 2018*

The standard emphasises how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard applies a single, principle-based five-step model to be applied to all contracts with customers.

IFRS 15 will not have a material impact on opening equity for the 2019 financial year. Comparatives will not be restated.

+ **IFRS 16: Leases**

*Effective for annual periods beginning on or after 1 January 2019*

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17.

+ **IFRIC 22 Foreign Currency Transactions and Advance Consideration**

*Effective for annual periods beginning on or after 1 January 2018*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018

## 1 OPERATING SEGMENTS

Segment information is presented in respect of the group's operating segments based on geographical location. The international segment consists of internationally domiciled funds and clients as well as South African clients with international mandates.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Each segment's operating profitability is measured based on segment results and the segment's income from fund management.

	AFRICA		INTERNATIONAL		GROUP	
	2018 R MILLION	2017 RESTATED** R MILLION	2018 R MILLION	2017 RESTATED** R MILLION	2018 R MILLION	2017 R MILLION
<b>Segment report</b>						
<b>Fund management</b>						
Segment external revenue	2 516	2 525	1 332	1 394	3 848	3 919
<b>Segment operating expenses</b>	(1 457)	(1 461)	(476)	(473)	(1 933)	(1 934)
Other expenses	(3)	(6)	-	-	(3)	(6)
Operating expenses	(1 454)	(1 455)	(476)	(473)	(1 930)	(1 928)
<b>Segment result</b>	1 059	1 064	856	921	1 915	1 985
<b>Segment financial income</b>	33	40	23	3	56	43
Finance and dividend income	34	34	4	3	38	37
Other income	(1)	6	19	-	18	6
<b>Segment finance expense</b>	(23)	(23)	(1)	-	(24)	(23)
<b>Share of profit of equity-accounted investees</b>	8	8	-	-	8	8
<b>Segment income from fund management</b>	1 077	1 089	878	924	1 955	2 013
<b>Income attributable to policyholder linked assets and investment partnerships</b>					5	2
Net fair value gains on policyholder and investment partnership financial instruments					99	45
Administration expenses borne by policyholders and investors in investment partnerships					(94)	(43)
<b>Profit before income tax</b>					1 960	2 015
<b>Income tax expense</b>					(489)	(492)
Taxation on shareholder profits					(484)	(490)
Taxation on policyholder investment contracts					(5)	(2)
<b>Profit for the year</b>					1 471	1 523
<b>Attributable to:</b>						
- equity holders of the company					1 471	1 523
- non-controlling interest					-	-
<b>Profit for the year</b>					1 471	1 523

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

	AFRICA		INTERNATIONAL		GROUP	
	2018 R MILLION	2017 RESTATED** R MILLION	2018 R MILLION	2017 RESTATED** R MILLION	2018 R MILLION	2017 R MILLION
<b>1 OPERATING SEGMENTS (continued)</b>						
Segment report (continued)						
Segment assets	1 557	1 121	921	956	2 478	2 077
Intangible assets					1 088	1 088
Investment in equity-accounted investee					41	39
Deferred tax assets					125	171
Investments backing policyholder funds and investments held through investment partnerships					51 424	55 721
<b>Total assets</b>	<b>1 557</b>	<b>1 121</b>	<b>921</b>	<b>956</b>	<b>55 156</b>	<b>59 096</b>
Segment liabilities	1 218	866	238	181	1 456	1 047
Deferred tax liabilities					23	24
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships					51 421	55 718
Taxation payable					-	35
<b>Total segment liabilities</b>	<b>1 218</b>	<b>866</b>	<b>238</b>	<b>181</b>	<b>52 900</b>	<b>56 824</b>

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

### Major customers

None of the group's customers individually represent revenue in excess of 10% of the group's total revenue.

	2018 R MILLION	2017 R MILLION
<b>2 REVENUE</b>		
Management, performance and service fees	3 848	3 919
<b>3 FINANCE AND DIVIDEND INCOME AND EXPENSE</b>		
<b>3.1 Finance and dividend income</b>		
Finance income on available-for-sale financial assets	3	1
Finance income from loans and receivables	29	30
Dividend income on financial assets at fair value through profit or loss	6	6
	<u>38</u>	<u>37</u>
<b>3.2 Finance expense</b>		
Finance expense on interest-bearing borrowings	24	23
	<u>24</u>	<u>23</u>
<b>4 OTHER INCOME</b>		
Foreign exchange gains	16	1
Revaluation of financial assets at fair value through profit or loss	-	4
Other sundry gains	2	1
	<u>18</u>	<u>6</u>
<b>5 OPERATING EXPENSES</b>		
are stated after taking into account:		
Auditor's remuneration: audit fees		
- current year	3	3
- prior year	2	2
Depreciation	13	20
Distribution expenses	207	242
Fund administration services	126	161
Information technology and communication costs	145	126
Marketing expenses	98	78
Operating lease payments	29	27
Personnel expenses (including executive directors' remuneration)		
- salaries and incentive compensation	1 098	1 088
- provident fund contributions	40	36
- social security costs	6	5
- share-based payment expense	3	6

Details of the directors' remuneration and their interests are disclosed in the directors' report on pages 8 to 9 and in notes 6 and 20.

#### Coronation retirement fund

All employees are members of a defined contribution provident fund, which is governed by the Pension Funds Act, 24 of 1956, as amended. No valuation is performed as the liability of the fund cannot exceed its assets. Other than ongoing contributions charged against income as incurred, the group has no further retirement benefit obligations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

### 6 SHARE-BASED PAYMENT EXPENSE

#### Share transactions

Coronation Investments and Trading Limited (CIT) offered Coronation shares to employees of the group in 2005. The sale of shares is restricted while an employee is employed by Coronation. The compensation benefit which was required to be spread over the vesting period was approximated by the intrinsic value of the offer, being the difference between the market share price and the offer price on grant date.

	2018 NUMBER	2017 NUMBER
Details of number of restricted shares held during the year		
At beginning of year	23 531 668	23 531 668
At end of year	23 531 668	23 531 668

#### Equity-based remuneration of executive directors

As at 30 September 2018, Anton Pillay held 125 000 restricted Coronation shares with a market value of R6.7 million (2017: 125 000 shares with a market value of R8.4 million).

#### B-BBEE transaction

Coronation established the Imvula Trust to facilitate its B-BBEE transactions. On 1 April 2005, the Imvula Trust acquired 10% of Coronation Investment Management Proprietary Limited from Coronation. The acquisition consideration amounted to R147 million, based on a price per Coronation share of R3.85, and was funded by the issue of redeemable preference shares to a third-party financier. The funding was guaranteed by Coronation and the Imvula Trust was consolidated into the group's financial statements. The Imvula Trust was no longer consolidated into the group as from 28 February 2013.

During 2014, the Imvula II Trust was formed to house unallocated units. A board of trustees was established to nominate the beneficiaries of the Imvula II Trust who will, upon fulfilment of certain conditions, have an interest in the underlying shares held by the Imvula Trust. Performance and service conditions impact the vesting period of the shares, which ranges from three to five years. The majority of these units have been allocated to beneficiaries as at 30 September 2018.

The fair value was estimated at the date of the sale in 2005 using an option valuation model. The inputs into the model were as follows:

+ Assumed employee forfeiture rate per annum	5%
+ Dividend yield	6.5%
+ Fair value at grant date (cents per share)	385

The assumed forfeiture rate for 2018 is 2% (2017: 2%).

