

Paladin Capital Limited

Interim Results

FOR THE SIX MONTHS ENDED 31 AUGUST 2009

NAV per share **↑ 13%**
Recurring HEPS **↓ 15%**
HEPS 29,5 cents



PALADIN
CAPITAL

CONDENSED INCOME STATEMENT				
	Unaudited		Audited	
for the six months ended 31 August 2009	31 Aug 09	31 Aug 08	28 Feb 09	
	Rm	Rm	Rm	
Income				
Investment income	10.9	12.1	24.0	
Fair value losses on financial instruments		(0.8)	(2.2)	
Other operating income	19.0	18.1	0.5	
Total income	29.9	29.4	22.3	
Expenses				
Marketing, administration and other expenses	(3.9)	(16.1)	(9.1)	
Total expenses	(3.9)	(16.1)	(9.1)	
Results of operating activities	26.0	13.3	13.2	
Finance costs	(9.5)	(3.6)	(12.5)	
Share of profits/(losses) of associated companies	81.4	1.3	(43.6)	
Net income/(loss) before taxation from continuing operations	97.9	11.0	(42.9)	
Taxation	(1.1)	(3.5)	(0.2)	
Net income/(loss) from continued operations	96.8	7.5	(43.1)	
Net profit for the period from discontinued operations			8.7	
	96.8	7.5	(34.4)	
Attributable to:	96.8	7.5	(34.4)	
– non-controlling interest		0.8	2.8	
– equity holders of the company	96.8	6.7	(37.2)	
Attributable to equity holders of the company	96.8	6.7	(37.2)	
Non-headline items	32.4	(1.5)	19.2	
Headline earnings/(loss)	129.2	5.2	(18.0)	
Earnings/(loss) per share (cents)				
– attributable	22.1	1.7	(9.5)	
– headline/diluted headline	29.5	1.4	(4.6)	
Dividend per share (cents)				
Interim		2.5	2.5	
Final			2.5	
Number of shares (million)				
– in issue	445.9	385.0	396.2	
– weighted average	437.8	385.0	390.6	
CONDENSED STATEMENT OF COMPREHENSIVE INCOME/ (LOSS)				
Net income/(loss) of the group	96.8	7.5	(34.4)	
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	96.8	7.5	(34.4)	
Attributable to:	96.8	7.5	(34.4)	
– non-controlling interest		0.8	2.8	
– equity holders of the company	96.8	6.7	(37.2)	

CONDENSED STATEMENT OF CASH FLOWS				
	Unaudited		Audited	
for the six months ended 31 August 2009	31 Aug 09	31 Aug 08	28 Feb 09	
	Rm	Rm	Rm	
Net cash flow from operating activities	17.5	(48.5)	(60.7)	
Net cash flow from investment activities	(43.1)	(100.5)	(71.1)	
Net cash flow from financing activities	27.0	146.7	131.4	
Net increase/(decrease) in cash and cash equivalents	1.4	(2.3)	(0.4)	
Cash and cash equivalents at beginning of period	0.1	4.4	4.4	
Cash and cash equivalents at end of period	1.5	2.1	4.0	
– Continued operations	1.5	2.1	0.1	
– Discontinued operations			3.9	

CONDENSED STATEMENTS OF CHANGES IN OWNERS' EQUITY				
	Unaudited		Audited	
for the six months ended 31 August 2009	31 Aug 09	31 Aug 08	28 Feb 09	
	Rm	Rm	Rm	
Ordinary shareholders' equity at beginning of period	602.0	633.6	633.6	
Net shares issued	192.8	4.4	26.7	
Total comprehensive income/(loss)	96.8	6.7	(37.2)	
Common control	(116.3)			
Dividend paid	(9.9)	(12.3)	(21.1)	
Ordinary shareholders' equity at end of period	765.4	632.4	602.0	
Non-controlling interest				
Beginning of period	1.7	1.1	1.1	
Net income for period		0.8	2.6	
Movement in interest in subsidiaries	(1.7)		(0.3)	
Dividend paid		(0.8)	(1.7)	
Total equity at end of period	765.4	633.5	603.7	

