

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, please consult your Central Securities Depository Participant ("CSDP"), stockbroker, accountant, legal advisor or other professional advisor immediately.

### Recommended action

1. If you have disposed of all your ordinary or A ordinary shares in Cadiz Holdings Limited ("Cadiz") this document should be handed to the purchaser of such shares or the stockbroker, banker or other agent through whom such disposal was effected.
2. If you are a certificated Cadiz shareholder or an own name dematerialised Cadiz shareholder and are unable to attend a general meeting ("the general meeting") of shareholders of Cadiz, which will take place at the office of Cadiz, at Ground Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, Cape Town at 15:00 on Wednesday, 26 October 2011, and wish to be represented thereat you MUST complete and return the attached form of proxy (*blue*) for certificated ordinary shareholders and own name dematerialised ordinary shareholders to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) (to be received by NO LATER THAN 15:00 on Tuesday, 25 October 2011).
3. Cadiz shareholders, who have dematerialised their shares through a CSDP or broker, other than those shareholders with own name registration, and who wish to attend the general meeting of shareholders must request their CSDP or broker to provide them with the necessary Letter of Representation to attend the general meeting of shareholders or must instruct their CSDP or broker to vote by proxy on their behalf in terms of the custody agreement governing the relationship between such shareholders and their CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.



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## CIRCULAR TO SHAREHOLDERS

regarding:

**the disposal of 60% shareholding in Cadiz Securities (Pty) Ltd and Cadiz Stock Broking (Pty) Ltd to BNP Paribas SA;**

and incorporating a:

- **notice of general meeting of shareholders; and**
- **form of proxy (*blue*) for certificated Cadiz shareholders and own name dematerialised Cadiz shareholders.**

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**Sponsor**



**Advisor**



**Legal advisor**



**Independent reporting accountants**



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Date of issue: 28 September 2011

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## CORPORATE INFORMATION

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### Secretary and registered office

C Schmahl  
Ground Floor, Fernwood House  
The Oval, 1 Oakdale Road  
Newlands, 7700  
(PO Box 44547, Claremont, 7735)

### Financial director

FC Shaw  
Ground Floor, Fernwood House  
The Oval, 1 Oakdale Road  
Newlands, 7700  
(PO Box 44547, Claremont, 7735)

### Independent reporting accountants

PricewaterhouseCoopers Inc.  
Chartered Accountants (SA)  
Registered Accountants and Auditors  
(Registration number 1998/012055/21)  
No. 1 Waterhouse Place  
Century City, 7441  
(PO Box 2799, Cape Town, 8000)

### Transfer secretaries

Computershare Investor Services (Proprietary) Limited  
(Registration number 2004/003647/07)  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

### Sponsor

Investec Bank Limited  
(Registration number 1969/004763/06)  
100 Grayston Drive, Sandown  
Sandton, 2196  
(PO Box 78055, Sandton, 2146)

### Legal advisor

Cliffe Dekker Hofmeyr Incorporated  
(Registration number 2008/018923/21)  
11 Buitengracht Street, Cape Town, 8001  
(PO Box 695, Cape Town, 8000)

### Advisor

Cadiz Corporate Solutions,  
a division of Cadiz Special Projects Limited  
(Registration number 1882/000030/06)  
Ground Floor, Fernwood House  
The Oval, 1 Oakdale Road  
Newlands, 7700  
(PO Box 44547, Claremont, 7735)

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## IMPORTANT DATES AND TIMES

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2011

Circular and notice of general meeting posted to Cadiz shareholders on	Wednesday, 28 September
Last day to trade in order to be eligible to vote	Friday, 14 October
Record date to vote	Friday, 21 October
Forms of proxy for the general meeting to be lodged by no later than 15:00 on	Tuesday, 25 October
General meeting to be held at 15:00 on	Wednesday, 26 October
Results of general meeting to be released on SENS on	Thursday, 27 October

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**Notes:**

1. The definitions commencing on page 3 of this circular apply, *mutatis mutandis*, to the information on important dates and times.
2. The above dates and times are subject to amendment. Any such amendment will be released on SENS and published in the press.
3. Forms of proxy that have not been lodged with the transfer secretaries by 15:00 on Tuesday, 25 October 2011 may be handed to the chairperson immediately prior to the general meeting.
4. This circular is only available in English.
5. Copies of this circular are available during normal business hours from Wednesday, 28 September 2011 to Wednesday, 26 October 2011 at:
  - the registered office of Cadiz; and
  - the sponsor; whose address is set out on the inside front cover of this circular.

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## DEFINITIONS

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Throughout this circular, the annexures hereto, the notice of general meeting and form of proxy for shareholders, unless otherwise stated or the context otherwise requires, a reference to the singular includes the plural and *vice versa*, words denoting one gender include the other gender; words denoting natural persons include legal persons and associations of persons and *vice versa* and the words in the first column have the meanings stated opposite them in the second column:

“A ordinary share”	the A ordinary shares of one cent each in the issued share capital of Cadiz;
“BNPP”	BNP Paribas SA (Registration No. 662 042449), a company incorporated in accordance with the laws of France;
“the board” or “the directors”	the board of directors of Cadiz whose names appear on page 6 of this circular;
“broker”	any person registered as a “broking member (equities)” in terms of the Rules of the JSE made in accordance with the provisions of the Securities Services Act;
“business”	the business conducted by the securities companies being cash equity sales and executions on South African underlyings, SAFEX-traded derivatives agency sales and execution, fundamental and quantitative research on South African underlying assets, transition management, in all cases to/for institutional clients;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa, France or the United Kingdom;
“Cadiz” or “the Company”	Cadiz Holdings Ltd (Registration No. 1997/007258/06), a company incorporated under the laws of South Africa on 15 May 1997 and listed on the JSE, and all its subsidiaries;
“Cadiz shares” or “shares”	ordinary shares and/or A ordinary shares, as the case may be;
“CEO”	chief executive officer;
“certificated shareholders”	shareholders who hold certificated shares;
“certificated shares”	shares which are not dematerialised shares;
“circular”	this bound document, including all annexures and attachments contained in this bound document, incorporating the notice of general meeting and the form of proxy ( <i>blue</i> );
“the Companies Act”	the Companies Act, 2008, as amended;
“CN”	Cadiz Nominees (Pty) Ltd (Registration No. 1998/001979/07), a company incorporated under the laws of South Africa and a wholly-owned subsidiary of CSB;
“Competition Authorities”	the Competition Commission and, where appropriate the Competition Tribunal established under the Competition Act, 1998, and the Competition Appeal Court;
“completion date”	the 2nd business day after the fulfilment of the last condition precedent;
“conditions precedent”	the conditions precedent set out in paragraph 5.2 of this circular;
“CS”	Cadiz Securities (Pty) Ltd (Registration No. 1998/007073/07), a company incorporated under the laws of South Africa and a wholly-owned subsidiary of Cadiz;

“CS share sale and subscription agreement”	the written share sale and subscription agreement entered into amongst Cadiz, BNPP and CS, dated 2 August 2011, regulating the sale of and subscription for shares in CS by BNPP;
“CS shareholders’ agreement”	the written shareholders’ agreement entered into amongst Cadiz, BNPP and CS, dated 2 August 2011, regulating the relationship amongst CS, Cadiz and BNPP with regard to CS;
“CSB”	Cadiz Stock Broking (Pty) Ltd (Registration No. 1996/009716/07), a company incorporated under the laws of South Africa, and a wholly-owned subsidiary of Cadiz;
“CSB share sale and subscription agreement”	the written share sale and subscription agreement entered into amongst Cadiz, BNPP and CSB, dated 2 August 2011, regulating the sale of and subscription for shares in CSB by BNPP;
“CSB shareholders’ agreement”	the written shareholders’ agreement entered into amongst Cadiz, BNPP and CSB, dated 2 August 2011, regulating the relationship amongst CSB, Cadiz and BNPP with regard to CSB;
“CSDP”	Central Securities Depository Participant, as defined in section 1 of the Securities Services Act;
“CSPL”	Cadiz Special Projects Ltd (Registration No. 1882/000030/06), a company incorporated under the laws of South Africa and a wholly-owned subsidiary of Cadiz;
“dematerialisation”	the process by which shares held by certificated shareholders in paper form are converted to an electronic form and recorded in the sub-register of shareholders maintained by a CSDP;
“dematerialised shareholders”	shareholders who hold dematerialised shares;
“dematerialised shares”	shares that have been dematerialised pursuant to a dematerialisation;
“Euro” or “€”	the official currency of the European Union;
“Executive Decision Forum”	the executive management body of Cadiz;
“general meeting”	the general meeting of Cadiz shareholders to be held at 15:00 on Wednesday, 26 October 2011, at the office of Cadiz, Ground Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, Cape Town (including any adjournment or postponement thereof) to consider and, if deemed fit, pass the ordinary resolutions regarding the transaction;
“the Group”	Cadiz and its subsidiaries, as such term is defined in section 1 of the Companies Act;
“the JSE”	the JSE Ltd (Registration No. 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Securities Services Act;
“the last practicable date”	31 August 2011, being the last practicable date prior to the finalisation of this circular;
“Listings Requirements”	the JSE Listings Requirements, as amended from time to time;
“memorandum of incorporation”	collectively, the articles of association and memorandum of association, as defined by the Companies Act;
“NAV”	net asset value determined in accordance with the International Financial Reporting Standards issued by the Board of the International Accounting Standards Committee;

“ordinary shares”	the ordinary shares of one cent each in the issued share capital of Cadiz, which shares are listed on the JSE;
“own name dematerialised shareholders”	dematerialised shareholders who/which have elected own name registration;
“prime rate”	the publicly quoted rate of interest as certified by any duly authorised representative (whose appointment or authority or designation it shall not be necessary to prove) of FirstRand Bank Ltd as being the prime lending rate at which FirstRand Bank Ltd lends in South African Rand from time to time, on the basis of such interest being calculated daily on a 365 (three hundred and sixty-five)-day year and compounded monthly in arrears, irrespective of whether or not the year in question is a leap year;
“Rand” or “R”	the official currency of South Africa;
“Securities Services Act”	Securities Services Act, 2004, as amended;
“securities companies”	collectively, CS and CSB;
“SENS”	Securities Exchange News Service , the news service operated by the JSE;
“service level agreement”	the written service level agreement to be entered into amongst CSPL and the securities companies regulating the provision of services by CSPL to the securities companies;
“shareholders” or “Cadiz shareholders”	the holders of Cadiz shares;
“South Africa”	the Republic of South Africa;
“transaction”	the acquisition by BNPP of 60% shareholding in the securities companies, as set out in the transaction documents;
“transaction documents”	the documents described in paragraph 5.3;
“transfer secretaries”	Computershare Investor Services (Pty) Ltd (Registration No.2004/003647/07), a private company incorporated under the laws of South Africa;
“40% sale”	the potential sale of the remaining 40% of the securities companies in terms of paragraphs 5.13 to 5.18; and
“100% sale”	the combined transaction and 40% sale.



**cadiz**  
**CADIZ HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number: 1997/007258/06)  
Share code: CDZ ISIN: ZAE000017661  
("Cadiz" or "the Company")

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### **Directors**

SP Ngwenya (*Non-executive chairman*)

R Barkai (*Chief executive officer*)

RFG Cadiz (*Non-executive*)

CA Hall\*

BH Kent\*

DM Lawrence\*

AN Matyumza\*

BJ Memela-Khambula\*

NS Mjoli-Mncube\*

SJ Saunders\*

FC Shaw (*Financial director*)

AI Brooks\* (*Alternate*)

\* *Independent non-executive*

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## **CIRCULAR TO SHAREHOLDERS**

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### **1. INTRODUCTION**

It was announced on SENS on Thursday, 4 August 2011, that Cadiz entered into agreements with BNPP in terms whereof BNPP will acquire a 60% interest in the issued share capital of CS and CSB for an effective total consideration of R150 000 000 (one hundred and fifty million Rand) on the basis that the NAV of the securities companies will only include the nominal share capital of R200 (two hundred Rand).

The transaction is subject to the fulfilment or waiver of certain conditions including, *inter alia*, approval by Cadiz shareholders.

As Cadiz is seeking to dispose of 60% of the securities companies, the transaction is a Category I transaction in terms of the Listing Requirements. Cadiz is accordingly required to issue this circular to shareholders setting out full details of the transaction and to obtain shareholder approval of the transaction by ordinary resolution, prior to implementing the transaction.

### **2. SUMMARY DESCRIPTION OF BNPP**

BNPP is one of the world's leading banking and financial services groups. Head quartered in Paris, BNPP has a presence in more than 80 countries and more than 200 000 employees, including more than 160 000 in Europe. It ranks highly in its three core activities: retail banking, investment solutions and corporate and investment banking.

In Europe, BNPP has four domestic markets (Belgium, France, Italy and Luxembourg) and BNP Paribas Personal Finance is the leader in consumer lending. BNPP is rolling out its integrated retail banking model across the Europe-Mediterranean zone and boasts a large network in the western part of the United States. In its corporate and investment banking and investment solutions activities, BNPP also enjoys top positions in Europe, a strong presence in the Americas and solid and fast-growing businesses in Asia.

### 3. **NATURE OF THE SECURITIES COMPANIES' BUSINESS**

Cadiz operates its securities and stockbroking business through CS, CSB and CN. CS and CSB are authorised financial services providers and are registered members of the JSE. Both CS and CSB are wholly-owned subsidiaries of Cadiz and CN is a wholly-owned subsidiary of CSB. CS was established in 1993 as a specialist equity derivative broking company and has been repositioned as a premium institutional broking house.

### 4. **RATIONALE FOR THE TRANSACTION AND USE OF PROCEEDS**

The market in which the securities companies operate has been under pressure in recent years owing to lower local trading volumes on the JSE, tighter margins due to increased competition and foreign participation in the domestic market and the shift in the industry to electronic trading. Cadiz management identified the need to reposition the securities companies to gain access to a balance sheet, offshore distribution to capture foreign flows into the JSE and an offshore research base.

BNPP is well-positioned to provide the balance sheet, offshore distribution, electronic trading and international research.

Following the completion of the transaction both Cadiz and BNPP will combine their respective strengths to market and sell South African equity products to institutional investors in South Africa and abroad.

It is also the intention to change the names of CS and CSB to reflect the identity of both BNPP and Cadiz and jointly market the securities companies.

The Cadiz board is currently giving consideration to the appropriate utilisation of the net proceeds of the transaction.

### 5. **SALIENT TERMS OF THE TRANSACTION**

#### 5.1 **The transaction**

BNPP will acquire 60% in the existing securities and stockbroking business of Cadiz consisting of CSB, CS and CN, a wholly-owned subsidiary of CSB.

The transaction will take the form of a combination of a subscription (the "subscription") for shares in, and the acquisition (the "sale") of existing shares in each of CS and CSB from Cadiz. The transaction has been structured as follows:

- 5.1.1 immediately prior to the completion date, each securities company will distribute its NAV to Cadiz, and the securities companies will have a nominal NAV of R200 on the completion date;
- 5.1.2 on the completion date, the subscription will take place and BNPP will subscribe for shares in the securities companies for an aggregate amount of R80 000 000 (eighty million Rand) (the "subscription price"), which amount represents the estimated regulatory capital and future working capital requirements of the securities companies for the foreseeable future. The securities companies will thus have a NAV of R80 000 000 (eighty million Rand) following completion of the transaction; and
- 5.1.3 simultaneously with the subscription BNPP will, pursuant to the sale, also acquire existing shares in the securities companies from Cadiz for a consideration of R118 000 000 (one hundred and eighteen million Rand) (the "purchase price").

The total number of shares in the securities companies acquired by BNPP pursuant to the subscription and the sale will represent 60% of the total number of shares in issue following completion of the transaction.

#### 5.2 **Conditions precedent**

The transaction includes the following material conditions precedent, all of which are attended to, simultaneous to the shareholder approval sought in terms of this circular:

- 5.2.1 that notice of the proposed change in control of the securities companies pursuant to the subscription by BNPP is given to the JSE in accordance with the JSE Rules;
- 5.2.2 that the service level agreement is executed and becomes unconditional;
- 5.2.3 that the transaction has, to the extent necessary, been approved unconditionally by the Competition Authorities;
- 5.2.4 that the transaction, including any issue of shares by the securities companies to BNPP, are approved by a special resolution, to BNPP's satisfaction, by the shareholders of the securities companies, being Cadiz, in terms of section 41 of the Companies Act;

- 5.2.5 that the transaction has been approved by the shareholders of Cadiz in terms of the Listings Requirements;
- 5.2.6 no change in law, government policy or regulation preventing BNPP from holding shares in the securities companies occurring prior to the completion date;
- 5.2.7 to the extent required, BNPP obtaining the approval of the South African Reserve Bank for the transaction under exchange control regulations; and
- 5.2.8 that BNPP is satisfied that the securities companies have been constituted so as to comprise only the business; and further that:
  - 5.2.8.1 all business activities, assets and Cadiz employees not related to the business are transferred out of the securities companies; and
  - 5.2.8.2 all assets and staff required for the business are included in the securities companies.