	2018 R MILLION	2017 R MILLION
Expense charged to profit or loss		
B-BBEE transaction	3	6
<b>Total expense</b>	<b>3</b>	<b>6</b>

	2018 R MILLION	2017 R MILLION
<b>7 INCOME TAX EXPENSE</b>		
Taxation on shareholder profits		
Normal tax		
South Africa		
– current tax on income for the year	373	412
– adjustments in respect of prior years	(4)	(13)
Other – International		
– current tax on income for the year	78	100
– adjustments in respect of prior years	–	–
<b>Total current tax</b>	<b>447</b>	<b>499</b>
Deferred tax		
South Africa	17	7
– origination and reversal of temporary difference	17	7
International	20	(16)
<b>Total deferred tax</b>	<b>37</b>	<b>(9)</b>
Taxation on shareholder profits	484	490
Taxation on policyholder investment contracts	5	2
<b>Income tax expense</b>	<b>489</b>	<b>492</b>
The rates of corporation tax for the relevant years are:		
South Africa	28%	28%
International (average)	16%	16%
Profit from fund management before tax	1 955	2 013
Taxation on shareholder profits	484	490
Effective tax rate excluding policyholder tax	25%	24%
Effective tax rate including policyholder tax	25%	24%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

	2018 R MILLION	2017 R MILLION
<b>7 INCOME TAX EXPENSE (continued)</b>		
Reconciliation of taxation on shareholder profits		
The tax charge is different to the standard rate as detailed below:		
Tax on profit from fund management before tax, at SA rate of 28%	547	564
Effect of tax rates in foreign jurisdictions	(76)	(81)
Share-based payment expense	1	2
Non-deductible expenses	18	20
Overprovided in prior years	(4)	(13)
Effect of equity-accounted profits included net of tax	(2)	(2)
<b>Taxation on shareholder profits</b>	<b>484</b>	<b>490</b>
<b>Tax on policyholder investment contracts</b>		
Current tax		
South Africa		
– current tax on income for the year	4	19
Deferred tax		
South Africa	1	(17)
<b>Tax on policyholder investment contracts</b>	<b>5</b>	<b>2</b>
<b>Income tax expense</b>	<b>489</b>	<b>492</b>
<b>8 EARNINGS PER SHARE</b>		
<b>BASIC EARNINGS PER SHARE (CENTS)</b>	<b>CENTS</b>	<b>CENTS</b>
Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted number of ordinary shares in issue during the year.	420.7	435.4
	<b>NUMBER '000</b>	<b>NUMBER '000</b>
Issued ordinary shares at beginning of year	349 799	349 799
Weighted average number of ordinary shares in issue during the year	349 799	349 799
<b>Adjusted weighted number of ordinary shares potentially in issue</b>	<b>349 799</b>	<b>349 799</b>
	<b>R MILLION</b>	<b>R MILLION</b>
Earnings attributable to shareholders	1 471	1 523
Non-controlling interest	–	–
<b>Earnings attributable to ordinary shareholders</b>	<b>1 471</b>	<b>1 523</b>

	2018 CENTS	2017 CENTS			
<b>8 EARNINGS PER SHARE (continued)</b>					
<b>Diluted earnings per share (cents)</b>					
Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the year plus the weighted average number of ordinary shares potentially in issue.	<b>420.7</b>	435.4			
	<b>R MILLION</b>	<b>R MILLION</b>			
Earnings attributable to shareholders	<b>1 471</b>	1 523			
<b>Diluted earnings attributable to ordinary shareholders</b>	<b>1 471</b>	1 523			
<b>Headline earnings per share (cents)</b>					
Headline earnings per share has been calculated in accordance with the circular titled Headline Earnings issued by the South African Institute of Chartered Accountants					
	<b>PROFIT BEFORE TAX R MILLION</b>	<b>TAX R MILLION</b>	<b>NON- CONTROLLING INTEREST R MILLION</b>	<b>EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS R MILLION</b>	<b>PER SHARE CENTS</b>
<b>2018</b>					
Per the financial statements	<b>1 960</b>	<b>(489)</b>	-	<b>1 471</b>	<b>420.7</b>
<b>Headline earnings</b>	<b>1 960</b>	<b>(489)</b>	-	<b>1 471</b>	<b>420.7</b>
<b>Diluted headline earnings per share (cents)</b>				<b>1 471</b>	<b>420.7</b>
<b>2017</b>					
Per the financial statements	2 015	(492)	-	1 523	435.4
Adjustments:					
- Loss on disposal of investments	10	(3)	-	7	2.1
<b>Headline earnings</b>	<b>2 025</b>	<b>(495)</b>	-	<b>1 530</b>	<b>437.5</b>
<b>Diluted headline earnings per share (cents)</b>				<b>1 530</b>	<b>437.5</b>
<b>DIVIDENDS PER SHARE</b>	<b>2018 CENTS</b>	<b>2017 CENTS</b>			
Dividend distribution					
- interim: declared 21 May 2018 (2017: 23 May 2017)	<b>223</b>	220			
- final: declared 19 November 2018 (2017: 20 November 2017)	<b>197</b>	217			
<b>Total dividend</b>	<b>420</b>	437			

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

	2018 R MILLION	2017 R MILLION
<b>9 INTANGIBLE ASSETS</b>		
Goodwill (cost)	1 088	1 088
Total	<b>1 088</b>	1 088

Substantially all goodwill arose on the acquisition of the group's Africa fund management operations and is allocated to this cash-generating unit for impairment testing purposes. The recoverable amount of goodwill has been assessed at the reporting dates based on a Level 3 fair value hierarchy valuation of this business, with reference to the group's traded share price, Africa assets under management and applying a discount factor for the listed premium derived from external industry sources. The recoverable amount significantly exceeded the carrying value of goodwill. No goodwill impairment is thus required.

	COMPUTER EQUIPMENT R MILLION	FURNITURE AND FITTINGS R MILLION	OFFICE EQUIPMENT R MILLION	LEASEHOLD IMPROVEMENTS R MILLION	TOTAL R MILLION
<b>10 EQUIPMENT</b>					
<b>2018</b>					
<b>Cost</b>					
At beginning of year	99	16	12	6	133
Additions	12	-	-	-	12
Disposals	(1)	-	-	-	(1)
At end of year	<b>110</b>	<b>16</b>	<b>12</b>	<b>6</b>	<b>144</b>
<b>Accumulated depreciation</b>					
At beginning of year	(83)	(14)	(11)	(4)	(112)
Depreciation	(11)	(1)	-	(1)	(13)
Disposals	1	-	-	-	1
At end of year	<b>(93)</b>	<b>(15)</b>	<b>(11)</b>	<b>(5)</b>	<b>(124)</b>
<b>Net carrying value – 2018</b>	<b>17</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>20</b>
<b>2017</b>					
<b>Cost</b>					
At beginning of year	92	16	10	6	124
Additions	8	-	2	-	10
Disposals	(1)	-	-	-	(1)
At end of year	<b>99</b>	<b>16</b>	<b>12</b>	<b>6</b>	<b>133</b>
<b>Accumulated depreciation</b>					
At beginning of year	(66)	(13)	(10)	(4)	(93)
Depreciation	(18)	(1)	(1)	-	(20)
Disposals	1	-	-	-	1
At end of year	<b>(83)</b>	<b>(14)</b>	<b>(11)</b>	<b>(4)</b>	<b>(112)</b>
<b>Net carrying value – 2017</b>	<b>16</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>21</b>



	2018 R MILLION	2017 R MILLION
<b>11 INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES</b>		
Analysis of the movement in our share of net assets:		
At beginning of year	39	37
Share of profit from equity-accounted investee	8	8
Dividends received	(6)	(6)
At end of year	<u>41</u>	<u>39</u>

Summary financial information of equity-accounted investees:

	COUNTRY	OWNERSHIP %	ASSETS R MILLION	LIABILITIES R MILLION	EQUITY R MILLION	REVENUE R MILLION	PROFIT R MILLION
<b>2018</b>							
Namibia Asset Management Limited	Namibia	40.05	23	7	16	35	8
	COUNTRY	OWNERSHIP %	ASSETS R MILLION	LIABILITIES R MILLION	EQUITY R MILLION	REVENUE R MILLION	PROFIT R MILLION
<b>2017</b>							
Namibia Asset Management Limited	Namibia	40.05	21	6	15	33	8

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

	ASSETS		LIABILITIES		NET	
	2018 R MILLION	2017 R MILLION	2018 R MILLION	2017 R MILLION	2018 R MILLION	2017 R MILLION
<b>12 DEFERRED TAX</b>						
Deferred tax assets and liabilities are attributable to the following:						
Employee benefits	119	160	-	-	119	160
Provisions and prepayments	6	11	-	-	6	11
Unrealised fair value adjustments on financial assets						
- shareholders	-	-	(20)	(22)	(20)	(22)
- policyholders	-	-	(3)	(2)	(3)	(2)
Net deferred tax assets/liabilities	125	171	(23)	(24)	102	147

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR	BALANCE	RECOGNISED	RECOGNISED	FOREIGN	BALANCE
	2017 R MILLION	IN PROFIT OR LOSS R MILLION	IN OTHER COMPRE- HENSIVE INCOME R MILLION	CURRENCY TRANSLATION DIFFERENCES R MILLION	2018 R MILLION
Employee benefits	160	(41)	-	-	119
Provisions and prepayments	11	(5)	-	-	6
Unrealised fair value adjustments on financial assets	(24)	8	(6)	(1)	(23)
	147	(38)	(6)	(1)	102

	BALANCE	RECOGNISED	RECOGNISED	FOREIGN	BALANCE
	2016 R MILLION	IN PROFIT OR LOSS R MILLION	IN OTHER COMPRE- HENSIVE INCOME R MILLION	CURRENCY TRANSLATION DIFFERENCES R MILLION	2017 R MILLION
Employee benefits	159	2	-	(1)	160
Provisions and prepayments	3	8	-	-	11
Unrealised fair value adjustments on financial assets	(25)	16	(8)	(7)	(24)
	137	26	(8)	(8)	147

	2018 R MILLION	2017 R MILLION
<b>13 INVESTMENTS BACKING POLICYHOLDER FUNDS AND INVESTMENTS HELD THROUGH INVESTMENT PARTNERSHIPS</b>		
<b>Net fair value gains on policyholder and investment partnership financial instruments</b>		
Investment income	2 828	2 882
Realised and unrealised (losses)/gains on financial assets	(1 245)	1 644
Increase in liabilities to policyholders and holders of redeemable interests in investment partnerships	(1 484)	(4 481)
	<b>99</b>	<b>45</b>
<b>Policyholder and investment partnership investments</b>		
Equities	18 548	18 005
Mining	2 927	2 741
Banks, insurance and financial services	4 082	3 366
Industrial, retail and other sectors	11 535	11 857
Unlisted investments	4	41
Derivative financial instruments	2	13
Real estate funds and property loan stock companies	3 808	5 786
Interest-bearing stocks, debentures and other loans	13 921	13 522
Deposits at financial institutions	5 268	7 695
Domestic unit trusts	2 741	2 607
Mutual funds	6 973	7 673
International bonds	56	33
Unsettled trades	10	239
	<b>51 327</b>	<b>55 573</b>
Investments at book value	53 597	57 334
Unrealised investment losses	(2 268)	(1 761)
Partnership trade receivables	95	148
Balance at end of year	<b>51 424</b>	<b>55 721</b>
<b>Comprising:</b>		
Investments backing policyholder funds	47 985	51 967
Investments held through investment partnerships	3 439	3 754
	<b>51 424</b>	<b>55 721</b>
<b>14 POLICYHOLDER INVESTMENT CONTRACT LIABILITIES AND LIABILITIES TO HOLDERS OF INTERESTS IN INVESTMENT PARTNERSHIPS</b>		
<b>Movement in financial liability:</b>		
Balance at beginning of year	54 168	62 056
Contributions from policyholders and investors	19 001	20 115
Investment income	16 173	17 233
	2 828	2 882
	(22 007)	(29 647)
Withdrawals by policyholders and investors	(21 908)	(29 602)
Operating expenses	(94)	(43)
Taxation on policyholder investment contracts	(5)	(2)
Realised and unrealised net fair value (losses)/gains on investments designated at fair value through profit or loss backing policyholder funds and holders of interest in investment partnerships	(1 245)	1 644
<b>Balance at end of year</b>	<b>49 917</b>	<b>54 168</b>
Trade payables	66	579
Short positions	1 438	972
Deferred tax	3	2
Balance at end of year	<b>51 424</b>	<b>55 721</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

	2018 R MILLION	2017 R MILLION
<b>14 POLICYHOLDER INVESTMENT CONTRACT LIABILITIES AND LIABILITIES TO HOLDERS OF INTERESTS IN INVESTMENT PARTNERSHIPS (continued)</b>		
Comprising:		
Liability to policyholders in respect of investment contracts	47 981	51 964
Liability to holders of redeemable interests in investment partnerships	3 440	3 754
	<b>51 421</b>	<b>55 718</b>
Deferred tax liabilities	3	3
	<b>51 424</b>	<b>55 721</b>

The amount of cash placed as collateral in respect of scrip borrowings amounts to R170 million (2017: R42 million). This amount is recognised within deposits at financial institutions by the investment partnerships. In addition to this, the investment partnerships have placed scrip as collateral amounting to R1.4 billion (2017: R1 billion). This collateral relates to the short sale transactions.

Policyholder liabilities are payable on demand. Trade payables relate to costs incurred on behalf of policyholders.

## 15 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 15.1 Accounting classifications

The table below sets out the group's classification of each class of financial assets and financial liabilities: For financial assets and financial liabilities not designated at fair value through profit and loss and available-for-sale, the carrying value approximates fair value.

R MILLION	NOTE	DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	AVAILABLE- FOR-SALE	FINANCIAL LIABILITIES AT AMORTISED COST	CARRYING AMOUNT
<b>2018</b>						
Cash and cash equivalents		-	805	-	-	805
Trade and other receivables		-	448	-	-	448
Investments backing policyholder funds	13	47 985	-	-	-	47 985
Investments held through investment partnerships	13	3 439	-	-	-	3 439
Investment securities	15.2	157	-	1 033	-	1 190
		<b>51 581</b>	<b>1 253</b>	<b>1 033</b>	-	<b>53 867</b>
Trade and other payables		-	-	-	935	935
Liability to policyholders in respect of investment contracts		47 981	-	-	-	47 981
Liability to holders of redeemable interests in investment partnerships		3 440	-	-	-	3 440
External investors in consolidated funds		221	-	-	-	221
Long-term borrowings and short-term portion of long-term borrowings		-	-	-	300	300
		<b>51 642</b>	-	-	<b>1 235</b>	<b>52 877</b>

## 15 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### 15.1 Accounting classifications (continued)

R MILLION	NOTE	DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	AVAILABLE- FOR-SALE	FINANCIAL LIABILITIES AT AMORTISED COST	CARRYING AMOUNT
<b>2017</b>						
Cash and cash equivalents		-	564	-	-	564
Trade and other receivables		-	558	-	-	558
Investments backing policyholder funds	13	51 967	-	-	-	51 967
Investments held through investment partnerships	13	3 754	-	-	-	3 754
Investment securities	15.2	151	-	783	-	934
		<u>55 872</u>	<u>1 122</u>	<u>783</u>	<u>-</u>	<u>57 777</u>
Trade and other payables		-	-	-	747	747
Liability to policyholders in respect of investment contracts		51 964	-	-	-	51 964
Liability to holders of redeemable interests in investment partnerships		3 754	-	-	-	3 754
External investors in consolidated funds		-	-	-	-	-
Long-term borrowings and short-term portion of long-term borrowings		-	-	-	300	300
		<u>55 718</u>	<u>-</u>	<u>-</u>	<u>1 047</u>	<u>56 765</u>
					<b>2018 R MILLION</b>	<b>2017 R MILLION</b>

