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PALADIN CAPITAL LIMITED

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2010

PALADIN CAPITAL

> **Intrinsic value** increased to R2.45 per share > **Recurring headline earnings** decreased by 11.8% to 6.7 cents per share > **Headline earnings** decreased by 40.3% to 17.6 cents per share

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

at 31 August 2010

	Notes	UNAUDITED 31 Aug 10 Rm	31 Aug 09 Rm	AUDITED 28 Feb 10 Rm
Assets				
Property, plant and equipment		**260.3**		
Intangible assets		**43.2**		
Investment in associated companies	2	**1 040.5**	941.0	1 052.1
Deferred income tax		**5.6**		2.8
Financial assets				
Loans and advances			1.8	
Receivables		**2.4**		0.2
Cash and cash equivalents		**29.5**	1.5	2.3
Non-current assets held for sale		**20.5**		
Total assets		**1 402.0**	944.3	1 057.4
Equity				
Ordinary shareholders' equity		**1 088.9**	765.4	1 009.8
Minority interests		**33.4**		
Total equity		**1 122.3**	765.4	1 009.8
Liabilities				
Deferred income tax		**17.7**		
Financial liabilities				
Borrowings		**196.4**	177.8	42.2
Provision for other liabilities and charges		**47.5**		
Trade and other payables		**17.7**	1.1	5.3
Current income tax liabilities		**0.4**		0.1
Total liabilities		**279.7**	178.9	47.6
Total equity and liabilities		**1 402.0**	944.3	1 057.4
Net asset value per share (cents)		**187.5**	171.7	175.7

CONDENSED GROUP INCOME STATEMENT

for the six months ended 31 August 2010

	Notes	UNAUDITED 31 Aug 10 Rm	31 Aug 09 Rm	AUDITED 28 Feb 10 Rm
Income				
Investment income		**12.7**	10.9	21.0
School fees		**12.7**		
Fee income		**0.4**		0.7
Profit on disposal of associated company		**22.8**		
Other operating income			1.3	1.0
		48.6	12.2	22.7
Expenses				
Administration and other expenses		**(18.7)**	(3.9)	(10.2)
Performance fee		**(46.2)**		
Impairment charges				(7.0)
		(64.9)	(3.9)	(17.2)
Results of operating activities		**(16.3)**	8.3	5.5
Finance costs		**(5.1)**	(9.5)	(13.6)
Share of profits of associated companies		**91.3**	81.4	168.4
Net profit before taxation from continued operations		**69.9**	80.2	160.3
Taxation		**(0.5)**	(1.1)	1.6
Net profit from continued operations		**69.4**	79.1	161.9
Net profit from discontinued operations			17.7	17.7
		69.4	96.8	179.6
Attributable to:		**69.4**	96.8	179.6
– minority interest		**0.3**		
– equity holders of the company		**69.1**	96.8	179.6
Attributable to equity holders of the company		**69.1**	96.8	179.6
Non-headline items	3	**32.3**	32.4	37.7
Headline earnings		**101.4**	129.2	217.3
Earnings and diluted earnings per share (cents)				
– attributable		**12.0**	22.1	36.3
– headline		**17.6**	29.5	43.9
Number of shares (million)				
– in issue		**580.6**	445.9	574.6
– weighted average		**575.6**	437.8	495.4

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 August 2010

	Notes	UNAUDITED 31 Aug 10 Rm	31 Aug 09 Rm	AUDITED 28 Feb 10 Rm
Net income of the group		**69.4**	96.8	179.6
Share of other comprehensive (loss)/income of associated companies		**(3.2)**		12.3
Total comprehensive income		**66.2**	96.8	191.9
Attributable to:		**66.2**	96.8	191.9
– minority interest		**0.3**		
– equity holders of the company		**65.9**	96.8	191.9

