PEREGRINE

Audited results
for the year ended 31 March 2007

Highlights

Normalised earnings:

Profit before tax up 71% to R608 million • Basic EPS up 64% to 214.0 cents
Headline EPS up 67% to 186.7 cents • Return on average equity of 45.1%

Taking the cost of acquiring BEE credentials into account:

Profit before tax up 60% to R568 million • Basic EPS up 48% to 193.6 cents
Headline EPS up 49% to 166.3 cents • Return on average equity of 40.8%

Revenue exceeds R1 billion for first time • Assets under management up 46% to R33.7 billion • Dividend increased by 50% to 45 cents per share

The Peregrine group has produced another very satisfying set of results for the year under review. Attributable earnings increased by 49% to R374.7 million reflecting a return on average equity of 40.8%.

During the course of the year the group successfully implemented its BEE transaction. As part of the transaction 4 million treasury shares were sold to a BEE consortium at par, giving rise to a charge of R39.5 million included in operating expenses as a cost of BEE credentials. The impact of the charge is a once-off reduction in headline and basic earnings per share of 20.4 cents per share.

Excluding the cost of acquiring BEE credentials:

- Earnings attributable to ordinary shareholders increased by 64% to R414.2 million;
- Headline earnings per share increased by 67% to 186.7 cents per share.

A lower than assumed effective tax rate coupled with a slight improvement in trading conditions were responsible for earnings per share and headline earnings per share exceeding, by between 4% and 9%, the upper end of the range announced in the trading update released on 23 March 2007.

Features for the year include:

- A highly satisfactory performance from the group's private client wealth management business, Citadel, which resulted in substantial performance fees being earned for the year on top of a significant increase in new business inflows;
- Meaningful organic growth within the group's core hedge fund business, growth in funds on the hedge fund platform and the related prime-broking operations, all contributing to enhance Peregrine's dominant position in the South African hedge fund industry;
- Peregrine Derivatives remains a top rated SA derivative house and for the 12 months under review was the number one independent broker on the local futures exchange (Safex) by volume;
- A very encouraging contribution from the group's investment banking activities reflecting the well reported strength of the underlying economy;
- Caveo Fund Solutions, the group's joint venture with Investment Solutions, the country's largest multimanager, produced a profitable set of maiden results. Caveo operates as a hedge fund-of-funds aimed particularly at the institutional market;
- The disposal of the vast majority of its shareholding in the JSE Limited;
- Strong cash generation by the group resulting in the annual dividend being increased by 50% to 45 cents per share.

RESULTS

Total revenue, comprising operating revenue and investment income, increased by 61% to R1.113 billion from R692.7 million, as a result of good investment performances across the group off a materially larger asset base.

Investment income, which includes the group's proprietary returns on hedge fund investments, profit on the sale of shares in the JSE Limited and returns on the group's investment banking portfolio increased to 18% of total revenue compared to 13% in the prior period.

Core operating expenses of the group increased by 34% after stripping out the costs of BEE credentials and the effects of direct staff profit participation in the increased profitability of each of the underlying businesses. The major contributors to this were Peregrine Securities and Citadel. Peregrine Securities experienced an increase in costs of 69% (excluding bonuses) of which 70% is attributable to an increase in variable costs (directly related to increased revenues) and 30% 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 82%.

Similarly, while Citadel's costs increased by 23% due largely to salary and office rental related increases, the business grew core profit (ie. excluding performance fees) by 32% and overall profits by 99%.

Net interest received increased to R16.0 million from R4.1 million largely as a result of increased cash resources. Net interest earned from the group's broking activities, previously disclosed as part of interest received, has been reclassified as part of operating revenue. The change more appropriately classifies the interest as part of revenue generating activities rather than as part of the group's financing activities.

With a slightly increased effective rate of taxation and a very similar number of shares in issue, basic earnings per share increased by 48% to 193.6 cents per share and headline earnings per share increased by 49% to 166.3 cents per share.

Diluted basic earnings per share increased by 47% to 179.1 cents per share and diluted headline earnings per share increased by 47% to 153.8 cents per share. These fully diluted earnings per share measures are pertinent in light of the anticipated issue of 18 million shares in terms of the staff deferred purchase scheme during the course of the year ending 31 March 2008.

