



# Reviewed results for the year ended 31 March 2010

## HIGHLIGHTS

Basic earnings increase by 126% to R267.3 million

Headline earnings increase by 265% to R266.5 million

Basic earnings per share increase by 128% to 124.8 cents per share

Headline earnings per share increase by 267% to 124.4 cents per share

## INTRODUCTION

The financial results of the Peregrine Group for the year reflect a substantial improvement in the South African asset management division, on the back of a strong performance by Peregrine Capital, as well as a strong contribution from the group's proprietary investments. Citadel marginally increased its level of profitability, while Stenham saw profits in its base currency reduce slightly from the previous year. Broking and structuring experienced a tougher trading environment than the previous reporting period. The strength of the rand impacted the results negatively, whilst lower interest rates together with reduced outstanding debt resulted in a substantial decrease in interest costs.

## FINANCIAL RESULTS

Operating revenue of R1.4 billion decreased by 10% from the previous year, reflecting a combination of the negative effect of the stronger rand on offshore revenues and the ongoing difficult trading environment experienced both in the broking and structuring divisions and the global property investment division within Stenham.

Investment and other income of R161.8 million showed a large improvement from a loss of R89.5 million in the previous year, driven by strong returns on proprietary capital invested into the group's hedge funds.

Total operating expenses of R1.05 billion were 8% lower than the previous year, with net interest paid 23% lower at R38.1 million. The effective tax rate of the group remained at 17%, reflecting the lower tax rate of the group's offshore subsidiary, Stenham. Overall profit attributable to shareholders increased by 126% to R267.3 million.

## SEGMENTAL RESULTS

Substantial minority interests exist in many of the group's asset management and group investment operations. The operating results below are therefore presented on a pro forma, 'after minorities' basis, to better reflect and aid in the understanding of the specific economic benefit to the shareholders of the group. The results are reflected at the operating profit level, on a pre-tax basis. In addition, these pro-forma earnings are shown before the amortisation of intangible assets in order to most closely represent the cash generation of the underlying subsidiaries. This is considered the most appropriate basis on which to assess the results and is consistent with the way in which results were presented in the previous year.

## WEALTH AND ASSET MANAGEMENT

Private-client wealth manager, **Citadel**, saw profit from ordinary activities increase by 3% to R86.8 million. Total assets under management ended the period at R16.2 billion. Gross inflows continued to average almost R200 million per month. The company's client retention ratio, both by number of clients and by assets, remains comfortably in line with its long-term retention experience of 98%. This, together with positive performance on client portfolios, led to higher average assets under management, when compared to the previous financial period. The company's growth initiatives during the period included expanding the advisory team as well as establishing a presence in London. Whilst client portfolios have been positioned to be substantially sheltered from a strong rand, a significant portion of the company's earnings are generated offshore and are therefore negatively affected by the stronger rand.

The contribution from the group's asset management division, excluding Stenham, increased by 164% to R48.6 million. This reflects a return to performance fees for a number of mandates.

The group's flagship hedge-fund manager, **Peregrine Capital**, currently manages over R3.2 billion across a range of mandates. The team has a highly successful track record spanning almost 12 years. Performance in all the mandates was substantially positive during this reporting period, which meant that at the reporting date, almost the entire asset base was in performance fee territory. This positive performance was achieved despite the portfolios having low net market exposure across the various mandates, on the back of concerns over market valuations.

The **Big Rock** team currently manages assets in excess of R500 million and continued to perform well during the reporting period, building on their track record of more than 11 years. The team operated off a stable and increased asset base.

The group holds a 49.9% interest in **Caveo**, a South African hedge fund of funds joint venture with Investment Solutions. Caveo produced a marginal contribution to group profitability for the period and saw assets under management increase to just over R2.8 billion. Performance of the funds continued to be positive, building on the stable track record established over several years.

**Peregrine iQ**, the group's institutional asset manager with a quantitative focus, experienced a reduction in assets under management to R11.6 billion, but remained profitable during the period. Initiatives are under way to meaningfully increase the assets under management after an extensive re-focusing of the business.

**Stenham**, the group's 52% held offshore asset management subsidiary, houses the group's global hedge fund of funds operation, with assets under management of \$2.7 billion and a global property manager with assets under management of \$2.0 billion. Stenham's contribution to the group, measured in rand, fell by 21% from R117.3 million to R92.3 million, reflecting primarily the appreciation of the rand, as Peregrine's effective share of the profit for the year dropped by 5% from £7.8 million to £7.4 million.