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August 2010

	Notes	UNAUDITED 31 Aug 10 Rm	31 Aug 09 Rm	AUDITED 28 Feb 10 Rm
Ordinary shareholders' equity at beginning of period		**1 009.8**	602.0	602.0
Net shares issued (net of buy-backs and share issue cost)		**13.2**	192.8	342.1
Total comprehensive income		**65.9**	96.8	191.9
Other reserves			(116.3)	(116.3)
Dividend paid			(9.9)	(9.9)
Ordinary shareholders' equity at end of period		**1 088.9**	765.4	1 009.8
Minority interest		**33.4**	–	–
Beginning of period			1.7	1.7
Net income for period		**0.3**		
Acquisition/(disposal) of subsidiaries		**33.1**	(1.7)	(1.7)
Total equity at end of period		**1 122.3**	765.4	1 009.8

CONDENSED GROUP STATEMENT OF CASH FLOWS

for the six months ended 31 August 2010

	Notes	UNAUDITED 31 Aug 10 Rm	31 Aug 09 Rm	AUDITED 28 Feb 10 Rm
Cash flows from operating activities				
Cash generated by operating activities		**24.0**	17.5	18.0
Taxation paid		**(0.3)**		
Net cash flow from operating activities		**23.7**	17.5	18.0
Net cash flow from investment activities		**(74.8)**	(47.0)	(164.0)
Net cash flow from financing activities		**78.3**	27.0	144.3
Net increase/(decrease) in cash and cash equivalents		**27.2**	(2.5)	(1.7)
Cash and cash equivalents at beginning of period		**2.3**	4.0	4.0
Cash and cash equivalents at end of period		**29.5**	1.5	2.3
– Continued operations		**29.5**	1.5	2.3
– Discontinued operations				

CONTRIBUTION TO HEADLINE EARNINGS

for the six months ended 31 August 2010

	Notes	UNAUDITED 31 Aug 10 Rm	31 Aug 09 Rm	REVIEWED 28 Feb 10 Rm
Recurring headline earnings		**22.3**	29.8	80.5
Equity accounted headline earnings from associated companies		**29.9**	33.3	87.1
Other expenses		**(7.6)**	(3.5)	(6.6)
Recurring (see-through) headline earnings (Thembeka)		**19.1**	11.6	26.2
Funding and STC				
Paladin		**(2.6)**	(8.0)	(11.2)
Total recurring headline earnings		**38.8**	33.4	95.5
Non-recurring headline earnings		**62.6**	95.8	121.8
Marked-to-market movement and dividend income (Thembeka)		**126.1**	104.4	148.3
Less: recurring (see-through) earnings (Thembeka)		**(19.1)**	(11.6)	(26.2)
Performance fee		**(46.2)**		
Other net income/(expenses)		**1.8**	3.0	(0.3)
Total headline earnings		**101.4**	129.2	217.3
Statistics				
Recurring HEPS (cents)		**6.7**	7.6	19.3
HEPS (cents)		**17.6**	29.5	43.9

NOTES

for the six months ended 31 August 2010

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 2010, 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 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) has no material effect on the results and neither standard required any restatement of previously reported results. The adoption of IFRS3 (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) Limited ("Curro") on 1 July 2010 (refer note 6). This acquisition has occurred in stages. The revised standard requires that goodwill is determined only at the acquisition date rather than at the previous stages. The determination of goodwill includes the previously held equity interest to be adjusted to fair value with any gain or loss recorded in the income statement. The group have chosen to recognise the non-controlling interest at the proportionate share of net assets of Curro of R33.1 million.

2. Investment in associated companies

	UNAUDITED 31 Aug 10 Rm	31 Aug 09 Rm	AUDITED 28 Feb 10 Rm
Carrying value			
Listed	**362.1**	367.1	417.3
Unlisted	**678.4**	573.9	634.8
	1 040.5	941.0	1 052.1

Paladin has tested its investments in associated companies for impairment and management has subsequently impaired the investment in Erbacon by R17.5 million at 31 August 2010. The directors are satisfied that its carrying value is fairly stated after this write down.

