

PEREGRINE

Unaudited interim results

for the six months ended 30 September 2007

Highlights

Group assets under management now exceed R40 billion

Profit from ordinary activities up 113% to R418.3 million

Headline earnings up 124% to R253.7 million

Headline earnings per share up 116% to 127.0 cents

Income statement

	% change 2006 to 2007	For the six months ended 30 September 2007	For the six months ended 30 September 2006	Audited year ended 31 March 2007
		R'000	R'000	R'000
Operating revenue	64	600 733	366 262	911 193
Investment income	186	138 491	48 402	201 330
Total revenue	78	739 224	414 664	1 112 523
Investment contract benefits		57 226	80 722	354 931
Investment contract expenses		(57 226)	(80 722)	(354 931)
Operating expenses	49	(345 934)	(231 599)	(573 363)
Profit from operations	115	393 290	183 065	539 160
Net interest received	73	19 800	11 422	16 005
Interest received		31 934	18 517	32 347
Interest paid		(12 134)	(7 095)	(16 342)
Income from associate companies	144	5 227	2 143	7 645
Profit from ordinary activities	113	418 317	196 630	562 810
Capital surplus		5 500	5 455	5 455
Profit before taxation	110	423 817	202 085	568 265
Taxation		(112 184)	(55 587)	(148 777)
Profit for the period	113	311 633	146 498	419 488
Attributable to:				
Equity holders of the company	86	259 210	139 415	374 663
Minority interest		52 423	7 083	44 825
		311 633	146 498	419 488
Determination of headline earnings				
Profit attributable to equity holders of the company		259 210	139 415	374 663
Adjustments:				
Reversal of impairment to loan receivable		-	(5 455)	(5 455)
Surplus on sale of available-for-sale investment		-	(20 862)	(47 340)
Surplus on sale of shares in subsidiary		(5 500)	-	-
Headline earnings	124	253 710	113 098	321 868
Headline earnings per ordinary share (cents)	116	127.0	58.9	166.3
Basic earnings per ordinary share (cents)	79	129.7	72.6	193.6
Diluted headline earnings per share (cents)	132	127.0	54.7	153.8
Diluted basic earnings per share (cents)	92	129.7	67.5	179.1
Dividend paid per ordinary share - in respect of the previous year (cents)		45.0	30.0	30.0
Dividend per ordinary share declared subsequent to 31 March (cents)		-	-	45.0
Number of ordinary shares in issue ('000)		228 129	228 129	228 129
Treasury shares held ('000)		12 869	36 552	32 440
Weighted average number of ordinary shares in issue ('000)		199 819	191 956	193 556
Diluted weighted average number of ordinary shares in issue ('000)		199 819	206 596	209 243

Balance sheet

	As at 30 September 2007	As at 30 September 2006	Audited as at 31 March 2007
	R'000	R'000	R'000
ASSETS			
Non - current assets	3 063 852	2 457 477	2 920 084
Property, plant and equipment	89 787	84 777	88 553
Intangible assets	268 899	256 529	269 694
Investment in associate companies	16 477	4 919	4 805
Investments linked to policyholder investment contracts	2 419 061	1 999 722	2 403 454
Financial investments	243 826	84 698	137 517
Loans and receivables	9 971	17 760	4 421
Deferred taxation	15 831	9 072	11 640
Current assets	10 621 964	6 149 500	8 316 502
Financial investments	700 359	392 933	587 838
Trade and other receivables	131 505	81 254	171 305
Amounts receivable in respect of stockbroking activities	9 123 792	5 111 872	6 899 391
Taxation	1 149	3 494	2 862
Cash and cash equivalents	665 159	559 947	655 106
Total assets	13 685 816	8 606 977	11 236 586
EQUITY AND LIABILITIES			
Equity	1 331 076	858 905	1 128 190
Share capital, retained earnings and reserves	1 259 296	848 262	1 090 353
Minority interest	71 780	10 643	37 837
Non - current liabilities	2 603 340	2 144 552	2 564 137
Interest bearing borrowings	62 183	93 597	65 472
Policyholder investment contract liabilities	2 419 061	1 999 722	2 403 454
Loans and payables	68 244	27 975	52 998
Deferred taxation	53 852	23 258	42 213
Current liabilities	9 751 400	5 603 520	7 544 259
Trade and other payables	234 608	163 354	246 268
Amounts payable in respect of stockbroking activities	9 427 757	5 362 133	7 175 641
Current portion of interest bearing borrowings	6 176	24 228	39 881
Taxation	82 859	53 805	82 469
Total equity and liabilities	13 685 816	8 606 977	11 236 586
Net asset value per share (cents)	585.0	442.8	557.2