Stenham's fund of funds continued to generate attractive risk-adjusted returns to investors and was nominated for a number of industry awards during the year. The business achieved net inflows of over \$400 million during the financial year, a period during which many similar businesses experienced significant outflows. Income for this business is mostly of an annuity nature, with a small portion arising from performance fees earned during the year. The business continues to focus on delivering consistent returns to investors, while improving its administrative capacity.

Stenham's property division experienced reduced income during the period primarily as a result of lower asset values as well as a reduced volume of transactions. Off the back of stable cash flows from underlying properties, the team successfully completed debt restructuring for a number of property investments through a combination of renegotiated bank finance and rights issues. Further restructurings are expected within the property portfolios this year as the process of deleveraging continues. At the same time a few attractive investment opportunities arose leading to performance fees being earned notwithstanding a very difficult environment. Current conditions are producing good opportunities for the business and its investors in selected markets. The extent to which these can be exploited will depend on the team's ability to raise capital for these transactions.

## BROKING AND STRUCTURING

The group's broking and structuring activities are housed within **Peregrine Securities**. This business experienced a challenging environment during the period under review, with conditions stabilising towards the end of the period. The Securities business is a significant participant in trading on the JSE and SAFEX, and did not escape the effects of lower activity in these markets. Profits from ordinary activities reduced by 41% to R90.3 million. As market volumes and risk appetite have begun to improve again, flows and client participation have improved from the lows experienced during the first half of the year. Subsequent to year-end a transaction has been concluded with a management consortium of Peregrine Securities, which entrenches the well established, and successful management team and facilitates staff retention as well as succession planning (see below for further details).

## PROPRIETARY INVESTMENTS AND BALANCE SHEET

The group's proprietary investment portfolio showed a substantial swing to positive returns in this period, with a contribution of R138.5 million to overall profitability. The bulk of the profits were derived from the positive performance of the group's hedge fund portfolio, with the remainder resulting from an uplift in the group's small private equity portfolio.

The debt position of the group improved markedly during the year. Opening debt of R850 million at the beginning of the year was reduced to just over R600 million by year-end. Against this the group held R170 million of free cash at the centre as well as a portfolio of proprietary investments amounting to a further R600 million.

## STAFF INCENTIVE SCHEME

Prior to year-end an executive incentive scheme was implemented, which resulted in senior staff members purchasing in excess of 20 million shares at R8.10 per share on a deferred basis. These shares will vest in three equal tranches in November 2012, 2013 and 2014. Each participant is obliged to pledge an equal number of Peregrine shares as security for payment of the deferred purchase consideration. All of the management teams in the group are incentivised either through direct participation in the profit of their business, through shareholding at a subsidiary level or through this scheme. In addition, a share option scheme for other members of staff was implemented. As these schemes were only introduced during the last week of the year, the effect of the schemes is immaterial on the current year's results.

## TRANSACTION WITH PEREGRINE SECURITIES MANAGEMENT CONSORTIUM

Subsequent to year-end, a consortium, comprising current management of Peregrine Securities, has purchased a 35% stake in the group's broking and structuring business. The net effect of the transaction is that the capitalisation of the business will be enhanced, while Peregrine Holdings will receive cash out of the transaction immediately as well as on a deferred basis, the quantum of which will depend on the profitability of the business over the next 3 years.

## OUTLOOK

While sentiment has improved and trading activity has picked up in global financial markets, uncertainty about the outcome of recent major government and central bank interventions remain. With many of Peregrine's funds in performance fee earning territory and asset levels at or around all-time highs, the group is well positioned to operate in what remains a difficult and volatile environment.

## DIVIDEND

In keeping with the stated dividend policy of paying out a minimum of 25% of each year's earnings, the directors have resolved to declare a dividend of 31 cents per share for the year.

In compliance with the requirements of STRATE, the following dates are applicable to the dividend payment:

Last date to trade cum dividend	Friday, 16 July 2010
Trading ex dividend commences	Monday, 19 July 2010
Record date	Friday, 23 July 2010
Payment date	Monday, 26 July 2010

Shares may not be dematerialised or rematerialised between Monday, 19 July 2010 and Friday, 23 July 2010, both dates inclusive.