### 5.3 **Transaction documents**

The transaction is embodied and regulated in terms of the following transaction documents:

- 5.3.1 the CS share sale and subscription agreement;
  - 5.3.2 the CS shareholders agreement;
  - 5.3.3 the CSB share sale and subscription agreement;
  - 5.3.4 the CSB shareholders agreement;
  - 5.3.5 the memoranda of incorporation in respect of CS and CSB; and
  - 5.3.6 a service level agreement,
- all of which are linked.

### 5.4 **Cadiz warranties and indemnities**

Cadiz is providing BNPP with wide-ranging warranties relating to the business activities of the securities companies prior to the completion date.

Further, Cadiz is directly indemnifying BNPP in relation to all tax liabilities that may be incurred prior to the completion date and all liabilities that may be incurred in relation to legal action instituted against the securities companies prior to the signature date of the transaction documents.

The maximum liability of Cadiz under these warranties and indemnities (except in the case of fraud where there is a 10-year time limit and no monetary limitation), is an amount equal to R150 000 000 (hundred and fifty million Rand), and further limited as follows:

- 5.4.1 no claims for any loss under €50 000 (fifty thousand Euro);
- 5.4.2 BNPP cannot make any claims for breach of warranties unless the aggregate of all claims exceed €500 000 (five hundred thousand Euro); and
- 5.4.3 the aggregate of all claims, other than the direct indemnities, shall reduce by one-third each year, resulting in no liability for Cadiz after three years, save for the direct indemnities related to taxation and legal action which shall not be limited to three years.

### 5.5 **Shareholders arrangements**

#### 5.5.1 **Board representation of CS**

- 5.5.1.1 The board of directors of CS shall consist of five directors.
- 5.5.1.2 BNPP will have three representatives and Cadiz two, provided that if Cadiz' shareholding falls below 20%, BNPP shall have four representatives and Cadiz one.

#### 5.5.2 **Board representation of CSB**

- 5.5.2.1 The board of directors of CSB shall consist of six directors.
- 5.5.2.2 BNPP will have three representatives and Cadiz two, provided that if Cadiz' shareholding falls below 20%, BNPP shall have four representatives and Cadiz one.

- 5.5.2.3 A registered stockbroker must be a director of a company which is a member of the JSE. As such Matthew Nhlapo, who is a registered stockbroker and a current director of CSB, will initially be the member of the CSB board.
- 5.5.2.4 Each representative director shall have two votes and the appointed stockbroker director shall have one vote.

### 5.5.3 **General**

- 5.5.3.1 The chairman of each of the securities companies will be Ram Barkai, the current CEO of Cadiz.
- 5.5.3.2 The initial CEO of the securities companies, who will not be a director, but will be a standing invitee, will be Dan Ahern, the current head of the Cadiz securities business.
- 5.5.3.3 A quorum for board meetings is two directors nominated by BNPP and one nominated by Cadiz.

## 5.6 **Lock-in period**

During the first five years and six months (the “lock-in period”) following the completion date no transfers of shares in the securities companies are permitted, save for certain permitted transfers. These instances include transfers pursuant to certain call options granted to BNPP (discussed in paragraph 5.15 below), or the occurrence of regulatory events preventing either BNPP or Cadiz from holding shares in the securities companies.

## 5.7 **Business plan**

BNPP and Cadiz will agree on a five-year initial business plan which will deal with aspects such as the agreed activities of the securities companies, and the profit and loss statement and profitability of the securities companies. Prior to the third anniversary of the completion date, the securities companies will adopt a new business plan to replace the initial business plan, to apply for the remaining two years of the lock-in period.

## 5.8 **Special majority approval**

Certain key decisions (“key matters”) require the consent of both Cadiz and BNPP. These matters include the issue of the shares, acquisitions and disposals, changes to share capital, disposal or winding up of the securities companies, change in the nature of the business, changes to the service level agreement, changes in financial year-end, employee share plans, related party transactions, and dividend policy. If any of Cadiz’ or BNPP’s shareholding in the securities companies falls below 20%, this requirement will fall away.

## 5.9 **Deadlock**

Any deadlock on the board of the securities companies or between BNPP and Cadiz with regard to a key matter shall be referred firstly to the board of the securities companies for resolution, and if the board fails to agree on the matter, the deadlock shall be referred to the representatives of Cadiz and BNPP. If the deadlock is not resolved by such representatives, the matter does not proceed.

## 5.10 **Funding**

Other than funding for regulatory requirements, the funding of the securities companies shall be provided by third party financial institutions, Cadiz or BNPP in the form of loans.

## 5.11 **Regulatory capital calls**

Any regulatory capital shall be provided by Cadiz and BNPP in proportion to their shareholding, and in the form of a subscription for shares (“regulatory capital calls”). The price at which such shares are to be issued shall be agreed by Cadiz and BNPP, failing which it shall be determined by an independent expert. Failure to participate in a regulatory capital call will result in the dilution of a party’s shareholding.

## 5.12 **Pre-emptive right**

Any disposal of shares in a securities company is subject to either Cadiz or BNPP first offering its shares to the other, on the same terms and conditions as offered to a third party.

### 5.13 **Tag along and drag along**

As long as BNPP holds more than 80% of the shares in the securities companies, and wishes to sell its shares to a third party, Cadiz shall be entitled to require BNPP to procure that such third party also acquires a proportionate number of Cadiz' shares in the securities companies.

If a third party offers to purchase all BNPP's shares in the securities companies during any time which BNPP holds more than 80% of the shares, BNPP may require Cadiz to sell all its shares to such third party on the same terms and conditions.

### 5.14 **Regulatory events**

If any change in law, regulation or government policy results in Cadiz or BNPP no longer being entitled to hold shares in the securities companies, the lock-in period will no longer apply, and the relevant shareholder to whom such event applies shall be entitled to offer its shares to a third party.

If BNPP is the affected party, Cadiz will use its best efforts to assist BNPP with finding a buyer for its shares, but shall not be obliged to purchase BNPP's shares. If a third party is found, BNPP shall be entitled to sell to such third party unless the terms of such sale are more favourable than the original terms offered to Cadiz, and Cadiz shall be entitled to exercise the tag along rights, and similarly BNPP shall be entitled to exercise the drag along rights.

### 5.15 **Prescribed value**

Transfers of shares between the parties in terms of the exit options (discussed in paragraph 5.16 below) shall be done at the prescribed value of the shares, which is a value determined in accordance with a formula contained in the shareholders agreements of each of the securities companies.

The prescribed value shall be the higher of the NAV of the securities company and the weighted average income after tax and before exceptional items of the securities company during the two most recently completed financial years, multiplied by seven with a maximum discount of 35% in certain circumstances including possible defined default events, with the more recent financial year having a weighting of two and the less recent a weighting of one.

Exceptional items are:

- 5.15.1 for the first three years following the completion date: start up or initial costs, acquisitions, unplanned systems or fixed asset investments or once-off unplanned exceptional expenses;
- 5.15.2 in the fourth and the tenth years after the completion date: any item identified by the board of the securities companies as exceptional within six months of incurring the expense or on approval of the budget; and
- 5.15.3 in the fifth and seventh years after the completion date: the amount by which the actual expenditure exceeds the total budget plus 15%.

The prescribed value shall be agreed between Cadiz and BNPP, failing which, by an independent valuations firm appointed by them.

A independent valuation firm shall make a determination based on such information as the shareholders in the securities companies may provide, and acting as an expert.

### 5.16 **Exit options**

#### 5.16.1 **BNPP's first exit option**

Within six months prior to the expiry of the lock-in period, BNPP shall be entitled to require Cadiz to sell to it such number of shares in the securities companies so as to result in BNPP holding not less than 75% of the total shares of the securities companies.

The price of the shares in the securities companies acquired pursuant to the first exit option shall be the prescribed value of such shares.

#### 5.16.2 **BNPP's second exit option**

If BNPP has not acquired all Cadiz' shares in the securities companies pursuant to the first exit option, BNPP may, within two years from the expiry of the lock-in period acquire from Cadiz its remaining shares.

The price of the shares of the securities companies acquired pursuant to the second exit option shall be the prescribed value of such shares.

### 5.16.3 **Cadiz put option**

If Cadiz' shareholding falls below 20% due to the exercise by BNPP of the first exit option or the second exit option, then Cadiz shall be entitled to require BNPP to acquire Cadiz' remaining shares in the securities companies.

The price of the shares in the securities companies acquired pursuant to the Cadiz put option shall be the prescribed value of such shares.

### 5.17 **Restraint**

The parties shall not be entitled to compete with the business (being the business of the securities companies as at the signature date of the transaction documents). Such restraint persists for one year after a shareholder ceases to be a shareholder of the securities companies, and applies to the entire South Africa.

The restraint does not apply to:

- 5.17.1 BNPP, directly or indirectly, using a local provider, for a period of time to be agreed between the parties, for the provision of services not available in the securities companies or the provision of which would require substantial developments to reach BNPP standards;
- 5.17.2 Cadiz or BNPP acquiring a non-South African entity which engages in competing business in South Africa, provided that the competing South African subsidiary or affiliate does not represent more than 25% of the total earnings of the entity acquired by Cadiz or BNPP; or
- 5.17.3 Cadiz or BNPP continuing to conduct any activities which they conducted on the signature date of the transaction documents.

### 5.18 **Roulette option**

If a party acquires a non-South African competitor with operations in South Africa as exempted in paragraph 5.17.1, or there is a change in control of Cadiz resulting in a competitor of BNPP in a business similar to the business of the securities companies being in control of Cadiz, either Cadiz or BNPP may initiate a roulette option process.

The roulette option provides that the party who initiates the process shall offer to acquire the other party's shares at a price determined by such initiating party. The other party shall be obliged to accept such offer or make a counter-offer, provided that the purchase price under the counter-offer shall be at least 10% higher than the initial offer. The triggering party shall then be obliged to either accept such counter-offer, or counter the counter-offer, provided that the purchase price under such further counter-offer shall be at least 5% higher than the counter-offer. This process shall be repeated until acceptance of the purchase price by the parties is reached.

### 5.19 **Service level agreement**

The securities companies require CSPL to continue to provide certain essential services to the securities companies on a cost recovery basis. The terms and conditions of the service level agreement are currently summarised in a non-binding term sheet to be attached to the transaction documents, and which will be negotiated and agreed on prior to the completion date.

The initial period of the service level agreement shall be five years, which may be extended for two years by not later than the fourth year of the completion date.

The services are those currently provided to the entire Cadiz group of companies, at rates determined pursuant to current methodologies and at services levels to be agreed.

The service level agreement may be terminated by the securities companies if Cadiz no longer holds an interest in the securities companies, but such termination will (at the earliest) only take effect eighteen months after Cadiz ceases to hold an interest in the securities companies. In instances where CSPL breaches the provisions of the service level agreement, the securities companies may terminate the service level agreement on eighteen months' written notice.

## 6. FINANCIAL INFORMATION

### 6.1 Unaudited *pro forma* financial effects of the transaction and the 40% sale

The unaudited *pro forma* financial effects of the transaction and 40% sale, as set out below, are the responsibility of the directors of Cadiz. The unaudited *pro forma* financial effects are presented in a manner that is consistent with the accounting policies of Cadiz.

The unaudited *pro forma* consolidated statement of comprehensive income for the year ended 31 March 2011, and the unaudited *pro forma* consolidated statement of financial position at 31 March 2011 are set out in Annexure I.

The unaudited *pro forma* financial information has been prepared for illustrative purposes, and because of its nature, may not give a fair reflection of Cadiz' financial position nor reflect the effect on future earnings post the transaction and 40% sale.

The unaudited *pro forma* financial information as set out below should be read in conjunction with the unaudited *pro forma* statement of financial position and statement of comprehensive income, together with the assumptions upon which the financial effects are based, as indicated in the notes thereto as set out in Annexure I.

	<b>“Actual Before”</b>	<b>“Pro forma After the transaction”</b>	<b>Change</b>	<b>“Pro forma After 100% sale”</b>	<b>Change</b>
<b>Earnings per share (cents) (“EPS”)</b>					
– basic	24	99	313%	97	304%
– diluted	23	96	317%	94	309%
<b>Headline earnings per share (cents) (“HEPS”)</b>					
– basic	24	18	(24%)	16	(33%)
– diluted	23	18	(22%)	16	(30%)
<b>Net asset value per share (cents) (“NAV”)</b>	304	380	25%	380	25%
<b>Net tangible asset value per share (cents) (“NTAV”)</b>	176	257	46%	255	44%

#### Notes:

1. The “Actual Before” column has been extracted without adjustment from the published audited consolidated results of Cadiz for the financial year ended 31 March 2011.
2. The EPS and HEPS figures, as reflected in the “Pro forma After the transaction” column are based on the assumption that the transaction was implemented on 1 April 2010.
3. The EPS and HEPS as reflected in the “Pro forma After the transaction” column of the table are based on the published audited consolidated statement of comprehensive income of Cadiz after removing the after-tax historical income and expenses of the securities companies of R25 234 000 for the year ended 31 March 2011 and after adjusting for the following:
  - 3.1 Interest income has been increased by R11 725 000 based on a return of 6% per annum on the following:
    - 3.1.1 cash proceeds of R11 800 000, and the distribution of the net asset value of R82 993 000; and
    - 3.1.2 less transaction and retention payments of R5 569 000.
  - 3.2 Operating expenses have been increased by R3 687 000 due to an accelerated share-based payment charge incurred by Cadiz Group, in terms of IFRS 2.
  - 3.3 Surplus on disposal of the securities companies of R193 838 000 calculated as follows:
    - 3.3.1 cash proceeds of R11 800 000 from the transaction;
    - 3.3.2 plus the fair value of Cadiz' remaining 40% shareholding in the securities companies of R81 408 000, as valued by an external valuation expert; and
    - 3.3.3 less directly attributable transaction costs of R2 569 000 and retention payments of R3 000 000 as a result of the transaction.
  - 3.4 Normal taxation and Capital Gains Tax of R18 371 000 as a result of the transaction.
  - 3.5 The income from Cadiz' 40% share of the securities companies of R7 946 000 has been calculated taking into account the historical earnings of the securities companies adjusted for the following:
    - 3.5.1 the after-tax interest earned of R3 585 000 by the securities companies on the net asset value distributed at transaction date;
    - 3.5.2 less Cadiz' R888 000 share of the after-tax amortisation charge on the intangible assets identified in the securities companies; and
    - 3.5.3 increased by Cadiz' R175 000 share of the after-tax reduction in the charge for cash-settled share appreciation rights (“SARS”) resulting from the change in the method of calculating the liability in respect of the SARS held by the securities companies' employees. (Prior to the transaction these were accounted for in terms of IFRS 2 but will now be accounted for in terms of IAS 19 after the transaction.)
  - 3.6 HEPS has been adjusted by the after-tax surplus realised on disposal of the securities companies of R178 844 000.
4. The NAV and NTAV as reflected in the “Pro forma After the transaction” column of the table are based on the assumption that the transaction was implemented on 31 March 2011.

5. The NAV and NTAV as reflected in the “*Pro forma* After the transaction” column of the table are based on the published audited consolidated statement of financial position of Cadiz after taking into account the removal of the historical assets and liabilities of the securities companies as at 31 March 2011. (The NAV of the securities companies will be equal to R200) after adjusting for the following:
  - 5.1 Investment in associate increasing by R81 408 000 based on the fair value of Cadiz’ 40% shareholding in the securities companies, as valued by an external valuation expert.
  - 5.2 Inclusion of the cash proceeds of R118 000 000 received from the transaction.
  - 5.3 Inclusion of R14 951 000 of normal taxation, Capital Gains Tax and deferred tax as a result of the transaction.
  - 5.4 Trade payables increasing by R5 569 000, being the transaction costs of R2 569 000 and retention payments of R3 000 000.
  - 5.5 Cash-settled share-based payment liabilities of R6 029 000 removed from the historical liabilities of the securities companies, which are recognised as equity-settled share appreciation rights by Cadiz. These have been reclassified to reserves.
6. The EPS and HEPS figures, as reflected in the “*Pro forma* After 100% sale” column are based on the assumption that the transaction and the 40% sale were implemented on 1 April 2010.
7. The EPS and HEPS as reflected in the “*Pro forma* After 100% sale” column of the table are based on the “*Pro forma* After the transaction” column and after adjusting for the following:
  - 7.1 Interest income has been increased by R4 884 000 based on the return of 6% per annum on the cash proceeds of R81 408 000 (the assumed prescribed value of the 40% sale, in terms of the exit options, based on the valuation by an independent external expert).
  - 7.2 Normal taxation increased by R1 368 000 as a result of the interest income earned.
  - 7.3 Income from associate decreased by R7 946 000 as a result of the 40% sale.
8. The NAV and NTAV as reflected in the “*Pro forma* After 100% sale” column of the table are based on the assumption that the transaction was implemented on 31 March 2011.
9. The NAV and NTAV as reflected in the “*Pro forma* After 100% sale” column of the table are based on the “*Pro forma* After the transaction” column and after adjusting for the following:
  - 9.1 Investment in associate decreasing by R81 408 000 based on the 40% sale.
  - 9.2 Cash and cash equivalents of R81 408 000 represents the cash proceeds received from the 40% sale based on the independent external expert valuation.
  - 9.3 Deferred tax decreased by R5 282 000, and taxation increased by R5 282 000 which represents the Capital Gains Tax on the 40% sale.

