

# ANNUAL FINANCIAL STATEMENTS

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# Directors' approval

of the annual financial statements

The directors are responsible for the preparation, integrity and fair presentation of the group and company financial statements and other financial information included in this report. In presenting the accompanying financial statements, International Financial Reporting Standards and the Companies Act, as amended have been complied with. The group and company consistently adopt appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group and company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of the group and the company.

The financial statements have been audited by the independent auditing firm, PKF (Jhb) Inc. which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements were approved by the directors on 31 July 2009 and are signed on their behalf.



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L N Harris - Chairman



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S A Melnick - Chief executive officer



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P Goetsch - Financial director

**Report on the financial statements**

We have audited the financial statements and group financial statements of Peregrine Holdings Ltd, which comprise the directors' report, the balance sheet as at 31 March 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 84.

**Directors' responsibility for the financial statements**

The directors are responsible for the preparation and fair presentation of these financial statements and group financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, as amended. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Audit responsibility**

Our responsibility is to express an opinion on these financial statements and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and group financial statements are free from material misstatement.

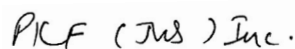
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and group financial statements. The procedures selected depend on the auditor's

judgement, including the assessment of the risks of material misstatement of the financial statements and group financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and group financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and group financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements and group financial statements present fairly, in all material respects, the financial position of Peregrine Holdings Ltd as of 31 March 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa, as amended.



PKF (Jhb) Inc.  
Per Jeffrey Borowitz  
Registered Auditor, Chartered Accountants (SA)  
Registration number 1994/001166/21  
Johannesburg  
31 July 2009

For the year ended 31 March 2009, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 268 (G) (d) of the Companies Act (61 of 1973, as amended) and all such returns are true, accurate and up to date.



For: Peregrine Management Services (Pty) Limited  
3 June 2009

The directors present their report which forms part of the audited annual financial statements for the year ended 31 March 2009. Peregrine is a wealth and asset management group. The annual financial statements on pages 27 to 84 set out fully the financial position, results of operations and cash flow for the group for the financial year ended 31 March 2009.

## Financial highlights

The Peregrine group has produced an acceptable set of results for the year under review, given the highly uncertain environment. All of the group's operating divisions remained comfortably profitable for the period. With effect from 4 April 2008, Peregrine acquired a controlling interest in international wealth and asset manager, Stenham Ltd, which contributed R84,290 million to the group's attributable earnings for the year.

Whilst operating revenue increased by 41%, boosted by the acquisition of Stenham, total income of R1,452 billion was only 9% higher than the previous year as a result of the negative returns earned on the group's proprietary investments. If Stenham is excluded, operating revenue declined by 29%, due largely to the lack of performance fees earned in the group's wealth and asset management businesses.

Interest costs on external funding raised at the beginning of the year resulted in the group moving into a net interest paid position for the year of R49,147 million from net interest received of R64,541 million in the previous year.

Earnings attributable to equity holders in the company decreased by 75% to R118,041 million (2008: R467,754 million), after deducting taxation of R40,881 million (2008: R160,313 million) and minority interests of R97,914 million (2008: R112,956 million). The lower effective tax rate is as a result of the consolidation of Stenham Ltd.

Attributable earnings were also impacted by the amortisation of intangible assets resulting from the Stenham transaction in the amount of R19,497 million.

Headline earnings decreased by 84% to R73,067 million (2008: R462,254 million) after adjusting for the surplus of R56,017 million arising on the sale of the group's Sandton head office property as required by Circular 8/2007 "Headline earnings" (2008: R5,500 million) and a R11,043 million impairment to a loan receivable from an associate (2008: nil). If the effect of the amortisation of intangible assets resulting from the Stenham transaction is excluded, headline earnings decreased by 80% to R94,047 million.

## Share capital

### Issued shares

As at 31 March 2009, the issued share capital of the company comprised 228 128 764 (2008: 228 128 764) ordinary shares of 0.1 cent each.

The group held 13 978 142 treasury shares (2008: 12 853 142) at year end with a book value of R42,941 million (2008: R37,091 million). Of these, 5 281 565 shares (2008: 5 281 565) are held by the group's

staff share trusts and 8 696 577 (2008: 7 571 577) by three of the group's subsidiaries.

