CEO'S REPORT

Highlights

Headline earnings up 44% to R462 million
Headline EPS up 34% to 222.7 cents
Basic earnings up 25% to R468 million
Basic EPS up 16% to 225.4 cents

Revenue up 20% to R1,3 billion
Assets under management up 29% to R43,3 billion
Dividend increased by 24% to 56 cents per share

Commentary

The Peregrine group has produced a highly satisfactory set of results for the year under review, notwithstanding the range of business conditions, market fluctuations and changes in political and economic sentiment experienced over the period. The year was characterised by two distinctly different halves, with the macro environment deteriorating markedly during the second half and more particularly during the latter part thereof.

Peregrine has been constructed as a diversified group of focused underlying subsidiaries, resulting in compensating and complimentary performances at different times during the year under review. Headline earnings increased by 44% to R462,3 million, with earnings attributable to ordinary shareholders increasing by 25% to R467,7 million.

Features for the year include:

- The record performance delivered by Peregrine Securities in market conditions underpinned by high levels of volatility and large volumes traded;
- A successful period of activity for the group's investment banking activities;
- A highly satisfactory performance from the group's private client wealth management business, Citadel with annual new business inflows exceeding R2,4 billion for the first time and the business posting record levels of profitability;
- A 29% increase in group assets under management to R43,3 billion; and
- The annual dividend being increased by 24% to 56 cents per share.

A further milestone was the acquisition, on 4 April 2008, of a controlling interest in the Stenham group, an offshore wealth and asset manager specialising in managing fund-of-hedge funds as well as closed-end property funds. Stenham has primary offices in London and the Channel Islands. As the transaction only became effective subsequent to the group's financial year end it did not impact earnings for the year under review.

Results

Total revenue, comprising operating revenue and investment income, increased by 20% to R1,330 billion from R1,113 billion, with every division registering an increase in turnover.

After stripping out the effects of direct staff profit participation in the increased profitability of each of the underlying businesses, core operating expenses of the group increased by 21%. The major contributors to this were Peregrine Securities and group investments. Peregrine Securities experienced an increase in costs of 43% (excluding bonuses) of which 62% is attributable to an increase in variable costs (directly related to increased revenues) and 38% to an increase in administrative costs. The increased investment in staff and infrastructure should be seen in the context of a growing business which produced an overall profit increase of 45%.

As communicated this time last year, costs within group investments (which include group costs) increased due to the management changes made in the latter part of the previous financial year. This, as well as additional resourcing in the areas of legal, human resource and transformation compliance at the group level, accounts for the 28% increase in costs for the period under review.

Net interest received increased to R64,5 million from R16,0 million as a result of increased cash resources held during the period.

Last year's report anticipated the issue of 18 million shares on maturity of the group's deferred purchase share scheme during August 2007. Thus, whilst attributable and headline earnings increased by 25% and 44% respectively, the resulting 7.2% increase in the weighted average number of shares in issue, to 207,5 million, resulted in basic earnings per share increasing by 16% to 225.4 cents per share and headline earnings per share increasing by 34% to 222.7 cents per share.

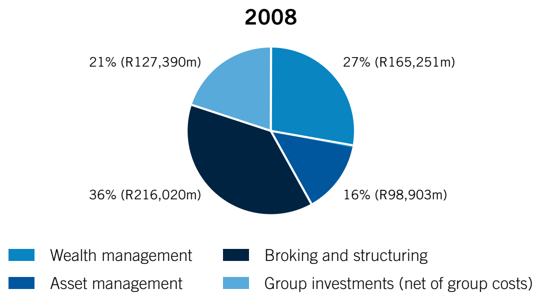
Operating highlights

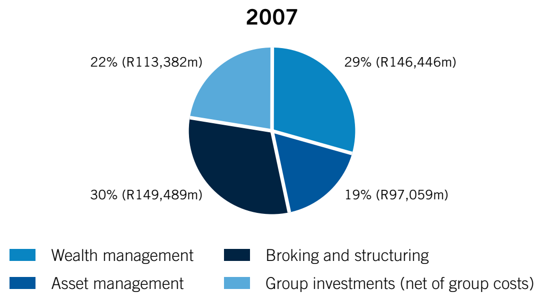
Due to the substantial minority interests which now exist in both the asset management and group investments results, the operating highlights below are presented on a proforma "after minorities" basis. The results are reflected at the operating profit level, on a pre-tax basis. This is considered to be the most appropriate basis on which to assess the results. It is also an appropriate time to make this change in anticipation of including Stenham, in which the group's interest is currently 51%, in next year's figures. Minority interest in the income statement is accounted for on an after tax basis.