## 6.2 Reporting accountants’ report

The independent reporting accountants’ report on the unaudited *pro forma* financial effects is set out in Annexure II to this circular.

## 6.3 Loans to and from subsidiaries

Details of the loans to and from subsidiaries as at 31 March 2011 is included in note 24 of the annual report which was posted to shareholders on 25 July 2011 and is available on Cadiz’ website ([www.cadiz.co.za](http://www.cadiz.co.za)).

## 6.4 Material loans

There are no material loans.

## 6.5 Historical financial information

Cadiz’ historical financial information for the three financial years ended 31 March 2011, 31 March 2010 and 31 March 2009 are available for inspection in terms of paragraph 12 below, on Cadiz’ website ([www.cadiz.co.za](http://www.cadiz.co.za)) and as part of the annual report for the years ended 31 March 2011, 31 March 2010 and 31 March 2009.

The historical information of the securities companies has been set out in Annexure IV to this circular.

The independent reporting accountants’ report on the historical financial information has been set out in Annexures V and VI to this circular.

## 6.6 Transaction costs

The transaction costs (including VAT) are as follows:

Service provider	Work performed	R’000
Cadiz Corporate Solutions, a division of Cadiz Special Projects Limited	Corporate advisory services	–
Investec Bank Limited	Sponsor services	285
PricewaterhouseCoopers Inc.	Reporting accountant	422
JSE Issuer	Documentation and inspection fees	57
Cliffe Dekker Hofmeyr	Legal services	1 368
Cliffe Dekker Hofmeyr	Competition Commission	80
JF Basson	Valuation new entity	86
Camelot Consulting	Secretarial services	56
Ince	Services and publication	215
<b>Total</b>		<b>2 569</b>

## 7. INFORMATION ON CADIZ

### 7.1 Nature of business

Cadiz is the holding company of a financial services group. Activities of Cadiz' wholly-owned subsidiaries include equity derivative broking, fixed income broking, quantitative research, stockbroking, corporate solutions, asset management, collective investment scheme management, linked life products and structured solutions for the corporate, wholesale and retail markets.

### 7.2 Authorised and issued share capital

The authorised and issued share capital of Cadiz on 31 August 2011 is set out below:

Authorised	R'000
1 000 000 000 ordinary shares of one cent each	10 000
24 000 000 A ordinary shares of one cent each	240
30 000 000 B preference shares of one cent each	300
<b>Issued</b>	
252 943 824 ordinary shares of one cent each	2 529
8 244 420 ordinary shares in employee share trusts	(82)
11 889 849 ordinary treasury shares	(119)
11 058 753 A ordinary shares	111
492 950 A ordinary shares held by Cadiz Black Employee Share Ownership Scheme Trust	(5)
	<b>2 434</b>
Share premium	22 329
Effect of consolidation of employee share trusts	(23 487)
Treasury shares	(28 721)
	<b>(29 879)</b>

### 7.3 Major shareholders

The following major shareholders were, on 31 August 2011, the direct beneficial owners of 5% or more of the issued share capital of Cadiz:

Shareholder	Number of shares held	Percentage of issued share capital
Makana Financial Services (Pty) Ltd*	34 416 502	13.6
The Royaume Investment Trust#	22 000 000	8.7
Bateleur Trust#	13 044 958	5.2
<b>Total</b>	<b>69 461 460</b>	<b>27.5</b>

# These are included in the interests of RFG Cadiz.

\* A wholly-owned subsidiary of Makana Investment Corporation (Pty) Ltd.

There has been no change in the controlling shareholders in the last five years.

### 7.4 Directors and management

The board of directors and members of the Executive Decision Forum of Cadiz are as follows:

Name	Function	Business address
SP Ngwenya	Non-executive chairman	31 West Street, Houghton
R Barkai	CEO Director of Cadiz Asset (Pty) Ltd Management (Pty) Ltd Cadiz Special Projects Ltd Cadiz Securities (Pty) Ltd Cadiz Stock Broking (Pty) Ltd	Ground Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands
RFG Cadiz	Non-executive director	Ground Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands

<b>Name</b>	<b>Function</b>	<b>Business address</b>
CA Hall	Independent non-executive director	5 Corporation Street, Cape Town
BH Kent	Independent non-executive director	23 Barnard Street, Simon's Town
DM Lawrence	Independent non-executive director	100 Grayston Drive, Sandown, Sandton
AN Matyumza	Independent non-executive director	5 Pitlochry Road, Westville
BJ Memela-Khambula	Independent non-executive director	497 Schubart Street, Pretoria Central Pretoria
NS Mjoli-Mncube	Independent non-executive director	21 Impala Road, Block B, First Floor Chislehurst, Sandton
SJ Saunders	Independent non-executive director	Amanzimnyama Hill, Tongaat
FC Shaw	Financial director	Ground Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands
AI Brooks	Alternate independent non-executive director	31 West Street, Houghton
D Abrahams	Executive Decision Forum	Ground Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands
D Ahern	Executive Decision Forum Director of Cadiz Securities (Pty) Ltd Cadiz Stock Broking (Pty) Ltd and Cadiz Special Projects Ltd	Ground Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands
FML Cadiz	Executive Decision Forum Director of Cadiz Asset Management (Pty) Ltd	Ground Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands
R Gonsalves	Executive Decision Forum Director of Cadiz Special Projects Ltd	Ground Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands
EA Jones	Executive Decision Forum Director of Cadiz Asset Management (Pty) Ltd	Ground Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands
SXM Nhlapo	Executive Decision Forum Director of Cadiz Stock Broking (Pty) Ltd	Ground Floor, Fernwood House The Oval, 1 Oakdale Road, Newlands

## 7.5 Directors' emoluments

The remuneration and benefits paid to the directors for the year ended 31 March 2011 are as follows:

### Executive directors

<b>Executive director (Rand)</b>	<b>Salary</b>	<b>Bonus</b>	<b>Retirement/ Medical aid</b>	<b>Share-based payment expense<sup>2</sup></b>	<b>Other benefits</b>	<b>Total</b>
<b>2011</b>						
R Barkai	2 216 443	625 000	324 567	1 763 138	46 490	4 975 638
FC Shaw	1 006 228	290 000	186 695	692 506	21 827	2 197 256
	3 222 671	915 000	511 262	2 455 644	68 317	7 172 894
<b>2010</b>						
R Barkai	1 794 210	1 600 000	267 513	2 256 409	38 277	5 956 409
FC Shaw <sup>1</sup>	712 333	525 000	188 399	598 180	15 934	2 039 846
	2 506 543	2 125 000	455 912	2 854 589	54 211	7 996 255

### Notes

1. Appointed 1 June 2010.
2. Share-based payment expense in respect of options granted in previous years and equity portion of March 2010 and March 2011 incentive awards.

Non-executive directors	2011			2010		
	Directors' fees	Consultancy fees	Total	Directors' fees	Consultancy fees	Total
RFG Cadiz	223 333	–	223 333	1 175 000	–	1 175 000
CA Hall	118 990	32 500	151 490	107 776	–	107 776
BH Kent	342 023	–	342 023	309 855	–	309 855
DM Lawrence <sup>3</sup>	118 990	–	118 990	107 776	–	107 776
AN Matyumza	163 830	–	163 830	24 699	–	24 699
BJ Memela-Khambula	146 990	–	146 990	17 963	–	17 963
NS Mjoli-Mncube	146 990	–	146 990	107 776	–	107 776
SP Ngwenya	208 087	–	208 087	188 608	–	188 608
SJ Saunders	208 670	–	208 670	188 608	–	188 608
	1 677 903	32 500	1 710 403	2 228 061	–	2 228 061

<sup>3</sup> Fees paid to Investec Ltd.

There will be no variation in the remuneration of the directors as a result of the transaction.

## 7.6 Directors' interests in Cadiz shares

The beneficial holdings of the directors at 31 August 2011 are as follows:

Director	Direct beneficial shares	Indirect beneficial shares	Total	Percentage of total shares issued
<b>Executive</b>				
R Barkai	1 424 794*	7 836 580	9 261 374	3.7
FC Shaw	439 099**	43 718	482 817	0.2
<b>Non-executive</b>				
RFG Cadiz	1 600 000	35 044 958	36 644 958	14.5
BH Kent	–	455 810	455 810	0.2
SP Ngwenya	–	7 743 713	7 743 713	3.1
SJ Saunders	–	271 746	271 746	0.1
<b>Total</b>	<b>3 463 893</b>	<b>51 396 525</b>	<b>54 860 418</b>	<b>21.8</b>

\* 230 945 shares are subject to vesting and sale restrictions and 442 138 shares subject to sale restrictions.

\*\* 121 945 shares are subject to vesting and sale restrictions and 172 331 shares subject to sale restrictions.

The indirect beneficial shareholding held by SP Ngwenya results from his direct shareholding in Makana Investment Corporation (Pty) Ltd and its shareholding in Makana Financial Services (Pty) Ltd.

## Share options

### Ram Barkai

	At 31 March 2011	Movement	At 31 August 2011	Exercise price (Rand)#	Allocation date	Vesting and expiry date
Share appreciation rights	800 000	(800 000)*	–	5.38	10/04/2006	06/04/2011
Share appreciation rights	800 000	–	800 000	5.38	10/04/2006	06/04/2012
Share appreciation rights	800 000	–	800 000	5.38	10/04/2006	06/04/2013
Share appreciation rights	80 000	–	80 000	6.43	12/03/2007	12/03/2012
Share appreciation rights	80 000	–	80 000	6.43	12/03/2007	12/03/2013
Share appreciation rights	80 000	–	80 000	6.43	12/03/2007	12/03/2014
Share appreciation rights	80 000	–	80 000	3.65	01/03/2008	01/03/2012
Share appreciation rights	80 000	–	80 000	3.65	01/03/2008	01/03/2013
Share appreciation rights	80 000	–	80 000	3.65	01/03/2008	01/03/2014
Share appreciation rights	80 000	–	80 000	3.65	01/03/2008	01/03/2015
Paid-up share appreciation rights	288 478	(288 478)**	–	–	01/09/2010	01/09/2010
Paid-up share appreciation rights	458 660	(458 660)**	–	–	01/09/2010	03/06/2011
Paid-up share appreciation rights	–	136 365***	–	–	–	–
Paid-up share appreciation rights	–	(136 365)****	–	–	03/06/2011	03/06/2011
Paid-up share appreciation rights	–	230 955***	–	–	–	–
Paid-up share appreciation rights	–	(230 955)*****	–	–	03/06/2011	03/06/2012

## Fraser Shaw

	At 31 March 2011	Movement	At 31 August 2011	Exercise price (Rand)#	Allocation date	Vesting and expiry date
Share options	50 000	(50 000)*	–	4.02	31/03/2005	31/03/2011
Share options	50 000		50 000	4.02	31/03/2005	31/03/2012
Share appreciation rights	40 000	(40 000)*	–	5.38	06/04/2006	06/04/2011
Share appreciation rights	40 000		40 000	5.38	06/04/2006	06/04/2012
Share appreciation rights	40 000		40 000	5.38	06/04/2006	06/04/2013
Share appreciation rights					12/03/2007	12/03/2011
Share appreciation rights	50 000		50 000	6.43	12/03/2007	12/03/2012
Share appreciation rights	50 000		50 000	6.43	12/03/2007	12/03/2013
Share appreciation rights	50 000		50 000	6.43	12/03/2007	12/03/2014
Share appreciation rights					01/03/2008	01/03/2011
Share appreciation rights	60 000		60 000	3.65	01/03/2008	01/03/2012
Share appreciation rights	60 000		60 000	3.65	01/03/2008	01/03/2013
Share appreciation rights	60 000		60 000	3.65	01/03/2008	01/03/2014
Share appreciation rights	60 000		60 000	3.65	01/03/2008	01/03/2015
Paid-up share appreciation rights	94 657	(94 657)**	–	–	01/09/2010	01/09/2010
Paid-up share appreciation rights	150 497	(150 497)**	–	–	01/09/2010	03/06/2011
Paid-up share appreciation rights		72 000***				
		(72 000)****	64 648	–	03/06/2011	03/06/2011
Paid up share appreciation rights		121 945****				
		(121 945)*****	64 648	–	03/06/2011	03/06/2012

\* Lapsed during the year.

\*\* Awarded as part of 2010 incentive award. Restricted shares issued in June 2011 subject to sale restrictions of 1/3 per year commencing on 3 June 2011.

\*\*\* Awarded as part of 2011 incentive award.

\*\*\*\* Restricted shares issued in June 2011 subject to sale restrictions of 1/3 per annum commencing 3 June 2012.

\*\*\*\*\* Restricted shares issued in June 2011 vesting on 3 June 2012 and subject to sale restrictions of 1/3 per annum commencing on 3 June 2012.

# The strike price increases by notional interest at the SARS fringe benefit tax interest rate less any distributions by the Company between 31 March 2011 and vesting date.

### 7.7 Directors' interests in transactions

No director of Cadiz is, or has been, directly or indirectly, interested in any transaction which was effected during the current or immediately preceding financial year or during an earlier financial year and remains in any respect outstanding or unperformed.

No director of Cadiz is directly or indirectly interested in the transaction.

### 7.8 Directors' service contracts

The executive directors of Cadiz have entered into standard employment contracts. None of the non-executive directors of Cadiz have entered into service contracts with Cadiz.

### 7.9 Material change

Cadiz' earnings for the six months ending 30 September 2011 are anticipated to be substantially lower than the comparable period last year and the Group expects to break-even for the period. The decline in earnings is attributable mostly to disappointing operational performances from both the asset management and securities businesses. The results for asset management have been impacted by difficult market conditions leading to a substantial reduction in performance fees, lower average assets under management relative to last year (currently R42 billion) and a high infrastructure cost base for the current assets under management. The securities segment continues to be impacted by low trading volumes and increased competition.

### 7.10 Group prospects

Competition in the securities market has increased significantly, however BNPP is well-positioned to provide the balance sheet, offshore distribution, electronic trading and international research to enable the securities companies to offer a competitive product and service. Following the completion of the transaction both Cadiz and BNPP will combine their respective strengths to market and sell South African equity products to institutional investors in South Africa and abroad. The benefits of the transaction are only expected to start being realised during the next financial year.

The strategic repositioning of the asset management business is in progress with the integration of the institutional and retail businesses of Cadiz Asset Management and Cadiz Wealth. In addition, the integration of the systems platforms, business development areas and investment processes will improve profitability by reducing costs,

creating economies of scale and operating efficiencies. The investment offering has been refined to ensure the business applies a unified investment management platform and process. All these changes are expected to contribute to a reduced cost base, improved investment performance and growth in assets under management. Cadiz Asset Management will operate as an independent subsidiary with its own board and remuneration structure.

Once the expected proceeds from the BNPP transaction have been received in November 2011 and the capital requirements of the individual businesses have been determined, the directors are committed to communicating with shareholders on the Group's strategy for utilising or distributing any surplus capital.

The Group will be adopting a more decentralised business model after the BNPP transaction is concluded. The new structure will give the individual business units greater autonomy and accountability. The Group's head office cost structure will be streamlined and management will in future focus on the Group's capital and investments, monitoring the performance of the business units and providing shared services where this makes economic sense for the decentralised business units.

Following the completion and approval of the BNPP transaction, the Group will focus primarily on wholesale and retail asset management. The directors and management will therefore continue to take the necessary action to ensure the asset management business is sustainably profitable and competitive.

#### 7.11 **Material contracts**

There has been no material contracts entered into, other than the agreements relating to the transaction and other than in the ordinary course of business, by Cadiz or its subsidiaries within two years prior to the date of this circular or at any time before that containing an obligation or settlement that at the date of this circular is material to Cadiz or its subsidiaries.

#### 7.12 **Litigation statement**

Cadiz is not aware of any material legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had, in the twelve-month period preceding the date of issue of this circular, a material effect on the financial position of the Group.

### 8. **OPINIONS AND RECOMMENDATIONS**

The directors of Cadiz have considered the terms and conditions of the proposed transaction and are of the opinion that the transaction is in the best interests of all of Cadiz' key stakeholders, including shareholders, customers, suppliers, staff and funders and, accordingly, recommend that the Cadiz shareholders vote in favour of the ordinary resolutions required to implement the transaction.

The directors of Cadiz, insofar as they are entitled, intend to vote in favour of the ordinary resolutions to be proposed at the general meeting.