### Unissued shares

The authorised, but unissued, shares were placed under the control of the directors at the last annual general meeting. In terms of this authority, the directors may not issue in any one financial year for cash, more than 10% of the company's issued ordinary share capital less the aggregate number of shares, if any, held by the company and its subsidiaries (but specifically excluding any share trusts) from time to time, as treasury shares. Shareholders will be requested to renew this authority at the forthcoming annual general meeting.

### Authority for the repurchase of shares

The conditions relating to the repurchase by the company of its own shares are governed by the company's articles of association which provide, inter alia, that this authority shall not extend beyond the date of the forthcoming annual general meeting or 15 months from the date on which the special resolution authorising such repurchase was passed, whichever is the earlier date. The approval limits the repurchase, in any one financial year, to 20% of the issued share capital of the company on the date on which the special resolution authorising such repurchase was passed.

Shareholders will be requested to renew this authority at the forthcoming annual general meeting. The company and its subsidiaries are currently, in terms of facility agreements entered into with Investec Bank Ltd ("Investec"), restricted from repurchasing further shares. Any further purchase is thus subject to obtaining prior approval from Investec.

## Dividend

A cash dividend of 13 cents per share (2008: 56 cents per share) was declared by the directors for the year ended 31 March 2009. The following dates are applicable to such dividend:

- Last date to trade cum dividend      Friday, 24 July 2009
- Trading ex dividend commences      Monday, 27 July 2009
- Record date                                      Friday, 31 July 2009
- Payment date                                      Monday, 3 August 2009

Shares may not be dematerialised or rematerialised between Monday, 27 July 2009, and Friday, 31 July 2009, both dates inclusive.

## Acquisition

On 4 April 2008, Peregrine Financial Services Holdings Ltd ("PFS") acquired 51% of the shares in Stenham Ltd ("SL"), the holding company of the Stenham group of companies, for a purchase price of R1,158 billion (£75,705 million). Taking account of the shares held by the SL employee share trust, which is consolidated at balance sheet date, Peregrine acquired an effective stake of 52.84%. R1,047 billion (£68,532 million) of the purchase price was settled in cash via transfer of funds from PFS. The balance, in the amount of R111,189 million (£7,173 million), was settled via a dividend declared by SL at the time of the transaction, out of preacquisition reserves of the company ("the SL dividend"). Full details of the acquisition are set

## Directors' report

out in note 12 to the financial statements. In the 12 months to 31 March 2009 the Stenham group contributed revenue of R758,631 million (£50,677 million) and net profit after tax and minorities of R84,290 million (£5,631 million) to the consolidated earnings. The contribution, after adding back the amortisation of intangibles is R103,787 million (£6,933 million).

### Directorate and secretary

The name and address of the company secretary are set out on page 94.

At the annual general meeting held on 29 October 2008, in terms of article 52.1 of the company's articles of association, Leonard Harris, Ethan Dube and Khosi Sibisi retired. Having made themselves eligible for re-election, they were re-elected to office.

On 31 March 2009 Keith Betty, the former CEO, resigned from the board following his emigration to Australia.

In terms of the company's articles of association, Steven Stein, Clive Beaver, Pauline Goetsch and Jan van Niekerk (who was appointed to the board with effect from 1 April 2009) retire at the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election.

### Material increase in borrowings

The Stenham acquisition has been funded through an Investec Bank loan taken out by PFS in the amount of R150 million and from the repayment of existing loans to PFS by subsidiaries of the group. In certain instances, the subsidiaries have raised funding via replacement loans from Investec.

### Subsidiaries

Details of the company's principal subsidiaries are set out on page 83. The aggregate profit after taxation of subsidiaries attributable to the company amounted to R285 993 876 (2008: R470 131 440). The aggregate losses after taxation attributable to subsidiaries amounted to R167 967 197 (2008: R2 040 559). The profits and losses include the company's attributable share of income of associates, which are accounted for in the results of the company's underlying subsidiaries.

All companies within the Peregrine group are incorporated within the Republic of South Africa, with the exception of Citadel Offshore Holdings Ltd and its subsidiaries, which are incorporated in Guernsey, Peregrine Capital Management (BVI) Ltd and Peregrine Direct Ltd, which are incorporated in the British Virgin Isles, and Stenham Ltd and its subsidiaries which are incorporated in the British Virgin Isles, the UK and in Guernsey.

