

Interim results

for the six months ended
30 September 2010

Key features

- Unit trust assets up 43% to R5.8 bn over 12 months
- Gross operating revenue 8.3% down
- Diluted HEPS down 29.7%
- Makana shareholding increased to 15%
- Ranked number 1 in derivatives for 14th consecutive year



FINANCIAL PERFORMANCE / Cadiz Holdings confronted challenging market conditions across some of its business units in the six months ended 30 September 2010 ("the period"). Gross operating revenue was 8.3% lower at R152.5 million, with the decline attributable to the 16% drop in revenue in the securities business. The asset and wealth management unit increased revenue by 10.0%.

Revenue from the group's investment capital decreased by 4% to R13.1 million. Operating expenses were contained at the 2009 level as a result of focused cost management and the reduction in performance incentives based on the lower operating profits. However, owing to the lower revenue, the cost-to-income ratio (excluding direct costs related to the group investments) increased to 86.5% (2009: 76.5%).

Operating profit for the period declined by 29.7% to R34.1 million. Headline earnings at R26.9 million were 28.4% lower, with diluted headline earnings per share down 29.7% to 12.1 cents per share. The performance is consistent with the earnings guidance provided in the group's trading statement of 22 October 2010.

The group's net asset value increased by 3.7% to 305 cents per share (31 March 2010: 294 cents) after the payment of a 20 cents per share dividend in July 2010.

ASSET AND WEALTH MANAGEMENT / Against the background of uncertain market conditions, the asset and wealth management business continued to benefit from its ability to meet the investment needs of retail and institutional clients, with a strong focus on client relationships, service and investment excellence.

Investment performance has been strong across most portfolios during the period, including the absolute return, fixed income and hedge fund portfolios, and in particular the unit trust portfolios.

During the reporting period a large, long-term low-yielding structured investment mandate matured and is being withdrawn in a phased basis over the financial year. This mandate was not part of the African Harvest acquisition. This maturity will impact the assets under management but not the financial performance of the asset management business. Over the past six months Cadiz has been successful in attracting assets at higher yields to off-set the impact of the above maturity on the asset and wealth management segment. The net impact on assets under management is a decline of R2.6 billion since the financial year-end at 31 March 2010 to R49.6 billion and an increase in revenue of 10%. Over the same period retail funds grew by 19% to R11.6 billion which includes unit trust assets under management of R5.8 billion.

Cadiz Unit Trusts continued to deliver strong investment performance and for the first time were recognised in the FM Morningstar Fund awards where the Cadiz Absolute Yield Fund was the winner in its category for 2010. In addition the Cadiz Money Market Fund is the top-performing money market unit trust fund over two, three and four years and since inception, the Cadiz Equity Ladder Fund is top ranked over three and four years and the Cadiz Managed Flexible Fund is a top performer in its category over two years. Cadiz Unit Trusts remains one of the fastest growing unit trust management companies in South Africa with assets under management growing by 43% in the past 12 months.

Cadiz Asset Management was voted the Socially Responsible Investor of the year for the second consecutive time at the Principal Officers' Association awards.

The wholesale and retail businesses in the asset and wealth management unit reported a 10% increase in revenue. However, increased staff costs, variable costs paid on unit trust assets and further investments in the growing wealth management business led to a 4% decline in profit to R19.5 million.

SECURITIES AND STRUCTURING / Trading volumes in the securities business, particularly in equity derivatives, have been under pressure. The slow-down in global and local institutional market trading volumes reported at year-end, together with changes in the trading environment, impacted the securities segment. SAFEX institutional market volumes have dropped by around 18%, equity market volumes have declined by around 4%, while bond market turnover has increased by over 50%, with the foreign market share increasing by over 100%. There has also been a significant shift to low margin electronic trading in the past period.

In this environment the Cadiz equity derivatives team has maintained its position as the leading independent broker based on volumes traded on SAFEX for the period.

Clients rated Cadiz as the country's leading derivatives research and dealing house for the 14th successive year in the Financial Mail ranking of analysts. Cadiz was also ranked number one for innovative research and risk management research and was placed second in quantitative and corporate governance research.