### 9. **WORKING CAPITAL STATEMENT**

The directors of Cadiz are of the opinion and have reasonable grounds for believing that, subsequent to the implementation of the transaction:

- Cadiz and its subsidiaries will be able, in the ordinary course of business, to pay their debts for at least a period of twelve months following the issue of this circular;
- the assets of Cadiz and its subsidiaries will be in excess of the liabilities of Cadiz and its subsidiaries for at least a period of twelve months following the issue of this circular. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;
- the share capital and reserves of Cadiz and its subsidiaries will be adequate for the ordinary business purposes for at least a period of twelve months following the issue of this circular;
- the working capital of Cadiz and its subsidiaries will be adequate for ordinary business purposes for at least a period of twelve months following the issue of this circular.

### 10. **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors, whose names appear on page 6 of this circular, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this circular false or misleading and that they have made all reasonable enquiries to ascertain such facts have been made and that this circular contains all information required by law and the Listings Requirements.

## 11. **CONSENTS**

The sponsor, reporting accountants and legal advisor to Cadiz have all provided their written consents to act in the capacity stated and to their names being used in this circular and have not withdrawn such consents prior to the publication of this circular.

## 12. **DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any business day at the registered address of Cadiz and at the offices of the sponsor, from Wednesday, 28 September 2011 (the date of issue of this circular) up to and including Wednesday, 26 October 2011:

- a copy of this circular;
- the CS share sale and subscription agreement;
- the CS shareholders agreement;
- the CSB share sale and subscription agreement;
- the CSB shareholders agreement;
- the term sheet containing the salient terms of the service level agreement;
- the audited financial statements of Cadiz for the last three financial years ended 31 March 2011;
- the reporting accountants' reports which are reproduced as Annexures II, V and VI to this circular;
- the memorandum of incorporation of Cadiz;
- the memorandum of incorporation of CS;
- the memorandum of incorporation of CSB;
- the Company's register of beneficial interest in securities; and
- the consent letters referred to in paragraph 11 above.

## 13. **GENERAL MEETING OF SHAREHOLDERS**

A general meeting of shareholders will be held at the office of Cadiz, Ground Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, Cape Town at 15:00 on Wednesday, 26 October 2011 in order to consider and, if deemed fit, pass, with or without modification, the ordinary resolutions required to give effect to Cadiz implementing the transaction, as set out in the notice of general meeting attached to and forming part of this circular.

Certificated shareholders and own name dematerialised shareholders who are unable to attend the general meeting and who wish to be represented thereat, are requested to complete and return the attached form of proxy (*blue*) in accordance with the instructions contained therein, to be received by no later than 15:00 on Tuesday, 25 October 2011.

Dematerialised shareholders should inform their CSDP or broker of their intention to attend the general meeting and request them to issue them with the necessary Letter of Representation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the general meeting in person, in terms of the custody agreement entered into between the dematerialised shareholder and the CSDP or broker.

By order of the board

### **CADIZ HOLDINGS LIMITED**

**C Schmahl**

*Company secretary*

28 September 2011

### **Registered office**

Ground Floor, Fernwood House  
The Oval, 1 Oakdale Road  
Newlands, 7700  
(PO Box 44547, Claremont, 7735)

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## UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF CADIZ

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The unaudited *pro forma* consolidated statement of financial position at 31 March 2011 and the unaudited *pro forma* consolidated statement of comprehensive income for the year ended 31 March 2011 are set out below.

The unaudited *pro forma* financial information has been prepared for illustrative purposes only to provide information on how the transaction and the 40% sale might have impacted on the financial position and results of Cadiz and because of its nature, may not give a fair presentation of Cadiz' financial position and future results after the implementation of the transaction and the 40% sale.

The unaudited *pro forma* financial information is presented in a manner that is consistent with the accounting policies of Cadiz.

The directors of Cadiz are responsible for the preparation and presentation of the unaudited *pro forma* financial information.

The unaudited *pro forma* financial information as set out below should be read in conjunction with the limited assurance report of the independent reporting accountants which is included as Annexure II to this circular.

**UNAUDITED CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION OF CADIZ HOLDINGS LIMITED AS AT 31 MARCH 2011**

R'000	Actual before the transaction (1)	Historical adjustments (3)	Distribution (4)	Pro forma adjustments (5)	Pro forma after the transaction (6)	40% sale (8)	Pro forma after 100% sale (9)
<b>ASSETS</b>							
<b>Non-current assets</b>	<b>2 608 271</b>	<b>(3 128)</b>	<b>–</b>	<b>81 408</b>	<b>2 686 551</b>	<b>(81 408)</b>	<b>2 605 143</b>
Investment in associate	–	–	–	81 408	81 408	(81 408)	–
Plant and equipment	6 906	–	–	–	6 906	–	6 906
Intangible assets	269 334	–	–	–	269 334	–	269 334
Deferred taxation	19 230	(3 128)	–	–	16 102	–	16 102
Investments backing linked funds	2 232 001	–	–	–	2 232 001	–	2 232 001
Financial assets	76 235	–	–	–	76 235	–	76 235
Receivables and pre-payments	4 565	–	–	–	4 565	–	4 565
<b>Current assets</b>	<b>580 985</b>	<b>(323 483)</b>	<b>102 245</b>	<b>118 000</b>	<b>477 747</b>	<b>81 408</b>	<b>559 155</b>
Inter-company loans	–	(38 577)	38 577	–	–	–	–
Financial assets	123 511	(26 563)	–	–	96 948	–	96 948
Receivables and pre-payments	223 270	(187 212)	–	–	36 058	–	36 058
Taxation	2 406	–	–	–	2 406	–	2 406
Cash and cash equivalents	231 798	(71 131)	63 668	118 000	342 335	81 408	423 743
<b>Total assets</b>	<b>3 189 256</b>	<b>(326 611)</b>	<b>102 245</b>	<b>199 408</b>	<b>3 164 298</b>	<b>–</b>	<b>3 164 298</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Total equity</b>	<b>683 700</b>	<b>(82 993)</b>	<b>82 993</b>	<b>172 859</b>	<b>856 559</b>	<b>–</b>	<b>856 559</b>
Ordinary share capital and premium	3 619	–	–	–	3 619	–	3 619
Treasury shares	(52 411)	–	–	–	(52 411)	–	(52 411)
Share-based payment reserve	59 888	(5 014)	5 014	3 687	63 575	–	63 575
Retained earnings	672 604	(77 979)	77 979	169 172	841 776	–	841 776
<b>Non current liabilities</b>	<b>2 239 941</b>	<b>–</b>	<b>–</b>	<b>5 282</b>	<b>2 245 223</b>	<b>(5 282)</b>	<b>2 239 941</b>
Deferred taxation	2 912	–	–	5 282	8 194	(5 282)	2 912
Linked investment contract liabilities	2 232 001	–	–	–	2 232 001	–	2 232 001
Trade and other payables	5 028	–	–	–	5 028	–	5 028
<b>Current liabilities</b>	<b>265 615</b>	<b>(243 618)</b>	<b>19 252</b>	<b>21 267</b>	<b>62 516</b>	<b>5 282</b>	<b>67 798</b>
Inter-company loans	–	(19 252)	19 252	–	–	–	–
Trade and other payables	230 412	(194 727)	–	11 598	47 283	–	47 283
Taxation	6 913	(1 350)	–	9 669	15 233	5 282	20 515
Trading liabilities	28 290	(28 290)	–	–	–	–	–
<b>Total liabilities</b>	<b>2 505 556</b>	<b>(243 618)</b>	<b>19 252</b>	<b>26 549</b>	<b>2 307 739</b>	<b>–</b>	<b>2 307 739</b>
<b>Total equity and liabilities</b>	<b>3 189 256</b>	<b>(326 611)</b>	<b>102 245</b>	<b>199 408</b>	<b>3 164 298</b>	<b>–</b>	<b>3 164 298</b>
<b>Net asset value per share (cents)</b>	304	(37)	37	77	380	–	380
<b>Tangible net asset value per share (cents)</b>	177	(35)	37	79	257	(2)	255
<b>Number of shares in issue ('000)</b>	225 205	225 205	225 205	225 205	225 205	225 205	225 205

**Notes:**

1. The financial information in the "Actual before the transaction" column is from the audited published consolidated statement of financial position of Cadiz at 31 March 2011.
2. The transaction is assumed to have been implemented on 31 March 2011.
3. The "Historical adjustments" column removes the asset and liabilities of the securities companies at 31 March 2011.
4. Immediately prior to the completion date of the transaction, the securities companies will declare their NAV to Cadiz, such that the securities companies will have a combined NAV of R200 on completion date of the transaction. The "Distribution" column illustrates this declaration.
5. The "Pro forma adjustments" column includes the following adjustments:
  - 5.1 Investment in associate increasing by R81 408 000 based on the fair value of Cadiz' 40% shareholding in the securities companies, as valued by an external valuation expert.
  - 5.2 Cash and cash equivalents of R118 000 000 represents the cash proceeds received from the transaction.
  - 5.3 The change in share-based payment reserve of R3 687 000 and retained earnings of R169 172 000 represents the accumulated impact of all the adjustments.
  - 5.4 Deferred tax increased by R5 282 000 which represents the deferred tax on the fair value of Cadiz' 40% shareholding in the securities companies.
  - 5.5 Trade payables increased by R11 598 000 made up of the following:
    - 5.5.1 The transaction costs of R2 569 000.
    - 5.5.2 Retention payments of R3 000 000.
    - 5.5.3 Cash-settled share-based payment liabilities of R6 029 000 removed from the historical liabilities of the securities companies which are recognised as equity-settled share appreciation rights ("SARS") by Cadiz. These have been reclassified to reserves.
  - 5.6 Taxation increased by R9 669 000 consisting of the normal and Capital Gains Tax effects in respect of the transaction.
6. The "Pro forma after the transaction" column represents the *pro forma* effects of the transaction.
7. The 40% sale is assumed to have been implemented on 31 March 2011.
8. The "40% sale" column includes the following adjustments:
  - 8.1 Investment in associate decreasing by R81 408 000 (the assumed prescribed value of the 40% sale, in terms of the exit options, based on the valuation by an independent external expert).
  - 8.2 Cash and cash equivalents of R81 408 000 represents the cash proceeds received from the 40% sale based on the independent external expert valuation.
  - 8.3 Deferred tax decreased by R5 282 000, and taxation increased by R5 282 000 which represents the Capital Gains Tax on the 40% sale.
9. The "Pro forma after 100% sale" represents the *pro forma* effects of the transaction and the 40% sale.

**UNAUDITED CONSOLIDATED PRO FORMA STATEMENT OF COMPREHENSIVE INCOME OF CADIZ HOLDINGS LIMITED FOR THE YEAR ENDED 31 MARCH 2011**

R'000	Actual before the transaction (1)	Historical adjustments (3)	Pro forma adjustments (4)	Pro forma after the transaction (8)	40% sale (10)	Pro forma after 100% sale (11)
<b>Revenue</b>	<b>326 063</b>	(132 367)	26 972	<b>220 668</b>	–	<b>220 668</b>
<b>Interest income</b>	12 381	(10 048)	11 725	14 058	4 884	18 942
<b>Net investment income</b>	<b>7 287</b>	–	–	<b>7 287</b>	–	<b>7 287</b>
Net income from investments	11 264	–	–	11 264	–	11 264
Foreign exchange losses	(3 977)	–	–	(3 977)	–	(3 977)
<b>Income attributable to linked assets</b>	–	–	–	–	–	–
Net fair value gains on linked financial instruments	54 061	–	–	54 061	–	54 061
Linked liability adjustments	(54 061)	–	–	(54 061)	–	(54 061)
<b>Operating expenses</b>	(277 004)	103 311	(30 659)	(204 352)	–	(204 352)
<b>Operating profit</b>	<b>68 727</b>	<b>(39 104)</b>	<b>8 038</b>	<b>37 661</b>	<b>4 884</b>	<b>42 545</b>
Profit on disposal of subsidiary	–	–	193 838	193 838	–	193 838
Finance costs	(706)	4 714	–	4 008	–	4 008
<b>Profit before taxation</b>	<b>68 021</b>	<b>(34 390)</b>	<b>201 876</b>	<b>235 507</b>	<b>4 884</b>	<b>240 391</b>
Taxation	(14 428)	9 156	(18 371)	(23 643)	(1 368)	(25 011)
<b>Profit for the year</b>	<b>53 593</b>	<b>(25 234)</b>	<b>183 505</b>	<b>211 864</b>	<b>3 516</b>	<b>215 380</b>
Income from associate	–	–	7 946	7 946	(7 946)	–
<b>Total comprehensive income</b>	<b>53 593</b>	<b>(25 234)</b>	<b>191 451</b>	<b>219 810</b>	<b>(4 430)</b>	<b>215 380</b>
<b>Reconciliation of headline earnings:</b>						
Total comprehensive income	<b>53 593</b>	<b>(25 234)</b>	<b>191 451</b>	<b>219 810</b>	<b>(4 430)</b>	<b>215 380</b>
Surplus on disposal of plant and equipment	(56)	–	–	(56)	–	(56)
Taxation impact	16	–	–	16	–	16
Profit on disposal of subsidiary	–	–	(193 838)	(193 838)	–	(193 838)
Taxation on disposal	–	–	14 994	14 994	–	14 994
<b>Headline earnings</b>	<b>53 553</b>	<b>(25 234)</b>	<b>12 608</b>	<b>40 927</b>	<b>(4 430)</b>	<b>36 496</b>
<b>Earnings per share (cents)</b>						
– Basic	24	(11)	86	99	(2)	97
– Diluted	23	(11)	84	96	(2)	94
<b>Headline earnings per share (cents)</b>						
– Basic	24	(11)	6	18	(2)	16
– Diluted	23	(11)	6	18	(2)	16
<b>Weighted average number of shares in issue ('000)</b>	222 262	222 262	222 262	222 262	222 262	222 262
<b>Diluted weighted average number of shares in issue ('000)</b>	228 276	228 276	228 276	228 276	228 276	228 276

## Notes

1. The financial information in the "Actual before the transaction" column is from the audited published consolidated statement of comprehensive income of Cadiz for the year ended 31 March 2011.
2. The transaction is assumed to have been implemented on 1 April 2010.
3. The "Historical adjustments" column removes the after-tax income and expenses of the securities companies for the year ended 31 March 2011.
4. The "Pro forma adjustments" column has the following adjustments:
  - 4.1 Revenue increased by R26 972 000\* for the service level agreement which will be concluded with the securities companies.
  - 4.2 Interest income has been increased by R11 725 000\* based on the return of 6% per annum on the following:
    - 4.2.1 Cash proceeds of R118 000 000 and the distribution of the net asset value of R82 993 000.
    - 4.2.2 Less: Transaction and retention payments of R5 569 000.
  - 4.3 Operating expenses increased by R30 659 000 consisting of the following:
    - 4.3.1 The service level agreement costs of R26 972 000\* which will be recovered from the securities companies.
    - 4.3.2 An accelerated share-based payment charge of R3 687 000 in respect of equity-settled share appreciation rights in terms of IFRS 2.
  - 4.4 Surplus on disposal of the securities companies increased by R193 838 000 calculated as follow:
    - 4.4.1 Cash proceeds of R118 000 000 from the transaction.
    - 4.4.2 Plus: The fair value of Cadiz' remaining 40% shareholding in the securities companies of R81 408 000, as valued by an external valuation expert.
    - 4.4.3 Less: Directly attributable transaction costs of R2 569 000 and retention payments of R3 000 000 as a result of the transaction.
5. Normal taxation and Capital Gains Tax increased by R18 371 000 as a result of the transaction.
6. Income from associate increased by R7 946 000 which represents the income from Cadiz' 40% share of the securities companies after taking into account the historical earnings of the securities companies adjusted for the following:
  - 6.1 The after-tax interest earned of R3 585 000 on the distribution of the net asset value at transaction date.
  - 6.2 Less: Cadiz' R888 000 share of the after-tax amortisation charge on the intangible assets identified in the securities companies.
  - 6.3 Increased by Cadiz' R175 000 share of the after-tax reduction in the charge for cash-settled SARS resulting from the change in the method of calculating the liability in respect of SARS held by the securities companies' employees. (Prior to the transaction these were accounted for in terms of IFRS 2 but will now be accounted for in terms of IAS 19 after the transaction.)
7. HEPS has been adjusted by the after-tax surplus realised on disposal of the securities companies of R178 844 000.
8. The "Pro forma after the transaction" column represents the *pro forma* effects of the transaction.
9. The 40% sale is assumed to have been implemented on 1 April 2010.
10. The "40% sale" column includes the following adjustments:
  - 10.1 Interest income has been increased by R4 884 000\* based on the return of 6% per annum on the cash proceeds of R81 408 000 (the assumed prescribed value of the 40% sale, in terms of the exit options, based on the valuation by an independent external expert).
  - 10.2 Normal taxation increased by R1 368 000\* as a result of the interest income earned.
  - 10.3 Income from associate decreased by R7 946 000 as a result of the 40% sale.
11. The "Pro forma after 100% sale" represents the *pro forma* effects of the transaction and the 40% sale.