### Special resolutions

At its annual general meeting on 29 October 2008, the company passed a resolution authorising the company to acquire shares issued by it and to enable its subsidiary companies to acquire shares in its share capital.

### Share incentive schemes

The group currently has no share incentive schemes in place.

### Borrowing limitations

In terms of the articles of association, the borrowing powers of the directors are unlimited and the directors may exercise all powers of the company to borrow money, as they consider appropriate. The borrowing powers of the directors are, however, subject to restrictions in terms of the Investec facilities.

### Events subsequent to balance sheet date

No material events have occurred subsequent to the balance sheet date.

# Income statements

for the year ended 31 March

		Group		Company	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Operating revenue	1	<b>1 541 508</b>	1 095 438	-	-
Investment and other income	2	<b>(89 495)</b>	234 344	<b>127 734</b>	103 000
Net fair value (losses)/gains on linked financial investments	3.1	<b>(193 772)</b>	274 121	-	-
Linked liability adjustment	3.2	<b>193 772</b>	(274 121)	-	-
Operating expenses	4	<b>(1 144 528)</b>	(665 901)	<b>(377)</b>	(395)
<b>Profit from operations</b>		<b>307 485</b>	663 881	<b>127 357</b>	102 605
Net interest (paid)/received	5	<b>(49 147)</b>	64 541	<b>391</b>	58
Interest received		<b>88 716</b>	87 895	<b>391</b>	58
Interest paid		<b>(137 863)</b>	(23 354)	-	-
Income from associate companies	15	<b>9 541</b>	7 101	-	-
<b>Profit from ordinary activities</b>		<b>267 879</b>	735 523	<b>127 748</b>	102 663
Capital (impairment)/surplus	6	<b>(11 043)</b>	5 500	-	-
<b>Profit before taxation</b>		<b>256 836</b>	741 023	<b>127 748</b>	102 663
Taxation	7	<b>(40 881)</b>	(160 313)	-	-
<b>Profit for the year</b>		<b>215 955</b>	580 710	<b>127 748</b>	102 663
Attributable to:					
Equity holders of the company		<b>118 041</b>	467 754		
Minority interest		<b>97 914</b>	112 956		
		<b>215 955</b>	580 710		
Basic earnings per share (cents)	8	<b>54.8</b>	225.4		
Basic earnings per share excluding intangible amortisation (cents)	8	<b>64.6</b>	226.1		
Headline earnings per share (cents)	8	<b>33.9</b>	222.7		
Headline earnings per share excluding intangible amortisation (cents)	8	<b>43.7</b>	223.4		
Dividend per ordinary share (in respect of the previous year) (cents)	9	<b>56.0</b>	45.0		
Dividend per ordinary share declared subsequent to 31 March (cents)	9	<b>13.0</b>	56.0		

## Balance sheets

as at 31 March

		Group		Company	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>4 508 958</b>	3 408 341	<b>78 925</b>	79 059
Property, plant and equipment	11	40 369	91 677	-	-
Intangible assets	13	1 455 064	268 157	-	-
Interest in subsidiaries	14	-	-	78 925	79 059
Investment in associate companies	15	8 992	16 969	-	-
Investments linked to policyholder investment contracts	16	2 725 372	2 657 024	-	-
Financial investments	17	193 960	337 528	-	-
Loans and receivables	18	11 729	22 142	-	-
Deferred taxation	19	73 472	14 844	-	-
<b>Current assets</b>		<b>5 468 696</b>	9 173 946	<b>1 776</b>	748
Financial investments	17	550 066	899 054	-	-
Loans and receivables	18	5 917	-	-	-
Trade and other receivables	20	281 305	103 234	-	-
Amounts receivable in respect of stockbroking activities	21	3 898 488	7 111 094	-	-
Taxation		19 305	6 918	-	-
Cash and cash equivalents	22	713 615	1 053 646	1 776	748
<b>Total assets</b>		<b>9 977 654</b>	12 582 287	<b>80 701</b>	79 807
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>		<b>1 856 868</b>	1 722 093	<b>78 281</b>	78 285
Share capital	23	228	228	228	228
Share premium		38 024	38 024	38 024	38 024
Treasury shares		(42 941)	(37 091)	-	-
Accumulated profits		1 414 765	1 417 860	93	97
Non-distributable reserves	24	7 804	183 292	39 936	39 936
Total equity attributable to equity holders of the company		1 417 880	1 602 313	78 281	78 285
Minority interest		438 988	119 780	-	-
<b>Non-current liabilities</b>		<b>3 476 147</b>	2 851 444	-	-
Interest-bearing borrowings	25	674 135	57 784	-	-
Policyholder investment contract liabilities	16	2 725 372	2 657 024	-	-
Loans and other payables	26	64 904	88 012	-	-
Deferred taxation	19	11 736	48 624	-	-
<b>Current liabilities</b>		<b>4 644 639</b>	8 008 750	<b>2 420</b>	1 522
Financial instrument liabilities	27	4 206	-	-	-
Current portion of interest-bearing borrowings	25	169 585	7 688	-	-
Trade and other payables	28	429 735	317 122	2 420	1 522
Amounts payable in respect of stockbroking activities	21	3 979 955	7 566 154	-	-
Taxation		61 158	117 786	-	-
<b>Total equity and liabilities</b>		<b>9 977 654</b>	12 582 287	<b>80 701</b>	79 807

