

Paladin Capital Limited
 Incorporated in the Republic of South Africa
 (Registration number: 2007/032836/06)
 Share code: PLD
 ISIN: ZAE000138970
 ("Paladin" or "the company" or "the group")

Reviewed results for the year ended 28 February 2011

Highlights

- Net asset value increased by 35.7% to R2.39 per share*
- Sum of the parts ("SOTP") valuation increased by 47.3% to R2.99 per share*
- Recurring headline earnings decreased by 37.3% to 12.1 cents per share
- Headline earnings decreased by 21.4% to 34.5 cents per share*

* After providing for a performance fee of R64.7 million as a result of Paladin's share price appreciation

Condensed group statement of financial position at 28 February 2011

		28 Feb 2011	28 Feb 2010
	Notes	Rm	Rm
Assets			
Property, plant and equipment		370.4	
Intangible assets		50.1	
Investment in associated companies	2	1 072.8	1 052.1
Deferred income tax		7.4	2.8
Financial assets			
Loans and advances		0.3	
Receivables		3.5	0.2
Cash and cash equivalents		307.5	2.3
Total assets		1 812.0	1 057.4
Equity			
Ordinary shareholders' equity		1 384.6	1 009.8
Non-controlling interest		33.2	
Total equity		1 417.8	1 009.8
Liabilities			
Deferred income tax		18.5	
Financial liabilities			
Borrowings		224.4	42.2
Provision for other liabilities and charges		64.7	
Trade and other payables		84.3	5.3
Current income tax liabilities		2.3	0.1
Total liabilities		394.2	47.6

Total equity and liabilities		1 812.0	1 057.4
Net asset value per share (cents)		238.5	175.7
Condensed group income statement for the year ended 28 February 2011			
		28 Feb 2011	28 Feb 2010
	Notes	Rm	Rm
Income			
Investment income		33.8	21.0
Education income		38.8	
Fee income		1.0	0.7
Other operating income			1.0
		73.6	22.7
Expenses			
Administration and other expenses		(53.0)	(17.2)
Performance fee		(64.7)	
		(117.7)	(17.2)
Share of profits of associated companies		178.9	168.4
Results of operating activities		134.8	173.9
Finance costs		(12.8)	(13.6)
Profit on disposal of associated companies		266.1	
Net profit before taxation from			
continuing operations		388.1	160.3
Taxation		(33.0)	1.6
Net profit from continuing operations		355.1	161.9
Net profit from discontinued operations			17.7
		355.1	179.6
Attributable to:			
- non-controlling interest		0.1	
- equity holders of the company		355.0	179.6
Attributable to equity holders of the company			
		355.0	179.6
Non-headline items	3	(155.1)	37.7
Headline earnings		199.9	217.3
Earnings and diluted earnings per share (cents)			

- attributable	61.4	36.3
- headline	34.5	43.9
Number of shares (million)		
- in issue	580.6	574.6
- weighted average	578.6	495.4
Condensed group statement of comprehensive income for the year ended 28 February 2011		
	28 Feb 2011 Rm	28 Feb 2010 Rm
Net income of the group	355.1	179.6
Share of other comprehensive income of associated companies	8.5	12.3
Total comprehensive income	363.6	191.9
Attributable to:	363.6	191.9
- non-controlling interest	0.1	
- equity holders of the company	363.5	191.9
Condensed group statement of changes in equity for the year ended 28 February 2011		
	28 Feb 2011 Rm	28 Feb 2010 Rm
Ordinary shareholders' equity at beginning of period	1 009.8	602.0
Net shares issued (net of buy-backs and share issue costs)	13.2	342.1
Total comprehensive income	363.5	191.9
Other reserve movements	(1.9)	(116.3)
Dividend paid		(9.9)
Ordinary shareholders' equity at end of period	1 384.6	1 009.8
Non-controlling interest	33.2	
Beginning of period		1.7
Total comprehensive income	0.1	
Acquisition/(disposal) of subsidiaries	33.1	(1.7)
Total equity at end of period	1 417.8	1 009.8
Condensed group statement of cash flows for the year ended 28 February 2011		
	28 Feb	28 Feb

	2011	2010
	Rm	Rm
Cash flows from operating activities		
Cash generated by operating activities	54.9	18.0
Taxation paid	(31.4)	
Net cash flow from operating activities	23.5	18.0
Net cash flow from investment activities	177.9	(164.0)
Net cash flow from financing activities	100.5	144.3
Net increase/(decrease) in cash and cash equivalents	301.9	(1.7)
Cash and cash equivalents at beginning of period	2.3	4.0
Cash and cash equivalents at end of period	304.2	2.3
Analysed as follows:	304.2	2.3
Cash and cash equivalents	307.5	2.3
Bank overdraft	(3.3)	

