

The Peregrine business services a diverse client base in niche areas within the wealth and asset management industry. Building such a business requires a blend of strategic patience over many years in growing the group's assets and enhancing its reputation as well as the requisite attention to detail in managing the business on a day-to-day basis. The need for this attention to detail was particularly acute in the severe operating conditions experienced during the year under review. A business that does not survive a market crisis, quite simply, will not be in a position to reap the rewards of its strategic patience nor to implement its long-term vision.

The effects of the meltdown in global financial markets in the latter half of 2008 and early 2009 are clearly reflected in the earnings reported by the Peregrine group for its 2009 financial year.

Against the background of an extreme operating environment, the group's profitability fell at the attributable earnings level by 75% to R118 million for the year and its basic earnings per share declined by 76% to 54.8 cents per share. A similar magnitude of decline was registered in the group's share price when measured from high to low over the period.

As disappointing as these results may be for an investor with a limited 12 month time horizon, we feel there are many positives that emerged from this period which are worth highlighting:

- Every operating division of the Peregrine group was profitable for the year, with over R350 million of cumulative profit being generated for the period.
- Notwithstanding the difficult operating conditions, the group's operating subsidiaries were able to comfortably service interest due on all debt, repay all short-term debt and commence capital repayments on long-term debt.
- Peregrine Securities, which operates one of the largest derivative and stockbroking businesses in South Africa, including the country's biggest prime broker by number of clients, emerged unscathed from a credit perspective from a crisis which claimed so many major casualties in the same line of business.
- The timing of the offshore acquisition of a controlling interest in Stenham, which primarily operates in two of the areas hardest hit by the crisis, namely property and hedge funds, was, as it transpired, not ideal. Nevertheless Stenham performed admirably, emerging from the crisis with net inflows for the year and a reputation enhanced by its ability to once again weather the financial storm.

In summary, we feel this period highlighted the group's ability to withstand even the most arduous operating conditions and enhanced its reputation of continuing to manage money on behalf of its clients in a responsible, considered and professional manner.

A further positive perspective is gained from looking at the Peregrine business from this perceived 'low point' and comparing it to where it was 5 years ago and assessing what has been gained or lost since then.

Attributable earnings for the 2004 financial year were R42,5 million resulting in basic earnings per share of 20.6 cents. Off this base, Peregrine has grown its attributable earnings by 178% and its basic

earnings per share by 166% over the 5 year period to 31 March 2009, notwithstanding the dramatic diminution in earnings in the final year. This translates to a compound growth in attributable earnings and basic earnings per share of 23% and 22% respectively over the 5 year period.

Similarly, the Peregrine share price which reached an all time trading low of R1.29 during that financial year (in July 2003) has appreciated by substantially over 25% per annum since then, excluding dividend payments. Dividend payments would add approximately another 10% per annum to the compound growth rate.

It may appear to be somewhat naive and optimistic to highlight predominantly positive aspects in a Chairman's report dealing with a year of substantial earnings decline. We have always emphasised the fact that the financial performance of our group is highly dependent on the investment returns of the group's underlying businesses. In the short-term this will potentially produce a heightened level of earnings volatility as has been experienced in the year under review. In the longer term, if we can continue to build on the group's reputation for taking good long-term care of our client's interests we should be able to achieve solid increases in the earnings of the group on a rolling 5 year basis, even if any particular period is a difficult one.



Leonard Harris  
Non-executive chairman  
3 June 2009



Sean Melnick  
Chief executive officer  
3 June 2009

*This report has been jointly prepared by Leonard Harris and Sean Melnick.*

*Sean Melnick held the position of executive group chairman throughout the year under review. Sean stepped down on 1 April 2009 to assume the position of group CEO and was replaced by Leonard who currently serves as the group's non-executive Chairman.*