# Statements of changes in equity

for the year ended 31 March

	Group								
	Share capital	Share premium	Treasury shares	Accumulated profits	Non-distributable reserves <sup>1</sup>	Obligation to issue shares	Total capital and reserves	Minority interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>2009</b>									
Balance at 31 March 2008	228	38 024	(37 091)	1 417 860	183 292	-	1 602 313	119 780	1 722 093
Minorities arising on acquisition of subsidiaries	-	-	-	-	-	-	-	397 783	397 783
Acquisition of minority interest in subsidiary within the Stenham group	-	-	-	-	-	-	-	(931)	(931)
Net gains and losses not recognised in the income statement	-	-	(5 850)	(582)	(175 488)	-	(181 920)	(56 780)	(238 700)
Share based payments	-	-	-	(582)	-	-	(582)	(519)	(1 101)
Acquisition of treasury shares	-	-	(5 850)	-	-	-	(5 850)	-	(5 850)
Net gain on forward exchange contract entered into as a cash flow hedge (in respect of the acquisition of Stenham Ltd) transferred to cost of investment on realisation	-	-	-	-	(94 262)	-	(94 262)	-	(94 262)
Loss on other forward exchange contracts entered into as a cash flow hedge	-	-	-	-	(2 609)	-	(2 609)	(3 562)	(6 171)
Currency translation differences	-	-	-	-	(78 334)	-	(78 334)	(52 628)	(130 962)
Revaluation of available-for-sale assets	-	-	-	-	(328)	-	(328)	(82)	(410)
Deferred tax on revaluation of available-for-sale assets	-	-	-	-	45	-	45	11	56
Profit for the year	-	-	-	118 041	-	-	118 041	97 914	215 955
Dividends paid	-	-	-	(120 554)	-	-	(120 554)	(118 778)	(239 332)
<b>Balance at 31 March 2009</b>	<b>228</b>	<b>38 024</b>	<b>(42 941)</b>	<b>1 414 765</b>	<b>7 804</b>	<b>-</b>	<b>1 417 880</b>	<b>438 988</b>	<b>1 856 868</b>
<b>2008</b>									
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
Net gains and losses not recognised in the income statement	-	-	39 485	5 432	123 097	(35 147)	132 867	113	132 980
Write-down in value of treasury shares on vesting	-	-	3 673	(695)	-	-	2 978	-	2 978
Disposal of treasury shares	-	-	1 021	4 308	-	-	5 329	-	5 329
Delivery of shares in terms of the deferred purchase scheme	-	-	35 462	1 819	-	(35 147)	2 134	-	2 134
Acquisition of treasury shares	-	-	(671)	-	-	-	(671)	-	(671)
Gain on forward exchange contract entered into as a cash flow hedge	-	-	-	-	109 607	-	109 607	-	109 607
Deferred tax on gain on forward exchange contract	-	-	-	-	(15 345)	-	(15 345)	-	(15 345)
Currency translation differences	-	-	-	-	28 911	-	28 911	132	29 043
Revaluation of available-for-sale assets	-	-	-	-	(97)	-	(97)	(22)	(119)
Deferred tax on revaluation of available-for-sale assets	-	-	-	-	21	-	21	3	24
Profit for the year	-	-	-	467 754	-	-	467 754	112 956	580 710
Dividends paid	-	-	-	(88 661)	-	-	(88 661)	(31 126)	(119 787)
<b>Balance at 31 March 2008</b>	<b>228</b>	<b>38 024</b>	<b>(37 091)</b>	<b>1 417 860</b>	<b>183 292</b>	<b>-</b>	<b>1 602 313</b>	<b>119 780</b>	<b>1 722 093</b>