\*These adjustments are expected to have a continuing effect on Cadiz whereas all the other adjustments are not expected to have a continuing effect.

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

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"The Board of Directors  
Cadiz Holdings Limited  
PO Box 44547  
Claremont  
7735

19 September 2011

Dear Sirs

### INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF CADIZ HOLDINGS LIMITED ("CADIZ" OR "THE COMPANY")

#### Introduction

Cadiz Holdings Limited is issuing a circular to its shareholders ("the Circular") regarding the disposal of 60% of Cadiz Stock Broking (Pty) Ltd and Cadiz Securities (Pty) Ltd (together "the Securities Companies") ("the Disposal") to BNP Paribas SA.

At your request and for the purposes of the Circular to be dated on or about 26 September 2011, we present our report on the unaudited *pro forma* statement of financial position, statement of comprehensive income and financial effects ("the unaudited *pro forma* financial information") of the Company presented in Annexure I and paragraph 6 of the Circular.

The unaudited *pro forma* financial information has been prepared in accordance with the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the Disposal might have affected the reported historical financial information presented, had the Disposal been undertaken at the commencement of the period or date of the unaudited *pro forma* financial position being reported on.

#### Responsibilities

The directors of Cadiz are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information contained in the Circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information contained in the Circular has been properly compiled on the basis stated; the basis is consistent with the accounting policies of the Company; and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

#### Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the unaudited *pro forma* financial information included in the Circular. We conducted our assurance engagement in accordance with ISAE 3000: *International Standard on Assurance Engagements Applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Revised Guide on Pro forma Financial Information* issued by The South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

#### Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information of the Company with the source documents, considering the *pro forma* adjustments in light of the accounting policies of the Company, considering the evidence supporting the unaudited *pro forma* adjustments and discussing the adjusted unaudited *pro forma* financial information with the directors of the Company in respect of the Disposal that is the subject of the Circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of the Company and other information from various public, financial and industry sources.

Whilst the work we performed involved an analysis of the historical financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information in accordance with the *International Standards on Auditing* or the *International Standards on Review Engagements* and, accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## **Conclusion**

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- the unaudited *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the Company;
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information as disclosed pursuant to Sections 8.17 and 8.30 of the JSE Listings Requirements.

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## **PRICEWATERHOUSECOOPERS INC.**

**Director: DG Malan**  
**Registered Auditor**  
**Cape Town”**

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**TRADING HISTORY OF CADIZ SHARES**


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The high, low and closing prices of Cadiz shares on the JSE, and the volumes traded, since 1 July 2008, were as follows:

		<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume</b>	<b>Value R</b>
<b>Quarterly</b>						
2008	September	225	192	200	8 116 290	17 497 028
	December	201	150	172	13 332 454	21 637 906
2009	March	193	140	180	13 459 238	23 302 306
	June	240	180	238	3 941 574	8 013 484
	September	300	215	300	13 523 644	33 190 708
	December	315	265	314	28 790 534	82 040 423
2010	March	325	275	300	8 181 791	23 919 191
	June	375	281	326	13 027 972	30 672 550
<b>Monthly</b>						
2010	July	350	331	335	4 393 980	14 866 747
	August	340	330	330	5 074 464	17 033 284
	September	340	320	320	4 101 681	13 744 540
	October	340	317	335	3 630 737	11 983 527
	November	360	320	335	11 711 118	39 702 269
	December	350	330	335	1 869 213	6 192 814
2011	January	353	340	340	778 217	2 651 564
	February	338	316	317	1 970 306	6 445 187
	March	348	265	280	7 734 915	23 348 010
	April	300	260	275	18 308 398	50 423 534
	May	290	270	290	1 500 876	4 184 324
	June	300	261	300	4 340 529	12 026 341
	July	325	285	285	2 804 706	8 654 760
<b>Daily</b>						
2011	August, 1	285	283	283	50 766	144 312
	August, 2	284	277	277	48 625	136 629
	August, 3	280	276	280	37 751	105 073
	August, 4	300	277	300	460 459	1 300 238
	August, 5	299	279	299	23 853	70 342
	August, 8	291	285	289	35 078	101 402
	August, 10	290	280	280	50 338	141 089
	August, 11	280	276	279	45 968	128 170
	August, 12	279	279	279	19 049	53 147
	August, 15	290	276	290	12 583	35 978
	August, 16	290	290	290	20 127	58 368
	August, 17	290	275	280	23 789	66 205
	August, 18	280	271	271	45 730	126 026
	August, 19	280	275	280	22 000	61 000
	August, 22	280	280	280	17 850	49 980
	August, 23	280	280	280	50	140
	August, 24	280	276	280	89 500	248 230
	August, 25	–	–	280	–	–
	August, 26	275	270	272	145 704	396 353
	August, 29	290	270	290	25 000	68 539
	August, 30	290	270	270	165 762	456 507
	August, 31	275	275	270	49 500	133 733

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**HISTORICAL FINANCIAL INFORMATION OF SECURITIES COMPANIES**


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**COMMENTARY**

A detailed commentary on the securities companies referred to in the historical financial information below is included in the Cadiz annual reports for the respective years referred to in paragraph 6.5.

**COMBINED STATEMENT OF FINANCIAL POSITION OF THE SECURITIES COMPANIES  
AS AT 31 MARCH 2011**

R'000	Notes	Audited 31 March 2011	Reviewed 31 March 2010	Reviewed 31 March 2009
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>3 128</b>	<b>3 433</b>	<b>940</b>
Intangible assets	3	–	151	821
Deferred tax	4	3 128	3 282	119
<b>Current assets</b>		<b>323 483</b>	<b>692 432</b>	<b>718 485</b>
Inter-company loans	5	38 577	64 279	90 085
Financial assets	6	26 563	60 898	28 304
Taxation		–	–	596
Trade and other receivables	7	2 978	4 602	5 442
Amounts receivable for stockbroking activities	8	184 234	501 401	545 929
Cash and cash equivalents	9	71 131	61 252	48 129
<b>Total assets</b>		<b>326 611</b>	<b>695 865</b>	<b>719 425</b>
<b>EQUITY and LIABILITIES</b>				
<b>Total equity</b>		<b>82 993</b>	<b>98 598</b>	<b>108 835</b>
Net invested equity		82 993	98 598	108 835
<b>Non current liabilities</b>		<b>–</b>	<b>–</b>	<b>65</b>
Deferred tax	4	–	–	65
<b>Current liabilities</b>		<b>243 618</b>	<b>597 267</b>	<b>610 525</b>
Inter-company loans	5	19 252	2 000	2 000
Other financial liabilities	11	28 290	353 651	180 504
Taxation		1 350	3 903	2 273
Trade and other payables	12	16 087	20 801	32 023
Amounts payable for stockbroking activities	13	172 611	210 696	393 507
Share-based payment liability	14	6 029	6 216	218
<b>Total liabilities</b>		<b>243 618</b>	<b>597 267</b>	<b>610 590</b>
<b>Total equity and liabilities</b>		<b>326 611</b>	<b>695 865</b>	<b>719 425</b>

The accompanying notes form an integral part of the combined financial statements.

**COMBINED STATEMENT OF COMPREHENSIVE INCOME OF THE SECURITIES COMPANIES FOR THE YEAR ENDED 31 MARCH 2011**

<b>R'000</b>	<b>Notes</b>	<b>Audited 31 March 2011</b>	<b>Reviewed 31 March 2010</b>	<b>Reviewed 31 March 2009</b>
Revenue	17	132 367	175 102	170 824
Interest income	18	10 048	14 128	10 687
Operating expenses		(103 311)	(115 332)	(114 571)
<b>Operating profit</b>	19	<b>39 104</b>	<b>73 898</b>	<b>66 940</b>
Finance costs		(4 714)	(3 824)	(1 802)
<b>Profit before taxation</b>		<b>34 390</b>	<b>70 074</b>	<b>65 138</b>
Taxation	15	(9 156)	(19 234)	(17 319)
<b>Profit for the year</b>		<b>25 234</b>	<b>50 840</b>	<b>47 819</b>
Other		–	–	–
<b>Total comprehensive income</b>		<b>25 234</b>	<b>50 840</b>	<b>47 819</b>

The accompanying notes form an integral part of the combined financial statements.

**COMBINED STATEMENT OF CASH FLOWS OF THE SECURITIES COMPANIES FOR THE YEAR ENDED 31 MARCH 2011**

<b>R'000</b>	<b>Notes</b>	<b>Audited 31 March 2011</b>	<b>Reviewed 31 March 2010</b>	<b>Reviewed 31 March 2009</b>
<b>Cash flows from operating activities</b>				
Cash generated from operations	16	56 208	84 694	17 573
Interest income		10 048	14 128	10 687
Finance costs		(4 714)	(3 824)	(1 802)
Taxation paid	20	(11 555)	(20 171)	(21 915)
<b>Net cash from operating activities</b>		<b>49 987</b>	<b>74 827</b>	<b>4 543</b>
<b>Cash flows from financing activities</b>				
Share-based payments		176	–	–
Changes in net invested equity (distributions)		(40 284)	(61 704)	(21 502)
<b>Net cash from financing activities</b>		<b>(40 108)</b>	<b>(61 704)</b>	<b>(21 502)</b>
<b>Total cash movement for the year</b>		<b>9 879</b>	<b>13 123</b>	<b>(16 959)</b>
Cash at the beginning of the year		61 252	48 129	65 088
<b>Total cash at the end of the year</b>		<b>71 131</b>	<b>61 252</b>	<b>48 129</b>

The accompanying notes form an integral part of the combined financial statements.

**COMBINED STATEMENT OF CHANGES IN INVESTED EQUITY FOR THE SECURITIES COMPANIES  
FOR THE YEAR ENDED 31 MARCH 2011**

<b>R'000</b>	<b>Share-based payment reserve</b>	<b>Equity</b>	<b>Net invested equity</b>
<b>Balance at 1 April 2008</b>	3 799	77 577	81 376
<b>Changes in equity</b>			
Total comprehensive income for the year	–	47 819	47 819
Share-based payment expense	1 142	–	1 142
Dividends	–	(21 502)	(21 502)
Total changes	<b>1 142</b>	<b>26 316</b>	<b>27 459</b>
<b>Reviewed balance at 31 March 2009</b>	<b>4 942</b>	<b>103 893</b>	<b>108 835</b>
<b>Changes in equity</b>			
Total comprehensive income for the year	–	50 840	50 840
Share-based payment expense	627	–	627
Dividends	–	(61 704)	(61 704)
Total changes	<b>627</b>	<b>(10 864)</b>	<b>(10 237)</b>
<b>Reviewed balance at 31 March 2010</b>	<b>5 569</b>	<b>93 029</b>	<b>98 598</b>
<b>Changes in equity</b>			
Total comprehensive income for the year	–	25 234	25 234
Share-based payment expense	(555)	–	(555)
Dividends	–	(40 284)	(40 284)
Total changes	<b>(555)</b>	<b>(15 050)</b>	<b>(15 605)</b>
<b>Audited balance at 31 March 2011</b>	<b>5 014</b>	<b>77 979</b>	<b>82 993</b>

The accompanying notes form an integral part of the combined financial statements.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

### ACCOUNTING POLICIES

#### 1. BACKGROUND

On 4 August 2011, Cadiz Holdings Limited ("Cadiz") entered into agreements with BNP Paribas SA ("BNPP") in terms whereof BNPP will acquire a 60% interest in the issued share capital of the securities companies.

The business conducted by the securities companies includes cash equity sales and executions on South African underlyings, SAFEX-traded derivatives agency sales and execution, fundamental and quantitative research on South African underlying assets, transition management, in all cases to/for institutional clients.

Revenues and expenses previously recorded outside the securities companies and included in the transaction have been included into the securities companies. In addition assets, liabilities, revenues and expenses previously included in the securities companies but not included in the transaction have been excluded from the securities companies.

The detailed commentary incorporating a general review of the business and operations of the securities companies for the historical financial information is available for inspection on Cadiz website ([www.cadiz.co.za](http://www.cadiz.co.za)) and as part of the annual report for the years ended 31 March 2011, 31 March 2010 and 31 March 2009.

The basis of preparation, combination and presentation of the combined financial statements for the securities companies is more fully described below.

#### 2. BASIS OF PREPARATION

The combined financial statements of the securities companies have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") as issued by the International Accounting Standards Board and the JSE Limited ("JSE") Listings Requirements.

As an integrated business of Cadiz, the securities companies do not prepare separate financial statements in accordance with IFRS in the normal course of business. Accordingly, the combined financial statements have been prepared on a carve out basis by extracting the historical assets, liabilities, revenues and expenses directly attributable to the securities companies from the historical assets, liabilities, revenues and expenses reflected in the consolidated financial statements of Cadiz.

The combined financial statements have been provided for the purposes of presenting, as far as practical, the financial position, results of operations and cash flows of the securities companies on a stand-alone basis. These combined financial statements include the assets, liabilities, revenue and expenses directly attributable to the securities companies. However, the combined financial statements may not be indicative of the future performance of the securities companies and do not necessarily reflect what its results of operations, financial position and cash flows would have been had the securities companies operated as an independent entity during the periods presented.

There has been no material changes relating to the nature of business and financial position of the securities companies in the periods presented. There have been no material changes in the securities companies between the financial year and the date of authorisation for issue by management.

#### **Net invested equity**

Net invested equity is shown *in lieu* of shareholders' equity in the combined financial statements. Net invested equity therefore includes aggregated combined share capital of the entities included in the combined financial statements, accumulated profits and the share-based payment reserve. Cash generated by the securities companies, but ultimately distributed to other companies within the Cadiz group, and therefore not retained by the securities companies, has been considered 'deemed distributions' to the Cadiz group and therefore results in a decrease in net invested equity.

#### **Cash and cash equivalents**

Cash and cash equivalents of the securities companies only represent those separate bank accounts specifically relating to the securities companies. Cash generated by the securities companies, but included in Cadiz group bank accounts, were not carved-out and allocated to the securities companies. The securities companies therefore may generate cash which are not included in cash and cash equivalents but are recorded as a decrease in net invested equity.

#### **Group overhead costs**

Certain overhead costs incurred by Cadiz were allocated to the securities companies based on a selected criteria. Management believes that the assumptions used and the basis of allocation of these group overhead costs was reasonable and appropriate under the circumstances.

## **Taxation**

During the periods presented, the securities companies did not file separate tax returns as it was not considered a separate legal entity for tax purposes. The income tax charge included in these combined financial statements was calculated using a method consistent with a separate tax return basis, as if the securities companies was a separate taxpayer.

The financial information is the responsibility of the directors of Cadiz.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets and financial liabilities at their fair value through profit and loss. The financial statements are presented in South Africa Rand which is also the functional currency of each of the entities comprising the securities companies.

The accounting policies set out below are consistent for all periods presented:

### **2.1 Significant judgments and sources of estimation uncertainty**

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future period affected.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including current market and economic conditions and expectations of future events that are believed reasonable under the circumstances.

The securities companies make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Share-based payment transactions: the critical estimates and assumptions used in the IFRS 2 calculations are disclosed in note 14.

Financial assets are measured at fair value and marked to market by obtaining quoted market prices of the underlying investments. Where this is not possible, specific valuations are performed on the investments. Full details of these assets are provided in note 6.

Management has estimated the various corporate overheads. These allocations require the use of estimated and management judgement. Refer to note 19.

Refer to note 2.4 where disclosure is made regarding assumptions used to calculate income tax for the securities companies.

### **2.2 Intangible assets**

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Costs that are directly associated with the development of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software. In order to recognise development costs as an intangible asset, the following criteria must be demonstrated:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Computer software development costs are recognised as assets and amortised over their estimated expected useful lives (4 to 10 years) measured at cost less accumulated amortisation less any accumulated impairment.

## 2.3 Financial instruments

### Classification

Financial instruments include all financial assets and financial liabilities but exclude subsidiaries, intangible assets, and taxation (deferred and current). The securities companies classify financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss.
- Loans and receivables.
- Financial liabilities at fair value through profit or loss.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the securities companies establish a fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs, refined to reflect the issuers specific circumstances.

### Impairment of financial assets

At each reporting date the securities company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. Loans and receivables are, collectively, assessed based on similar credit risk characteristics. If there is objective evidence that an impairment on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated cash flows discounted at the loan or receivables original effective interest rate. The impairment loss is recognised in the statement of comprehensive income and a separate account maintained to reflect the impairment against the asset.

For amounts due to the securities companies, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

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

Held for trading:

A financial asset or liability is classified in this category if acquired or sold principally for the purpose of selling or buying back in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Measurement is initially at fair value with transaction costs taken directly to the statement of comprehensive income. Subsequently their fair values are remeasured and all gains and losses, realised and unrealised, are taken to the statement of comprehensive income in the period in which they arise. Dividend income from financial assets held for trading is recognised in the statement of comprehensive income as dividend income.