OPERATING HIGHLIGHTS

Private client **wealth management** firm, **Citadel**, produced a 99% increase in profit from ordinary activities to R146.4 million, contributing 26% to group profitability. Continued gross inflows of approximately R135 million on average per month, together with positive investment performance for the year, saw Citadel's asset base rise above R12 billion, with the business consistently accruing performance fees throughout the year. Citadel, whose annuity earnings base now exceeds R60 million per annum before performance fees, currently has more than two-thirds of its client base in a position to pay performance fees, with a substantial portion of the balance on the threshold of paying performance fees.

The businesses within the **asset management** division collectively increased their contribution to group profitability by 22% to R133.5 million, or 24% of group profitability.

The group's hedge fund management operations, comprising Peregrine Capital, Peregrine Investment Managers (PIM) and Caveo Fund Solutions (Caveo) contributed R120,5 million (90%) of this amount. PeregrineQuant (PQ), whose assets under management now exceed R16 billion, contributed R13 million (10%) for the year.

Peregrine remains South Africa's largest single strategy hedge fund manager, managing 4.3 billion of single strategy hedge funds. The group's hedge-fund flagship, **Peregrine Capital**, which has an outstanding (and the country's oldest hedge fund) track record, currently manages R3.2 billion. The group's newer ranges of hedge funds, housed within **PIM**, manage an additional R1.1 billion (a 39% increase over the prior year). PIM's growth in asset base reflects the successful addition of four new funds to the PIM platform despite closing its fixed income fund, as a result of unsatisfactory performance relative to benchmarks. There are currently 14 funds on the PIM platform.

Hedge fund returns were satisfactory across the group's suite of hedge funds with meaningful performance fees being earned in the second half of the year. Whilst it is difficult to predict returns in any single year, we envisage that the growth in the hedge fund industry (and consequentially in our funds) will continue at a significant pace and that returns will continue to be attractive on a risk-adjusted basis over the medium to long-term.

The group's hedge fund-of-fund business, **Caveo** which is a joint venture with Investment Solutions, earned a profit in its maiden year with assets under management exceeding R1billion at year-end. Prospects for the business are very encouraging. Caveo is well positioned to benefit from flows of institutional funds to this asset class.

PeregrineQuant, besides being a respected participant in the niche of quantitative asset management, augmented its strategy during the course of the year and now provides a "hub" of integrated services to boutique asset managers. This strategy has been very well received by the market.

The **broking and structuring activities** housed within **Peregrine Securities** produced an 82% increase in profitability to R149.5 million, contributing 27% to group profit from ordinary activities. The current year's profitability, whilst the beneficiary of increased market activity generally, reflects many years of investment and effort and it is particularly pleasing that this set of results reflects record performances for Peregrine Securities as a whole and for each of the division's underlying business units (Equities, Derivative broking and Derivative structuring).

Peregrine Securities houses one of the country's largest local prime-broking operations and offers a fully integrated hedge fund solution to the market. The business continues to grow both through the introduction of new funds and fund managers, as well as, as a result of strong organic growth from existing managers. The prime-broker currently has in excess of R8billion in client assets across all asset classes.

Growth in **Peregrine Equities** has slowed from the previous year, due mainly to a maturing business cycle and tighter selection criteria for new managers. 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 that are becoming more of a focus in the SA hedge fund industry. Peregrine Equities has become a top ten JSE broker by volume.

Peregrine Derivatives remains a top rated SA derivative house and for the 12 months under review was the number one independent broker on the local futures exchange (Safex) by volume. 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 by the hedge fund environment has become a solid revenue source for the business and offers good growth potential.

Return on group investments (net of group costs) increased by 143% to R133.4 million, contributing 23% to group profitability. Returns comprise investment returns achieved on the group's proprietary hedge fund investments and investment banking portfolio as well as realised profits on the sale of JSE Limited shares in the amount of R54.9 million. Over the course of the year investments were made into several new hedge funds and no withdrawals of group capital were made from any of the group's existing hedge fund investments. As at balance sheet date the group had R672 million invested in hedge funds, an increase of 81% over the prior period. Sound returns were achieved across this increased hedge fund base. Particularly pleasing returns were achieved within the group's investment banking portfolio, which comprises 11% of the group's proprietary investments, reflecting the well reported strength of the underlying economy.

