



m Cubed Holdings Limited
Registration number: 1998/014568/06
Share code: MCU
ISIN: ZAE000033353

**AUDITED GROUP RESULTS AND DIVIDEND DECLARATION
FOR THE YEAR ENDED 29 FEBRUARY 2004**

m Cubed group audited results

**INCOME STATEMENT
for the year ended 29 February 2004**

	2004 R'000	% Change	2003 R'000
Net revenue	531 255		399 059
Cost of revenue	(308 321)		(201 096)
Gross profit	222 934	13	197 963
Operating expenditure	(158 552)	9	(144 828)
Depreciation	(13 807)	28	(10 769)
Results of operating activities	50 575	19	42 366
Net finance income	15 707	50	10 464
Share of profit of associates	–		1 922
Minority interest	(1 003)		(856)
Profit before non-trading items	65 279	21	53 896
Amortisation of goodwill	(22 684)		(21 007)
Net profit before taxation	42 595	30	32 889
Taxation	(25 033)	23	(20 322)
Net profit for the year	17 562	40	12 567
Reconciliation between headline earnings and net profit for the year			
Net profit for the year	17 562	40	12 567
Amortisation of goodwill	22 684		21 007
Headline earnings attributable to shareholders	40 246	20	33 574
Earnings per share (cents)			
Headline earnings/ diluted headline earnings	5,6	22	4,6
Earnings/ diluted earnings	2,4	41	1,7

**BALANCE SHEET
at 29 February 2004**

	2004 R'000	2003 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	20 310	31 236
Investments	20 883 654	23 777 646
Goodwill	170 700	183 950
Loans and advances	12 840	18 287
Deferred taxation	349	1 676
	21 087 853	24 012 795
Current assets		
Receivables and prepayments	50 760	50 926
Cash and cash equivalents	114 152	67 789
	164 912	118 715
Total assets	21 252 765	24 131 510
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	7 210	7 228
Share premium	317 796	317 778
Non-distributable reserves	(11 067)	(6 124)
Accumulated profits	53 025	46 177
Ordinary shareholders' funds	366 964	365 059
Minority interests	447	2 965
	367 411	368 024
Non-current liabilities		
Policyholder liabilities		
Insurance contracts	26 422	26 081
Investment contracts	20 784 474	23 629 156
Deferred capital gains tax on policyholder liabilities	7 611	47 433
	20 818 507	23 702 670
Current liabilities		
Trade and other payables	65 475	48 315
Current tax liabilities	1 372	12 501
	66 847	60 816
Total equity and liabilities	21 252 765	24 131 510
Number of shares in issue excluding treasury shares ('000)	720 983	722 772
Net asset value per share (cents)	50,9	50,5
Net tangible asset value per share (cents)	27,2	25,1

**CASH FLOW STATEMENT
for the year ended 29 February 2004**

	2004 R'000	2003 R'000
Operating activities	(4 604 198)	(2 994 453)
Life assurance business	(2 836 001)	(4 327 866)
Other receipts	479 725	501 990
Net outflow	(2 356 276)	(3 825 876)
Cash paid	(2 221 604)	861 249
Cash utilised by operations	(4 577 880)	(2 964 627)
Net finance Income	15 707	10 464
Taxation paid	(34 835)	(25 821)
Dividends paid	(7 190)	(14 469)
Investing activities	4 650 561	3 000 413
Additions to property, plant and equipment	(5 524)	(16 702)
Proceeds on disposal of property, plant and equipment	2 643	3 756
Acquisition of businesses	(10 576)	(7 547)
Decrease in investments	4 658 571	3 020 781
Decrease in associates	–	6 326
Decrease/(Increase) in loans and advances	5 447	(6 201)
Financing activities	–	(230)
Proceeds on share issue	–	49
Purchase of shares by share incentive trust	–	(279)
Net movement in cash and cash equivalents	46 363	5 730
Net cash and cash equivalents at beginning of year	67 789	62 059
Net cash and cash equivalents at end of year	114 152	67 789

m CUBED GROUP AUDITED RESULTS

These results have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, as well as the South African Companies Act of 1973 and the Long-term Insurance Act of 1998. Other than the adoption of AC 133 and consolidation of the m Cubed share incentive trust, these accounting policies are consistent with those of the previous year. These results are audited by Fisher Hoffman PKF (Jhb) Inc. The auditors' unqualified report is available for inspection at the registered office of the company.