### 15.2 Investment securities

#### Financial assets available-for-sale

- Mutual funds and unit trusts (including consolidated funds)	<b>705</b>	464
- Listed equities and bonds in respect of consolidated funds	<b>328</b>	319

#### Financial assets at fair value through profit and loss

- Unit trusts	<b>157</b>	151
	<b>1 190</b>	934

### 15.3 Loan to Intembeko Investment Administrators (Pty) Ltd (IntIA)

At beginning of year	-	-
Loans advanced during the year	<b>42</b>	-
Loss on loan due to discounting	<b>(16)</b>	-
Value of loan at end of year	<b>26</b>	-

Included in trade and other receivables is a loan provided to IntIA. The loan is interest free, subordinated in favour of other creditors, and is expected to be repaid within 5 years. A discount rate of 10% was applied in calculating the present value of the loan.

See note 21 for more information regarding the loan.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

	2018 R'000	2017 R'000
<b>16 LONG-TERM BORROWINGS</b>		
Balance at beginning of year	150	150
Interest accrued	21	22
Interest paid	(21)	(22)
Reclassified as long-term	150	-
	<b>300</b>	150
<b>Short-term portion of long-term borrowings</b>		
Balance at beginning of year	150	150
Reclassified as long-term	(150)	-
	-	150

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 respectively. The latter was previously due on 31 March 2018.

	2018 R'000	2017 R'000
<b>17 SHARE CAPITAL</b>		
<b>Authorised</b>		
750 000 000 (2017: 750 000 000) ordinary shares of 0.01 (2017: 0.01) cent per share	<b>75</b>	75
<b>Issued, allotted and fully paid</b>		
	NUMBER ( '000)	NUMBER ( '000)
<b>Number of ordinary shares</b>		
At beginning of year	349 799	349 799
Issued during the year	-	-
At end of year	<b>349 799</b>	349 799
	R MILLION	R MILLION
Share capital and premium	<b>256</b>	256

### Unissued shares

Unissued shares are under the control of the directors until the forthcoming annual general meeting.

Shareholders with a direct or indirect beneficial interest of 5% or more in shares are disclosed on page 52.

## 18 FINANCIAL RISK DISCLOSURES

The group is exposed to market risk, credit risk, liquidity risk, price risk, interest rate risk and currency risk through a combination of the nature of its operations, the financial instruments of which it is a party and the location of its operations.

This note represents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management and control are integral to the governance of the group as more fully explained in the integrated report. There has been no change in the documented risk and control policies in the current year.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the audit and risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The group audit and risk committee is responsible for monitoring compliance with the group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. The group audit and risk committee is assisted in these functions by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit and risk committee.

The market and credit risk associated with the financial assets held to back investment contract liabilities issued by a group company is borne in its entirety by policyholders. The liquidity risk associated with the company being contractually obligated to repay policyholders on demand, is managed through the investment composition of assets included in the policyholder portfolios and by contract with the policyholders. Such contracts mitigate the liquidity risk faced by the company and passes this on to policyholders in the ordinary course of business and in the event that substantial withdrawals require large scale disinvestment of the assets in these portfolios. The investment composition at 30 September is provided in note 13.

The assets held through limited liability investment partnerships which the group is deemed to control and which are therefore consolidated, are held to back the investors' interests in these partnerships. The financial assets within these investment partnerships are subject to a variety of financial risks (market and credit risk), all of which are borne by the investors into these partnerships. Fluctuations in the values of these assets directly impact the carrying value of the group's financial liabilities to the holders of redeemable interests in these partnerships. By virtue of the fact that these investment partnerships are permitted in terms of their investment mandates to use leverage in their investment strategies and the fact that certain companies in the group are the general partner to these partnerships, exposes the group to the residual risk of any shortfall in the net assets of the partnerships – refer note 13. This risk is considered remote and a financial loss to the group would require the limited partners or investors into these partnerships to lose all of the capital they have contributed, together with investment returns earned.

As explained above, the group's exposure to financial risk arising from the financial assets and liabilities relating to investment partnerships is negligible and therefore no further analysis is required to be presented.

### **Credit risk**

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets which are subject to credit risk consist principally of cash and receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Investments are allowed only in liquid securities and only with counterparties that have high credit ratings.

At the reporting date, the majority of cash and cash equivalents were held with one financial institution. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

### 18 FINANCIAL RISK DISCLOSURES (continued)

#### Credit risk (continued)

At the reporting date, the group's financial assets exposed to credit risk amounted to the following:

	CARRYING AMOUNT	
	2018 R MILLION	2017 R MILLION
Trade and other receivables	448	558
Cash and cash equivalents	805	564
	<b>1 253</b>	<b>1 122</b>

The ageing of trade and other receivables at the reporting date was:

Not past due	400	423
Past due 0 – 30 days	13	27
Past due 31 – 120 days	33	50
Past due 121 – 365 days	2	58
<b>Total</b>	<b>448</b>	<b>558</b>

None of the trade receivables are considered to be impaired. With the exception of the loan to IntIA, trade and other receivables have not been discounted as the impact of discounting is considered to be insignificant (see note 15.3).

The majority of trade and other receivables comprise fees receivable as well as the loan to IntIA.

#### Capital adequacy

The group comprises financial services providers. As such the various operating entities in the group are subject to the financial services regulations in the jurisdictions in which they operate.

These are as follows:

- + South Africa – Financial Sector Conduct Authority (FSCA)
- + United Kingdom – Financial Conduct Authority (FCA)
- + Ireland – Ireland Financial Services Regulatory Authority (IFSRA)

All of these bodies have prescribed minimum capital requirements for financial service entities operating in their jurisdiction. As such, the group ensures ongoing compliance with these requirements.

Capital adequacy is ensured by means of compliance with the regulations set out above. All operating entities have complied with all externally imposed capital requirements throughout the year. There have been no material changes in the group's management of capital during the year.

#### Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Amounts due to policyholders is the fair value of the underlying assets, and the amount at which these assets are realised will be paid to policyholders.

Amounts due to external investors in consolidated funds were carried at the fair value of the underlying assets.

The two tranches of cumulative redeemable preference shares were issued by Coronation Investment Management SA Proprietary Limited on 31 March 2014 and 31 March 2015.

These tranches are repayable on 1 April 2020 and 1 April 2021 respectively. The latter was previously due on 31 March 2018.

For more information on these cumulative redeemable preference shares, see note 16.