Notes

for the year ended 28 February 2011

1. Basis of presentation and accounting policies

The condensed consolidated financial statements have been prepared in terms of IAS 34 - Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are consistent with those used in the previous year, except for the following revised standards which are effective for the financial year beginning 1 March 2010: IFRS 3 (revised) - Business Combinations, and IAS 27 (revised) - Consolidated and Separate Financial Statements. The adoption of IAS 27 (revised) had no material effect on the results and neither standard required any restatement of previously reported results. The adoption of IFRS 3 (revised) had the following effect on the current reported results:

The revised standard was applied to the acquisition of the controlling interest in Curro Holdings (Pty) Ltd ("Curro") on 1 July 2010 (refer to note 6). The revised standard requires the previously held equity interest to be adjusted to fair value with any gain or loss recorded in the income statement.

Results of operating activities, as presented in the income statement, include share of profits of associated companies as a significant part of Paladin's business activity is performed through associates. The comparatives have been presented on a consistent basis.

	28 Feb 2011	28 Feb 2010
	Rm	Rm
2. Investment in associated companies		
Carrying value		
Listed	265.0	417.3
Unlisted	807.8	634.8

Paladin has tested its investments in associated companies for impairment at 28 February 2011. The directors are satisfied that the carrying value of the investment in associated companies is fairly stated after such impairment write downs.

3. Non-headline items (net of tax and non-controlling interest)		
Impairment of investments	47.1	60.9
Impairment of loans		6.0
Net profit on sale/dilution of investment in subsidiaries and non-controlling interest		(17.4)
Net profit on disposal/dilution of investment in associated companies	(229.9)	(8.2)
Non-headline items of associated companies	27.7	(3.6)
	(155.1)	37.7
4. Commitments and contingencies		
Capital expenditure:		
Contracted	76.8	
Authorised but not yet contracted	114.9	
	191.7	-
Future commitments in terms of:		
Property rental agreements		
Due within one year		0.4
One to five years		0.3
	-	0.7
Operating leases		
Due within one year	0.3	0.8
One to five years	0.1	0.1
	0.4	0.9

5. Related party transactions

During the year under review, PSG Corporate Services (Pty) Ltd ("PSGCS") charged Paladin a management fee of R16.7 million (2010: R5.2 million), of which R9.3 million was outstanding at year-end. The loan of R42.2 million owed to PSGCS at 28 February 2010 was repaid in March 2010.

PSGCS is also entitled to a performance fee calculated annually, based on the appreciation of Paladin's share price, with the first measurement date on 28 February 2012. Management deemed it prudent to raise a provision for the performance fee in the amount of R64.7 million (2010: Rnil) based on a price of R2.65 per Paladin share.

During the prior year, Paladin sold its 74.9% in PSG Capital to, and bought the investment of 9.4% in Petmin from PSG Group as part of the internal restructuring.

6. Business combinations

On 1 July 2009 Paladin acquired 50% of the share capital of Curro, a provider of private schooling, for R50 million and classified same as an investment in an associated company. On 1 July 2010 Paladin acquired a further 26% interest for R52 million to gain control of Curro. The carrying value and fair value of Curro immediately preceding the acquisition of the controlling stake amounted to R52.2 million and R75 million, respectively. This resulted in a R22.8 million profit with the step up from an associate to a subsidiary accounted for in the income statement. The acquired business contributed revenues of R38.8 million and net profit of R3.4 million to the group for the period from 1 July 2010 to 28 February 2011.

On 1 January 2011 Curro acquired a 100% controlling interest in both Aurora College (Pty) Ltd and Plot 100 Bush Hill (Pty) Ltd (collectively referred to as "Aurora") for a total consideration of R42 million. Aurora is principally involved in the private school industry.

Details of the net assets acquired, consideration paid and goodwill recognised are as follows:	Curro Rm	Aurora Rm
Cash	2.5	
Property, plant and equipment	226.1	45.5
Receivables	3.1	0.6
Goodwill and intangibles	20.5	7.5
Borrowings	(90.6)	
Trade and other creditors	(9.2)	(11.6)
Deferred tax	(14.4)	
	138.0	42.0
Non-controlling interest	(33.1)	
Previously held interest at fair value	(75.0)	
Goodwill	22.1	
Total purchase consideration	52.0	42.0
Analysed as follows:	52.0	42.0
Cash paid	51.0	
Fair value of shares issued	1.0	
Vendor financing		42.0
Cash flow effects:		
Purchased consideration settled in cash	(51.0)	
Cash and cash equivalents of subsidiary acquired	2.5	
Net cash outflow on acquisition	(48.5)	-