FINANCIAL COMMENTARY

m Cubed is a premier provider of risk-targeted investment solutions for individual and institutional investors, and South Africa's largest independent multi-manager.

In the financial year to 29 February 2004, a focus on cost control and margin management, together with improved market conditions, contributed to a headline earnings increase of 20% to R40,2 million (2003: R33.6 million). Headline earnings per share increased to 5.6 cents (2003: 4.6 cents). Assets under management grew to R47 billion (2003: R43 billion) and assets under administration grew to R63 billion (2003: R53 billion). Net finance income grew by 50%, due to improved cash management and increased profitability. Operating expenditure increased by 7% per annum, in line with inflation, excluding a provision for the loan book.

Total net business inflows were R1,3 billion (2003: R1,5 billion), largely due to inflows into the Wealth Management business.

BEE PROCESS

For some time, the m Cubed board has been seeking to implement a mutually beneficial Black Economic Empowerment ("BEE") initiative. Incidental to this process, an offer was received from Momentum to buy certain of the m Cubed Asset Management businesses. Final post-implementation issues and their effect on valuation could not be agreed on to the satisfaction of the m Cubed board. BEE remains a priority for the group.

GROUP OPERATIONAL REVIEW

The year was marked by the group's withdrawal from certain low margin business lines, the streamlining and refocus of Wealth Management and supporting areas, and the reduction of the group's total staff complement by approximately 15% during the early part of the year.

SEGMENTAL REPORTING

1. Asset Management

Headline earnings for the division were R16 million (2003: R11 million), with major contributions to this increase from the multi-manager business, CMM and Escher UK. Annuity revenue of R120 million was up on last year's R106 million. The Asset Management division performed in line with expectation for the year under review.

Portfolio performance

Over the past 12 months, the significant turnaround in the equity markets meant that all of our multi-manager solutions ended the period to 29 February 2004 by providing real returns for our investors of between 18% (for our low equity solutions) to more than 37% (for our diversified equity solutions), either above or in line with their own strategic benchmarks.

Our structured capital protected portfolios shielded investors against capital erosion during the equity market downturns that persisted in the early months of 2003, whilst still providing potential upside.

Our series of absolute return funds and our hedge fund of funds launched during the year have performed well, with all four funds exceeding their benchmarks.

The Multi-Manager business provides specialist multi-manager asset management to institutional and private clients. Assets under management grew by more than 20%, largely on the back of improved market conditions towards the end of 2003 and sound investment performance. The business is well-poised to attract investors seeking best of breed multi-manager solutions. This division performed slightly below expectation.

Asset Management Outsourcing Services ("AMOS") continues to provide outsourced administration and implementation services to asset managers, multi-managers and pension fund trustees. The business unit has achieved breakeven.

Escher Structured Products ("ESP") is a niche market leader specialising in the design and management of capital protected and absolute return investment portfolios for retirement fund, institutional and wealth management investors. While ESP is well positioned to extract value from the expected migration of institutional and retail funds from traditional investments to absolute return or capital protected strategies, its contribution to the group was lower than the previous year.

Corporate Money Managers ("CMM") manages specialised interest rate portfolios and provides treasury services to the group and a variety of clients. The m Cubed Money Market Fund ranked consistently in the top quartile. Despite the investment cycle turning away from cash and bonds, CMM managed to grow assets under management during the year.

Policy Exchange ("Polex") is now a wholly-owned subsidiary of the group (2003: 70%). Polex, which trades in pre-owned policies, faced difficult trading conditions during the year as a result of a shortage of tradable stock in the market. This situation is expected to continue until interest rates start rising again. The attributable profit earnings were lower than the previous year but Polex still made a positive contribution to group earnings.

SEGMENTAL REPORTING

	Headline earnings		Net revenue				Assets under management	
	2004 (Rm)	2003 (Rm)	Annuity 2004 (Rm)	2003 (Rm)	Upfront 2004 (Rm)	2003 (Rm)	2004 (Rbn)	2003 (Rbn)
Wealth Management	7	10	181	187	10	21	15	13
Asset Management	16	11	120	106	187	*51	31	29
Specialised Investments, Lending and Treasury	17	13	12	23	21	11	1	1
	40	34	313	316	218	83	47	43

*Policy Exchange became a subsidiary during 2003. Had it been consolidated for the full 2003 year, upfront net revenue in Asset Management would have been R228 million.