## 18 FINANCIAL RISK DISCLOSURES (continued)

### Liquidity risk (continued)

The following are the contractual maturities of short-term financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

R MILLION	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6 – 12 MONTHS
<b>30 September 2018</b>				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	935	(935)	(935)	-
	<b>935</b>	<b>(935)</b>	<b>(935)</b>	<b>-</b>
<b>30 September 2017</b>				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	747	(747)	(747)	-
Short-term portion of long-term borrowings	150	(150)	(150)	-
	<b>897</b>	<b>(897)</b>	<b>(897)</b>	<b>-</b>

Trade and other payables relate to operating expenses incurred in the ordinary course of business.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

The revenues and profit generation of the group are linked to the value of assets under management. Movements in equity markets and interest rates, currency exchange rates and commodity prices that adversely affect the value of assets under management will impact the group's revenues and reported profits. In the event that performance benchmarks are not met, the group may be exposed to underperformance rebates. The group manages this risk through its structured investment process. The value of assets under management at the reporting date is as follows:

	2018 R BILLION	2017 R BILLION
<b>Assets under management</b>		
<b>Fair value of assets under management – by geographical region</b>		
Africa	424	438
International	163	176
	<b>587</b>	<b>614</b>

The group earned an average revenue margin of 59 basis points (2017: 64 basis points) on assets under management.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

### 18 FINANCIAL RISK DISCLOSURES (continued)

#### Interest rate risk

The following table provides an analysis of the financial assets and liabilities of the group and indicates those categories that are interest sensitive and their contractual maturities.

R MILLION	TOTAL	1 YEAR OR LESS	1 - 5 YEARS	NON- INTEREST- BEARING
<b>2018</b>				
<b>Assets</b>				
Trade and other receivables	448	-	-	448
Cash and cash equivalents	805	805	-	-
	<b>1 253</b>	<b>805</b>	<b>-</b>	<b>448</b>
<b>Liabilities</b>				
Long-term borrowings	300	-	300	-
Short-term portion of long-term borrowings	-	-	-	-
Trade and other payables	935	-	-	935
	<b>1 235</b>	<b>-</b>	<b>300</b>	<b>935</b>
<b>2017</b>				
<b>Assets</b>				
Trade and other receivables	558	-	-	558
Cash and cash equivalents	564	564	-	-
	<b>1 122</b>	<b>564</b>	<b>-</b>	<b>558</b>
<b>Liabilities</b>				
Long-term borrowings	150	-	150	-
Short-term portion of long-term borrowings	150	150	-	-
Trade and other payables	747	-	-	747
	<b>1 047</b>	<b>150</b>	<b>150</b>	<b>747</b>

South African cash balances earn interest at a rate of prime minus 4.5% per annum. Foreign cash balances earn negligible interest rates.

#### Price risk

The group is exposed to other price risks in respect of its investments in mutual funds, unit trusts, listed equities and bonds as per note 15.2 and consequently for external investors in consolidated funds. A reasonable possible change in the price of the investments as per note 15.2 of 10%, with other variables held constant, would result in a corresponding gain or loss recognised in profit or loss in the case of financial instruments designated as fair value through profit and loss or other comprehensive income in the case of financial assets designated as available-for-sale.

## 18 FINANCIAL RISK DISCLOSURES (continued)

### Foreign currency risk

In respect of other monetary assets and liabilities held in currencies other than the rand, the group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The following currency profile analyses the group's financial assets and liabilities according to the currencies in which they are held at 30 September 2018. The totals are then expressed in the equivalent rand amount (in millions).

R MILLION CURRENCY	ZAR	EUR	GBP	USD	TOTAL
Exchange rate	1.0000	16.4562	18.4778	14.1688	
<b>2018</b>					
<b>Assets</b>					
Trade and other receivables	394	4	5	45	448
Cash and cash equivalents	534	48	3	220	805
	928	52	8	265	1 253
<b>Liabilities</b>					
Long-term borrowings and short-term portion of long-term borrowings	300	-	-	-	300
Trade and other payables	900	-	18	17	935
	1 200	-	18	17	1 235

R MILLION CURRENCY	ZAR	EUR	GBP	USD	TOTAL
Exchange rate	1.0000	15.9766	18.1337	13.5386	
<b>2017</b>					
<b>Assets</b>					
Trade and other receivables	482	3	9	64	558
Cash and cash equivalents	201	55	6	302	564
	683	58	15	366	1 122
<b>Liabilities</b>					
Long-term borrowings and short-term portion of long-term borrowings	300	-	-	-	300
Trade and other payables	707	1	19	20	747
	1 007	1	19	20	1 047

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

### 18 FINANCIAL RISK DISCLOSURES (continued)

#### Foreign currency risk (continued)

##### Sensitivity analysis

A 10% strengthening of the rand against the following currencies at 30 September would have decreased equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

R MILLION	EQUITY	PROFIT OR LOSS
<b>30 September 2018</b>		
EUR	-	(5)
GBP	-	1
USD	-	(25)
<b>30 September 2017</b>		
EUR	-	(6)
GBP	-	-
USD	-	(35)

A 10% weakening of the rand against the above currencies at 30 September 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain the same.

#### Fair value hierarchy

- + Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of policyholder and investment partnership liabilities that are included in Level 1 of the hierarchy, are measured with reference to the quoted prices in an active market of the investments underlying the 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 values of the policyholder and investment partnership liabilities included in Level 2, are measured with reference to the fair values of the mentioned assets underlying these liabilities. Cash and cash equivalent balances along with their related liabilities of R1 383 million (2017: R2 253 million) 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 (significant unobservable inputs).

R MILLION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>2018</b>				
Investments backing policyholder funds and investments held through investment partnerships	45 017	5 024	-	50 041
Investment securities	1 189	-	1	1 190
	<b>46 206</b>	<b>5 024</b>	<b>1</b>	<b>51 231</b>
Policyholder, external investor and investment partnership liabilities	-	50 259	-	50 259
<b>2017</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, external investor and investment partnership liabilities	-	53 465	-	53 465

During the current reporting period, it was determined that transfers between levels of the assets and liabilities held at fair value occurred. A net amount of R63 million in debentures were transferred from Level 1 to Level 2 as these are now considered to be held in an inactive market. 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.

2018  
R MILLION

2017  
R MILLION

## 19 COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES

### Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

Less than one year	22	20
Between one and five years	93	85
More than five years	62	84

At 30 September 2018, the group was obligated under a number of operating leases for properties for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 7% and 8% per annum.

### Guarantees

Coronation Management Company (RF) Proprietary Limited is the disclosed partner in the Coronation Granite Fixed Income, the Coronation Multi-Strategy Arbitrage and the Coronation Presidio Limited Liability partnerships. Coronation Investment Management SA Proprietary Limited is the disclosed partner for the Coronation Enhanced Income Fund partnership. As the disclosed partner, these companies are liable to third parties for all the liabilities of the partnership over and above the capital contributions, and future income which accrues to the partners as well as the retained and current profits and assets of the partnerships. The other partners have no further liability for further contributions, or to incur any liability to any third party over and above their contributions. Based on current performance the probability of payment is insignificant.

All portfolio risk inherent within the investment partnerships is managed within the general risk parameters and controls as set out in the Risk Management section of the group's integrated report.

### Contingent liabilities: South Africa Revenue Services (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.

## 20 RELATED PARTIES

### Identity of related parties

The group has related party relationships with its subsidiaries, associates and with its key management personnel.

### Transactions with key management personnel

Key management personnel is defined as the board of directors, directors of subsidiary companies and senior management of Coronation. There were no material transactions with key management personnel or their families during the current or previous year other than normal remuneration for employee services and personal investments.

### Key management remuneration

	2018 R MILLION	2017 R MILLION
Short-term remuneration	109	251
Long-term remuneration	173	196
<b>Total</b>	<b>282</b>	<b>447</b>

Key management remuneration excludes fees paid to non-executive directors for all services rendered as directors to the group and its subsidiaries. Fees paid to non-executive directors are disclosed on page 9.