3. Non-headline items (net of tax and minorities)			
Impairment of investments	**17.5**	54.7	60.9
Impairment of loans			6.0
Net profit on disposal/dilution of investment in subsidiaries and minority interest		(17.7)	(17.4)
Net profit on disposal/dilution of investment in associated companies	**(15.8)**		(8.2)
Non-headline items of associated companies	**30.6**	(4.6)	(3.6)
	32.3	32.4	37.7
4. Commitments and contingencies			
Capital expenditure:			
Contracted	**27.9**		
Authorised but not yet contracted	**69.7**		
	97.6	–	–
Future commitments in terms of:			
Property rental agreements			
Due within one year	**0.2**		0.4
One to five years			0.3
	0.2	–	0.7
Operating leases			
Due within one year	**1.3**		0.8
One to five years	**4.4**		0.1
	5.7	–	0.9

5. Related party transactions

During the period under review, PSG Corporate Services ("PSGCS") charged Paladin a management fee of R7.4 million (2009: Rnil) which was outstanding at 31 August 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 2011. The appreciation in the share price is the difference between the 30-day volume weighted average price of Paladin at year-end and the initial price of R1.535 per share (adjusted for share issues) as defined in the management agreement entered into between the two parties. The liability for the performance fee can either be settled in cash, or if insufficient cash is available, can be settled by the issue of ordinary shares in Paladin. Had the measurement date been 31 August 2010, the performance fee payable would have amounted to R46.2 million. This was provided for at 31 August 2010. Had the measurement date been the last practical date the performance fee payable would have amounted to R64.2 million.

6. Acquisition of subsidiary

On 1 July 2009 Paladin acquired 50% of the share capital of Curro (a provider of private schooling) for R50 million and classified the investment as an investment in an associated company. On 1 July 2010 Paladin acquired a further 26% of the share capital 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 which is recognised on the face of the income statement. The acquired business contributed revenues of R12.7 million and net profit of R1.3 million to the group for the period from 1 July 2010 to 31 August 2010.

7. IAS 34 compliant report

The complete IAS 34 compliant interim report containing further details of the acquisition of Curro as well as the segmental report is available on the *Securities Exchange News Service* of the JSE Ltd, and on the company's website.

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

OVERVIEW

Paladin is PSG Group's private equity investment company in sectors other than agriculture, food and beverages. Paladin invests in businesses that are easily understood, have strong cash flows, where management are large shareholders and where Paladin's share of profit after tax is greater than R10 million. Paladin is strategically involved in its investee companies and actively partners with the entrepreneurs and management to advance the business to the next level. At 31 August 2010, Paladin had 13 investments across the economic spectrum.

RESULTS

It was announced on SENS on 31 March 2010 that Paladin has refined the method of calculating *recurring headline earnings*. Previously *recurring headline earnings* was defined as *reportable headline earnings* in terms of accounting standards, excluding any marked-to-market movements and one-off items. *Recurring headline earnings* is now calculated on a see-through basis and is the sum of Paladin's effective interest in that of each of its underlying investees, regardless of its percentage shareholding. Paladin's *recurring headline earnings* for the six months ended 31 August 2009 accordingly amounted to 7.6 cents per share as opposed to the 6.9 cents per share previously reported in terms of the old methodology.

Paladin's *recurring headline earnings* increased by 16.2% to R38.8 million (2009: R33.4 million restated). The increase resulted from a strong performance from the investment companies and services segments, amid difficult trading conditions seen in the mining, construction and related services segment which has been particularly hard hit by the downturn in the construction sector since the start of the financial year.

Paladin's *reportable headline earnings* increased by 14.2% to R147.6 million (2009: R129.2 million) before providing for the performance fee of R46.2 million, but decreased by 21.5% to R101.4 million after this provision.

Recurring headline earnings per share and *reportable headline earnings* per share decreased by 11.8% to 6.7 cents and 40.3% to 17.6 cents respectively.

CORPORATE ACTION

- Raised R100 million by way of a five-year, fixed rate preference share with dividend and capital payable on maturity.
- Obtained regulatory approval to purchase an additional 26% stake in Curro for a total consideration of R52 million.
- Concluded the sale of Lesotho Milling for R26 million in cash, effective 1 September 2010.

REVIEW OF OPERATIONS

Investment companies (Thembeka and Spirit)

Recurring headline earnings increased to R11 million (2009: R1.7 million). This performance was driven by exceptional results from Thembeka on the back of strong recurring earnings from its investment in Capitec and PSG Group.

