

INTRODUCTION

Notwithstanding a substantial decline in earnings, the year under review can be characterised as one in which the group made good progress in furthering its strategic aim of becoming a leading player in the areas of wealth management and non-traditional investment management.

In this regard, private wealth manager Citadel became a wholly owned subsidiary during the year and a hedge fund incubator and financial solutions marketing division were initiated in the latter half of the year. In addition, several non-core businesses were disposed of during the course of the year and Peregrine Finance has been sold subsequent to year-end.

RESULTS

As indicated in the group's interim results, a dilution of the group's earnings in the short term was anticipated principally as a result of the non-recurrence of substantial investment banking profits from disposals during the course of the previous year. In addition, the acquisition of Citadel and the greater focus on managing third party assets, has led to a strategic decision to lower the group's exposure to certain activities previously undertaken within the advisory division, resulting in a substantially reduced contribution from this division in the year under review.

The group's profit from operations declined 47% from R130,9 million to R69,4 million, largely as a result of a decline in investment banking profit from R32,6 million to R0,5 million, and in the profit from advisory activities which fell from R30,4 million to R13,4 million over the comparable period.

Reflecting difficult market conditions and including Citadel as a subsidiary for only a seven-month period, the profit from wealth and asset management services declined by 15% from R64,4 million to R54,7 million. If Citadel's earnings were brought to account for a full year, this division's earnings would have reflected R72,7 million on a pro-forma basis, an increase of 13% over the previous year. Losses in the start-up hedge-fund incubator and financial solutions operations, as well as in PeregrineQuant, also served to dampen the earnings of this division.

The Divisional Net Operating Profit graph illustrates the level of profitability of the various divisions within the group over the past five years. The contribution of the wealth and asset management division has been, by far, the most significant over the period. The group's proactive positioning in the non-traditional asset management arena is expected, over time, to meaningfully boost what has proved to be a relatively constant base to date.

Reflecting a slowdown in activity within the stockbroking community in particular, Peresys, the group's financial software development business, produced earnings of R0,8 million compared to the previous year's R3,4 million.

Income from associate companies, which contributed R1,8 million the previous year, reflected a loss of R5,5 million for the year under review. This includes Peregrine's R10,7 million equity accounted share of the losses within empowerment initiative, Prosperity Investment Holdings Limited (Prosperity). A loss on the disposal of investment banking empowerment initiative, Agio, to its management, as well as the impairment of Peregrine's investment in Prosperity, resulted in capital impairments and losses for the year totalling R14,3 million.

Amortisation of goodwill of R23,5 million brought profit before taxation down to R30,2 million, with attributable earnings of R13,4 million for the year.

Headline earnings of R60,1 million were 45% lower than the previous year's R108,2 million, with headline earnings per share 51% lower at 25,8 cents from 52,2 cents.

OPERATIONS

Peregrine targets the specialised areas of wealth management and non-traditional investment management through several well-defined, independent businesses within the group.

Citadel, with its focus on private client wealth management, saw its asset base fall to R7,5 billion in the period under review. With a large proportion of Citadel's assets managed offshore, the dramatic appreciation of the Rand over the period served to substantially reduce the company's assets under management in Rand terms. Citadel's results were further adversely affected by the negative equity market conditions both locally and internationally.

Nevertheless, the business has been built on the basis of long-term investment horizons with a primary focus on strong client relationships and as such, continues to maintain a phenomenal client retention rate and to attract average new inflows exceeding R100 million per month, despite the difficult environment.

With an incentive fee in place that is linked to each client's real returns (after tax and costs), Citadel is highly geared to the upside in capital markets as well as to any depreciation in the local currency. Under the current capital market and currency conditions, however, it is unlikely that Citadel will earn any meaningful incentive fees in the near term.

PeregrineQuant (PQ) continues to win new mandates across its suite of quantitatively managed funds. It is fast gaining recognition as a highly innovative and dominant player in the burgeoning quantitative asset management industry. Funds under management currently exceed R5 billion and the client base now includes most of the country's multi-managers, several insurers and wealth managers as well as several parastatal funds. PQ's suite of funds now also includes a series of quantitative absolute return funds in the form of "inflation plus" funds.