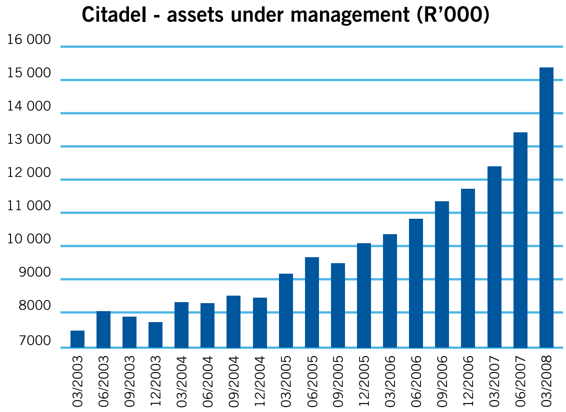
Segmental contribution to operating profit (adjusted for minorities) for the year ended 31 March

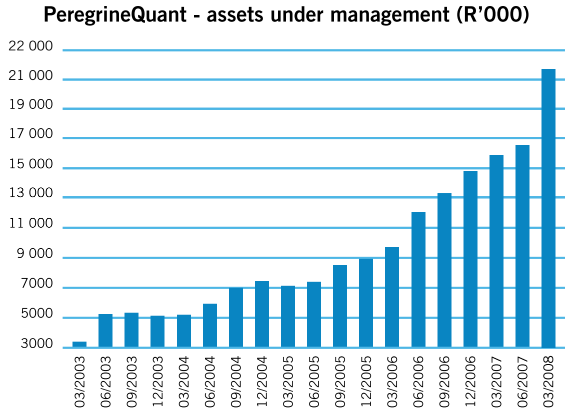
	Profit from ordinary activities as per the income statement		Proforma profit from ordinary activities adjusted for minorities		% of profit from from ordinary activities		% of profit from from ordinary activities adjusted for minorities	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000	**2008**	2007	**2008**	2007
Wealth and asset management	**317 460**	279 946	**264 154**	243 505	**44**	50	**43**	48
Wealth management	**165 251**	146 446	**165 251**	146 446	**23**	26	**27**	29
Asset management	**152 209**	133 500	**98 903**	97 059	**21**	24	**16**	19
Broking and structuring	**216 020**	149 489	**216 020**	149 489	**29**	27	**36**	30
Group investments	**202 043**	133 375	**127 390**	113 382	**27**	23	**21**	22
	735 523	562 810	**607 564**	506 376	**100**	100	**100**	100

Segmental contribution to operating profit (adjusted for minorities) for the year ended 31 March (continued)









Private client wealth management firm, Citadel, produced a 13% increase in profit from ordinary activities to R165,3 million, contributing 27% to group profitability. Record gross inflows, in excess of R200 million on average per month, coupled with positive investment performance, saw Citadel's asset base rise above R15 billion. Whilst the business accrued performance fees throughout the year, the second half of the year saw a notable reduction in such fees as market returns flattened and local CPI, which is an important constituent of the benchmark against which Citadel earns its performance fees, increased meaningfully.

Citadel's competitive positioning and brand profile in the local private client wealth management industry has increased its access to substantially wealthy families from all demographic sectors of South African society. As a consequence, the group is well positioned to benefit from the significant wealth being created by the growth in the country's underlying economy.

The businesses within the **asset management** division increased their contribution to group profitability by 2% to R98,9 million, or 16% of group profitability. This is a satisfactory all round performance considering the high base set in the 2007 financial year and the adverse market conditions experienced in the final quarter of the year under review. The group's hedge fund management operations, comprising Peregrine Capital, Peregrine Investment Managers (PIM) and Caveo Fund Solutions (Caveo) contributed R90,7 million (92%) of this amount with Peregrine Quant (PQ) contributing the remainder.

The year under review can best be described as a "mixed" one for the South African hedge fund industry. Whilst the first half was supportive of some superb returns, the second half proved difficult for many managers. It was a year in which managers were given the opportunity to respond to changing market conditions and to demonstrate their ability to hedge against downside volatility and protect capital. As expected, the weaknesses in certain manager strategies were exposed whilst others performed admirably.

Whilst it is difficult to predict returns in any single year, we envisage that the hedge fund industry in general will recover from the bruising received in the first 3 months of 2008 and that growth in the industry (and consequentially in our funds) will continue. We anticipate that fund performances will remain attractive on a risk-adjusted basis over the medium to long term.