CONDENSED STATEMENT OF FINANCIAL POSITION				
	Unaudited		Audited	
at 31 August 2009	31 Aug 09	31 Aug 08	28 Feb 09	
	Rm	Rm	Rm	
ASSETS				
Property, plant and equipment		0.4		
Intangible assets		5.2		
Investment in associated companies	941.0	714.0	709.8	
Deferred income tax		0.3	1.1	
Financial assets				
Equity securities		32.2	2.6	
Loans and advances	1.8	24.9	19.5	
Receivables		10.2	2.0	
Cash and cash equivalents	1.5	2.1	0.1	
Non-current assets held for sale			36.7	
Total assets	944.3	789.3	771.8	
EQUITY				
Ordinary shareholders' equity	765.4	632.4	602.0	
Non-controlling interests		1.1	1.7	
Total equity	765.4	633.5	603.7	
LIABILITIES				
Insurance contracts		1.7		
Financial liabilities				
Borrowings	177.8	122.5	150.7	
Trade and other payables	1.1	31.6	1.1	
Liabilities directly associated with non-current assets classified as held for sale			16.3	
Total liabilities	178.9	155.8	168.1	
Total equity and liabilities	944.3	789.3	771.8	
Net asset value per share (cents)	172	164	152	

CONTRIBUTION TO HEADLINE EARNINGS				
	Unaudited		Audited	
for the six months ended 31 August 2009	31 Aug 09	31 Aug 08	28 Feb 09	
	Rm	Rm	Rm	
Recurring headline earnings	50.8	52.2	104.3	
Equity accounted headline earnings from associates	52.9	52.8	101.0	
Other income and expenses	(2.1)	(0.6)	3.3	
Non-recurring headline earnings/(loss)	98.9	(32.2)	(86.4)	
Marked-to-market profits/(losses) from Thembeke	97.3	(32.2)	(86.4)	
Other income and expenses	1.6			
Funding and STC	(20.5)	(14.8)	(35.9)	
Paladin	(8.0)	(3.6)	(12.9)	
Thembeke	(12.5)	(11.2)	(23.0)	
Total headline earnings/(loss)	129.2	5.2	(18.0)	
Statistics				
Recurring HEPS (cents)	11.6	13.6	26.7	
Recurring HEPS after funding and STC (cents)	6.9	9.7	17.5	
HEPS (cents)	29.5	1.4	(4.6)	

NOTES TO THE FINANCIAL STATEMENTS				
for the six months ended 31 August 2009				
1. Basis of presentation and accounting policies				
The condensed interim consolidated financial statements have been prepared in terms of IAS 34 – Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended 28 February 2009, which have been prepared in accordance with IFRS.				
The accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those used in the previous year, except for the standards noted below which is effective for the financial year beginning 1 March 2009:				
IAS 1 (revised) – 'Presentation of financial statements' and IFRS 8 – 'Operating Segments'. The adoption of these standards has no material effect on the results, nor has it required any restatement of the results.				
2. Investment in associated companies				
		Unaudited	Audited	
		31 Aug 09	31 Aug 08	28 Feb 09
		Rm	Rm	Rm
Carrying value				
Listed	367.1	213.3	246.1	
Unlisted	573.9	500.7	463.7	
	941.0	714.0	709.8	
Directors' valuation of unlisted investments	526.6	591.9	306.7	
3. Non-headline items (net of tax and non-controlling interest)				
Impairment of investments	54.7		10.1	
Net profit on sale of subsidiaries and minority interest	(17.7)			
Non-headline items of associated companies	(4.6)	(1.5)	9.1	
	32.4	(1.5)	19.2	
4. Commitments and contingencies				
The company did not have any capital commitments or contingencies at 31 August 2009.				
5. Related party transactions				
Paladin sold its investment of 74.9% in PSG Capital (Pty) Ltd for R25 million and bought the investment of 9.4% in Petmin during the period under review. PSG Group was party to both transactions as part of the internal restructuring.				
The loan with PSG Corporate Services (Pty) Ltd amounted to R178 million as at 31 August 2009 and accrues interest at PSG's lending rate plus 50 basis points.				
6. Share capital and premium		Unaudited		
		31 Aug 09		
		Rm		
Balance at beginning of period		504.6		
Issue of shares for Petmin acquisition		92.0		
Issue of shares in terms of the restructuring*		101.3		
Share issue cost		(0.5)		
Balance at the end of the period		697.4		
* This includes the Mainfin, Share Incentive Trust and Kumani transactions.				

Commentary

Paladin, an investment company, originated from the PSG Group stable and remains its preferred investment vehicle in industries other than the financial and agri-related sectors. Its investment portfolio currently comprises 13 investments.

Comprehensive details of the portfolio are contained in the pre-listing statement and rights issue circular which has been distributed to shareholders and is also available on the website at www.paladincapital.co.za.

Results

Paladin's headline earnings and attributable earnings per share increased to 29.5 cents (2008: 1.4 cents) and 22.1 cents (2008: 1.7 cents) respectively, mainly as a result of favourable marked-to-market movements in Thembeke Capital's listed investments in the JSE, PSG and Capitec Bank. Thembeke's contribution to Paladin's headline earnings amounted to R94.5 million (2008: R35.9 million headline loss).