Notwithstanding an increase in management bonuses which are commensurate with the increase in the group's profitability, head office costs have remained constant. Management changes made in the latter part of the financial year are expected to reflect an increase in the cost base in the forthcoming year.

PROSPECTS

We are encouraged by what the group can achieve by continuing to build on its well-established positions in the local private client wealth management, securities broking and hedge fund niches. We remain, however, fully aware that the group's overall financial performance will continue to be closely linked to the investment performance of its underlying businesses and investment markets generally and, as such, any short-term forecasts would be imprudent.

APPOINTMENT OF DIRECTOR

In line with the requirements of the Corporate Laws Amendments Act, Mr S. Stein, who has served as the Chairman of the group audit committee for the past 3 years, has been appointed to the board of Peregrine as a non-executive director.

DIVIDEND

The directors have resolved to declare a dividend of 45 cents per share for the year, an increase of 50% on the previous year.

The following dates are applicable to the dividend payment:

Last date to trade cum dividend	Friday, 27 July 2007
Trading ex dividend commences	Monday, 30 July 2007
Record date	Friday, 3 August 2007
Payment date	Monday, 6 August 2007

Shares may not be dematerialised or rematerialised between Monday, 30 July 2007 and Friday, 3 August 2007, both dates inclusive.

By order of the board

Sean Melnick
Executive Chairman

Keith Betty
Chief Executive Officer

Sandton,
29 May 2007

Income Statement

	% change 2006 to 2007	Audited year ended 31 March 2007 R'000	Audited year ended 31 March 2006 R'000
Operating revenue	51	**911 193**	604 592
Investment income	128	**201 330**	88 153
Total revenue	61	**1 112 523**	692 745
Investment contract benefits		**354 931**	360 020
Investment contract expenses		**(354 931)**	(360 020)
Operating expenses	51	**(573 363)**	(379 838)
Profit from operations	72	**539 160**	312 907
Net interest received/(paid)		**16 005**	4 130
Interest received		**32 347**	19 919
Interest paid		**(16 342)**	(15 789)
Income from associate companies		**7 645**	2 947
Profit from ordinary activities	76	**562 810**	319 984
Capital surplus		**5 455**	36 016
Profit before taxation	60	**568 265**	356 000
Taxation		**(148 777)**	(80 432)
Profit for the year	52	**419 488**	275 568
Attributable to:			
Equity holders of the company	49	**374 663**	251 811
Minority interest		**44 825**	23 757
		419 488	275 568
Determination of headline earnings			
Profit attributable to equity holders of the company		**374 663**	251 811
Adjustments for capital items:			
Reversal of impairment to loan receivable		**(5 455)**	-
Surplus on sale of available-for-sale investment		**(47 340)**	-
Surplus on sale of subsidiaries		**-**	(36 016)
Headline earnings	49	**321 868**	215 795
Headline earnings per ordinary share (cents)	49	**166.3**	111.7
Basic earnings per ordinary share (cents)	48	**193.6**	130.4
Diluted headline earnings per share (cents)	47	**153.8**	104.3
Diluted basic earnings per share (cents)	47	**179.1**	121.8
Dividend paid per ordinary share - in respect of the previous year (cents)	150	**30.0**	12.0
Dividend per ordinary share declared subsequent to 31 March (cents)	50	**45.0**	30.0
Number of ordinary shares in issue ('000)		**228 129**	229 971
Treasury shares held ('000)		**32 440**	37 300
Weighted average number of ordinary shares in issue ('000)		**193 556**	193 128
Diluted weighted average number of ordinary shares in issue ('000)		**209 243**	206 801