### Other related party balances at year-end

Directors' interest in share capital and directors' remuneration (refer directors' report)

Loans from related parties (refer note 21)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

### 20 RELATED PARTIES (continued)

DEFERRED VARIABLE REMUNERATION VESTED IN CURRENT YEAR	2018 R MILLION	2017 R MILLION
<b>Executive directors</b>		
Anton Pillay	15	12
John Snalam	4	4
	<b>19</b>	<b>16</b>

Directors' payments include deferred variable remuneration allocated in prior years that have vested in the current financial year. The deferred variable remuneration was invested in a combination of Coronation shares and Coronation unit trusts at allocation date. Directors' disclosed deferred variable remuneration payments have been enhanced by gains that have been achieved in the market to market of those investments.

### 21 PRINCIPAL SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

#### Principal subsidiaries and associates

The following represents the principal subsidiary and associate companies of Coronation:

COMPANY (% OF EQUITY CAPITAL DIRECTLY AND INDIRECTLY HELD)	COUNTRY OF INCORPORATION	FUNCTIONAL CURRENCY	STATED/ISSUED SHARE CAPITAL	INDEBTEDNESS BY/(TO)	
				2018 R MILLION	2017 R MILLION
<b>Coronation Fund Managers Limited</b>					
100 Coronation Investment Management SA Proprietary Limited	South Africa	ZAR	100	-	-
100 Coronation Asset Management Proprietary Limited	South Africa	ZAR	80 250 000	-	-
100 Coronation Management Company (RF) Proprietary Limited	South Africa	ZAR	2 000 000	-	(1)
100 Coronation Life Assurance Company Limited	South Africa	ZAR	1 800	-	-
100 Coronation International Limited	United Kingdom	GBP	1 000 002	-	-
100 Coronation Global Fund Managers (Ireland) Limited	Ireland	USD	1 826 755	-	-
100 Coronation Investment Services Proprietary Limited	South Africa	ZAR	10	-	-
100 Coronation Investment Management International Proprietary Limited	South Africa	ZAR	5 000 000	-	8
40 Namibia Asset Management Limited	Namibia	NAD	2 000 000	-	-

All transactions with related parties occur on an arm's-length basis. All balances are interest-free, unsecured and repayable on demand.

Intercompany loans arise as a result of transactions such as dividend payments and other cash requirements of the various group entities as cash management is conducted on a group basis.

Coronation Life Assurance Company Limited is restricted in its ability to borrow in that borrowings require approval of the Registrar of Insurance, in terms of the South African Long-term Insurance Act, 52 of 1998.

The group has access to the assets and liabilities of all principal subsidiaries other than policyholder assets and liabilities. Details of policyholder assets and liabilities are included in notes 13 and 14.

## 21 PRINCIPAL SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES (continued)

### Consolidated structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

Depending on the group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

The group has no equity interest in the following limited liability partnerships, which are consolidated based on control:

- + Coronation Granite Fixed Income Fund Partnership
- + Coronation Multi-Strategy Arbitrage Fund Partnership
- + Coronation Presidio Fund Partnership
- + Coronation Enhanced Income Fund Partnership

Details regarding the group's contractual commitments to these partnerships are included in note 19.

The group also consolidates the Coronation Global Frontiers Fund due to the seed capital invested in the fund, relative to the total fund size, being significant. The group interest in the fund is 51% (2017: 48%). In addition, the group's interest in the Coronation Global Equity Select Feeder Fund increased to 52% during the period in order to augment regulatory capital held within the group. As a result the fund is now consolidated and there has been no material change to the acquisition value as at year end. The increased holding in this fund was as a result of a switch in units from the master fund to the feeder fund, and was therefore a transaction not settled in cash. This has resulted in the disclosure of external investors in consolidated funds as a liability, which is equivalent in amount to that included in investment securities for this fund. See note 15.2.

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

### Unconsolidated structured entities

The CFM Deferred Remuneration Trust, Intembeko Investment Administrators (Pty) Ltd and the Utolo Trust are unconsolidated structured entities.

#### *CFM Deferred Remuneration Trust*

The CFM Deferred Remuneration Trust (the Trust) is the vehicle established to administer the long-term deferred remuneration allocated to Coronation employees. The group transfers the amounts allocated to long term deferred remuneration (representing a portion of total variable remuneration calculated at 30% of the net profit before tax) to the Trust. The group recognises this as an expense in the year incurred as the group is not entitled to recover any amount from the Trust. This is classified as an other long-term employee benefit plan which excludes the Trust from the scope of consolidation.

The objective of the Trust is to incentivise the employees of the group by acquiring restricted equity instruments (either CFM shares and/or other products that are managed by Coronation) for the benefit of the employees, vesting over periods ranging from three to seven years. The group does not bear any risk relating to instruments purchased by the Trust and risks related to fluctuations in the value of these instruments are borne by the beneficiaries.

The group is neither an income nor capital beneficiary of the Trust and therefore does not receive any income or capital benefits from the Trust. The group pays an administrative charge to cover the expenses of the Trust, thereby facilitating the activities of the Trust on an ongoing basis.

#### *Intembeko Investment Administrators (Pty) Ltd (IntIA) and the Utolo Trust*

IntIA, a black-owned and managed transfer agency service provider in South Africa, has commenced providing transfer agency administration services to Coronation in 2018. The total amount paid to IntIA in respect of transfer agency services was R17 million for the year ended 30 September 2018.

Coronation's financial exposure to IntIA is not considered to be significant in relation to the balance sheet of the Coronation group and is limited to an interest-free loan (see note 15.3) which has been provided to support the business.

All transactions with IntIA, other than the loan finance referred to above, are on market-related terms.

The majority shareholder in IntIA is the Utolo Trust (60%). The primary activity of the Utolo Trust is the holding of investment assets, including IntIA, for the benefit of black beneficiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018 (continued)

### 21 PRINCIPAL SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES (continued)

*Intembeko Investment Administrators (Pty) Ltd (IntIA) and the Utolo Trust (continued)*

Coronation does not hold any equity interest in IntIA and has no other contractual arrangements which could give Coronation control. In addition and given that Coronation has no majority representation on the board of trustees of the Utolo Trust nor any representation on the board of IntIA, (together with its inability to appoint trustees or directors in respect of these entities), Coronation has no power or ability to influence the returns over the Utolo Trust nor IntIA.

The directors have considered the above factors in respect of International Financial Reporting Standards and have concluded that Coronation does not control the Utolo Trust or IntIA.

	2018 R MILLION	2017 R MILLION
<b>22 NON-CASH AND OTHER ADJUSTMENTS</b>		
Depreciation	13	20
Finance expense	24	23
Finance and dividend income	(38)	(37)
Foreign exchange gains	(16)	(1)
Profit on disposal of available-for-sale financial assets	-	10
Revaluation of financial assets at fair value through profit or loss	-	(4)
Share of profit of equity-accounted investees	(8)	(8)
Share-based payment expense	3	6
Other	7	6
<b>Total</b>	<b>(15)</b>	<b>15</b>
<b>23 CASH FLOWS FROM POLICYHOLDERS AND INVESTMENT PARTNERSHIPS</b>		
Investment income	2 828	2 882
Realised and unrealised (losses)/gains	(1 245)	1 644
Tax expense	(5)	(2)
Operating expenses	(94)	(43)
Profit after taxation	1 484	4 481
Non-cash adjustments	2 273	1 763
Unrealised losses	2 268	1 761
Tax expense	5	2
Tax paid	(4)	(79)
Working capital changes	(231)	(460)
Cash flow from operating activities	<b>3 522</b>	<b>5 705</b>
Contributions from policyholders and investors	16 173	17 233
Withdrawals from policyholders and investors	(21 908)	(29 602)
Cash flow from financing activities	<b>(5 735)</b>	<b>(12 369)</b>
Net sales of investments	(214)	5 687
Cash flows from investing activities	<b>(214)</b>	<b>5 687</b>
Cash flows from policyholders and investment partnership activities	<b>(2 427)</b>	<b>(977)</b>



## COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2018

	NOTE	2018 R MILLION	2017 R MILLION
Dividend income from subsidiaries		1 545	1 538
Finance income		1	1
Operating expenses		(7)	(7)
<b>Profit before income tax</b>		<b>1 539</b>	1 532
Income tax expense	b	-	-
<b>Profit for the year</b>		<b>1 539</b>	1 532
<b>Other comprehensive income (to be reclassified to profit and loss in future periods)</b>			
Change in fair value of financial assets available-for-sale	c	(4 690)	(1 029)
<b>Total comprehensive income for the year</b>		<b>(3 151)</b>	503

## COMPANY STATEMENT OF FINANCIAL POSITION

as at 30 September 2018

	NOTE	2018 R MILLION	2017 R MILLION
<b>Assets</b>			
Investment in subsidiaries	c	<b>18 851</b>	23 541
Loan to group company	d	-	8
Cash and cash equivalents		<b>7</b>	-
<b>Total assets</b>		<b>18 858</b>	23 549
<b>Liabilities</b>			
Loan from group company	d	-	1
<b>Total liabilities</b>		<b>-</b>	1
<b>Net assets</b>		<b>18 858</b>	23 548
<b>Equity</b>			
Share capital and premium	e	<b>905</b>	905
Retained earnings		<b>1 431</b>	1 431
Revaluation reserve		<b>16 522</b>	21 212
<b>Total equity</b>		<b>18 858</b>	23 548

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2018

	SHARE CAPITAL AND PREMIUM R MILLION	RETAINED EARNINGS R MILLION	REVALUATION RESERVE R MILLION	TOTAL EQUITY R MILLION
Balance at 30 September 2016	905	1 431	22 241	24 577
<b>Total comprehensive income for the year</b>				
Profit for the year	-	1 532	-	1 532
<b>Other comprehensive income (available to be recycled to profit and loss in future periods)</b>				
Revaluation of financial assets available-for-sale	-	-	(1 029)	(1 029)
Total comprehensive income for the year	-	1 532	(1 029)	503
<b>Transactions with owners recorded directly to equity</b>				
Dividends paid	-	(1 532)	-	(1 532)
Total transactions with owners	-	(1 532)	-	(1 532)
Balance at 30 September 2017	905	1 431	21 212	23 548
<b>Total comprehensive income for the year</b>				
Profit for the year	-	1 539	-	1 539
<b>Other comprehensive loss (available to be recycled to profit and loss in future periods)</b>				
Revaluation of financial assets available-for-sale	-	-	(4 690)	(4 690)
Total comprehensive loss for the year	-	1 539	(4 690)	(3 151)
<b>Transactions with owners recorded directly to equity</b>				
Dividends paid	-	(1 539)	-	(1 539)
Total transactions with owners	-	(1 539)	-	(1 539)
Balance at 30 September 2018	905	1 431	16 522	18 858

## COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September 2018

	2018 R MILLION	2017 R MILLION
<b>Cash flows from operating activities</b>		
Profit for the year	1 539	1 532
<b>Non-cash and other adjustments</b>	<b>(1 545)</b>	<b>(1 538)</b>
Dividends received	<b>(1 545)</b>	<b>(1 538)</b>
<b>Operating loss before changes in working capital</b>	<b>(6)</b>	<b>(6)</b>
<b>Working capital changes</b>	<b>7</b>	<b>-</b>
Decrease in loans to group companies	<b>8</b>	<b>-</b>
Decrease in loans from group companies	<b>(1)</b>	<b>-</b>
<b>Cash generated from/(utilised by) operations</b>	<b>1</b>	<b>(6)</b>
Dividends received	<b>1 545</b>	<b>1 538</b>
<b>Net cash from operating activities</b>	<b>1 546</b>	<b>1 532</b>
<b>Cash flows from financing activities</b>	<b>(1 539)</b>	<b>(1 532)</b>
Dividends paid	<b>(1 539)</b>	<b>(1 532)</b>
Net change in cash and cash equivalents	<b>7</b>	<b>-</b>
Cash and cash equivalents at beginning of year	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>-</b>

# NOTES TO CORONATION FUND MANAGERS LIMITED COMPANY ACCOUNTS

for the year ended 30 September 2018

## a ACCOUNTING POLICIES

### Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the IASB together with the Companies Act of South Africa.

### Basis of preparation

The financial statements are presented in South African rand, rounded to the nearest million. They are prepared on the going concern and historic cost basis except that the following assets and liabilities are stated at fair value: financial assets designated at fair value through profit or loss and financial assets classified as available-for-sale.

The accounting policies set out on page 15 to 22 have been applied consistently to all periods presented in these financial statements.

	2018 R MILLION	2017 R MILLION
<b>b INCOME TAX EXPENSE</b>		
The standard rate of corporation tax for the year is:	<b>28%</b>	28%
Profit before income tax	<b>1 539</b>	1 532
Tax on profit	-	-
Effective tax rate	<b>0%</b>	0%
The tax charge for the year is different to the standard rate as detailed below:		
Tax on profit before tax, at SA rate of 28%	<b>431</b>	429
Non-deductible expenses	<b>2</b>	2
Tax exempt revenues	<b>(433)</b>	(431)
<b>Total income tax expense for the year</b>	<b>-</b>	-

## c INVESTMENT IN GROUP COMPANIES

### Investment in subsidiaries

Balance at beginning of year	<b>23 541</b>	24 570
Revaluation adjustment	<b>(4 690)</b>	(1 029)
Balance at end of year	<b>18 851</b>	23 541

The fair value of the investment in subsidiaries is classified as a level 2 instrument. The investment in subsidiaries is valued using the Coronation Fund Managers share price as a proxy.

## d LOAN FROM/TO GROUP COMPANIES

These loans are unsecured, not subject to interest and payable or repayable on demand. They are Level 2 financial instruments and are carried at amortised cost.

## e SHARE CAPITAL

The company's share capital is detailed in note 17 of the consolidated financial statements.

## f RELATED PARTIES

Details of related parties are disclosed in notes 20 and 21 of the consolidated financial statements.

## g PRICE RISK

The company is exposed to price risk through its investment in subsidiaries which are carried at fair value. The fair value of the investment in subsidiaries are primarily determined by reference to the listed share price of Coronation Fund Managers Limited shares. Movements in the listed price will impact the fair value movements of the investment in subsidiaries recorded through other comprehensive income.

A reasonable possible change of 10% (2017: 10%), in the quoted price of Coronation Fund Managers Limited shares, with other variables held constant, could lead to the following increase or decrease in fair value:

+ R1.9 billion (2017: R2.4 billion) in the fair value of the investment in subsidiary with the corresponding movement in other comprehensive income.

## ANALYSIS OF SHAREHOLDERS

as at 30 September 2018

DISTRIBUTION OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
1 – 1 000 shares	10 255	53.94	4 693	1.34
1 001 – 10 000 shares	7 212	37.94	22 599	6.46
10 001 – 100 000 shares	1 208	6.35	36 554	10.45
100 001 – 1 000 000 shares	272	1.43	81 071	23.18
1 000 001 shares and over	65	0.34	204 882	58.57
	19 012	100.00	349 799	100.00

DISTRIBUTION OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
Banks	64	0.33	6 464	1.85
Brokers	52	0.27	14 368	4.11
Close corporations	104	0.55	540	0.16
Endowment funds	34	0.18	1 083	0.31
Individuals	14 886	78.30	32 392	9.25
Insurance companies	138	0.73	11 113	3.18
Medical aid schemes	36	0.19	1 175	0.34
Mutual funds	742	3.90	97 506	27.87
Nominees and trusts	1 928	10.14	9 928	2.84
Other corporations	22	0.12	770	0.22
Pension funds	418	2.20	60 958	17.43
Private companies	365	1.92	5 018	1.43
Employee holdings	174	0.91	85 334	24.39
Sovereign wealth funds	49	0.26	23 150	6.62
	19 012	100.00	349 799	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
<b>Non-public shareholders</b>	175	0.92	91 661	26.20
Directors*	6	0.03	12 491	3.57
Shares held by staff	169	0.89	79 170	22.63
<b>Public shareholders</b>	18 837	99.08	258 138	73.80
	19 012	100.00	349 799	100.00

\* Includes directors of subsidiary companies.

