



**FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 1999**

**Abridged Group Income Statement**

	12 months ended 31 Dec 99 (Audited)	12 months ended 31 Dec 99 (Prospectus)	Proforma 31 Dec 98 (Prospectus)	Period ended 31 Dec 98 (Audited)
	R'000	R'000	R'000	R'000
<b>Income before taxation</b>	62,023	35,760	22,425	9,743
Taxation	(13,890)	(6,706)	(2,788)	(313)
<b>Income after taxation</b>	48,133	29,054	19,637	9,430
Preference dividends	(5,911)	(6,804)	(8,825)	(4,967)
<b>Net income attributable to ordinary shareholders</b>	42,222	22,250	10,812	4,463
Ordinary dividend	(14,005)	(7,400)	-	-
Retained income for the period	28,217	14,850	10,812	4,463
Transfer to NDR	(4,436)	-	-	-
Retained income at beginning of period	4,463	-	-	-
Retained income at end of period	28,244	14,850	10,812	4,463
<b>Headline earnings per share (cents)</b>	19.05	10.04	6.90	2.85
<b>Dividend per share</b>	5.84	3.09	-	-

(cents)(declared 27 January 2000)

<b>Number of shares in issue ('000)</b>	239,810	239,810	166,667	166,667
<b>Weighted average number of shares in issue ('000)</b>	221,619	221,619	156,750	156,750

## Abridged Group Balance Sheet

	31 Dec 99	31 Dec 98
	R'000	R'000
<b>Assets</b>		
Fixed assets	3,625	3,231
Investments and trading securities	285,373	133,818
Advances and other accounts	107,181	475,493
Other assets	30,400	9,770
Cash and cash equivalents	131,908	326,819
	558,487	949,131
<b>Shareholders' equity and liabilities</b>		
Ordinary share capital	158,954	1
Reserves	32,669	4,473
Vendors' loan account	-	59,999
Ordinary shareholders' funds	191,623	64,473
Preference share capital	50,000	50,000
Compulsory convertible debentures	66,775	-
Shareholders' funds and subordinated debt	308,398	114,473
Deposits and repurchase agreements	185,685	799,842
Deferred taxation	6,303	984
Creditors and provisions	58,101	33,832
<b>Total liabilities</b>	<b>250,089</b>	<b>834,658</b>
	<b>558,487</b>	<b>949,131</b>

## Statement of Changes in Ordinary Shareholders' Funds

	Share capital and premium	Vendors' loan account	Reserves	Total
	R'000	R'000	R'000	R'000
<b>Balance at 31 December 1998</b>	1	59,999	4,473	64,473
Additional shares issued during the period	266,865	(59,999)	-	206,866
Intellectual capital written off	(92,324)	-	-	(92,324)
Goodwill on acquisition of subsidiaries written off	(4,417)	-	-	(4,417)
Goodwill on acquisition of net assets in subsidiary written off	(9,925)	-	-	(9,925)
Net listing expenses written off	(1,246)	-	-	(1,246)
Retained income for the period	-	-	23,781	23,781
NDR arising on unrealised interest on CCD's	-	-	4,436	4,436
NDR arising on conversion of foreign subsidiary	-	-	(21)	(21)
<b>Balance at 31 December 1999</b>	158,954	-	32,669	191,623

## Financial Overview

The Board of Directors of Cadiz Holdings is proud to announce the maiden annual results of the group as a listed financial services company.

The first half of the year was characterised by the successful launch of the group as a listed company, which enabled the capital base to be bolstered to a credible level while raising the market profile of the Cadiz brand and the group's core competencies.

During the second half of the year, significant resources were invested in expanding and developing the group's capabilities while retaining the necessary focus and balance to deliver appropriate financial results. The impact of Y2K concerns and the concomitant reduction in the level of investment, hedging and corporate activity throughout our client base contributed to a more challenging operating environment during the second half of the year.

Against this background the Board is pleased to be able to report group headline earnings per share for the year of 19.05 cents. This exceeds the prospectus forecast earnings per share by 90% and the pro-forma comparable period by 176%. The return on average ordinary shareholders funds of 33% reflects a significant contribution from added value earnings relative to implied earnings on shareholder funds.

A portion of the group's primary capital base has been invested in assets generating non-taxable returns. Their inclusion in the reported pre-tax profits significantly contributed to the effective tax rate of 22%.

The net income before taxation in respect of the current reporting year comprises:

	R'000
Gross income	122 861
Variable costs	<u>27 881</u>
Net income contribution	94 980
Operating costs	<u>32 957</u>
Net income before taxation	<u>62 023</u>

Variable costs include employee profit incentives, settlement charges on transactions and movements in general provisions for credit and market risks, all of which are substantially dependent upon the level of gross income. Personnel costs and infrastructure costs to support the business activities comprise the major operating costs, which tend to be of a fixed nature. As one would expect there is an adverse timing difference between the incurrence of developmental operating costs and the generation of future sustainable earnings. This phenomenon contributes to a conventional cost to income ratio of 49%. Whilst management is committed to reducing this ratio to an appropriate level for a growth business, our primary focus is on managing the more appropriate ratio of operating costs to net income contribution. This currently stands at 35%.

The group endeavours to continually enhance the quality of its earnings by seeking to increase annuity and quasi-annuity income. Quasi-annuity income is an estimate of the minimum likely recurring revenue from business activities that have a track record of sustainable profits. An analysis of the contribution to gross income by type of income is as follows:

Annuity income	27%
Quasi-annuity income	40%
Other income	33%
Operating costs	100%

Of the total gross income of R123m only some 3% is subject to market risk. Such activities are confined to money market trading which is an integral part of the bank's balance sheet management process. This is consistent with the group's philosophy of transacting with clients on a substantially back-to-back basis.