Balance Sheet

	Audited as at 31 March 2007 R'000	Audited as at 31 March 2006 R'000
ASSETS		
Non - current assets	**2 920 084**	2 493 659
Property, plant and equipment	**88 553**	85 301
Intangible assets	**269 694**	245 591
Investment in associate companies	**4 805**	1 449
Investments linked to policyholder investment contracts	**2 403 454**	2 055 472
Financial investments	**137 517**	77 567
Loans and receivables	**4 421**	17 608
Deferred taxation	**11 640**	10 671
Current assets	**8 316 502**	3 909 728
Financial investments	**587 838**	332 614
Trade and other receivables	**171 305**	118 463
Amounts receivable in respect of stockbroking activities	**6 899 391**	3 037 915
Taxation	**2 862**	988
Cash and cash equivalents	**655 106**	419 748
Total assets	**11 236 586**	6 403 387
EQUITY AND LIABILITIES		
Equity	**1 128 190**	759 592
Share capital, retained earnings and reserves	**1 090 353**	747 986
Minority interest	**37 837**	11 606
Non - current liabilities	**2 564 137**	2 181 803
Interest-bearing borrowings	**65 472**	78 836
Policyholder investment contract liabilities	**2 403 454**	2 055 472
Loans and payables	**52 998**	22 705
Deferred taxation	**42 213**	24 790
Current liabilities	**7 544 259**	3 461 992
Trade and other payables	**246 268**	174 851
Amounts payable in respect of stockbroking activities	**7 175 641**	3 248 724
Current portion of interest-bearing borrowings	**39 881**	2 708
Taxation	**82 469**	35 709
Total equity and liabilities	**11 236 586**	6 403 387
Net asset value per share (cents)	**557.2**	388.2

Segmental Analysis

	Audited year ended 31 March 2007			Audited year ended 31 March 2006			% change	% of profit from ordinary activities	
	Revenue	**Interest and associate income**	**Profit from ordinary activities**	Revenue	Interest and associate income	Profit from ordinary activities	2006 to 2007	2007	2006
	R'000	**R'000**	**R'000**	R'000	R'000	R'000			
Wealth and asset management	**562 067**	**12 582**	**279 946**	412 828	6 040	182 813	53	50	57
Wealth management	333 609	8 999	146 446	221 461	5 200	73 441	99	26	23
Asset management	228 458	3 583	133 500	191 367	840	109 372	22	24	34
Broking and structuring	**346 688**	**11 067**	**149 489**	188 246	8 388	82 326	82	27	26
Group investments (net of group costs)	**203 768**	**1**	**133 375**	91 671	(7 351)	54 845	143	23	17
	1 112 523	**23 650**	**562 810**	692 745	7 077	319 984	76	100	100

Statement Of Changes In Equity

	Share capital R'000	Share premium R'000	Treasury shares R'000	Accumulated profits R'000	Non-distributable reserves R'000	Obligation to issue shares R'000	Total capital & reserves R'000	Minority interest R'000	Total equity R'000
2007									
Balance at 31 March 2006	229	52 379	(86 220)	684 321	62 130	35 147	747 986	11 606	759 592
Net gains and losses not recognised in the income statement:	-	-	9 644	31 824	(1 935)	-	39 533	186	39 719
Write-down in value of treasury shares on vesting	-	-	2 364	(296)	-	-	2 068	-	2 068
Disposal of treasury shares	-	-	7 280	32 120	-	-	39 400	-	39 400
Currency translation differences	-	-	-	-	22 694	-	22 694	8	22 702
Revaluation of available-for-sale assets	-	-	-	-	765	-	765	207	972
Deferred tax on revaluation of available-for-sale assets	-	-	-	-	(112)	-	(112)	(29)	(141)
Transfer from revaluation reserve on disposal of available-for-sale assets	-	-	-	-	(29 144)	-	(29 144)	-	(29 144)
Deferred tax in respect of available-for-sale assets disposed of	-	-	-	-	3 862	-	3 862	-	3 862
Profit for the year	-	-	-	374 663	-	-	374 663	44 825	419 488
Dividends paid	-	-	-	(57 473)	-	-	(57 473)	(18 780)	(76 253)
Share repurchases	(1)	(14 355)	-	-	-	-	(14 356)	-	(14 356)
Balance at 31 March 2007	**228**	**38 024**	**(76 576)**	**1 033 335**	**60 195**	**35 147**	**1 090 353**	**37 837**	**1 128 190**
2006									
Balance at 31 March 2005	230	52 437	(83 693)	461 378	38 907	35 147	504 406	6 573	510 979
Net gains and losses not recognised in the income statement:	-	-	14 378	(5 437)	23 223	-	32 164	-	32 164
Write-down in value of treasury shares on vesting	-	-	14 378	(5 437)	-	-	8 941	-	8 941
Currency translation differences	-	-	-	-	(2 510)	-	(2 510)	-	(2 510)
Revaluation of available-for-sale assets	-	-	-	-	29 648	-	29 648	-	29 648
Deferred tax on revaluation of available-for-sale assets	-	-	-	-	(3 915)	-	(3 915)	-	(3 915)
Profit for the year	-		-	251 811	-	-	251 811	23 757	275 568
Dividends paid	-		-	(23 431)	-	-	(23 431)	(18 724)	(42 155)
Share repurchases	(1)	(58)	-	-	-	-	(59)	-	(59)
Treasury shares acquired	-	-	(16 905)	-	-	-	(16 905)	-	(16 905)
Balance as at 31 March 2006	229	52 379	(86 220)	684 321	62 130	35 147	747 986	11 606	759 592