Recurring headline earnings are the board's predominant measure of Paladin's financial performance. The sustainable earnings from subsidiary and associated companies are included in recurring, whereas marked-to-market profits/losses and once-off items are disclosed as non-recurring headline earnings.

Recurring headline earnings per share (after funding and STC) decreased by 15% to 11.6 cents and 29% to 6.9 cents respectively. This is mainly as a result of a loss contribution from GRW. The GRW Group, which manufactures aluminium and steel road tankers, was severely affected by the downturn in the economy and thus, the Paladin board deemed it prudent to write down the investment from R91 million to R39 million, its current

market-related value, which value has been consistently used in the computation of intrinsic value. The company has however turned profitable again in July 2009 and future prospects look promising. Other investee companies performed to expectation, with most posting earnings better than that for the comparative period.

Paladin's net asset value per share increased by 13% to 172 cents.

Corporate action

- Paladin's successful listing on the AltX.
- The acquisition of a 50% interest in Curro Holdings, a private school group for R50 million cash consideration on 1 July 2009.
- The acquisition of a 9.4% interest in Petmin for R92 million from PSG Group by means of a share swap on 1 March 2009.
- The disposal of Paladin's 25.1% interest in Mainfin to its vendors.
- With African Unity Insurance having acquired an additional business, Paladin's interest diluted from 54% to 43%.

INTRINSIC VALUE AT 31 AUGUST 2009				
COMPANY	DESCRIPTION	% HELD	% OF PORTFOLIO	VALUE ^ RM
THEMBEKA	BEE investment company	49%	26%	229
CIC	FMCG	49%	15%	136
PRECRETE	Mining support services	22%	13%	117
PETMIN	Diversified miner	9%	11%	100
ERBACON	Construction	26%	9%	78
CURRO	Private education	50%	6%	50
GRW	Tank manufacturing	40%	4%	39
LESOTHO MILLING	Milling	25%	4%	38
PROTEA GIETERY	Non-ferrous foundry	50%	3%	30
IQUAD	Outsourcing services	43%	3%	29
TOPFIX	Construction support	18%	2%	20
AFRICAN UNITY	Life and related insurance	43%	1%	13
AXON	Scrap lending	35%	1%	6
OTHER			1%	5
TOTAL INVESTMENTS			100%	890
NET DEBT			18%	(163)
TOTAL MARKET-RELATED VALUE				727
SHARES IN ISSUE (M)				446
MARKET-RELATED VALUE PER SHARE (CENTS)				163
MARKET-RELATED VALUE PER SHARE AT THE LAST PRACTICAL DATE (CENTS)				179
MARKET-RELATED VALUE PER SHARE AFTER THE RIGHTS ISSUE (CENTS)*				165
^ Intrinsic value is calculated by using market values for the listed investments and market-related values for unlisted investments.				
* Based on the assumptions that the rights issue will be fully subscribed.				

Rights issue

Paladin is in the process of raising R150 million through a renounceable rights issue. PSG will follow at least R50 million of its rights and has renounced the remaining rights in favour of its shareholders. Indications are that the full amount will be raised and will be utilised to take advantage of future opportunities. In addition, the rights issue will result in Paladin broadening its shareholder base.

Prospects

The board is confident about the quality of the investments and the prospects for the future. Our investee companies are well capitalised and positioned to grow earnings and market share in their respective industries. Paladin will continue to add value to its investee companies through active input on a strategic level.

Dividend

The board has reconsidered Paladin's dividend policy and, given its long term growth strategy, decided not to pay dividends for the foreseeable future.

On behalf of the board

Jannie Mouton Chairman
Stellenbosch
7 October 2009

Francois Swart Chief Executive Officer

www.paladincapital.co.za

Paladin Capital Limited Incorporated in the Republic of South Africa (Registration number: 2007/032836/06)
Share code: PLD ISIN: ZAE000138970 ("Paladin" or "the company")
Directors: JF Mouton (Chairman), FW Swart (CEO), J Bezuidenhout (Financial Director)*, E de V Greyling*, KP Harris*, JA Holtzhausen, PJ Mouton, JD Wiase* (* executive * independent non-executive)
Secretary and registered office: PSG Corporate Services (Proprietary) Limited (Registration number 2004/003647/07)
Stellenbosch, 7600 PO Box 7403, Stellenbosch, 7599
Transfer secretaries: Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07)
Ground Floor, 70 Marshall Street, Johannesburg, 2001
Sponsor: PSG Capital
GREYMATTER & FINCH # 4946