Cadiz's activity in the corporate advisory market has been focused mainly on the resources sector. The strategic partnerships with advisory firms in China and India are leading to increased deal flow and the pipeline of new mandates for the balance of the year is encouraging.

Revenue declined by 16% and costs were reduced by 6% due to lower variable and performance incentive costs resulting in profit decreasing by 35%.

INVESTMENTS AND CAPITAL / At 30 September 2010 the group's investment and capital portfolio had increased to R387.6 million. Profit on the portfolio declined by 9% to R10.1 million. This was affected mainly by foreign exchange losses and the underperformance of offshore investments. All the group's operating businesses are profitable and continue to generate cash.

The group continues to deploy its capital to grow the business. At the end of the period the capital was invested as follows:

- R76.5 million invested in liquid assets for regulatory capital adequacy, stockbroking and working capital requirements;
- R16.8 million in liquid assets for future commitments;

- R95.9 million invested as seed capital and co-investments in asset management products. This includes R34.8 million which is invested in offshore asset management products;
- R93.9 million investment in empowerment partner Makana, including the additional R33.2 million following the sale of a further 5% equity stake to Makana; and
- R104.5 million invested in liquid assets for future strategic opportunities.

The group also holds R68.9 million financial assets and R164.2 million trading liabilities as a hedge against Cadiz Prime Broking activities. This is in line with Cadiz's strategy of not carrying proprietary risk on these products.

MAKANA SHAREHOLDING / Makana increased its effective shareholding in Cadiz Holdings to 15% following the acquisition of a further 5% stake with effect from 21 September 2010. Makana acquired a 10% strategic equity stake in the group in April 2004 and the shareholding agreement was due to mature in May 2011.

Makana purchased the 5% shareholding from the Cadiz Employee Share Trust at a discount of 10%. Makana has demonstrated its commitment to Cadiz by extending the sale restriction on their original 10% shareholding until February 2017 in line with the expiry date of its additional 5%. Makana has also effectively reinvested the gains on its initial 10% investment as part of the acquisition. Cadiz has funded the acquisition through the subscription of preference shares in Makana.

The directors believe the increased shareholding by Makana will strengthen the strategic partnership and enhance the empowerment credentials of Cadiz. The ongoing benefit which Makana brings to Cadiz significantly outweighs any dilution that may arise as a result of the shares being sold through this transaction. Black ownership in Cadiz measured in terms of the DTI codes has increased to approximately 30% through the combined holdings of Makana and the Cadiz black employee share ownership scheme.

EXECUTIVE EQUITY SCHEME / Shareholders approved the implementation of an equity-based executive remuneration scheme at the annual general meeting (AGM) on 31 August 2010. The scheme replaces the existing share option scheme and is aimed at aligning the risk and return profile of management and key staff with that of shareholders. Management and senior employees subsequently received a portion of their annual incentive award in the form of 4.9 million equity instruments with vesting and trade restrictions.

Following the approval of the executive equity scheme the company plans to use the cash retained by the group to repurchase ordinary shares in the market.

SHARE ALLOCATION TO BLACK EMPLOYEES / During the period 2 million share appreciation rights and voting A ordinary shares were issued to participants in the black employee share ownership scheme. These are subject to a lock-in for seven years from the issue date. This brings the total number of rights issued to 13 million of the 24 million originally approved by shareholders.

PROSPECTS / Following a strong recovery from the global crisis of the past two years, the market has traded in a narrow range driven by the prevailing uncertainty. The strength of the emerging market currencies, together with the rally on gold and subdued global growth, is presenting a difficult trading environment.

The asset management business is focused on building a higher-yielding asset base and has been successful in attracting new mandates. The strong growth trend in retail asset management is expected to continue and this business is making an increasing contribution to the group's performance.

In the securities business trading conditions are expected to remain tough, especially in the equity derivatives area. Growth in other areas of securities remains challenging as margins continue to be under pressure and competition from foreign players increases. This will continue to impact the securities performance in the short to medium term, however, it is the nature of this market and we believe that with our credentials and experience we will turn that corner as well.