<sup>1</sup> Refer to note 24 for a breakdown of the categories of non-distributable reserves.

# Statements of changes in equity

for the year ended 31 March

	<b>Company</b>				
	Share capital	Share premium	Accumulated profits	Non- distributable reserves <sup>1</sup>	Total equity
	R'000	R'000	R'000	R'000	R'000
<b>2009</b>					
Balance at 31 March 2008	<b>228</b>	<b>38 024</b>	<b>97</b>	<b>39 936</b>	<b>78 285</b>
Profit for the year	-	-	<b>127 748</b>	-	<b>127 748</b>
Dividends paid	-	-	<b>(127 752)</b>	-	<b>(127 752)</b>
<b>Balance at 31 March 2009</b>	<b>228</b>	<b>38 024</b>	<b>93</b>	<b>39 936</b>	<b>78 281</b>
<b>2008</b>					
Balance at 31 March 2007	228	38 024	92	39 936	78 280
Profit for the year	-	-	102 663	-	102 663
Dividends paid	-	-	(102 658)	-	(102 658)
Balance at 31 March 2008	228	38 024	97	39 936	78 285

<sup>1</sup> Refer to note 24 for a breakdown of the categories of non-distributable reserves.

## Cash flow statements

for the year ended 31 March

		Group		Company	
	Notes	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Cash flow from operating activities</b>					
		<b>(551 399)</b>	549 577	<b>894</b>	562
Cash (utilised by)/generated from operating activities	32	<b>(91 753)</b>	725 231	<b>521</b>	162
Interest received		<b>88 142</b>	86 507	<b>391</b>	58
Interest paid		<b>(114 024)</b>	(23 354)	-	-
Dividends received - financial investments		<b>2 491</b>	12 420	-	-
Dividends received - associate companies		<b>37 141</b>	10 044	-	-
Dividends received - subsidiaries		-	-	<b>127 734</b>	103 000
Dividends paid		<b>(239 332)</b>	(119 787)	<b>(127 752)</b>	(102 658)
Taxation paid	33	<b>(234 064)</b>	(141 484)	-	-
<b>Cash flow from investing activities</b>					
		<b>(376 803)</b>	(134 322)	-	-
Acquisition of property, plant and equipment		<b>(25 240)</b>	(10 115)	-	-
Acquisition of subsidiary company	34	<b>(743 215)</b>	(12 091) <sup>1</sup>	-	-
Acquisition of minority interest in subsidiary company	35	<b>(931)</b>	-	-	-
Acquisition of associate company	36	-	(2 171)	-	-
Acquisition of financial investments		<b>(10 062)</b>	(183 187)	-	-
Increase in loans to associate company		<b>(4 167)</b>	(7 424)	-	-
Proceeds on sale of property, plant and equipment		<b>194 200</b>	158	-	-
Proceeds on sale of financial investments		<b>212 612</b>	80 508	-	-
<b>Cash flow from financing activities</b>					
		<b>619 827</b>	(25 656)	<b>134</b>	(628)
Share repurchases		<b>(5 850)</b>	-	-	-
Proceeds on vesting of shares held by staff share trust		-	2 978	-	-
Share incentive scheme payments received		-	13 996	-	-
Decrease in loans and receivables		<b>56 735</b>	810	-	-
Decrease/(increase) in loan to subsidiary company		-	-	<b>134</b>	(628)
Increase/(decrease) in interest-bearing borrowings		<b>569 398</b>	(39 828)	-	-
(Decrease)/increase in loans and other payables		<b>(456)</b>	515	-	-
Decrease in liability for share based payments		-	(4 127)	-	-
<b>Net (decrease)/increase in cash and cash equivalents</b>					
		<b>(308 375)</b>	389 599	<b>1 028</b>	(66)
Cash and cash equivalents at beginning of the year		<b>1 053 646</b>	655 106	<b>748</b>	814
Effects of exchange rate changes on cash and cash equivalents		<b>(31 656)</b>	8 941	-	-
<b>Cash and cash equivalents at end of the year</b>					
	22	<b>713 615</b>	1 053 646	<b>1 776</b>	748

<sup>1</sup>Represents the prepayment of costs relating to the acquisition of the subsidiary company subsequent to year end.