Further meaningful growth in assets under management is expected during ensuing financial years, which should result in PQ making a steady contribution to group profitability.

Peregrine Capital, the group's fundamental equity absolute return fund manager, continued to produce excellent returns on a risk-adjusted basis. Whilst the profitability of the business was slightly

diminished as a result of greater costs incurred during the year under review, the overall return to the group, including returns on funds invested, showed a meaningful increase over the previous year.

The business is on the verge of achieving an unparalleled five-year track record as a South African absolute return fund management company, having commenced business in July 1998. In that period to date, the original hedge fund under its management has yet to record a single negative quarter.

Peregrine Capital, which has kept a cap on funds under management for the past two years, and currently manages slightly in excess of R500 million, has agreed to accept inflows of approximately R250 million during the 2004 financial year, including flows from its soon-to-be launched offshore fund.

Peregrine Securities, which undertakes the group's stockbroking, derivative broking, commodity broking and structuring activities, generated an acceptable level of profitability in an exceptionally difficult environment, which saw some of the bigger brokers sustaining losses and several international players selling or closing down their local operations. Whilst the business made a meaningful contribution to the division's bottom line in the period under review, it failed to match the profitability of the previous period. Taking a long-term view, the current consolidation and fall-out in the broking industry is viewed as positive for the market share and profitability of this specialist execution business.

In keeping with its aim of becoming a leading player in the provision of alternative or non-traditional asset management services, Peregrine has pioneered the concept of a hedge fund incubator; a new business which was launched under the name **Peregrine Incubator Management** (Proprietary) Limited (PINC) during the second half of the year. PINC is mandated to create and provide infrastructure for the establishment of a suite of diversified absolute return funds. Two funds are currently trading within the incubator with several more expected to commence trading during the course of the 2004 financial year.

Peregrine Financial Solutions was set up during the latter half of the financial year to formalise the group's marketing initiative with regard to its specialised range of investment-related products and services. The division is expected to pro-actively broaden the group's client base, and in so doing, augment the profitability of the group's other divisions as well as generate meaningful revenues for itself.

The group's enhanced focus on investment management and particularly the managing of third party assets, has led to a strategic decision to lower the group's exposure to activities previously undertaken within the advisory division. During the year, the businesses of asset finance and treasury solutions were sold to their respective management teams. Subsequent to year-end, Peregrine disposed of its shareholding in Peregrine Finance and Peregrine Specialised Finance to a wholly owned subsidiary of Isle of Man Assurance Limited, an international counterparty.

The bulk of the group's investment banking assets were disposed of during the course of the previous financial year and the proceeds applied as a primary source of funding for the purchase of Citadel shares. Several further disposals were made during the course of the year under review, including the disposal of the group's stake in SA Home Loans.

Whilst currently sitting on a relatively small investment banking portfolio, it is the group's intention to continue investing a portion of its proprietary capital into the alternative investment asset class of private equity. Areas such as securitisation and asset-based structuring are envisaged to play a role in an investment banking capacity going forward.

Peresys suffered a decline in its contribution to group profit from operations chiefly as a result of the difficult environment experienced by a large portion of its clientele, namely, the stockbroking community. Nonetheless, the business continues to develop cutting edge product, to build a strong brand and is attracting interest from several suitors interested in acquiring a strategic stake in the business as a result of Peresys' extensive client base and positioning in the market.

DIVIDEND

No dividend has been declared for the year ended 31 March 2003.

PROSPECTS

Given the current market conditions, the directors deem it imprudent to forecast earnings for the current year. The directors are, however, confident that the group has attained a sound foundation from which to assert itself as a leading player in the field of wealth and alternative investment management. The financial benefits attendant with this strategic imperative should become evident over time.