**STATEMENT OF CHANGES IN EQUITY
for the year ended 29 February 2004**

	Share capital R'000	Share premium R'000	Non- distributable reserves R'000	Accumulated profits R'000	Total R'000
Balances as previously reported	7 500	332 460	(6 124)	45 646	379 482
Prior year adjustment – change in accounting policy to consolidate m Cubed share incentive trust	(272)	(14 682)	–	531	(14 423)
Balance at 1 March 2003 restated	7 228	317 778	(6 124)	46 177	365 059
Change in accounting policy – AC 133*	–	–	–	(3 524)	(3 524)
Increase in foreign currency translation reserve	–	–	(4 943)	–	(4 943)
Net profit for the year	–	–	–	17 562	17 562
Dividend	–	–	–	(7 190)	(7 190)
Shares purchased by share incentive trust	(18)	18	–	–	–
Balance at 29 February 2004	7 210	317 796	(11 067)	53 025	366 964

* The adoption of AC 133 resulted in the revaluation of financial instruments at the beginning of the year to fair value, with a consequent restatement to opening retained income.

Escher (UK), ranked the number one multi-manager in the UK, has continued to make solid progress, with assets under management growing to over £320 million. It has now reached profitability.

2. Wealth Management

This division distributes the group's range of local and international non-discretionary (life), discretionary (unit trusts, hedge and alternative investments) and employee benefits products and services, via independent financial advisors and other complementary distribution channels.

Headline earnings were R7 million (2003: R10 million), with the non-discretionary business making the most significant contribution. Upfront revenue of R10 million was down on last year's R21 million, while annuity revenue was down to R181 million (2003: R187 million) for the period.

The restructure in the second quarter of the year saw a R3,5 million loss in the first quarter reversed into a R7 million profit for the year.

The **non-discretionary business** consolidated its international product offering, rationalised its local offering and launched several new products during the year.

The **discretionary business** continues to show steady growth and achieved its budget for the financial year. m Cubed Unit Trust Management Company remains the 5th largest unit trust company in South Africa with R22 billion under management. Our retail unit trusts received net inflows of R315 million in the financial year and this continues to be a consistently profitable business.

The **employee benefits** division saw a steady growth in assets and the number of members. The platform has been laid to take the business to the next level, but it has not yet broken even.

The **international outsourced administration** division performed in line with expectation, while **unit trust outsourced administration** performed well.

3. Specialised Investments, Lending and Treasury

This division has performed well. Headline earnings grew to R17 million (2003: R13 million). Annuity revenue was R12 million (2003: R23 million), while upfront revenue was up at R21 million (2003: R11 million).

Specialised Investments is a niche provider of customised investment solutions for institutions, corporates and high net worth individuals. During the 2004 financial year, the division concluded several relatively large transactions, resulting in it performing ahead of the forecast.

The **Lending** division focuses primarily on providing bespoke lending solutions to high net worth individuals and corporates who invest with m Cubed. Although the decrease in prime lending rates over the period lead to a slight erosion of the gross interest margins earned for the second half of the year, the division ended the financial year ahead of budget. Conservative provisioning was made against the portfolio during the second half of the year.

The **Treasury** division, which performs a treasury and funding function for the group, performed in line with expectation.

PROSPECTS

The outlook, whilst improved at current market levels, remains challenging and the business environment potentially volatile. Replacing upfront revenues will be demanding. We aim to cement and enhance the benefits of the group restructure, including a focus on the implementation of an empowerment strategy. We are resolved to facilitate the release of value inherent in the company.

DECLARATION OF DIVIDEND

The board of directors has recommended that a dividend of 1.5 cents per share be declared for the year ended 29 February 2004. The dividend will be payable to the shareholders recorded in the register at the close of business on 28 May 2004. The following dates are relevant to shareholders in respect of the dividend payment:

- Last day to trade *cum* dividend Friday, 21 May 2004
- Commence trading *ex-dividend* Monday, 24 May 2004
- Record date Friday, 28 May 2004
- Date of dividend payment Monday, 31 May 2004

Share certificates may not be dematerialised or rematerialised between 24 May 2004 and 28 May 2004, both dates inclusive.

For and on behalf of the board of directors

C M B Bothner
Chairman

J C Storey
Group managing director

23 April 2004

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Directors: C M B Bothner* (chairman), J C Storey (group managing director), A Cabot-Alletzhäuser (American), P J Croeser*, J du Toit*, M M Dawes, J F Mouton* (Alternate), C A Otto*, W Roux*, I H S Sinton*. *Non-executive directors

Company secretary: J Steyn

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