## Segment report

for the year ended 31 March

	Group					Total
	Wealth management	Asset management	Stenham	Broking and structuring	Group (operations, investment returns and borrowing costs <sup>1</sup> )	
2009	R'000	R'000	R'000	R'000	R'000	R'000
Revenue, investment and other income	299 788	105 018	758 631	370 170	(81 594)	<b>1 452 013</b>
Net fair value losses on linked financial investments	(193 772)	-	-	-	-	<b>(193 772)</b>
Linked liability adjustment	193 772	-	-	-	-	<b>193 772</b>
Operating expenses	(224 673)	(74 983)	(550 373)	(271 343)	(23 156)	<b>(1 144 528)</b>
<b>Profit from operations</b>	<b>75 115</b>	<b>30 035</b>	<b>208 258</b>	<b>98 827</b>	<b>(104 750)</b>	<b>307 485</b>
Net interest received	2 684	4 243	423	53 767	(110 264)	<b>(49 147)</b>
Interest received	3 068	4 290	8 428	54 061	18 869	<b>88 716</b>
Interest paid	(384)	(47)	(8 005)	(294)	(129 133)	<b>(137 863)</b>
Income/(losses) from associate companies	5 011	(1 887)	6 417	-	-	<b>9 541</b>
<b>Profit from ordinary activities</b>	<b>82 810</b>	<b>32 391</b>	<b>215 098</b>	<b>152 594</b>	<b>(215 014)</b>	<b>267 879</b>
Capital impairment	-	-	-	-	(11 043)	<b>(11 043)</b>
<b>Profit before taxation</b>	<b>82 810</b>	<b>32 391</b>	<b>215 098</b>	<b>152 594</b>	<b>(226 057)</b>	<b>256 836</b>
Taxation	(21 682)	(9 121)	(30 127)	(38 571)	58 620	<b>(40 881)</b>
<b>Profit for the year</b>	<b>61 128</b>	<b>23 270</b>	<b>184 971</b>	<b>114 023</b>	<b>(167 437)</b>	<b>215 955</b>
Attributable to:						
Equity holders of the company	61 128	13 843	84 290	114 023	(155 243)	<b>118 041</b>
Minority interest	-	9 427	100 681	-	(12 194)	<b>97 914</b>
	61 128	23 270	184 971	114 023	(167 437)	<b>215 955</b>
<b>Headline earnings</b>	<b>61 128</b>	<b>13 843</b>	<b>84 290</b>	<b>114 023</b>	<b>(200 217)</b>	<b>73 067</b>
% change in profit attributable to equity holders of the company (2008 to 2009)	-49%	-81%	-	-28%	-232%	<b>-75%</b>

<sup>1</sup>Other than for Stenham, borrowing costs are disclosed as part of "group" and have not been allocated to the appropriate underlying segments.