### Financial instruments designated as at fair value through profit or loss

Financial assets and liabilities are classified in this category if they are so designated by management and meet one or more of the following criteria:

- the fair value through profit and loss designation eliminates or significantly reduces inconsistencies in measurement or recognition that would otherwise arise from using different bases to measure and recognise the gains and losses on financial assets and financial liabilities; or

- the asset or liability forms part of a group of financial instruments that is managed, evaluated and reported to the appropriate level of management using a fair-value basis in accordance with a documented risk management or investment strategy; or
- the financial asset or liability contains an embedded derivative that significantly modifies the cash flows of the host contract or the embedded derivative clearly requires separation.

The fair value designation, once made, is irrevocable.

Measurement is initially at fair value, with transaction costs taken directly to the statement of comprehensive income. Subsequently their fair values are remeasured and all gains and losses, realised and unrealised, are taken to the statement of comprehensive income in the period in which they arise.

### **Loans and trade receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses. Any loss is charged to the statement of comprehensive income. The carrying amount of impaired loans on the statement of financial position is reduced through the use of identified or unidentified impairment. Identified impairment refers to specific evidence that may exist that indicates a reduction in the carrying value of the loan or receivable. In certain instances these specific criteria cannot be ascertained although impairment is evident. In these instances impairment is referred to as unidentified impairment.

Loans to fellow subsidiaries within the group that have no fixed terms of repayment and are not interest bearing are classified as current and measured at an amount not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

### **Trade and other payables**

Trade payables are initially measured at fair value, and is subsequently measured at amortised cost, using the effective interest rate method. These are classified as current liabilities. Refer to note 12.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Refer to note 9.

### **Amounts due to/from group companies**

Borrowings are classified as financial liabilities or financial assets and are recognised initially as the proceeds received/paid, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities/current assets unless the securities companies have an unconditional right to defer settlement of the liability or pay the asset for at least twelve months after year-end.

### **Amounts receivable in respect of stockbroking activities, trade and other receivables**

Amounts receivable in respect of stockbroking activities, trade and other receivables are measured at initial recognition at cost (assumed fair value) and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated cash flows discounted at the effective interest rate computed at initial recognition. The amount of any such provision is recognised in the statement of comprehensive income.

### **Amount payable in respect of stockbroking activities, trade and other payables**

Amounts payable in respect of stockbroking activities, trade and other payables are initially recognised at cost (assumed fair value) and are subsequently measured at amortised cost using the effective interest rate method. These are classified as current liabilities.

## **2.4 Taxation**

The normal South African company tax rate used for the year ended 31 March 2011 is 28% (2010: 28%) (2009: 28%). Deferred tax assets and liabilities at 31 March 2011 have been calculated using 28% (2010: 28%)

(2009: 28%), being the rate that the securities companies expects to apply to the periods when the assets are realised or the liabilities settled. Secondary Tax on Companies ("STC") is calculated at 10% (2010:10%)(2009: 10%), and Capital Gains Tax ("CGT") is included at 50% of the company tax rate. The tax charge relating to the securities companies has been based on the tax charge attributable to the securities companies, on a separate return basis. Tax liabilities that may arise from the separation of the securities companies from the Cadiz group have not been reflected in the combined financial statements.

### **Current taxation assets and liabilities**

Current taxation for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current taxation liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### **Deferred taxation assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### **Taxation expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

## **2.5 Share-based payments**

### **Share-based plans**

The securities companies operate the following share-based compensation plans:

#### **Equity-settled**

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding increase in equity (contribution from the parent) over the remaining vesting period.

## **Cash-settled**

The securities companies recognise the value of the services received (expense), and the liability to pay for those services, as the employees render the service. The liability is measured, initially and at each reporting date until settled, at the fair value appropriate to the plan, taking into account the terms and conditions on which the rights were granted, and the extent to which the employees have rendered the service to date, excluding the impact of any non-market-related vesting conditions. Non-market-related vesting conditions are included in the assumptions about the number of rights expected to vest. These assumptions are revised at every reporting date. The impact of the revision of original estimates, if any, is recognised in the statement of comprehensive income, and a corresponding adjustment is made to the liability over the remaining vesting period.

## **Profit-sharing and bonus plans**

The securities companies recognise a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the securities companies shareholders after certain adjustments. The securities companies recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## **2.6 Employee benefits**

### **Pension obligations**

The Cadiz group operates a defined contribution plan and the assets are held in a separate trustee administered provident fund. The provident fund is funded by payments from relevant group companies. The securities companies contributions to the fund are charged to the statement of comprehensive income in the period to which they relate. The securities companies have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The securities companies have no liabilities for post-retirement benefits. The plan is governed by the Pension Funds Act, 1956 (Act 24 of 1956). The majority of employees are covered by the plan.

## **2.7 Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business net of trade discounts and volume rebates, and Value-Added Tax ("VAT"). Commissions and fees and brokerage and trading income received comprise the net amounts invoiced to customers for services rendered.

Interest is recognised, in profit or loss, on a basis that reflects the effective yield of the underlying instruments.

Revenue comprises the broking fees for deals involving derivative instruments and bonds, which are settled through a central clearing house. Revenue also comprises the invoiced value of sales in respect of specialised structured financial services products

Dividend income on equity instruments is recognised when the right to receive payment has been established.

## **2.8 Segmental information**

The information presented here represents a segment of the Cadiz group, being the securities companies.

## **2.9 New standards and interpretations**

### **Standards and interpretations effective and adopted in the current year**

In the current year, the securities companies have adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### **Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions**

The amendment incorporates the principles of IFRIC 8 (AC 441) Scope of IFRS 2 and IFRIC 11 (AC 444) IFRS 2 Group and Treasury Share Transactions, which have consequentially been removed. In addition, the amendment provides that for share-based payment transactions among group entities, the entity receiving the goods or services shall recognise the transaction as an equity-settled share-based payment transaction if either the awards granted are its own equity instruments or the entity has no obligation to settle the transaction. In all other circumstances, such transactions shall be accounted for as cash-settled share-based payment transactions.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The securities companies have adopted the amendment for the first time in the 2011 annual financial statements.

#### **2009 annual improvements project**

A series of minor amendments to IFRSs were also made during 2009 as part of the conclusions that the IASB reached on proposals made in its annual improvements project. These amendments are minor in nature and are not expected to have a material impact on the securities companies financial statements.

#### **2.10 Standards and interpretations not yet effective**

Management is assessing the impact of these standards, amendments and interpretations on the securities companies operations.

##### **IFRS 9: Financial Instruments**

The effective date of the standard is for years beginning on or after 1 January 2013.

##### **IAS 24: Related Party Disclosures (revised)**

The effective date of the amendment is for years beginning on or after 1 January 2011.

##### **IFRS 1: First-time Adoption of International Financial Reporting Standards (amended)**

The effective date of the amendment is for years beginning on or after 1 July 2010 and 1 July 2011.

#### **2010 Annual Improvements Project**

Numerous minor amendments to IFRSs were also made during 2010 by the IASB in terms of its annual improvements project. These amendments are minor in nature and are not expected to have a material impact on the securities companies financial statements.

##### **IAS 12: Deferred Taxation Recovery of Underlying Assets (amended)**

The effective date of the amendment is for years beginning on or after 1 January 2012.

##### **IFRIC 14: Pre-payments of a Minimum Funding Requirement (amended)**

The effective date of the amendment is for years beginning on or after 1 January 2011.

##### **IFRS 7: Financial Instruments: Disclosures (amended)**

The effective date of the standard is for years beginning on or after 1 July 2011.

#### **2.11 Standards and interpretations effective but not relevant**

The following standards and interpretations have been published and are mandatory for the securities companies accounting periods beginning on or after 1 April 2010 or later periods but are not relevant to its operations:

##### **IAS 32: Financial Instruments: Presentation Amendment: Classification of Rights Issues**

##### **IFRS 3: (Revised) Business Combinations**

##### **IAS 27: (Amended) Consolidated and Separate Financial Statements**

##### **IAS 7: Statement of Cash Flows: Consequential Amendments due to IAS 27 (amended) Consolidated and Separate Financial Statements**

##### **IAS 28: Investments in Associates: Consequential Amendments due to IAS 27 (amended) Consolidated and Separate Financial Statements**

##### **IAS 31: Interests in Joint Ventures: Consequential Amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements**

##### **IAS 12: Income Taxes – Consequential Amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements**

##### **IAS 39: Financial Instruments: Recognition and Measurement – Amendments for Eligible Hedged Items**

##### **IFRIC 17: Distribution of non-Cash Assets to Owners**

##### **IFRIC 18: Transfers of Assets from Customers**

All figures are R'000

### 3. INTANGIBLE ASSETS

		<b>Cost/ Valuation</b>	<b>Accumulated amortisation</b>	<b>Carrying value</b>
Computer software internally generated	<b>2011</b>	2 680	(2 680)	–
	<b>2010</b>	2 680	(2 528)	151
	<b>2009</b>	2 680	(1 858)	821

#### Reconciliation of intangible assets – 2011

	<b>Opening balance</b>	<b>Amortisation</b>	<b>Total</b>
Computer software internally generated	151	(151)	–

#### Reconciliation of intangible assets – 2010

	<b>Opening balance</b>	<b>Amortisation</b>	<b>Total</b>
Computer software internally generated	821	(670)	151

#### Reconciliation of intangible assets – 2009

	<b>Opening balance</b>	<b>Amortisation</b>	<b>Total</b>
Computer software internally generated	1 491	(670)	821

At each reporting date the securities companies assesses their intangible assets to determine whether there is any objective evidence that the intangible assets have been impaired.

### 4. DEFERRED TAXATION

<b>Deferred tax asset/(liability) analysis</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Accruals and provisions	1 316	1 545	419
Pre-payments	–	(106)	(44)
Fair value adjustments	–	–	(425)
STC credits	124	144	272
Share-based payments	1 688	1 740	61
Intangibles	–	(42)	(230)
Deferred tax liability	–	–	65
	<b>3 128</b>	<b>3 282</b>	<b>119</b>

#### Reconciliation of deferred tax asset/(liability)

At beginning of the year – deferred tax asset	3 282	119	1 268
At beginning of the year – deferred tax liability	–	–	(65)
Accruals and provisions	(222)	1 969	(780)
Deferred STC	(21)	(128)	116
Share-based payments	49	937	5
Pre-payments	40	(40)	–
Fair value adjustments	–	425	(425)
	<b>3 128</b>	<b>3 282</b>	<b>119</b>

5. **LOANS TO/(FROM) GROUP COMPANIES**

<b>Fellow subsidiaries</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Cadiz Special Projects Limited	38 577	64 279	90 085

The inter-company loan is unsecured and earns interest at 75% of the prime interest rate.

Cadiz Holdings Limited	(19 252)	(2 000)	(2 000)
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The inter-company loan is unsecured and no interest is charged.

**Fair value of loans to/(from) group companies**

Loans to group companies	38 577	64 279	90 085
Loans from group companies	(19 252)	(2 000)	(2 000)

At year-end the fair value of the loan to/from group companies approximated the carrying amount reflected in the statement of financial position.

**Other financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

**Fair value hierarchy of financial liabilities at fair value through profit or loss**

Financial liabilities recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as price) or indirectly (derived from prices).

Level 1 applies inputs which are not based on observable market data.

**Level 1**

Quoted equity securities	28 290	353 317	180 074
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**Level 2**

Quoted contracts for difference derivative liability	–	430	430
Quoted forward exchange contract liabilities	–	134	–

## 6. FINANCIAL ASSETS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

	2011	2010	2009
<b>At fair value through profit or loss – held for trading</b>			
Long position in equity securities	26 563	60 898	27 788
CFD derivative asset	–	–	516

### Fair value information

Financial assets at fair value through profit or loss are recognised at fair value, which is equal to their carrying amounts.

### Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data.

#### Level 1

Quoted equity securities	26 563	60 898	27 788
CFD derivative asset	–	–	516

## 7. TRADE AND OTHER RECEIVABLES

	2011	2010	2009
Trade receivables	96	434	3,185
Pre-payments	654	489	595
VAT	1 774	1 707	–
Other accounts receivable	455	1 972	1 661
	<b>2 978</b>	<b>4 602</b>	<b>5 442</b>

### Fair value of trade and other receivables

Trade and other receivables	2 978	4 602	5 442
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At year-end the fair value of trade and other receivables approximated the carrying amount reflected in the statement of financial position.

## 8. AMOUNTS RECEIVABLE FOR STOCKBROKING ACTIVITIES

	2011	2010	2009
Amounts owed by clients	–	87 509	150 776
Net unsettled trades	135 967	41 242	44 592
Amounts owed in respect of client shorts	–	330 145	166 562
Brokers control	–	–	2 386
Collateral placed for scrip lending activities	48 267	42 507	181 614
	<b>184 234</b>	<b>501 401</b>	<b>545 929</b>

Net unsettled trades comprise of controlled and non-controlled client trades which are unsettled at the end of the year.

At year-end the fair value of the amounts receivable in respect of stockbroking activities approximated the carrying amount reflected in the statement of financial position.

## 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash held with the group's own money market funds which are not rated but operated in a highly regulated environment. All other monies are placed with institutions rated A+ to A–.

	2011	2010	2009
Cash and cash equivalents consists of:			
Cash on hand	45 000	45 288	34 174
Bank balances	26 130	15 964	13 954
Short-term deposits	1	1	1
	<b>71 131</b>	<b>61 252</b>	<b>48 129</b>

## 10. INVESTMENT IN SUBSIDIARIES

Cadiz Nominees (Pty) Ltd is held 100% by Cadiz Stock Broking (Pty) Ltd and is valued at R100 for all three preceding historical years.

The securities companies have an unlisted investment in Cadiz Nominees (Proprietary) Limited. Cadiz Nominees is a nominee company registered with the Financial Services Board and approved by the JSE. The nominee companies main objective is to act as the registered holder of uncertified certificates in its capacity exclusively on behalf of its holding company or on behalf of clients of the holding company.

## 11. OTHER FINANCIAL LIABILITIES

	2011	2010	2009
At fair value through profit or loss			
Short positions in equity securities	28 290	353 517	180 074
Contracts for difference derivative liability	–	–	430
Forward exchange contract liability	–	134	–
	<b>28 290</b>	<b>353 651</b>	<b>180 504</b>

### Current liabilities

Fair value through profit and loss	28 290	353 651	180 504
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### Other financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

### Fair value hierarchy of financial assets at fair value through profit or loss

Financial liabilities recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make measurements.

### Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as price) or indirectly (derived from prices). Level 1 applies inputs which are not based on observable market data.

#### Level 1

Quoted equity securities	28 290	353 317	180 074
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#### Level 2

Quoted contracts for difference derivative liability	–	–	430
Quoted forward exchange contract liabilities	–	134	–

## 12. TRADE AND OTHER PAYABLES

	2011	2010	2009
Accounts payables and accruals	3 813	6 683	5 084
Securities transfer tax	3 562	2 307	8 081
Leave pay accrual	1 416	1 510	1 362
VAT	–	–	86
Accrued bonus	6 728	9 822	17 274
Accrued audit fees	568	480	135
	<b>16 087</b>	<b>20 801</b>	<b>32 023</b>

## 13. AMOUNTS PAYABLE FOR STOCKBROKING ACTIVITIES

	2011	2010	2009
Amounts owed by clients	172 611	210 696	393 507
Funds administered on behalf of clients	56 798	303 537	302 040
Less: Amounts owed by JSE trustees	(56 798)	(303 537)	(302 040)
	<b>172 611</b>	<b>210 696</b>	<b>393 507</b>

At year-end the fair value of the amounts payable in respect of stockbroking activities approximated the carrying amount reflected in the statement of financial position.

#### 14. SHARE-BASED PAYMENTS

##### Share options

Details of the movement on Cadiz Holdings Limited equity-settled share options granted to staff for services rendered to the securities companies were as follows:

	<b>2011 (Options number)</b>	<b>2010 (Options number)</b>	<b>2009 (Options number)</b>
Beginning of year	4 117	6 116	7 921
Exercised	(520)	(520)	325
Transferred	–	40	(272)
Lapsed	(2 007)	(1 519)	(1 859)
<b>End of year</b>	<b>1 590</b>	<b>4 117</b>	<b>6 116</b>

The weighted average share price of Cadiz Holdings Limited from 1 April 2010 to 31 March 2011 was R3.34 (2010: R2.70) (2009: R2.18).

<b>Exercisable at the end of the year</b>	<b>585</b>	<b>–</b>	<b>–</b>
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Share options outstanding at the end of the year have the following exercise prices:

<b>Vesting date</b>	<b>2011 Average exercise price</b>	<b>2011 Options (number)</b>	<b>2010 Average exercise price</b>	<b>2010 Options (number)</b>	<b>2009 Average exercise price</b>	<b>2009 Options (number)</b>
2009	–	–	–	–	4.57	1 259
2010	–	–	4.81	1 199	4.94	1 259
2011	4.71	795	5.07	1 199	5.31	1 259
2012	4.89	795	5.35	1 199	5.68	1 259
		<b>1 590</b>		<b>3 597</b>		<b>5 036</b>

The above share options have been granted in terms of the Share Trust Deeds and are outstanding at the end of the year. The options vest at 20% per annum from periods three to seven. The options have variable strike prices calculated based on the defined price on the date of grant plus notional interest at the prescribed fringe benefit tax rate compounded annually minus any distributions by Cadiz Holdings Limited per share during the term to exercise date.

