

6<sup>th</sup> April 2011

Dear

## Shareholder Half Year Report

I am pleased to report that the first half of this financial year has been positive. The key performance indicators detailed support our strategy of quality earnings, measured growth in all areas with the usual emphasis on cost control and operating margins.

The major disappointment within this reporting period is to have been subject to a sickening Financial Services Compensation Scheme (FSCS) charge of £120,703 in respect of the Keydata miss-selling fiasco. This was our share of the £326 million that the FSA had to recover in respect of the losses accrued. It is quite unbelievable that we had nothing to do with the selling of Keydata products and are effectively picking up the tab for someone else. Of course such a large exceptional expense does impact on the profits of the business and therefore our shareholder value.

Despite this set-back, all areas of our business have shown improvement. The turnover has increased by 11.77%, the funds under management by £130 million (50%) and most pleasing of all; our adjusted operating margin has once again strengthened.

## Compliance and Capital

Our capital strength is, as I have noted before, of paramount importance to the future health of Cardale and I can report an increase in our net assets to £4.14 million from £3.82 million last year.

Our compliance and risk team has never been stronger. Our recent Treating Customers Fairly assessment with the FSA in London which examined both Cardale's interaction with its clients and, more generally, the governance and culture present within the firm, resulted in a response of no issues to discuss, which is as good as it is going to get from the regulator.

## Business and Future Developments

The acquisition of Holistic and creation of Cardale Financial Planning as a subsidiary has effectively turned Cardale into a group for accounting and operating purposes – this is a profile which was planned within our strategy and we will develop this group profile to our investors in the future.

The significant growth of our funds under management to £389 million over the past 12 months is a result of the addition of high quality investment managers and a successful marketing programme. Fee paying funds under management producing a high quality income stream is a key requirement to the future of the business.

Cardale has a clear vision and strategy to build the business over the next 10 years, to achieve set objectives and thereby deliver maximum shareholder value. With this in mind we



currently have several new initiatives and developments in the pipeline and as ever we are always looking for sensible opportunities to add value to our business.

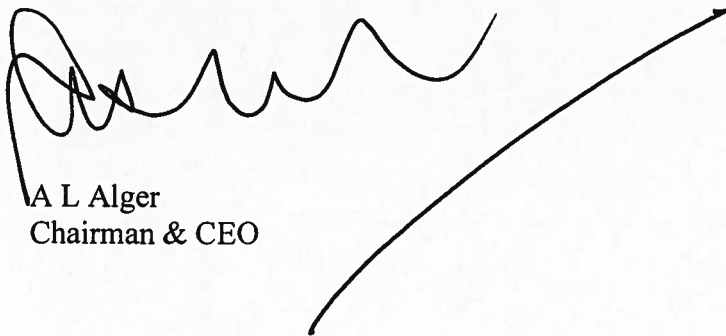
Cardale has also developed and built a governance framework and operating capacity that could accommodate the addition of any such opportunities and planned strategic growth within its current infrastructure.

We have recently undertaken a full independent IT review for the business, which has now been completed. It is important that we keep at the cutting edge with regard to IT if we are going to achieve the future growth strategy that we expect to deliver over the coming years, both in the long term and immediate future. We shall therefore invest and implement a programme of the recommendations and measures identified in the near future.

### **Dividend Policy**

This year the board has approved an interim dividend of 10p, payable on 6<sup>th</sup> April 2011, against 15p last year. As I mentioned previously, the FSCS charge has had an impact on this decision. Additionally this year we do not have the benefit of Corporation Tax adjustments that we enjoyed last year in respect of share option policy.

Yours sincerely

A handwritten signature in black ink, consisting of several loops and a long, sweeping underline that extends to the right.

A L Alger  
Chairman & CEO

## CARDALE GROUP

6 MONTHS TO 31 MARCH 2011

	31.03.11	31.03.10	Variance
<b>Income</b>	£3,235,144	£2,854,219	£380,925
<b>Costs</b>	£2,628,826	£2,254,179	£374,647
<b>Pre-tax Profit</b>	£606,318	£600,040	£6,278
<b>Funds Managed</b>	£389M	£259M	£130M
<b>*Operating Margin</b>	40.24	38.89	1.35
<b>Net Assets</b>	£4.14M	£3.82M	£0.32M
<b>Bargains</b>	13,112	13,100	12

\*Adjusted to reflect the FSCS exception charge

Note :- this is an unaudited statement



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Cardale Asset Management Limited, 2 Greengate, Cardale Park, Harrogate. HG3 1GY  
Tel: 01423 534100 Fax: 01423 534123 [www.cardale-asset.co.uk](http://www.cardale-asset.co.uk)

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