## Segment report

for the year ended 31 March

	Group					
	Wealth management	Asset management	Stenham	Broking and structuring	Group (operations, investments and funding <sup>1</sup> )	Total
2009	R'000	R'000	R'000	R'000	R'000	R'000
<b>Segment assets</b>						
Property, plant and equipment	7 801	2 513	21 434	3 873	4 748	<b>40 369</b>
Intangible assets	238 267	2 946	1 188 391	25 460	-	<b>1 455 064</b>
Investment in associate companies	3 485	4 028	1 479	-	-	<b>8 992</b>
Investments linked to policyholder investment contracts	2 725 372	-	-	-	-	<b>2 725 372</b>
Non-current financial investments	3 269	-	-	105	190 586	<b>193 960</b>
Loans and receivables	-	-	9 384	-	8 262	<b>17 646</b>
Deferred taxation	15 759	625	928	29	56 131	<b>73 472</b>
Current financial investments	11 729	9 068	4 544	-	524 725	<b>550 066</b>
Trade and other receivables	25 485	13 967	206 273	16 481	19 099	<b>281 305</b>
Amounts receivable in respect of stockbroking activities	-	-	-	3 898 488	-	<b>3 898 488</b>
Taxation	5 613	321	-	13 362	9	<b>19 305</b>
Cash and cash equivalents	40 104	31 915	227 384	325 451	88 761	<b>713 615</b>
	<b>3 076 884</b>	<b>65 383</b>	<b>1 659 817</b>	<b>4 283 249</b>	<b>892 321</b>	<b>9 977 654</b>
<b>Segment liabilities</b>						
Interest-bearing borrowings	-	-	117 487	-	726 233	<b>843 720</b>
Policyholder investment contract liabilities	2 725 372	-	-	-	-	<b>2 725 372</b>
Loans and other payables	417	3 637	41	91	60 718	<b>64 904</b>
Deferred taxation	-	-	1 141	97	10 498	<b>11 736</b>
Financial instrument liabilities	-	-	4 206	-	-	<b>4 206</b>
Trade and other payables	70 600	16 085	190 110	85 486	67 454	<b>429 735</b>
Amounts payable in respect of stockbroking activities	-	-	-	3 979 955	-	<b>3 979 955</b>
Taxation	742	739	20 659	-	39 018	<b>61 158</b>
	<b>2 797 131</b>	<b>20 461</b>	<b>333 644</b>	<b>4 065 629</b>	<b>903 921</b>	<b>8 120 786</b>
Capital expenditure	6 155	1 194	9 968	3 518	4 405	<b>25 240</b>
Depreciation	4 892	2 634	7 009	643	1 058	<b>16 236</b>
Amortisation of intangibles	1 484	-	41 423	-	-	<b>42 907</b>
Movement in revaluation reserve	-	-	-	-	(283)	<b>(283)</b>
Revaluation of available-for-sale assets	-	-	-	-	(410)	<b>(410)</b>
Deferred taxation on revaluation	-	-	-	-	56	<b>56</b>

<sup>1</sup>Other than for Stenham, borrowings are disclosed as part of "group" and have not been allocated to the appropriate underlying segments.

## Segment report

for the year ended 31 March

	<b>Group</b>				
	Wealth management	Asset management	Broking and structuring	Group (operations, investment returns and borrowing costs)	Total
2008	R'000	R'000	R'000	R'000	R'000
Revenue, investment and other income	373 239	247 765	464 343	244 435	1 329 782
Net fair value gains on linked financial investments	274 121	-	-	-	274 121
Linked liability adjustment	(274 121)	-	-	-	(274 121)
Operating expenses	(218 139)	(99 140)	(296 990)	(51 632)	(665 901)
<b>Profit from operations</b>	155 100	148 625	167 353	192 803	663 881
Net interest received	2 809	3 825	48 667	9 240	64 541
Interest received	2 818	3 827	57 737	23 513	87 895
Interest paid	(9)	(2)	(9 070)	(14 273)	(23 354)
Income/ (losses) from associate companies	7 342	(241)	-	-	7 101
<b>Profit from ordinary activities</b>	165 251	152 209	216 020	202 043	735 523
Capital surplus	-	-	-	5 500	5 500
<b>Profit before taxation</b>	165 251	152 209	216 020	207 543	741 023
Taxation	(45 357)	(45 166)	(56 978)	(12 812)	(160 313)
<b>Profit for the year</b>	119 894	107 043	159 042	194 731	580 710
Attributable to:					
Equity holders of the company	119 894	71 354	159 042	117 464	467 754
Minority interest	-	35 689	-	77 267	112 956
	119 894	107 043	159 042	194 731	580 710
<b>Headline earnings</b>	119 894	71 354	159 042	111 964	462 254
% change in profit attributable to equity holders of the company (2007 to 2008)	16%	-4%	35%	47%	25%