Reportable headline earnings increased by 24.9% to R118 million due to the inclusion of marked-to-market profits at Thembeka.

Services (CIC, IQuad and African Unity)

Recurring headline earnings increased by 24.1% to R17.5 million. African Unity made a significant contribution to growth.

Mining, construction and related services (Precrete, Petmin, Erbacon and Top Fix)

Recurring headline earnings were disappointing and decreased by 49.3% to R15 million. While Petmin and Precrete contributions grew, especially the latter's, the state of the construction industry negatively affected Erbacon's and Top Fix's earnings.

Manufacturing (GRW, Lesotho Milling and Protea Foundry)

The manufacturing segment contributed *recurring headline earnings* of R4 million compared to a loss of R1 million in the corresponding period.

Education (Curro)

Curro was acquired effective 1 July 2009 when a 50% stake was purchased. Effective 1 July 2010 Paladin obtained control of Curro by acquiring a further 26% stake. Curro performed in line with our expectations for a developing high growth company.

Paladin remains confident that this industry can provide above average, sustainable rates of growth.

INTRINSIC VALUE

Paladin's intrinsic value is calculated by using market values for listed investments and market related multiples for its unlisted investments. Total intrinsic value and intrinsic value per share increased by 21.9% to R1.422 billion and 20.7% to R2.45 per share respectively since 28 February 2010. This was mainly attributable to increases in the intrinsic values of Thembeka and CIC.

Intrinsic value		31 Aug 10		28 Feb 10		31 Aug 09	
Company	**Description**	**% held**	**Value Rm**	% held	Value Rm	% held	Value Rm
Investment companies							
Thembeka	BEE investment company	**49%**	**415**	49%	272	49%	229
Spirit	Leveraged buy-outs	**20%**	**15**	20%	15		
			430		287		229
Services							
CIC	FMCG	**50%**	**371***	50%	213	49%	136
IQuad	Outsourcing services	**44%**	**35**	43%	24	43%	29
African Unity	Life and related insurance	**43%**	**30**	43%	17	43%	13
			436		254		178
Mining, construction and related services							
Precrete	Mine safety and support services	**22%**	**176**	22%	163	22%	117
Petmin	Diversified miner	**9%**	**126**	9%	120	9%	100
Erbacon	Construction	**18%**	**89**	22%	100	26%	78
Top Fix	Construction support services	**28%**	**29**	28%	48	18%	20
			420		431		315
Manufacturing							
GRW	Tanker manufacturer	**40%**	**49**	40%	49	40%	39
Lesotho Milling	Milling	**25%**	**26**	25%	38	25%	38
Protea Foundry	Non-ferrous foundry	**50%**	**35**	50%	33	50%	30
			110		120		107
Education							
Curro	Private school education	**76%**	**152**	50%	100	50%	50
			152		100		50
Other							11
Total investments			**1 548**		1 192		890
Performance fee provision			**(46)**				
Net debt and other*			**(80)**		(25)		(163)
Total intrinsic value			**1 422**		1 167		727
Shares in issue (million)			**581**		575		446
Intrinsic value per share (cents)			**245**		203		163
Intrinsic value per share at last practical date (cents)			**252**		N/A		N/A

* CIC is valued at the Imperial offer price with the related capital gains tax liability included in Net debt and other.

PROSPECTS

The board is confident about the quality of the investment portfolio and the prospects for the future. The recent announcement regarding an offer for CIC, received from Imperial, is still subject to various regulatory approvals. If all approvals are obtained Paladin will have a cash inflow of approximately R371 million before tax, which will be invested in opportunities that meet Paladin's investment criteria.

DIVIDEND

It is Paladin's policy not to pay any dividend given the company's long-term growth strategy.

On behalf of the board

Jannie Mouton
Chairman

Francois Swart
Chief Executive Officer

Stellenbosch
6 October 2010

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")

Directors
JF Mouton (Chairman), FW Swart (CEO)*, E de V Greyling#, KP Harris#, JA Holtzhausen, PJ Mouton, JD Wiese#
(* executive # independent non-executive)

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