Peregrine remains South Africa's largest single strategy hedge fund manager, managing R4.7 billion of single strategy funds. The group's hedge fund flagship, **Peregrine Capital**, which has an outstanding (and the country's oldest hedge fund) track record, currently manages R3,6 billion. The group's newer range of hedge funds, housed within **PIM**, manage an additional R1,1 billion.

The investment returns generated within the Peregrine Capital suite of funds once again proved to be meaningfully positive in the midst of a turbulent environment. The annual returns generated by the team resulted in a year of record profitability. Returns on the funds within the PIM suite of funds, whilst largely inline with their mandates, were lower, on average, than in previous years. The last quarter was particularly challenging in some cases while allowing other funds the opportunity to outperform.

The group's hedge fund-of-fund business, **Caveo** which is a joint venture with Investment Solutions, continues to increase profitability with assets under management exceeding R1,7 billion at year end.

CEO´S REPORT

As mentioned previously, prospects for the business are encouraging with Caveo being well positioned to benefit from institutional flows into this asset class.

PeregrineQuant whose assets under management now exceed R21,8 billion, has built a reputation as one of the most respected participants in quantitative asset management in South Africa.

The **broking and structuring activities** housed within **Peregrine Securities** produced a 45% increase in profitability to R216 million, contributing 36% to group profit from ordinary activities. Whilst increased market volatility and volume growth contributed to the current year's profitability, the success of the division reflects many years of focus and it is particularly gratifying that this set of results reflects another record performance for the division as a whole.

Within the Securities division, **Peregrine Equities** houses the country's largest prime broking operation and offers a fully integrated hedge fund solution to the market. The difficult market conditions for the local hedge fund industry resulted in an increased focus on risk management systems, the quality of the client base and preserving market share over the period. Thus, whilst still positive, growth within the Equities business has slowed from the previous year. At the same time, the cost base has increased as the business has focused internally on new staffing, technology and on client risk management processes. Equities has become a consistent top five JSE broker by volume. At year end the prime broker had in excess of R8,5 billion in client assets across all asset classes.

Peregrine Derivatives remains a top rated SA derivative house and for the 12 months under review was, by volume, the number one independent broker on the local futures exchange (SAFEX). The business continues to enjoy good growth and penetration into the derivative structuring and consulting environment, servicing the asset management and pension fund industry and remains a dominant agency broker in the SAFEX interbank derivative market. The expanding use of derivatives within the hedge fund environment has become a solid revenue source for the business and offers good growth potential.

The return from group investments (net of group costs) increased by 12% to R127,4 million, contributing 21% to group profitability. Returns comprise investment returns achieved on the group's proprietary hedge fund and investment banking portfolios. As at balance sheet date the group had R915 million invested (an increase of 39% over the prior period) with an 80:20 ratio of hedge funds to investment banking assets. Satisfactory returns were achieved across the hedge fund base, while particularly good returns were achieved within the group's investment banking portfolio.

Prospects

The group's overall financial performance will continue to be closely linked to the investment performance of the underlying businesses, investment markets generally and the ability of the group to continue to attract and retain key members of staff.

Given the set of economic and political conditions in play locally and taking account of market conditions and investor sentiment globally, the immediate outlook on a macro basis is neutral to negative. We anticipate that the first six months of the new financial year are going to be difficult and, when compared to the strong comparable period in the year under review, our expectations are that earnings could come under pressure at the interim stage.

We remain committed to and encouraged by what the group can achieve in the medium term by continuing to build on its well established positions in the local private client wealth management, securities broking and hedge fund industries.

We believe that the conclusion of the **Stenham** acquisition on 4 April 2008 will materially impact the nature and composition of the Peregrine group going forward. We are particularly pleased with Stenham's growth prospects, its annuity flows and its diversification benefits to the group both in geographical terms and from a currency perspective. The Stenham acquisition combined with existing offshore income already earned by the group should result in approximately one third of the Peregrine group's earnings being earned offshore in ensuing years.

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 56 cents per share for the year, an increase of 24% on the previous year. Details for the dividend can be found on page 23.

Appreciation

To all the staff within the Peregrine "eco-system", the leadership teams within the underlying subsidiaries and to our board of directors, a very sincere thank you for your effort, guidance and support. We continue to build a very special business and look forward to, together, leveraging the powerful foundation we have in place. To all our clients, thank you for your support and loyalty, we appreciate the trust you put in our ability to look after you.

Keith Betty - Chief Executive Officer
28 May 2008