Cash flow statement

	For the six months ended 30 September 2007	For the six months ended 30 September 2006	Audited year ended 31 March 2007
	R'000	R'000	R'000
Cash flow from operating activities	117 989	110 732	339 572
Cash generated from operating activities	303 095	199 933	476 218
Net interest received	19 034	11 364	15 677
Dividends received - financial investments	242	4 804	3 210
Dividends received - associates	5 325	-	4 576
Dividends paid to equity shareholders	(88 661)	(57 473)	(57 473)
Dividends paid to minority shareholders	(18 472)	(8 046)	(18 780)
Taxation paid	(102 574)	(39 850)	(83 856)
Cash flow from financing activities	(100 549)	(487)	(132 944)
Cash flow from investing activities	(8 546)	23 100	25 939
Share repurchases	-	(14 555)	(14 356)
Proceeds on vesting of shares held by staff share trust	2 978	1 867	2 068
Proceeds on sale of treasury shares	-	-	4
(Decrease)/increase in loans payable	(23 976)	3 256	32 457
Decrease in loans receivable	14 446	8 265	8 474
(Decrease)/increase in interest bearing borrowings	(1 994)	24 267	(2 708)
Net increase in cash and cash equivalents	8 894	133 345	232 567
Cash and cash equivalents at beginning of the period	655 106	419 748	419 748
Effects of exchange rate changes on cash and cash equivalents	1 159	6 854	2 791
Cash and cash equivalents at end of the period	665 159	559 947	655 106

Introduction

The Peregrine group has produced an excellent set of results for the six months under review, increasing headline earnings per share by 116% to 127.0 cents per share. Strong growth across all divisions is the highlight of this set of results. Particularly impressive growth from the asset management and group investment divisions, when compared to the relatively lower bases of the previous interim period, has been the main catalyst for the extent of the increase in earnings.

Better than expected trading conditions during the month of September were responsible for earnings per share and headline earnings per share exceeding, by 4% and 1% respectively, the upper end of the range announced in the trading update released on 6 September 2007.

Results

Revenue of R739.2 million was 78% higher than the comparable period, boosted by an overall increase in the group's assets under management, increased activity within Peregrine Securities, higher performance fees in Citadel and substantially better investment returns generated by the core hedge fund operation, Peregrine Capital.

The 49% increase in operating expenses is primarily as a result of profit participations paid across the group. In addition, Peregrine Securities experienced an increase in costs of 50% (excluding profit participation), most of which is attributable to an increase in variable costs directly related to increased revenues.

Net interest received increased to R19.8 million from R11.4 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 the inclusion of a capital profit of R5.5 million, profit before tax climbed 110% to R423.8 million for the period. This capital profit relates to the sale of a 10% interest in PeregrineQuant (PQ) to that division's management team.

Headline earnings increased by 124% to R253.7 million and with a 4.1% increase in the weighted average number of shares in issue, due to the issue of shares in terms of the staff deferred purchase scheme, headline earnings per share increased by 116% to 127.0 cents per share.

Attributable earnings increased by 86% to R259.2 million, with basic earnings per share up 79% to 129.7 cents per share.

Operating highlights

Private-client **wealth manager**, Citadel, produced a 61% increase in profit from ordinary activities to R101.2 million. Strong investment performance saw Citadel's asset base rise to just under R14 billion with the business accruing a steady stream of performance fees over the period. New inflows into this business grew by a very pleasing 70% over the comparable period, with monthly inflows averaging R200 million per month.

The contribution from the **asset management** division grew by a particularly pleasing 285%, to R100.2 million as a result of increased performance fees earned off a bigger asset base within the group's hedge fund businesses. Despite the turbulent market conditions and a relatively difficult period for the hedge fund industry as a whole, the group's returns were meaningfully positive for the period under review, and were generated with an acceptably low level of volatility.

Peregrine is currently the country's largest single strategy hedge fund manager, managing just over R4.7 billion in single strategy hedge funds. The group's hedge fund flagship, Peregrine Capital, currently manages R3.4 billion, with the group's newer range of hedge funds housed within Peregrine Investment Managers (PIM) managing an additional R1.3 billion.

Caveo, the group's fund of hedge funds joint venture with Investment Solutions, generated a profit for the period, with assets under management of just under R1.4 billion. The prospects for this business are positive and bode well for flows and profitability going forward.

PQ, the group's institutional asset manager with a quantitative focus, grew its assets under management by 67% to R20 billion over the six month period to 30 September 2007. As a result of the asset inflows occurring predominantly in the latter half of the period, annuity profit from ordinary activities was only 10% higher at R5.3 million.

The **broking and structuring** activities housed within Peregrine Securities produced a 35% increase in profitability to R101.8 million. The focus on building the group's hedge fund related prime broking capacity within Peregrine Equities, increased transactional activity in the Equity and Derivative units and volatile market conditions augmented profitability. Notwithstanding the dramatic growth in this business over the past two years, the prime broking business is anticipated to continue to grow off the current platform as the South African hedge fund industry continues to expand.