##### Share plus debt with a put option

<b>Vesting date</b>	<b>2011 Average exercise price</b>	<b>2011 Options (number)</b>	<b>2010 Average exercise price</b>	<b>2010 Options (number)</b>	<b>2009 Average exercise price</b>	<b>2009 Options (number)</b>
2010	–	–	–	–	2.48	540
2011	–	–	2.48	520	2.62	540
		<b>–</b>		<b>520</b>		<b>1 080</b>

The above shares have been sold to staff in terms of the Share Trust Deeds and have been accounted for as options. Funding has been provided by the Share Trusts with interest accruing at the fringe benefit tax rate, subject to the provision that all distributions be applied to reduce the debt. The Share Trusts have undertaken to purchase the shares at the outstanding debt amount on vesting, at the option of the option holder. The shares vest at a rate of 20% per annum from years three to seven.

##### A compensation cost is recognised in these financial statements for the fair value of options granted

No additional options were granted during the year.

##### Liability arising from share-based payments

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Liability	6 029	6 216	218

Details of the movement on Cadiz Holdings Limited cash-settled share options granted to staff for services rendered to the company are as follows:

### Share appreciation rights

	<b>2011 (Rights number)</b>	<b>2010 (Rights number)</b>	<b>2009 (Rights number)</b>
At the beginning of the year	9 034	13 578	12 423
Granted	–	–	800
Transferred	(2)	545	389
Lapsed	(2 727)	(5 088)	(34)
<b>End of year</b>	<b>6 305</b>	<b>9 034</b>	<b>13 578</b>
<b>Exercisable at the end of the year</b>	<b>–</b>	<b>–</b>	<b>–</b>

<b>Vesting date</b>	<b>2011 Average exercise price</b>	<b>2011 Options (number)</b>	<b>2010 Average exercise price</b>	<b>2010 Options (number)</b>	<b>2009 Average exercise price</b>	<b>2009 Options (number)</b>
2009	–	–	–	–	4.99	1 097
2010	–	–	5.35	959	5.73	1 726
2011	5.36	932	5.31	2 110	5.32	2 716
2012	5.47	1 898	5.62	2 110	5.71	2 716
2013	5.71	1 898	5.95	2 110	6.11	2 716
2014	5.68	1 051	5.92	1 151	6.02	1 619
2015	4.14	525	4.29	595	4.71	989
		<b>6 305</b>		<b>9 034</b>		<b>13 578</b>

The above share appreciation rights have been granted in terms of the Share Trust Deeds and are outstanding at the end of the period. The options vest at 20% per annum from periods three to seven.

The share appreciation rights have available strike prices calculated based on a defined price on the date of grant plus notional interest at the prescribed fringe benefit tax interest rate compounded annually minus any distributions by Cadiz Holdings Limited per share during the term to exercise date.

### BEE share appreciation rights

	<b>2011 (Rights number)</b>	<b>2010 (Rights number)</b>	<b>2009 (Rights number)</b>
At the beginning of the year	5 630	4 052	–
Granted	1 113	2 563	4 052
Exercised	(454)	–	–
Transferred	–	613	–
Lapsed	(357)	(1 598)	–
<b>End of year</b>	<b>5 932</b>	<b>5 630</b>	<b>4 052</b>
<b>Exercisable at the end of the year</b>	<b>–</b>	<b>–</b>	<b>–</b>

<b>Vesting date</b>	<b>2011 Average exercise price</b>	<b>2011 Options (number)</b>	<b>2010 Average exercise price</b>	<b>2010 Options (number)</b>	<b>2009 Average exercise price</b>	<b>2009 Options (number)</b>
2011	1.44	125	2.16	627	2.31	804
2012	2.09	1 055	2.15	1 126	2.41	810
2013	2.33	1 277	2.13	1 126	2.51	810
2014	2.33	1 277	2.09	1 126	2.60	810
2015	2.32	1 277	2.04	1 126	2.69	810
2016	2.50	699	1.94	499	1.80	6
2017	3.63	223	–	–	–	–
		<b>5 932</b>		<b>5 630</b>		<b>4 052</b>

The above BEE shares have been granted in terms of the CBESOS trust deed and are outstanding at the end of the year. The BEE shares vest 20% per annum from years three to seven. The shares issued on vesting of the equity-settled share appreciation rights are locked in for seven years from the original BEE share issue date.

These BEE shares have variable strike prices calculated based on a defined price after taking into account the 5% premium paid by the participants on the date of grant plus notional interest at 75% of the prime overdraft rate compounded annually minus any distributions by the securities companies per share during the term to exercise date.

#### **Executive equity scheme (EES) share appreciation rights**

	<b>2011 (Rights number)</b>	<b>2010 (Rights number)</b>	<b>2009 (Rights number)</b>
Granted	1 223	–	–
Lapsed	(76)	–	–
<b>End of year</b>	<b>1 147</b>	<b>–</b>	<b>–</b>
<b>Exercisable at the end of the year</b>	<b>–</b>	<b>–</b>	<b>–</b>

<b>Vesting date</b>	<b>2011 Average exercise price</b>	<b>2011 Options (number)</b>	<b>2010 Average exercise price</b>	<b>2010 Options (number)</b>	<b>2009 Average exercise price</b>	<b>2009 Options (number)</b>
2010	–	273	–	–	–	–
2011	–	874	–	–	–	–
		<b>1 147</b>		<b>–</b>		<b>–</b>

A liability of R3 009 234 (2010: R3 110 224) (2009: R nil) based on the 31 March 2011 share price of 280 cents, has been raised for the fair value of the above paid up share appreciation rights as at 31 March 2011, adjusted for the number of months vested service since issue.

A liability of R761 865 (2010: R nil) (2009: R nil) is included in share-based payment liability for the fair value of the paid up share appreciation rights to be awarded as part of the 31 March 2011 incentive award. The share-based payment provision has been estimated to be equal to the paid-up value of the share appreciation rights adjusted for the lock-in discount and the outstanding service period. The estimated number of share appreciation rights will be 461 774 which will vest in June 2012 and can be sold in equal portions from June 2012 to June 2014.

## 15. TAXATION

<b>Major components of the tax expense</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Current</b>			
Local income tax – current period	9 056	22 442	16 551
Local income tax – prior periods	(54)	(45)	(316)
	<b>9 002</b>	<b>22 397</b>	<b>16 235</b>
<b>Deferred</b>			
Current year	90	(3 336)	1 124
Prior year adjustments	43	45	(58)
Deferred tax STC	21	128	18
	<b>154</b>	<b>(3 163)</b>	<b>1 084</b>
<b>Tax rate reconciliation</b>			
Reconciliation between applicable tax rate and effective tax rate:			
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Applicable tax rate	28.00%	28.00%	28.00%
Non-taxable	0.00%	(0.85%)	(0.36%)
Non-deductible	(1.41%)	0.39%	0.10%
CGT	0.00%	(0.35%)	(0.30%)
Adjustments for prior periods	(0.05%)	0.00%	(0.85%)
STC	0.08%	0.25%	0.00%
<b>Effective tax rate</b>	<b>26.62%</b>	<b>27.45%</b>	<b>26.59%</b>

## 16. CASH GENERATED FROM OPERATIONS

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Profit before taxation	34 390	70 074	65 137
<b>Adjustments for:</b>			
Amortisation	151	670	673
Interest received	(10 048)	(14 128)	(10 687)
Finance costs	4 714	3 824	1 802
Fair value adjustments	–	–	(1 463)
Share-based payment expense	(554)	627	1 142
<b>Changes in operating funds</b>			
Decrease/(Increase) in trade and other receivables	1 623	841	(3 381)
Decrease/(Increase) in financial securities held for trading	34 334	(32 594)	4 500
Decrease in amounts receivable for stockbroking activities	317 168	44 528	634 998
Decrease/(Increase) in inter-company loans	42 228	23 921	(91 554)
(Increase)/Decrease in trade and other payables	1 864	(2 322)	14 175
(Decrease)/Increase in short trading positions	(325 361)	173 147	(299 952)
Decrease in amounts payable for stockbroking activities	(38 085)	(182 811)	(303 579)
	<b>56 208</b>	<b>84 694</b>	<b>17 573</b>

## 17. REVENUE

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Brokerage and trading Income	132 367	175 102	170 824

## 18. INTEREST INCOME

	2011	2010	2009
Interest earned	4 339	7 035	2 351
Inter-company loans	5 709	7 093	8 336
<b>Total interest income</b>	<b>10 048</b>	<b>14 128</b>	<b>10 687</b>

## 19. OPERATING PROFIT

Operating profit includes the following items:

	2011	2010	2009
Auditors' remuneration			
– Current year	568	480	590
– Prior year	61	105	10
– Other income	95	85	18
Amortisation on intangible assets	151	670	670
Employee costs	45 549	55 549	51 047
Share-based payment expenses	(343)	6 624	1 218
Royalties to fellow subsidiaries	2 600	2 600	2 500
Group infrastructure overhead charges	16 058	6 568	22 324
Trading costs paid to JSE	13 200	14 702	13 246

## 20. TAXATION PAID

The group infrastructure charge is allocated based on the management accounts and further explained in the basis of preparation note above.

	2011	2010	2009
Net liability at the beginning of the year	(3 903)	(1 677)	(7 357)
Current tax for the year recognised in profit and loss	(9 002)	(22 397)	(16 235)
Net liability at the end of the year	1 350	3 903	1 677
	<b>(11 555)</b>	<b>(20 171)</b>	<b>(21 915)</b>

## 21. RELATED PARTIES

The securities companies are wholly-owned subsidiaries of Cadiz Holdings Limited.

Related party transactions exist with several companies within the Cadiz group. Transactions with these parties comprise interest charges, management fees and inter-group loan and current accounts.

### Related party balances

	2011	2010	2009
<b>Amounts due to group company</b>			
Cadiz Special Projects Limited	(17 252)	–	–
Cadiz Holdings Limited	(2 000)	(2 000)	(2 000)
<b>Amounts due from group company</b>			
Cadiz Special Projects Limited	38 577	64 279	90 085

	2011	2010	2009
<b>Interest received</b>			
Cadiz Special Projects Limited	5 709	7 093	8 336
<b>Royalties paid</b>			
Cadiz Properties (Pty) Limited	(2 600)	(2 600)	(2 500)
<b>Group infrastructure charge paid</b>			
Cadiz Special Projects Limited	(15 000)	(15 000)	(14 550)
<b>Computer on charges paid</b>			
Cadiz Special Projects Limited	(374)	(326)	–
<b>Dividend declared</b>			
Cadiz Holdings Limited	(35 000)	(50 000)	(28 000)
<b>Compensation to executive directors</b>			
Remuneration and bonuses	1 338	1 220	722
Provident fund contributions	(87)	(75)	(170)
Share-based payment reserve	129	(461)	56
Movement in the value of the share options granted	757	928	(7)

## 22. RISK MANAGEMENT

### Financial risk management

The securities companies are exposed to a variety of financial risks which include credit risk, market risk (including currency, price and interest rate risk) and liquidity risk. The securities companies risk management programme forms part of the programme implemented by the Cadiz Holdings Limited group. The group programme focuses on the unpredictability of financial markets and seeks to limit potential adverse effects on the securities companies, while operating within a framework that ensures alignment with the securities companies' overall strategy and risk appetite.

The responsibility for risk management rests with every individual in the group including board members. The group's risk committee is empowered by the board to develop processes that ensure that significant risks are adequately identified, evaluated and managed, and effectively communicated to the various reporting structures.

The group credit committee meets regularly to determine capital requirements and confirm adherence to regulatory requirements. This includes how capital is to be allocated to the various initiatives and business units within the securities companies, that capital adequacy requirements are being met on a daily basis and that statutory requirements for the various regulatory bodies such as the Financial Services Board are being adhered to.

The securities companies risk management and compliance team reports independently to the group risk committee and to the chief executive officer. Certain financial risks are identified that have an impact on the securities companies. They are credit risk, market risk and liquidity risk. Each of these risks are assessed individually and are dealt with in detail below.

Other financial instruments carried on the statement of financial position include cash on hand and at bank, listed equity securities, receivables and payables in respect of broking activities, other receivables and liabilities and borrowings. At 31 March 2011, 2010 and 2009, the carrying amounts of these instruments approximated their fair value.

### Credit risk

Credit risk is the risk of a financial loss as a result of a counter party failing to meet its financial obligations or changes in its creditworthiness.

The securities companies have no significant concentration of credit risk. The securities companies have policies in place to ensure that they deal with customers with an appropriate credit history. Cash resources and longer-term investments are limited to high credit quality financial institutions. The securities companies have policies in place to limit the credit exposure to any one financial institution. The securities companies have a history of very low bad debts and these have been low in value.

The granting of trading and counterparty limits is controlled by application of the account limits as revised regularly by the risk committee and adherence to these limits is monitored by the respective compliance officers and the risk manager. When a limit is breached, the conditions surrounding the breach are investigated immediately and the position is remedied. Steps are then taken to ensure that this breach does not reoccur.

Management considers the risk associated with receivables on the balance sheet to be limited as the majority of this category consists of collateral placed with reputable lending institutions and amounts owed by brokers and clearing houses, which are guaranteed and settled automatically by the JSE within five days of concluding a transaction. In the case of loans and advances, management would take or insist on collateral or other form of security as they deem fit.

Financial assets exposed to credit risk at year-end were as follows:

		<b>2011</b>	<b>2010</b>	<b>2009</b>
Trade and other receivables	(a)	551	2 406	4 847
Amounts due/from group companies	(b)	38 577	64 279	90 085
Financial securities held for trading		26 563	60 898	28 304
Amounts receivable for stockbroking activities	(c)	184 234	501 401	545 929
Cash and cash equivalents		71 131	61 252	48 129
Assets not subject to credit risk	(d)	5 555	5 629	2 131
<b>Total assets</b>		<b>326 611</b>	<b>695 865</b>	<b>719 425</b>

- (a) Based on past experience, the securities companies believe that no impairment allowance is necessary in respect of trade receivables and other receivables not past due as they relate to customers that have a good payment history.
- (b) The solvency of each group company is assessed by evaluating the solvency of each company to ensure debts can be met.
- (c) Clients, brokers and clearing houses are settled automatically through the JSE within five days of the transaction. Where over-the-counter (OTC) trades take place, trades are only approved with clients for whom funds have already been deposited with the securities companies (controlled clients) and A+ rated institutions and above. Financial assets which potentially subject the company to concentrations of credit risk, consist principally of amounts owing to the company in respect of unsettled trades and amounts owed by clients. The maximum gross credit exposure arising from unsettled trades is disclosed in note 8.
- (d) Includes intangible assets, deferred taxation, current taxation, investments in subsidiaries, VAT receivables and pre-payments.

There were no items identified as being either past due or impaired.

### Market risk

Market risk is the risk of loss as a result of potential changes in fair values of financial instruments in response to movements in prices, interest rates, exchange rates and other factors such as volatility.

### Currency risk

<b>Liabilities</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Forward exchange contracts	–	134 005	–

### Forward exchange contracts which relate to future commitments

<b>Amount in foreign currency purchased</b>	<b>Forward exchange rate</b>	<b>Maturity date</b>
£343 808	£1 = R11.63	25 May 2010

The securities companies reviews their foreign currency exposure, including commitments on an ongoing basis.

The impact on after-tax profit in Rand of currency movements on the balances stated above would have been as follows:

<b>Pounds</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
10% increase	–	115 703	–
10% decrease	–	(115 703)	–

## Price risk

Price risk arises from the securities companies' investment in listed equities and the possible price movements thereof.

Long and short contract for difference written to clients are hedged by long and short equity positions. All other equity positions reflected on the statement of financial position do not expose Cadiz to market risk as these positions are entered into on behalf of clients. Therefore any move in the market will be equal and opposite and have a nil effect on the statement of financial position and statement of comprehensive income.

## Interest rate risk

The securities companies' income and cash flows are dependant to an extent on changes in market interest rates as the companies has exposure through its investment of short-term cash and its variable rate borrowings

The securities companies are exposed to interest rate risk on certain inter-group loans and cash placed with banks.

The impact of a 100 basis point move in interest rates at the reporting date would have increased/(decreased) after-tax profit by the following:

	2011	2010	2009
1% increase	857	1 137	1 237
1% decrease	(857)	(1 137)	(1 237)

## Liquidity risk

Liquidity risk is the risk that the securities companies will not be able to meet their funding commitments as and when they fall due, or that the securities companies may be forced to liquidate its positions under adverse conditions to meet these obligations.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The securities companies manage their own liquidity requirements by monitoring forecasted cash flows and have made arrangements for sufficient committed credit facilities.