A dividend amounting to 5.84 cents per ordinary share is proposed, which is in line with the three times cover included in the prospectus forecast.

### **Business Philosophy**

The development of long-term, mutually rewarding partnerships with our clients remains a key value driver and a fundamental component of our competitive strategy. The group's continued commitment to back-to-back transactions provides the ideal platform from which to spearhead such a strategy as it effectively eliminates all potential conflicts of interest, enabling us to focus entirely on the needs of the client.

The group is also committed to developing an environment in which all employees have the opportunity to contribute to their fullest potential. This is achieved through a combination of progressive and competitive incentive programmes that emphasise a high degree of employee equity ownership together with flexible and dynamic internal processes that remove all obstacles to creative interaction. Professional integrity is central to the Cadiz way and underpins all internal and external dealings. A proactive team of non-executive directors, together with our open-book policy with clients further contribute to our success and ensure we continually strive to exceed all expectations.

### **Review of Operations**

#### **Research and broking**

The results achieved by the research and broking teams included an exceptional performance from the equity derivatives team, which for the third successive year maintained its premier position as South Africa's leading derivatives operation.

Cadiz Stockbroking, established in September 1998, continues to make strong progress in the development of an institutional client base supported by the group's niche quantitative research capability. The integration of the distribution capabilities in fixed income, equity derivatives and listed equities with the structuring capabilities housed in the investment bank ensure a comprehensive and efficient service in transacting customer solutions.

The research capabilities of the group were further extended with the appointment of research professor Dave Bradfield, an accomplished and respected professor from the University of Cape Town. A research team has been created under his leadership to support the wide reaching needs of the group with a specific focus on developing leading-edge quantitative investment methodologies.

#### **Investment banking**

The operations of Cadiz Investment Bank featured a sound performance from the institutional structuring team which continued to provide creative solutions for its expanding client base. The bank's treasury team continues to develop its niche position as a key intermediary in the money market asset trading, bond carry and repurchase markets.

The negative publicity associated with the stability of smaller banks did not adversely affect Cadiz Investment Bank. This can largely be ascribed to the retention of a high minimum capital ratio, our strong risk management skills and management's risk adverse tendencies. While the banking book is in its infancy, the recently secured investment grade A2 rating on short term debt from Fitch IBCA will enhance the bank's ability to expand the unsecured deposit base, a prerequisite for further development of the book.

The corporate solutions team continued to make further inroads into the corporate market despite the more subdued level of activity in the latter half of the year. Further progress was made in developing the group's private equity capabilities with a number of selective investments being made during the year. Efforts to raise a third party fund are also progressing according to plan.

## **Fund management**

The group's fund management capabilities were substantially enhanced during the latter half of the year. Furthermore, significant benefits should flow from the joint venture established in December with Kopano Financial Services (KFS). The joint venture company will focus on the development of leading-edge structured investments. KFS is a subsidiary of Kopano Ke Matla, the investment arm of COSATU. The relationships and skills that the partners bring to the joint venture should position the business ideally to take advantage of the emergence of structured investments as a new asset class. Cadiz sees this area as having significant growth potential in the medium to long term.

## **Investment services**

Cadiz Investment Services was established in late 1999. The business focuses on asset allocation and manager selection for both wholesale and retail investors. The launch of a suite of Cadiz Wrap Funds for the retail market has already met with some early success. The administration and retail distribution functions for the wrap funds are outsourced, allowing Cadiz to focus entirely on the investment decision-making process. We believe the rigorous quantitative and qualitative research which underpins all investment decisions provides a point of differentiation in what is a highly competitive market.

## **Our people**

Cadiz's ability to expand and utilise its intellectual capital base will be a major contributor to its future success. The attraction and retention of staff is given significant attention and is achieved through the creation of an open network structure that encourages leadership, teamwork, creativity and commitment in exchange for reward, challenge and fulfilment.

The group's staff complement has grown steadily throughout the year, expanding to almost 90 by the year end. That the average age is less than 35 bears testimony to the group's ability to attract young and talented individuals, the future lifeblood of our business.

## **Prospects**

The group has invested significantly in its people and in a number of fresh initiatives during the course of the year. While this has had an impact on the group's cost base, it has been in line with our strategy to build a sustainable and enduring business. We are, however, committed to retaining focus on developing an integrated business that continues to operate within tight risk parameters and has the well-being of its people and customers at its core.

The challenge of the forthcoming year is to expand the market share and profitability of our new initiatives while ensuring our existing and proven businesses are stretched to the full.

The development of group activities, the acquisition and development of human resource skills and the broadening of the customer base is designed to achieve sustainable earnings growth of at least 30% per annum.

## **Dividends**

Notice is hereby given that a final dividend of 5.84 cents per share has been declared on 27 January 2000, in respect of the year ended 31 December 1999, payable to ordinary shareholders registered in the books of the company at the close of business on 18 February 2000. Where electronic transfer instructions are in place, dividends will be credited to the shareholders' bank accounts on 28 February 2000. In the absence of such mandates, dividend cheques will be posted to shareholders on the same date.

## **On behalf of the Board of Directors**

**Colin Hall**  
Chairman

**Ray Cadiz**

Chief Executive Officer