By order of the board:



Louis Fourie
Chairman



Sean Melnick
Chief Executive Officer

Sandton, 2 June, 2003

DIRECTORS:

L J D Fourie (Chairman), S A Melnick (CEO), P Goetsch, J Hertz, A P Faure*, L N Harris*, R Stumpf*

*Non-executive

TRANSFER SECRETARIES:

Computershare Investor Services Limited
Registration number 1958/003546/06
70 Marshall Street, Johannesburg, 2001

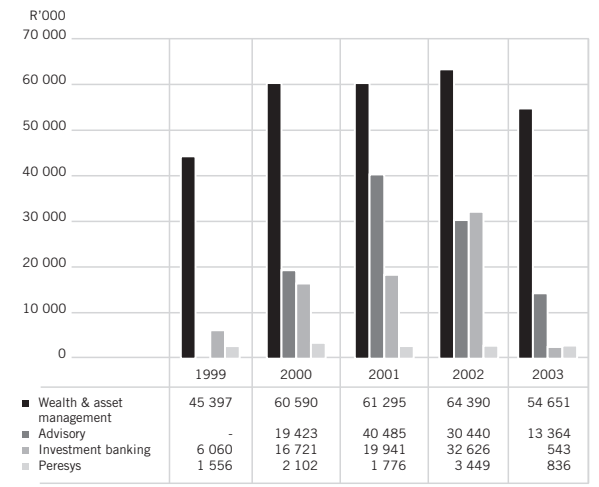
SECRETARY AND REGISTERED ADDRESS:

Peregrine Management Services (Pty) Ltd
Registration number 1994/006026/06
6A Sandown Valley Crescent, Sandown, 2196

Segmental Analysis

	2003 R'000	2002 R'000	2003 %	2002 %	2003 R'000	2002 R'000	2003 %	2002 %
Wealth & asset management	186 706	113 984	73	50	54 651	64 390	79	49
Advisory	29 034	48 762	11	21	13 364	30 440	19	23
Investment banking	12 987	46 790	5	20	543	32 626	1	25
Peresys	26 922	21 395	11	9	836	3 449	1	3
	255 649	230 931	100	100	69 394	130 905	100	100

Divisional Net Operating Profit



Income Statement

	% Change	2003 R'000	2002 R'000
Revenue	11%	255 649	230 931
Operating expenses	86%	(186 255)	(100 026)
Profit from operations	-47%	69 394	130 905
Net interest received		4 144	4 289
Unrealised loss on fund investments		(151 312)	-
Gain on revaluation of long-term assurance fund liability		151 312	-
Income from associate companies - attributable to normal operations		(5 542)	1 830
- share of capital impairments and surpluses		3 325	1 830
Capital impairments and losses		(8 867)	-
Amortisation of goodwill		(23 482)	(8 077)
Profit before taxation	-77%	30 211	128 947
Taxation		(11 885)	(24 437)
Profit after taxation	-82%	18 326	104 510
Minority interest		(4 915)	(4 349)
Attributable earnings	-87%	13 411	100 161
Reconciliation between earnings and headline earnings:			
Attributable earnings		13 411	100 161
Adjustments:			
Impairment of investment in associate, goodwill and capital assets		14 303	-
Attributable share of associate's capital impairments and surpluses		8 867	-
Amortisation of goodwill		23 482	8 077
Headline earnings		60 063	108 238
Headline earnings per share (cents)	-51%	25.8	52.2
Earnings per share (cents)		5.8	48.3
Diluted headline earnings per share (cents)		25.8	52.2
Dividend per ordinary share (cents)		-	-
Number of ordinary shares in issue ('000)		236 006	201 357
Weighted average number of ordinary shares in issue ('000)		232 429	207 215