*Jan van Niekerk*

Jan van Niekerk  
Deputy Group CEO

2 June 2010

*Sean Melnick*

Sean Melnick  
Group CEO

*Leonard Harris*

Leonard Harris  
Non-executive Chairman

## Consolidated income statements

	% change 2009 to 2010	Reviewed year ended 31 March 2010	Audited year ended 31 March 2009
		R'000	R'000
Operating revenue	-10	1 383 065	1 541 508
Investment and other income		161 822	(89 495)
Investment contract benefits/(liabilities)		344 194	(193 772)
Investment contract (expenses)/income		(344 194)	193 772
Operating expenses	-8	(1 048 383)	(1 144 528)
<b>Profit from operations</b>	61	<b>496 504</b>	<b>307 485</b>
Net interest paid		(38 068)	(49 147)
Interest received		43 854	88 716
Interest paid		(81 922)	(137 863)
Income from associate companies		12 688	9 541
<b>Profit from ordinary activities</b>	76	<b>471 124</b>	<b>267 879</b>
Capital impairment		(1 709)	(11 043)
<b>Profit before taxation</b>	83	<b>469 415</b>	<b>256 836</b>
Taxation		(75 775)	(40 881)
<b>Profit for the year</b>	82	<b>393 640</b>	<b>215 955</b>
Attributable to:			
Equity holders of the company	126	267 298	118 041
Non-controlling interests		126 342	97 914
		<b>393 640</b>	<b>215 955</b>
Basic earnings per ordinary share (cents)	128	124.8	54.8
Number of ordinary shares in issue ('000)		228 129	228 129
Treasury shares held ('000)		10 736	13 978
Weighted average number of ordinary shares in issue ('000)		214 195	215 239

## Determination of headline earnings

	% change 2009 to 2010	Reviewed year ended 31 March 2010	Audited year ended 31 March 2009
		R'000	R'000
Profit attributable to equity holders - IAS 33 earnings		267 298	118 041
Adjustments:			
Impairment to loan to associate forming part of the net investment in associate - IAS 36		1 715	11 043
Impairment to goodwill - IAS 36		804	-
Surplus on sale of available-for-sale assets - IAS 39		(2 244)	-
Surplus on sale of property - IAS 16		-	(115 364)
Surplus on disposal of interest in subsidiary		(7)	-
Profit on disposal of property, plant and equipment - IAS 16		(3 424)	-
Tax effect		1 286	14 370
Non-controlling interest effect		1 040	44 977
<b>Headline earnings</b>	265	<b>266 468</b>	<b>73 067</b>
Intangible amortisation		17 725	20 981
<b>Headline earnings excluding intangible amortisation</b>		<b>284 193</b>	<b>94 048</b>
Headline earnings per ordinary share (cents)	267	124.4	33.9
Headline earnings per share excluding intangible amortisation (cents)	204	132.7	43.7
Basic earnings per ordinary share excluding intangible amortisation (cents)	106	133.1	64.6
Dividend paid per ordinary share in respect of the previous year (cents)	-77	13.0	56.0
Dividend per ordinary share declared subsequent to 31 March (cents)	138	31.0	13.0

## Consolidated statements of comprehensive income

	Reviewed year ended 31 March 2010	Audited year ended 31 March 2009
	R'000	R'000
<b>Profit for the year</b>	<b>393 640</b>	<b>215 955</b>
Other comprehensive income for the year net of tax:	(281 486)	(231 749)
Forward exchange contracts entered into as a cash flow hedge	8 757	(100 433)
Transfer out of revaluation reserve on disposal of available-for-sale assets	(7 230)	(354)
Currency translation differences	(269 523)	(130 952)
<b>Total comprehensive income for the year</b>	<b>132 174</b>	<b>(15 794)</b>
Attributable to:		
Equity holders of the company	78 508	(57 447)
Non-controlling interests	53 666	41 653
	<b>132 174</b>	<b>(15 794)</b>

## Condensed consolidated statements of financial position

	Reviewed as at 31 March 2010	Audited as at 31 March 2009
	R'000	R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>4 966 801</b>	<b>4 508 958</b>
Property, plant and equipment	32 819	40 369
Intangible assets	1 207 094	1 455 064
Investment in associate companies	11 424	8 592
Investments linked to policyholder investment contracts	3 468 683	2 725 372
Financial investments	161 558	193 960
Loans and receivables	18 086	11 729
Deferred taxation	75 137	73 472
<b>Current assets</b>	<b>6 412 764</b>	<b>5 468 696</b>
Financial investments	552 176	550 066
Loans and receivables	2 399	5 917
Trade and other receivables	303 929	281 305
Amounts receivable in respect of stockbroking activities	4 862 107	3 898 488
Taxation	14 522	19 305
Cash and cash equivalents	677 631	713 615
<b>Total assets</b>	<b>11 379 565</b>	<b>9 977 654</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>1 934 590</b>	<b>1 856 868</b>
Equity attributable to equity holders of the company	1 496 856	1 417 880
Non-controlling interests	437 734	438 988
<b>Non-current liabilities</b>	<b>4 057 439</b>	<b>3 476 147</b>
Interest-bearing borrowings	542 622	674 135
Policyholder investment contract liabilities	3 468 683	2 725 372
Loans and other payables	41 894	64 904
Deferred taxation	12 240	11 736
<b>Current liabilities</b>	<b>5 387 536</b>	<b>4 644 639</b>
Financial instrument liabilities	2 898	4 206
Current portion of interest-bearing borrowings	94 108	169 585
Trade and other payables	391 725	429 735
Amounts payable in respect of stockbroking activities	4 854 909	3 979 955
Taxation	43 896	61 158
<b>Total equity and liabilities</b>	<b>11 379 565</b>	<b>9 977 654</b>
<b>Net tangible asset value per ordinary share</b>	<b>236.9</b>	<b>119.8</b>
<b>Net asset value per ordinary share</b>	<b>688.5</b>	<b>662.1</b>