7. Segmental report

			Non-		
		Recurring	recurring	Headline	Net
		headline	headline	earnings	asset
For the year ended	Income	earnings	earnings	earnings	value
28 February 2011	Rm	Rm	Rm	Rm	Rm
Investment companies	1.8	25.4	193.8	219.2	552.9
Services	0.3	25.9		25.9	54.4
Mining, construction and related services	21.3	31.2	1.0	32.2	393.2
Manufacturing		5.9		5.9	68.9
Education	38.8	3.6		3.6	195.9
Other	1.0	(16.7)	(64.7)	(81.4)	(72.8)
Before funding	63.2	75.3	130.1	205.4	1 192.5
Funding	10.4	(5.5)		(5.5)	192.1
Total	73.6	69.8	130.1	199.9	1 384.6
Non-headline Attributable	73.6			155.1	355.0

			Non-		
		Recurring	recurring	Headline	Net
		headline	headline	earnings	asset
For the year ended	Income	earnings	earnings	earnings	value
28 February 2010	Rm	Rm	Rm	Rm	Rm
Investment companies		10.3	122.1	132.4	275.7
Services	0.1	37.5		37.5	203.0
Mining, construction and related services	18.4	56.8	(2.5)	54.3	424.0
Manufacturing		7.3		7.3	94.5
Education		1.4		1.4	51.4
Other	1.7	(6.6)	2.2	(4.4)	(1.7)
Before funding	20.2	106.7	121.8	228.5	1 046.9
Funding	2.5	(11.2)		(11.2)	(37.1)
Total	22.7	95.5	121.8	217.3	1 009.8
Non-headline Attributable	22.7			(37.7)	179.6

8. Review by auditor

The company's external auditor, PricewaterhouseCoopers Inc., has reviewed the condensed consolidated financial statements. A copy of their unqualified review opinion is available on request at the company's registered office.

Contribution to consolidated headline earnings
for the year ended 28 February 2011

	28 Feb 2011 Rm	28 Feb 2010 Rm	28 Feb 2009 Rm
Recurring headline earnings			
Investment companies	25.4	10.3	4.3
Services	25.9	37.5	27.9
Mining, construction and related services	31.2	56.8	42.8
Manufacturing	5.9	7.3	12.9
Education	3.6	1.4	
Other	(16.7)	(6.6)	3.3
Before funding	75.3	106.7	91.2
Funding	(5.5)	(11.2)	(13.0)
Total recurring headline earnings*	69.8	95.5	78.2
Non-recurring headline earnings/(loss)	130.1	121.8	(96.2)
Marked-to-market movement and one-off items	233.2	148.0	(76.2)
Less: Recurring (see-through) earnings (Thembeke)	(38.4)	(26.2)	(20.0)
Performance fee	(64.7)		
Total headline earnings/(loss)	199.9	217.3	(18.0)
Non-headline items	155.1	(37.7)	(19.2)
Attributable earnings/(loss)	355.0	179.6	(37.2)
Statistics			
Recurring HEPS (cents)	12.1	19.3	20.0
HEPS (cents)	34.5	43.9	(4.6)
Attributable EPS (cents)	61.4	36.3	(9.5)

* Recurring headline earnings is the sum of Paladin's effective interest in that of each of its underlying investments, regardless of its percentage shareholding. The result is that investments, in which Paladin or an investee holds less than 20% and is not allowed to equity account in terms of accounting standards, are included in the calculation of recurring headline earnings.

SOTP valuation		28 Feb 2011		28 Feb 2010		28 Feb 2009	
Company	Description	% held	Value Rm	% held	Value Rm	% held	Value Rm
Investment companies							
	BEE investment						
Thembeke	company	49%	531	49%	272	49%	110
Spirit	Leveraged buy-outs	24%	73	20%	15		
			604		287		110
Services							
CIC	FMCG			50%	213	49%	87
IQuad	Outsourcing services	44%	36	43%	24	42%	24

African Unity	Life and related insurance	43%	30 66	43%	17 254	54%	9 120
Mining, construction and related services							
Precrete	Mine safety and support services	22%	195	22%	163	22%	93
Green Square	Mining subcontractor	19%	5				
Petmin	Diversified miner	11%	191	9%	120		
Erbacon	Construction	27%	60	22%	100	26%	85
Top Fix	Construction support services	28%	23 474	28%	48 431	11%	10 188
Manufacturing							
GRW	Tank manufacturer	40%	56	40%	49	40%	38
Lesotho							
Milling	Milling			25%	38	25%	36
Protea	Non-ferrous foundry	50%	38 94	50%	33 120	50%	39 113
Education							
Curro	Private school education	76%	373 373	50%	100 100		-
Other							
			59				
Total investments			1 611	1 192		590	
Performance fee provision			(65)				
Net cash/(debt)			190	(25)		(104)	
Total SOTP valuation			1 736	1 167		486	
Shares in issue (million)			581	575		396	
SOTP valuation per share (cents)			299	203		123	
SOTP valuation per share at last practical date (cents)			293				

Overview

Paladin is PSG Group Ltd's private equity investment company in sectors other than agriculture, food and beverages. At 28 February 2011, Paladin had 12 investments across the economic spectrum.