Statement of Changes in Equity

	2003 R'000	2002 R'000
Equity at beginning of the year	371 543	395 953
Changes in share capital and share premium	77 222	(14 200)
Proceeds on share issue - net	77 222	-
Redemption of preference shares	-	(14 200)
Changes in accumulated profits	8 333	78 788
Attributable earnings	13 411	100 161
Treasury shares - impairment	(5 078)	-
Transfer to capital redemption reserve fund	-	(6)
Dividend paid	-	(21 367)
Movement in treasury shares	18 207	(34 607)
Shares utilised/acquired - net	13 129	(34 607)
Impairment	5 078	-
Changes in reserves	(5 241)	34 606
Increase in non-distributable reserves	20	39 910
Decrease in foreign currency translation reserve	(5 261)	-
Transfer to capital redemption reserve fund	-	6
Decrease in deferred income reserve	-	(5 310)
Changes in amounts due to vendors	7 797	(88 997)
Increase/(decrease) in amounts due to vendors	7 797	(88 997)
Equity at end of the year	477 861	371 543

Cash Flow Statement

	2003 R'000	2002 R'000
Cash flow from operating activities	80 429	99 558
Cash generated from operations	90 004	138 118
Net interest received	4 144	4 289
Dividends paid	-	(21 367)
Taxation paid	(13 719)	(21 482)
Cash flow from investing activities	(119 372)	28 259
Acquisition of property, plant and equipment	(4 685)	(4 475)
Development costs incurred	(1 000)	(3 569)
Acquisition of subsidiary	(136 244)	(2 812)
Acquisition of associate company	-	(5 700)
Acquisition of investments	(1 739)	(56 342)
Increase in loans to associate companies	(4 136)	(9 862)
Disposal of subsidiaries	(3 797)	-
Disposal of associate	250	-
Proceeds on sale of property, plant & equipment	803	193
Proceeds from sale of investments	27 217	76 411
Distribution from associate	3 959	34 415
Cash flow from financing activities	92 697	(131 421)
Acquisition of treasury shares	(4 689)	(72 862)
Proceeds from issue of shares	77 222	-
Payments to vendors and minorities	(26 582)	(31 525)
Decrease/(increase) in loan to employee share incentive scheme	2 259	(21 735)
Increase/(decrease) in interest-bearing borrowings	44 487	(5 299)
Net increase/(decrease) in cash and cash equivalents	53 754	(3 604)
Cash and cash equivalents at beginning of the year	75 307	78 911
Cash and cash equivalents at end of the year	129 061	75 307

Balance Sheet

	2003 R'000	2002 R'000
ASSETS		
Non-current assets	989 296	242 456
Property, plant and equipment	9 333	10 169
Intangible assets	256 279	88 958
Investment in associate companies	18 679	48 222
Financial investments	20 465	79 675
Long-term assurance fund investments	649 269	-
Loans receivable	18 450	12 695
Deferred taxation	16 821	2 737
Current assets	551 997	464 875
Trading securities	100 996	135 748
Accounts receivable	75 317	58 670
Accounts receivable in respect of stockbroking activities	246 623	195 150
Cash and cash equivalents	129 061	75 307
Total assets	1 541 293	707 331
EQUITY AND LIABILITIES		
Capital and reserves	477 861	371 543
Share Capital	245	216
Share premium	87 188	9 995
Accumulated profits	338 223	329 890
Treasury shares	(16 400)	(34 607)
Non-distributable reserves	37 105	42 346
Amounts due to vendors	31 500	23 703
Minority interest	5 526	11 585
Non-current liabilities	657 118	7 342
Long-term assurance fund	649 269	-
Deferred taxation	7 849	7 342
Current liabilities	400 788	316 861
Accounts payable	90 577	119 675
Amounts payable in respect of stockbroking activities	252 179	185 316
Interest bearing borrowings	44 487	-
Taxation	13 545	11 870
Total equity and liabilities	1 541 293	707 331

BASIS OF ACCOUNTING

The results are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice. The results are prepared on the historical cost basis, except as modified by the first time application of AC 133, which has been applied before its effective date.

AUDIT REPORT

The results for the year ended 31 March 2003 have been audited by Fisher Hoffman PKF (Jhb) Inc. and their unqualified audit report is available for inspection at the group's registered office.

PEREGRINE HOLDINGS LIMITED Registration number 1994/006026/06
Share code: PGR ISIN code: ZAE000015152

www.peregrine.co.za