Cash Flow Statement

	Audited year ended 31 March 2007 R'000	Audited year ended 31 March 2006 R'000
Cash flow from operating activities	**339 572**	325 592
Cash generated from operating activities	**476 218**	418 041
Net interest received	**15 677**	2 461
Dividends received - financial investments	**3 210**	5 875
Dividends received - associates	**4 576**	9 641
Dividends paid - equity shareholders	**(57 473)**	(23 431)
Dividends paid - minority shareholders	**(18 780)**	(18 724)
Taxation paid	**(83 856)**	(68 271)
Cash flow from investing activities	**(132 944)**	(88 193)
Cash flow from financing activities	**25 939**	20 886
Share repurchases	**(14 356)**	(16 964)
Proceeds on vesting of shares held by staff share trust	**2 068**	8 941
Proceeds on sale of treasury shares	**4**	-
Share incentive scheme payments received	**-**	16 905
Increase in loans payable	**32 457**	12 986
Decrease in loans receivable	**8 474**	-
Decrease in interest-bearing borrowings	**(2 708)**	(982)
Net increase in cash and cash equivalents	**232 567**	258 285
Cash and cash equivalents at beginning of the year	**419 748**	161 700
Effects of exchange rate changes on cash and cash equivalents	**2 791**	(237)
Cash and cash equivalents at end of the year	**655 106**	419 748

BASIS OF PREPARATION: The results for the year ended 31 March 2007 have been prepared in accordance with, and comply with IFRS and the South African Companies Act of 1973.

COMPARATIVE FIGURES: Comparative figures presented for the year ended 31 March 2006 have been restated as a result of the following reclassifications:

1. Net interest received from broking activities has been reclassified as operating revenue, having been previously disclosed as part of net interest received. The restatement more appropriately reflects the fact that interest is derived as part of the revenue generating activities of the group's prime broking business, rather than as part of the group's financing activities.
2. Interest earned as part of the group's investing activities, comprising interest received on loans made as part of private equity investments and interest paid on hedge fund gearing has been reclassified as part of investment income, having been previously disclosed as part of net interest received.
3. The group's hedge fund investments are classified as current assets having regard to the fact that these investments may be converted to cash (drawndown) within any three month period. In line with this classification, in preparation of the cash flow statement, the movement in these investments has previously been shown as part of cash generated from operations (as part of working capital changes). The hedge funds form part of the group's investing activities and, as such, the movement, comprising realised profit reinvested into the funds plus net capital contributions has been reclassified as part of investing activities.
4. The translation difference relating to offshore cash balances has been shown separately on the face of the cash flow statement, having been previously adjusted in the cash generated from operations reconciliation.

AUDIT REPORT: The results for the year ended 31 March 2007 have been audited by PKF (Jhb) Inc. and their unqualified audit report is available for inspection at the group's registered office.

PEREGRINE HOLDINGS LIMITED
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