The table below analyses the securities companies' financial liabilities into relevant maturity groupings on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within the 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 March 2011</b>				
Trade and other payables	16 087	–	–	–
Amounts due for stockbroking	172 611	–	–	–
Short trading positions	28 290	–	–	–
Inter-company loans	19 252	–	–	–
<b>At 31 March 2010</b>				
Trade and other payables	20 801	–	–	–
Amounts due for stockbroking	210 696	–	–	–
Short trading positions	353 651	–	–	–
Amounts due to holding company	2 000	–	–	–
<b>At 31 March 2009</b>				
Trade and other payables	31 936	–	–	–
Amounts due for stockbroking	393 507	–	–	–
Short trading positions	180 504	–	–	–
Amounts due to holding company	2 000	–	–	–

## 23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

2011	Financial assets and financial liabilities at fair value through profit or loss	Loans and receivables/ Financial liabilities at amortised cost	Total
<b>Financial assets</b>			
Financial assets held for trading	26 563	–	26 563
Inter-company loans	–	38 577	38 577
Trade and other receivables	–	551	551
Amounts receivable for stockbroking activities	–	184 234	184 234
Cash and cash equivalents	–	71 131	71 131
<b>Total financial assets</b>	<b>26 563</b>	<b>294 492</b>	<b>321 056</b>
<b>Financial liabilities</b>			
Financial liabilities held for trading	28 290	–	28 290
Inter-company loans	–	19 252	19 252
Trade and other payables	–	16 087	16 087
Amounts payable for stockbroking activities	–	172 611	172 611
<b>Total financial liabilities</b>	<b>28 290</b>	<b>207 950</b>	<b>236 240</b>
<b>Net financial assets/(liabilities)</b>	<b>(1 726)</b>	<b>86 542</b>	<b>84 816</b>
<hr/>			
2010	Financial assets and financial liabilities at fair value through profit or loss	Loans and receivables/ Financial liabilities at amortised cost	Total
<b>Financial assets</b>			
Financial assets held for trading	60 898	–	60 898
Inter-company loans	–	64 279	64 279
Trade and other receivables	–	2 406	2 406
Amounts receivable for stockbroking activities	–	501 401	501 401
Cash and cash equivalents	–	61 252	61 252
<b>Total financial assets</b>	<b>60 898</b>	<b>629 339</b>	<b>690 237</b>
<b>Financial liabilities</b>			
Financial liabilities held for trading	353 651	–	353 651
Inter-company loans	–	2 000	2 000
Trade and other payables	–	20 801	20 801
Amounts payable for stockbroking activities	–	210 696	210 696
<b>Total financial liabilities</b>	<b>353 651</b>	<b>233 497</b>	<b>587 148</b>
<b>Net financial assets/(liabilities)</b>	<b>(292 753)</b>	<b>395 842</b>	<b>103 089</b>

<b>2009</b>	<b>Financial assets and financial liabilities at fair value through profit or loss</b>	<b>Loans and receivables/ Financial liabilities at amortised cost</b>	<b>Total</b>
<b>Financial assets</b>			
Financial assets held for trading	28 304	–	28 304
Inter-company loans	–	90 085	90 085
Trade and other receivables	–	4 847	4 847
Amounts receivable for stockbroking activities	–	545 929	545 929
Cash and cash equivalents	–	48 129	48 129
<b>Total financial assets</b>	<b>28 304</b>	<b>688 990</b>	<b>717 293</b>
<b>Financial liabilities</b>			
Financial liabilities held for trading	180 504	–	180 504
Inter-company loans	–	2 000	2 000
Trade and other payables	–	31 936	31 936
Amounts payable for stockbroking activities	–	393 507	393 507
<b>Total financial liabilities</b>	<b>180 504</b>	<b>427 444</b>	<b>607 947</b>
<b>Net financial assets/(liabilities)</b>	<b>(152 200)</b>	<b>261 546</b>	<b>109 346</b>

#### **24. MATERIAL LOANS RECEIVABLE AND BORROWINGS**

There are no material loans or borrowings besides the inter-company loans referred to in note 2. These are all repayable on demand and bear interest at normal market rates.

#### **25. EMPLOYEE SHARE SCHEMES**

Details of the employee shares schemes are disclosed in note 14. No changes are proposed to the existing share rights of the employees.

#### **26. MATERIAL CHANGE**

There has been no material change in the nature of the business.

#### **27. POST-BALANCE SHEET EVENT**

There has been a substantial decline in the trading position of the securities companies since the year ended 31 March 2011. In the opinion of management, no matter or circumstance has arisen since 31 March 2011, other than the transaction as defined in this circular.

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE 31 MARCH 2009 AND 31 MARCH 2010 HISTORICAL FINANCIAL INFORMATION OF SECURITIES COMPANIES

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"The Board of Directors  
Cadiz Holdings Limited  
PO Box 44547  
Claremont  
7735

19 September 2011

Dear Sirs

### **REVIEW REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE COMBINED HISTORICAL FINANCIAL INFORMATION OF CADIZ STOCKBROKING (PROPRIETARY) LIMITED AND CADIZ SECURITIES (PROPRIETARY) LIMITED (TOGETHER "THE SECURITIES COMPANIES")**

#### **Introduction**

Cadiz Holdings Limited is issuing a circular to its shareholders ("the Circular") regarding the disposal of 60% of the Securities Companies ("the Disposal") to BNP Paribas SA.

At your request and for the purpose of the Circular, to be dated on or about 26 September 2011, we have reviewed the combined historical financial information of the Securities Companies presented in the Report of Historical Financial Information which comprises the combined statements of financial position of the Securities Companies as at 31 March 2010 and 31 March 2009 and the related combined statements of comprehensive income, combined statements of changes in invested equity and combined statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory notes ("the Financial Information"), presented in Annexure IV to the Circular, in compliance with the JSE Limited ("JSE") Listings Requirements.

#### **Directors' responsibility**

The directors of Cadiz Holdings Limited are responsible for the preparation, contents and presentation of the Circular and for the preparation and presentation of the Financial Information presented in Annexure IV to the Circular in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and in the manner required by the JSE Listings Requirements, and for such internal controls as the directors determine necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

#### **Reporting accountants' responsibility**

Our responsibility is to express a conclusion on the Financial Information presented in Annexure IV to the Circular based on our review.

#### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information for the financial years ended 31 March 2010 and 31 March 2009 as set out in Annexure IV to the Circular; is not prepared, in all material respects, for the purpose of the Circular; in accordance with IFRS and in the manner required by the JSE Listings Requirements.

**Emphasis of Matter**

Without qualifying our conclusion, we draw attention to the fact that, as described in Note 2 to the Financial Information, the Securities Companies has not operated as a separate entity. The Financial Information is, therefore, not necessarily indicative of results that would have occurred if the Securities Companies had been a separate stand-alone entity during the years presented or of future results of the Securities Companies.

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**PRICEWATERHOUSECOOPERS INC.**

**Director: DG Malan  
Registered Auditor  
Cape Town”**

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE 31 MARCH 2011  
HISTORICAL FINANCIAL INFORMATION OF SECURITIES COMPANIES**

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"The Board of Directors  
Cadiz Holdings Limited  
PO Box 44547  
Claremont  
7735

19 September 2011

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE COMBINED HISTORICAL  
FINANCIAL INFORMATION OF CADIZ STOCKBROKING (PROPRIETARY) LIMITED AND  
CADIZ SECURITIES (PROPRIETARY) LIMITED (TOGETHER "THE SECURITIES COMPANIES")****Introduction**

Cadiz Holdings Limited is issuing a circular to its shareholders ("the Circular") regarding the disposal of 60% of the Securities Companies ("the Disposal") to BNP Paribas SA.

At your request and for the purpose of the Circular, to be dated on or about 26 September 2011, we have audited the combined historical financial information of the Securities Companies presented in the Report of Historical Financial Information, which comprises the combined statements of financial position of the Securities Companies as at 31 March 2011, and the related combined statements of comprehensive income, combined statements of changes in invested equity and combined statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as presented in the Report of Historical Information contained in Annexure IV to the Circular (the "Financial Information"), in compliance with the JSE Limited ("JSE") Listings Requirements.

**Directors' responsibility**

The directors of Cadiz Holdings Limited are responsible for the preparation, contents and presentation of the Circular and for the fair presentation of the Financial Information in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and in the manner required by the JSE Listings Requirements, and for such internal controls as the directors determine necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Financial Information 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the Financial Information presents fairly, in all material respects, for the purposes of the Circular; the financial position of the Securities Companies at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with IFRS and in the manner required by the JSE Listings Requirements.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to the fact that, as described in Note 2 to the Financial Information, the Securities Companies has not operated as a separate entity. The Financial Information is, therefore not necessarily indicative of results that would have occurred if the Securities Companies had been a separate stand-alone entity during the year presented or of future results of the Securities Companies.

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**PRICEWATERHOUSECOOPERS INC.**

**Director: DG Malan  
Registered Auditor  
Cape Town”**



**CADIZ HOLDINGS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number: 1997/007258/06)  
Share code: CDZ ISIN: ZAE000017661  
("Cadiz" or "the Company")

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## **NOTICE OF GENERAL MEETING**

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Notice is hereby given that a general meeting of the ordinary and A ordinary shareholders of Cadiz ("shareholders") recorded in the register on Friday 21 October 2011 will be held at the Company's office, Ground Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, Cape Town at 15:00 on Wednesday, 26 October 2011 to consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions.

Unless the context indicates otherwise, all terms used in this notice will have the meanings assigned thereto at the definitions set out on pages 3 to 5 of the circular to which the notice of general meeting convened to consider these ordinary resolutions are attached:

### **ORDINARY RESOLUTION 1**

"RESOLVED THAT, in accordance with the JSE Listings Requirements, Cadiz shareholders approve and authorise Cadiz Holdings Limited to:

- dispose of 60% interest in both Cadiz Securities (Pty) Ltd and Cadiz Stock Broking (Pty) Ltd to BNP Paribas SA in accordance with the sale and subscription agreements referred to in the circular attached to this notice of general meeting; and
- if and when required in terms of the put and/or call options, drag-along or other involuntary disposal provisions provided for in the shareholders agreements referred to in the circular attached to this notice of general meeting, dispose of up to the remaining 40% in both Cadiz Securities (Pty) Ltd and Cadiz Stock Broking (Pty) Ltd."

**Note:** The ordinary resolution must be authorised by more than 50% of shareholders present at the general meeting.

### **ORDINARY RESOLUTION 2**

"RESOLVED THAT the directors and/or secretary of the Company be and are hereby authorised to do all such things necessary and sign all documents as they consider necessary to implement ordinary resolution 1, as set out in this notice of general meeting."

## **ATTENDANCE, VERIFICATION, VOTING AND PROXIES**

### **Attendance**

The record date in terms of section 59 of the Companies Act for shareholders to be recorded on the shareholders register of the Company in order to be able to attend, participate and vote at the general meeting, is Friday, 21 October 2011.

### **Verification**

Please note that section 63(1) of the Companies Act requires that a shareholder, or a proxy of a shareholder, wishing to participate in the general meeting provide satisfactory identification before the shareholder may so participate.

### **Voting**

On a show of hands, every shareholder of the Company who (being an individual) is present in person or by proxy at the general meeting or which (being a company or body corporate) is represented thereat by a representative appointed

pursuant to section 57(5) of the Companies Act shall have one vote, and on a poll, every shareholder of the Company who (being an individual) is present in person or by proxy at the general meeting or which (being a company or body corporate) is represented by proxy at the general meeting, shall have one vote for every ordinary share and "A" ordinary share of which it is the holder.

Dematerialised Cadiz shareholders (who are not "own name" dematerialised Cadiz shareholders) who wish to attend the general meeting or to vote by way of proxy, must contact their CSDP or broker who will furnish them with the necessary Letter of Representation to attend the general meeting or be represented thereat by proxy. This must be done in terms of the agreement entered into between the dematerialised Cadiz shareholder and the CSDP or broker.

## **Proxies**

A Cadiz shareholder entitled to attend and vote at the general meeting may appoint one or more persons as its proxy to attend, speak and vote in its stead. A proxy need not be a shareholder of the Company.

A form of proxy (*blue*) is attached for the convenience of certificated Cadiz shareholders and "own name" dematerialised Cadiz shareholders who are unable to attend the general meeting, but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by the transfer secretaries of the Company, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to be received by no later than 15:00 on Tuesday, 25 October 2011.

By order of the board

## **CADIZ HOLDINGS LIMITED**

### **C Schmahl**

*Company secretary*

28 September 2011

### **Registered office**

Ground Floor, Fernwood House  
The Oval, 1 Oakdale Road  
Newlands, 7700  
(PO Box 44547, Claremont, 7735)

### **Transfer secretaries**

Computershare Investor Services (Proprietary) Limited  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)



**CADIZ HOLDINGS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number: 1997/007258/06)  
Share code: CDZ ISIN: ZAE000017661

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## FORM OF PROXY

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All terms in the circular to which this form of proxy is attached, shall bear the same meanings in the form of proxy.

**FOR USE BY SHAREHOLDERS WHO HAVE NOT DEMATERIALIZED THEIR SHARES AND “OWN NAME” DEMATERIALIZED SHAREHOLDERS AT THE GENERAL MEETING OF CADIZ TO BE HELD AT THE ADDRESS OF CADIZ (GROUND FLOOR, FERNWOOD HOUSE, THE OVAL, 1 OAKDALE ROAD, NEWLANDS, CAPE TOWN) AT 15:00 ON WEDNESDAY, 26 OCTOBER 2011 OR ANY POSTPONEMENT THEREOF**

Dematerialised shareholders, other than own name dematerialised shareholders, with a CSDP or broker should advise their CSDP or broker as to what action they wish to take. This must be done in terms of the agreement entered into between them and the CSDP or broker. Shareholders who have dematerialised their shares, other than own name dematerialised shareholders, must **not** return the form of proxy to the transfer secretaries. Their instructions must be sent to their CSDP or broker for action.

I/We (please PRINT full names)

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of address (please PRINT)

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being the shareholder of Cadiz, holding  ordinary shares and/or

A ordinary shares in Cadiz hereby appoint:

1. \_\_\_\_\_ or failing him/her;
2. \_\_\_\_\_ or failing him/her;
3. the chairman of the general meeting,

as my/our proxy to attend, speak and vote on my/our behalf at the general meeting to be held at the registered office of Cadiz, Ground Floor, Fernwood House, The Oval, 1 Oakdale Road, Newlands, Cape Town at 15:00 on Wednesday, 26 October 2011 and at any adjournment thereof, and to vote or to abstain from voting on the ordinary resolutions to be proposed at the general meeting, as follows:

	For	Against	Abstain
<b>Ordinary resolution 1</b> Sanctioning, approving and authorising the transaction			
<b>Ordinary resolution 2</b> Authority granted to directors or company secretary			

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

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Signature of shareholder(s)

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Assisted by me (where applicable)

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**Please read the notes and instructions on the reverse hereof.**

## **NOTES:**

A shareholder entitled to attend and vote at the general meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a shareholder of Cadiz.

Every person present and entitled to vote at the general meeting as a shareholder or as a proxy or as a representative of a body corporate shall, on a show of hands, have one vote only, irrespective of the number of Cadiz shares such person holds or represents, but in the event of a poll, a shareholder holding shares will be entitled to only one vote per share held.

Please insert the relevant number of Cadiz shares and indicative with an "X" in the appropriate spaces on the face hereof, how you wish your votes to be cast at the general meeting. If you return this form of proxy duly signed without any specific instructions, the proxy will vote or abstain from voting at the proxy's discretion.

## **INSTRUCTIONS ON SIGNING AND LODGING THE FORM OF PROXY:**

1. In terms of section 58 of the Companies Act, 71 of 2008, a proxy appointment must be in writing, dated and signed by the shareholder. This proxy shall be valid for one year from the date of signature unless revoked by the shareholder by giving written notice to the proxy and to the Company.
2. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the authorised signatory/ies.
3. The chairman of the general meeting shall be entitled to decline or accept the authority of a person signing this form of proxy:
  - (a) under a power of attorney; or
  - (b) on behalf of a company,unless that person's power of attorney or authority is deposited with the transfer secretaries by no later than 15:00 on Tuesday, 25 October 2011.
4. You may insert the name of any person(s) whom you wish to appoint as your proxy/ies in the blank space(s) provided for that purpose. If more than one person is so nominated, the person whose name stands first on this form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares exercisable by that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting of shareholders as the proxy deems fit in respect of all of those shareholders' votes exercisable thereat. The shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total votes exercisable by the shareholder or by the proxy, as the case may be.
6. When there are joint holders of Cadiz shares, all joint shareholders must sign this form of proxy.
7. The completion and lodging of this form of proxy will not preclude the shareholder who grants this proxy from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.
8. Completed forms of proxy MUST be returned to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) (Facsimile: (011) 688-7721) to be received by NO LATER THAN 15:00 on Tuesday, 25 October 2011.