Performance

Paladin had a year of mixed fortunes with a strong increase in its SOTP valuation and market price, whilst recurring headline earnings decreased significantly. Paladin's management is mindful of the fact that an increase in the SOTP value is unattainable in the long run if the earnings performance of its underlying investments does not improve accordingly.

* Recurring headline earnings decreased by 37.3% to 12.1 cents per share

- Erbacon experienced a challenging year characterised by adverse trading conditions and management challenges. Paladin however believes in the new strategic direction that Sean Flanagan has introduced. Sean, formerly an executive director of Murray & Roberts, was appointed CEO of Erbacon in June 2010.

- GRW implemented a significant cost cutting strategy, and is entering promising new business lines which should see it return to profitability.

- Top Fix's earnings and, in particular that of the Scaffolding Division, were negatively affected by the building recession. The Top Fix board has made changes to the management team and implemented cost cutting measures to improve the Scaffolding Division's performance.

- A substantial portion of the proceeds on the disposal of CIC were subsequently invested in Curro, which is yielding returns consistent with a venture that is in a growth phase.

* SOTP valuation increased by 47.3% to R2.99 per share

- The increase in the SOTP value was supported by the profit on the sale of CIC and the substantial increase in the value of both Curro and Thembeke.

- Much of the negative news affecting the abovementioned companies was already discounted by the market at the end of the previous financial year. The poor performance in the current year consequently has had a minimal effect on the SOTP value.

Corporate action

* We realised an after-tax profit of R208 million when we sold our 50% investment in CIC to Imperial for R364 million. Having invested R67 million and received R24 million in dividends, CIC was an extraordinary investment with a compounded return of 64.8% over the 4-year period.

* Sold our stake in Lesotho Milling for R26 million. We invested R21 million and received more than R7 million in dividends from this investment.

* Paladin acquired an additional 26% stake in Curro for a total interest of 76%. Curro is expanding according to plan and, due to the substantial capital required to fuel growth, the Curro board has decided to list the business and do a major rights issue shortly thereafter. Paladin intends to follow its rights which is expected to be in the region of R243 million.

* Paladin also increased its interest in certain of its underlying investments:

- Purchased an additional 10.6 million Petmin shares for R30 million.

- Purchased an additional 17 million Erbacon shares for R23 million.

- Purchased an additional 3.8% share in Spirit Capital for R5 million, and extended R50 million of debt funding to Spirit Capital to help fund the acquisition of the Annique and Honey brands. Annique distributes skin

care and beauty products while Honey is a distributor of fashion accessories.

* Subsequent to year-end, Paladin acquired a 45% interest in Energy Partners, a provider of energy saving solutions. Gerrit (Boel) Pretorius, the former Reunert CEO, has co-invested with us and serves as the appointed non-executive chairman. We view this as an exciting entry into the emerging energy sector.

Management changes

With the resignation of the Paladin CEO earlier this year, Piet Mouton has assumed operational responsibility together with the Paladin management team. Accordingly Piet Mouton's status has changed from non-executive director to executive director. The PSG Exco remains responsible for managing Paladin's assets and delivering on the Paladin strategy.

Prospects

Paladin's investments in the construction and manufacturing sectors in particular did not escape the aftermath of the economic recession, which had been partially softened by the positive investment relating to the 2010 FIFA World Cup. The Paladin board is optimistic about the prospects of the portfolio which contains a good mix of stable earners and businesses that have been restructured to extract more value from the current environment and those with the potential to develop into something really significant.

On behalf of the board

Jannie Mouton
Chairman

Wynand Greeff
Financial Director

Stellenbosch
13 April 2011

Directors

JF Mouton (Chairman), WL Greeff *, E de V Greyling #, KP Harris #,
JA Holtzhausen, PJ Mouton *, JD Wiese #
(* executive # independent non-executive)

Secretary and registered office

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Corporate advisor

PSG Capital (Pty) Limited

Designated advisor

Questco Sponsors (Pty) Limited

These results are available on our website at www.paladincapital.co.za