GEOGRAPHICAL OWNERSHIP	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
South Africa	18 528	97.45	267 539	76.48
International	484	2.55	82 260	23.52
	19 012	100.00	349 799	100.00

SHAREHOLDERS WITH DIRECT OR INDIRECT BENEFICIAL INTEREST OF 5% OR MORE IN SHARES	NUMBER OF SHARES '000	%
Government Employees Pension Fund	39 747	11.36
The Imvula Trust	28 461	8.14
Louis Stassen	18 190	5.20

## GLOSSARY OF FINANCIAL REPORTING TERMS

GROUP STRUCTURES	
<i>Company</i>	A legal business entity registered in terms of the applicable legislation of that country.
<i>Entity</i>	Coronation Fund Managers Limited, a subsidiary or associate.
<i>Equity-accounted investee</i>	An entity, other than a subsidiary or joint venture, in which the group has significant influence over the financial and operating policies.
<i>Group</i>	Coronation Fund Managers Limited and its subsidiaries and associate.
<i>Operation</i>	A component of the group that: <ul style="list-style-type: none"> <li>– represents a separate major line of business or geographical area of operation; and</li> <li>– can be distinguished separately for financial and operating purposes.</li> </ul>
<i>Subsidiary</i>	Any entity over which the group has control.
GENERAL ACCOUNTING TERMS	
<i>Acquisition date of a business</i>	The date on which control in respect of subsidiaries and significant influence in respect of associates commences.
<i>Consolidated financial statements</i>	The financial results of the group, which comprise the financial results of Coronation Fund Managers Limited and its subsidiaries and its interests in associates.
<i>Control</i>	An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
<i>Disposal date</i>	The date on which the control in respect of subsidiaries and significant influence in respect of associates ceases.
<i>Fair value</i>	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
<i>Financial results</i>	Comprise the financial position (assets, liabilities and equity), financial performance (revenue and expenses) and cash flows of the group or an entity within the group.
<i>Functional currency</i>	The currency of the primary economic environment in which the entity operates.
<i>Long term</i>	A period longer than 12 months from reporting date.
<i>Other comprehensive income</i>	Comprises items of income and expenses (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRS.
<i>Presentation currency</i>	The currency in which the financial statements are presented.
<i>Reclassification</i>	Amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous period.
<i>Recoverable amount</i>	The amount that reflects the greater of the fair value less costs to sell and value in use that can be attributed to a non-financial asset as a result of its ongoing use by the entity. In determining the value in use, expected pre-tax future cash flows are discounted to their present values using the appropriate discount rate.
<i>Related parties</i>	The following entities or parties are considered related parties to the reporting entity: <ul style="list-style-type: none"> <li>– a subsidiary, fellow subsidiary, associate, jointly controlled entity or an entity having joint control in relation to the reporting entity;</li> <li>– key management personnel and their close members of family and entities which they control, jointly control or over which they exercise significant influence; and</li> <li>– post-employment benefit plan for the benefit of employees of the entity or any related party.</li> </ul>
<i>Significant influence</i>	The power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

## GLOSSARY OF FINANCIAL REPORTING TERMS *(continued)*

FINANCIAL INSTRUMENT TERMS	
<i>Available-for-sale financial assets</i>	A non-derivative financial asset that is designated as available-for-sale or is not classified as: <ul style="list-style-type: none"> <li>– a loan or receivable;</li> <li>– a held-to-maturity investment; or</li> <li>– a financial asset at fair value through profit or loss.</li> </ul>
<i>Cash and cash equivalents</i>	Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.
<i>Derivative instrument</i>	A financial instrument: <ul style="list-style-type: none"> <li>– whose value changes in response to movements in a specified interest rate, commodity price, instrument price, foreign exchange rate or similar variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract;</li> <li>– that requires minimal initial net investment; and</li> <li>– is settled at a future date.</li> </ul>
<i>Effective interest rate</i>	The rate that discounts the expected future cash flows to the net carrying amount of the financial asset or financial liability.
<i>Equity instrument</i>	Any financial instrument (including investments) that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities.
<i>Financial asset</i>	Cash or cash equivalents, a right to receive cash or cash equivalents, an equity instrument of another entity, a right to exchange a financial instrument under favourable conditions.
<i>Financial guarantee contract</i>	A contract that requires the issuer to make specified payments to reimburse the holder for the loss it incurs, because a specified debtor fails to make payment when due in accordance with the original or modified terms of the debt instrument.
<i>Financial liability</i>	A contractual obligation to pay cash or transfer other benefits or an obligation to exchange a financial instrument under unfavourable conditions.
<i>Financial instruments classified as held for trading</i>	Derivatives or instruments that are held principally with the intention of short-term disposal.
<i>Financial assets and liabilities at fair value through profit or loss</i>	Financial instruments held at fair value through profit or loss include all instruments classified as held for trading and those instruments designated as held at fair value through profit or loss on initial recognition.
<i>Financial instruments issued by the group classified as financial liabilities</i>	Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to transfer cash or another financial asset or to exchange financial assets or liabilities under potentially unfavourable conditions.
<i>Financial instruments issued by the group classified as equity</i>	Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the net assets of the group.
<i>Held-to-maturity investments</i>	Non-derivative financial assets, with a fixed maturity and fixed or determinable future payments, that the entity has the positive intent and ability to hold to maturity, other than those designated upon initial recognition as at fair value through profit or loss, those designated as available-for-sale and those that meet the definition of loans and receivables.



**FINANCIAL INSTRUMENT TERMS** (continued)

<i>Loans and receivables</i>	Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude: <ul style="list-style-type: none"><li>- those that the group intends to trade in, which are classified as held for trading, and those that the group designates as at fair value through profit or loss;</li><li>- those that the group designates as available-for-sale; and</li><li>- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.</li></ul>
<i>Monetary asset</i>	Units of currency held or an asset which will be received in a fixed or determinable amount of money.
<i>Monetary liability</i>	A liability which will be settled in a fixed or easily determinable amount of money.
<i>Structured entity</i>	An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangement.
<i>Transaction date</i>	The date when the entity becomes a party to the contractual provisions of an instrument.

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## SHAREHOLDERS' DIARY AND CORPORATE INFORMATION

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Annual general meeting

19 February 2019

Share code (ordinary shares): CML

ISIN number: ZAE000047353

### BOARD OF DIRECTORS

Shams Pather (independent non-executive chairman)

Anton Pillay (chief executive officer)

John Snalam (chief financial officer)

Alexandra Watson

Hugo Nelson

Jock McKenzie

Judith February

Lulama Boyce

### TRANSFER SECRETARIES

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Rosebank Towers

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Rosebank 2196

Gauteng

### POSTAL ADDRESS

PO Box 61051

Marshalltown 2107

### COMPANY SECRETARY

Lee-Anne Parenzee

### REGISTERED OFFICE

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Claremont 7708

Cape Town

### POSTAL ADDRESS

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Cape Town

### AUDITORS

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