## NOTES

1. Acquisition of a controlling interest in Citadel Trust Limited, increasing the group's interest as at 31 March 2010 to 66.67%.  
 2. Stenham Limited sold 7 574 shares to its employees at an average price of £112.44 per share, effective 31 March 2010. The effect of this transaction has been to reduce the group's effective interest as at 31 March 2010 from 52.84% to 52.45%.  
 3. Acquisition of an additional 5% interest in PeregrineQuant (Pty) Limited, increasing the group's interest as at 31 March 2010 to 65%.  
 4. At the end of March 2010 the group implemented a 5 year deferred purchase scheme, in terms of which employees contracted with the Peregrine Share Trust to acquire 20.4m shares by putting up an equivalent quantity of matching shares as collateral. Given the timing of the implementation of the scheme, the effect thereof on the financial statements was not material in the year under review. Recognition and disclosure of the scheme in terms of IFRS 2 will only be reflected in the 2011 financial statements.

## BASIS OF PREPARATION

The results for the year ended 31 March 2010 have been prepared in accordance with, and comply with IFRS, IAS34, AC500 series of interpretations, the South African Companies Act of 1973, as amended and the JSE listing requirements. The accounting policies and methods of computation are consistent with those applied in the annual financial statements for March 2009.

## REVIEW REPORT

The results for the year ended 31 March 2010 have been reviewed by PKF (Ib) Inc. and their unqualified review report is available for inspection at the group's registered office.

## CONTINGENT LIABILITIES

There are no material contingent liabilities at balance sheet date.

	2010 R'000	2009 R'000
<b>COMMITMENTS</b>		
Operating lease commitments	220 076	258 451
Due in one year	48 950	48 368
Due in two to five years	149 630	153 933
Thereafter	27 486	56 550
Capital expenditure	6 799	10 533
Contracted	35	1 465
Authorised but not yet contracted	6 764	9 068

## Segmental analysis

	Reviewed for the year ended 31 March 2010				Audited for the year ended 31 March 2009				% of profit from operating subsidiaries before intangible amortisation adjusted for minorities		% change in profit from operating activities	
	Revenue, investment and other income (external)	Interest and associate income	Profit from ordinary activities as per the income statement	Proforma profit before tax before intangible amortisation adjusted for minorities	Revenue, investment and other income (external)	Interest and associate income	Profit from ordinary activities as per the income statement	Proforma profit before tax before intangible amortisation adjusted for minorities	2010	2009	2009 to 2010	2009 to 2010
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000				
<b>Wealth and asset management</b>	<b>478 056</b>	<b>9 156</b>	<b>161 409</b>	<b>135 359</b>	404 806	10 051	115 201	102 676	42	28	40	32
Wealth management	325 874	4 773	85 315	86 794	299 788	7 695	82 810	84 294	27	23	3	3
Asset management	152 182	4 383	76 094	48 565	105 018	2 356	32 391	18 382	15	5	135	164
<b>Broking and structuring</b>	<b>282 796</b>	<b>18 299</b>	<b>90 318</b>	<b>90 318</b>	370 170	53 767	152 594	152 594	29	41	-41	-41
Stenham	619 263	4 628	169 512	92 353	758 631	6 840	215 098	117 347	29	31	-21	-21
<b>Profit from operating subsidiaries</b>	<b>1 380 115</b>	<b>32 083</b>	<b>421 239</b>	<b>318 030</b>	1 533 607	70 658	482 893	372 617	100	100	-13	-15
<b>Group</b>	<b>164 772</b>	<b>(57 463)</b>	<b>49 885</b>	<b>31 946</b>	(81 594)	(110 264)	(215 014)	(205 798)				
Operations	6 959	16 431	(32 419)	(32 261)	5 590	9 963	(16 735)	(16 735)				
Investment returns	157 813	440	156 638	138 541	(87 184)	(525)	(78 577)	(69 361)				
Cost of funding	-	(74 334)	(74 334)	(74 334)	-	(119 702)	(119 702)	(119 702)				