Cadiz believes the current environment will present strategic opportunities and continues to strengthen its cash resources to capitalise on opportunities to expand its core businesses.

BASIS OF PRESENTATION / The condensed financial statements have been prepared in terms of International Financial Reporting Standards and comply with IAS 34 – "Interim Financial Reporting" and the Listings Requirements of the JSE Limited. The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 March 2010 except for the following new amendments to standards effective in the 2011 financial year and relevant to the group: IFRS 3 – "Business Combinations" (revised); IAS 27 – "Consolidated and Separate Financial Statements" (revised) and IFRS 2 – "Share-based Payments: Group Cash-settled Share-based Payment Transactions". These amendments had no significant impact on these results.

RECLASSIFICATION / Costs of R5.3 million previously netted off revenue in the investments and capital segment in the Segment Report have been reclassified to investment costs (R0.7 million) and corporate costs (R4.6 million) in the Segment Report rather than being off-set against revenue, as previously reported in the 30 September 2009 interim results, in line with the disclosure in the 31 March 2010 annual report.

On behalf of the board of directors

Ray Cadiz
Chairman

Ram Barkai
Chief Executive Officer

Cape Town
8 November 2010

condensed group interim statement of comprehensive income

(R thousands)	Unaudited 6 months 30 Sep 10	Unaudited 6 months 30 Sep 09	Audited 12 months 31 Mar 10
Gross operating revenue	152 490	166 276	390 722
Interest income	6 489	6 349	12 597
Net investment income	10 961	11 720	12 023
Net income from investments	14 079	14 277	15 092
Foreign exchange losses	(3 118)	(2 557)	(3 069)
Income attributable to linked assets	-	-	-
Net fair value (losses)/gains on linked financial instruments	(61 288)	1 687	85 447
Linked liability adjustment	61 288	(1 687)	(85 447)
Operating expenses	(135 854)	(135 844)	(298 058)
Operating profit	34 086	48 501	117 284
Finance costs	(454)	(2 079)	(311)
Profit before taxation	33 632	46 422	116 973
Taxation	(6 707)	(10 724)	(26 651)
Total comprehensive income	26 925	35 698	90 322
Reconciliation of headline earnings:			
Profit attributable to equity holders of the company	26 925	35 698	90 322
Goodwill impairment	-	1 881	9 151
Headline earnings	26 925	37 579	99 473
Issued number of shares ('000)	245 138	245 138	245 138
Consolidated number of shares ('000)	228 702	218 126	217 794
Weighted average number of shares ('000)	218 390	218 126	218 155
Diluted weighted average number of shares ('000)	222 893	218 403	219 471
Earnings per share (cents)			
Basic	12.3	16.4	41.4
Diluted	12.1	16.3	41.2
Headline earnings per share (cents)			
Basic	12.3	17.2	45.6
Diluted	12.1	17.2	45.3

condensed group interim statement of financial position

(R thousands)	Unaudited 30 Sep 10	Unaudited 30 Sep 09	Audited 31 Mar 10
ASSETS			
Non-current assets	1 744 347	1 425 249	1 394 592
Plant and equipment	7 279	7 870	7 667
Intangible assets	265 634	274 493	266 140
Deferred taxation	16 055	16 843	24 159
Investments backing linked funds	1 385 126	1 016 595	1 012 529
Other financial assets	64 683	106 166	81 144
Receivables and prepayments	5 570	3 282	2 953
Current assets	1 618 458	696 404	981 885
Other financial assets	209 686	232 532	200 427
Receivables and prepayments	1 224 788	365 734	617 386
Taxation	1 804	2 399	1 204
Cash and cash equivalents	182 180	95 739	162 868
Total assets	3 362 805	2 121 653	2 376 477
EQUITY			
Capital and reserves			
Ordinary share capital and premium	2 971	2 902	2 902
Treasury shares	(37 043)	(70 639)	(73 544)
Share-based payment reserve	53 415	33 668	45 836
Retained earnings	644 030	607 738	664 173
Total equity	663 373	573 669	639 367
LIABILITIES			
Non-current liabilities	1 398 041	1 034 397	1 030 064
Deferred taxation	5 006	9 579	7 918
Linked investment contract liabilities	1 385 126	1 016 595	1 012 529
Trade and other payables	7 909	8 223	9 617
Current liabilities	1 301 391	513 587	707 046
Trade and other payables	1 135 883	449 493	665 459
Taxation	1 257	7 923	16 021
Trading liabilities	164 251	56 171	25 566
Total liabilities	2 699 432	1 547 984	1 737 110
Total equity and liabilities	3 362 805	2 121 653	2 376 477
Net asset value (cents per share)	305	263	294
Net tangible asset value (cents per share)	178	134	164