Return on **group investments** (net of group costs) increased by 253% to R115.1 million due to the increased proprietary asset base, the strong returns from the hedge fund investments and the substantially increased returns generated by the private equity and investment banking activities. Core costs at the centre increased by 13% as a result of changes in the management structure made during the latter part of the previous financial year. During the period, no withdrawals of group capital were made from the group's hedge fund investments and new capital was invested into several private equity and empowerment funding opportunities.

Acquisition

During the period under review, the group announced the conclusion of a non-binding heads of agreement in terms of which Peregrine will, subject to entering into formal acquisition and shareholder agreements and the fulfilment of certain conditions, acquire at least 65% of the **Stenham group**, a wealth and asset management business serving both high net worth private clients and institutions.

Stenham currently has in excess of US\$ 4 billion under management, with over US\$ 2 billion in its funds of hedge funds and a further US\$ 2 billion in property investments. It has core operating offices in the Channel Islands and the United Kingdom.

The transaction is seen as being highly complementary to the existing business philosophy of the Peregrine group and will manifest in the local operations being able to better serve their clients through the sharing of global perspectives, methodologies and intellectual capital. This transaction will also provide a foundation for members of the group to internationalise their businesses over time.

In this regard, Sean Melnick, in his capacity as group Chairman, will take responsibility for further initiating and overseeing the Peregrine group's international expansion and in doing so, will spend the next year based in London.

Prospects

These results support the consistently held view of the Peregrine directors that the group's positioning in the niche areas of private wealth management, hedge fund management and trading and execution will continue to provide Peregrine with a platform for meaningful growth in earnings over time.

By order of the board



Sean Melnick
Executive Chairman



Keith Betty
Chief Executive Officer

Sandton, 31 October 2007

Segmental analysis

	For the six months ended 30 September 2007			For the six months ended 30 September 2006			% of profit from ordinary activities		% change in profit from ordinary activities
	Revenue	Interest and associate income	Profit from ordinary activities	Revenue	Interest and associate income	Profit from ordinary activities	2007	2006	
	R'000	R'000	R'000	R'000	R'000	R'000			2006 to 2007
Wealth and asset management	375 136	9 490	201 402	206 481	4 403	88 883	48	45	127
Wealth management	209 620	8 408	101 216	148 080	3 808	62 874	24	32	61
Asset management	165 516	1 082	100 186	58 401	595	26 009	24	13	285
Broking and structuring	222 809	16 942	101 838	160 628	9 388	75 179	24	38	35
Broking and structuring	141 279	(1 405)	115 077	47 555	(226)	32 568	28	17	253
Group investments (net of group costs)	739 224	25 027	418 317	414 664	13 565	196 630	100	100	113

BASIS OF PREPARATION:

The results for the six months ended 30 September 2007 have been prepared in accordance with IFRS and comply with IAS 34 - "Interim Financial Reporting" and the South African Companies Act of 1973. The accounting policies are consistent with those applied in the annual financial statements for March 2007. The group will apply IFRS 7 - "Financial Instruments: Disclosures" in its financial statements for the year ending 31 March 2008. These results have not been audited or reviewed by the company's auditors, PKF (Jhb) Inc.

COMPARATIVE FIGURES:

Comparative figures have been restated in accordance with the reclassifications applied in preparation of the results for the financial year ended 31 March 2007. The reclassifications are as detailed in the March 2007 annual report.

Statement of changes in equity

	Total capital and reserves	Minority interest	Total equity
	R'000	R'000	R'000
2008			
Balance at 31 March 2007	1 090 353	37 837	1 128 190
Net gains and losses not recognised in the income statement:	(1 606)	(8)	(1 614)
Write-down in value of treasury shares on vesting	2 978	-	2 978
Movement in treasury shares	6 768	-	6 768
Currency translation differences	(11 484)	(31)	(11 515)
Revaluation of available-for-sale assets	154	27	181
Deferred tax on revaluation of available-for-sale assets	(22)	(4)	(26)
Profit for the period	259 210	52 423	311 633
Dividends paid	(88 661)	(18 472)	(107 133)
Balance at 30 September 2007	1 259 296	71 780	1 331 076
2007			
Balance at 31 March 2006	747 986	11 606	759 592
Net gains and losses not recognised in the income statement:	39 533	186	39 719
Write-down in value of treasury shares on vesting	2 068	-	2 068
Movement in treasury shares	39 400	-	39 400
Currency translation differences	22 694	8	22 702
Revaluation of available-for-sale assets	765	207	972
Deferred tax on revaluation of available-for-sale assets	(112)	(29)	(141)
Transfer from revaluation on disposal of available-for-sale assets	(29 144)	-	(29 144)
Deferred tax in respect of available-for-sale assets disposed of	3 862	-	3 862
Profit for the period	374 663	44 825	419 488
Dividends paid	(57 473)	(18 780)	(76 253)
Share repurchases	(14 356)	-	(14 356)
Balance at 31 March 2007	1 090 353	37 837	1 128 190