condensed group interim statement of cash flow

(R thousands)	Unaudited 6 months 30 Sep 10	Unaudited 6 months 30 Sep 09	Audited 12 months 31 Mar 10
Cash flow from operating activities	(39 160)	22 125	82 593
Cash generated from operations	21 234	60 745	136 530
Taxation paid	(16 835)	(13 351)	(28 668)
Dividends paid	(43 559)	(25 269)	(25 269)
Cash flow from investing activities	25 459	(9 567)	2 976
Cash flow from financing activities	33 061	346	(5 530)
Net change in cash and cash equivalents	19 360	12 904	80 039
Effect of exchange rate adjustment	(48)	(85)	(91)
Cash and cash equivalents at beginning of year	162 868	82 920	82 920
Cash and cash equivalents at end of year	182 180	95 739	162 868

condensed group interim statement of changes in equity

(R thousands)	Unaudited 6 months 30 Sep 10	Unaudited 6 months 30 Sep 09	Audited 12 months 31 Mar 10
Share capital, share premium and treasury shares			
Opening balance	(70 642)	(67 770)	(67 770)
Issue of shares	69	33	33
Sale of treasury shares to Makana	29 980	–	–
Sale of treasury shares on exercise of options	–	–	(1 760)
Delivery of treasury shares on settlement of deferred consideration	–	–	4 782
Transfer of deferred consideration shares	7 314	–	–
Purchase of treasury shares	(793)	–	(5 927)
	(34 072)	(67 737)	(70 642)
Reserves			
Opening balance	710 009	627 708	627 708
Premium on issue of equity-settled share appreciation rights	282	313	340
Sale of treasury shares to Makana	2 730	–	1 784
Employee share scheme – value of services provided	7 579	2 956	15 124
Transfer of deferred consideration shares	(6 521)	–	–
Total comprehensive income	26 925	35 698	90 322
Dividends paid	(43 559)	(25 269)	(25 269)
	697 445	641 406	710 009
Total shareholders' funds	663 373	573 669	639 367

condensed group interim segment report

(R thousands)	Asset & Wealth management	Securities & Structuring	Investments & Capital	Total
Unaudited 6 months to 30 September 2010				
Segment revenue	88 471	78 582	13 107	180 160
Segment costs	68 980	57 144	3 040	129 164
Segment profit	19 491	21 438	10 067	50 996
Corporate costs				17 365
Profit before taxation				33 631
Gross operating revenue (external)	83 871	68 619		152 490
Unaudited 6 months to 30 September 2009				
Segment revenue	80 347	94 086	13 646	188 079
Segment costs	60 000	60 910	2 551	123 461
Segment profit	20 347	33 176	11 095	64 618
Corporate costs				18 196
Profit before taxation				46 422
Gross operating revenue (external)	74 111	92 165		166 276
Year-on-year % segment profit	(4%)	(35%)	(9%)	(21%)
Audited 12 months to 31 March 2010				
Segment revenue	199 148	200 994	19 839	419 981
Segment costs	132 146	126 874	5 168	264 188
Segment profit	67 002	74 120	14 671	155 793
Corporate costs				38 820
Profit before taxation				116 973
Gross operating revenue (external)	190 821	199 901		390 722

About this booklet

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CADIZ HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
("Cadiz", "the group" or "the company")

Registration number: 1997/007258/06

JSE share code: CDZ

ISIN: ZAE000017661

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(* Non-executive directors)

Sponsor: Investec Bank Limited