## Segment report

for the year ended 31 March

	<b>Group</b>				
	Wealth management	Asset management	Broking and structuring	Group (operations, investments and funding)	Total
	R'000	R'000	R'000	R'000	R'000
2008					
<b>Segment assets</b>					
Property, plant and equipment	6 573	4 073	1 002	80 029	91 677
Intangible assets	239 751	2 946	25 460	-	268 157
Investment in associate companies	2 085	14 884	-	-	16 969
Investments linked to policyholder investment contracts	2 657 024	-	-	-	2 657 024
Non-current financial investments	4 225	-	105	333 198	337 528
Loans and receivables	-	-	-	22 142	22 142
Deferred taxation	13 839	204	774	27	14 844
Current financial investments	12 120	10 911	-	876 023	899 054
Trade and other receivables	42 008	24 576	21 519	15 131	103 234
Amounts receivable in respect of stockbroking activities	-	-	7 111 094	-	7 111 094
Taxation	-	514	6 404	-	6 918
Cash and cash equivalents	106 030	31 637	697 403	218 576	1 053 646
	3 083 655	89 745	7 863 761	1 545 126	12 582 287
<b>Segment liabilities</b>					
Interest-bearing borrowings	-	-	-	65 472	65 472
Policyholder investment contract liabilities	2 657 024	-	-	-	2 657 024
Loans and other payables	165	4 272	-	83 575	88 012
Deferred taxation	-	1 673	47	46 904	48 624
Trade and other payables	102 175	20 425	140 509	54 013	317 122
Amounts payable in respect of stockbroking activities	-	-	7 566 154	-	7 566 154
Taxation	35 359	9 818	38 519	34 090	117 786
	2 794 723	36 188	7 745 229	284 054	10 860 194
Capital expenditure	6 706	2 331	371	707	10 115
Depreciation	3 481	2 197	608	610	6 896
Amortisation of intangible assets	1 484	-	-	-	1 484
Movement in revaluation reserve	-	-	-	(95)	(95)
Revaluation of available-for-sale assets	-	-	-	(119)	(119)
Deferred taxation on revaluation	-	-	-	24	24

The financial statements incorporate the following principal accounting policies, which are consistent with those applied in the previous year, except for IFRS 8: Segment reporting, which has been early adopted.

#### Basis of preparation

These consolidated financial statements are prepared in accordance with, and comply with International Financial Reporting Standards ("IFRS") and the South African Companies Act of 1973, as amended ("the Companies Act"). The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of financial assets at fair value through profit or loss, available-for-sale financial assets and derivative instruments.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a high degree of judgement or areas where assumptions and estimates are significant to the financial statements are disclosed in note 42.

#### Standards in issue, not yet effective

At the date of authorisation of these financial statements, the following relevant standards and interpretations were in issue but not yet effective. The statements are effective for annual periods beginning on or after 1 January 2009, other than that relating to IFRS3: Business combinations and IFRIC17: Distributions of non-cash assets to owners, both of which come into effect for periods beginning on or after 1 July 2009.

*IFRS1: Consolidated and separate financial statements: Cost of investment in subsidiary, jointly controlled entity or associate*  
The amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of cost method and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The statement is further revised, effective 1 July 2009, requiring the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control.

#### *IFRS3: Business combinations*

This is a comprehensive revision on applying the acquisition method with consequential amendments to IAS27 - Consolidated and separate financial statements, IAS28 - Investments in associates and IAS31 - Joint ventures.

#### *IFRS7: Financial instruments - disclosures*

The amendments require advanced disclosure about fair value measurements and liquidity risk.

#### *IAS1: Presentation of financial statements*

The objective of this standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. This is a comprehensive revision including requiring a statement of comparative income.

#### *IAS32: Financial instruments: presentation - puttable financial instruments and obligations arising on liquidation*

The amendment requires entities to classify certain financial instruments as equity.

#### *IAS39: Financial instruments: disclosures classification*

The amendment clarifies the reclassification criteria for financial instruments.

#### *IFRIC17: Distributions of non-cash assets to owners*

The interpretation addresses the recognition and disclosure requirements for entities that distribute non-cash assets as dividends.

The directors have not yet determined what the impact of these new standards and interpretation on the group and company will be.

#### **Standards in issue, not yet effective and not considered relevant to the group's operations at present**

The statements are effective for annual periods beginning on or after 1 January 2009, other than that relating to IAS39: Financial instruments which comes into effect for periods beginning on or after 1 July 2009.

#### *IFRS2: Share-based payments*

#### *IAS23: Borrowing costs*

#### *IAS39: Financial instruments: recognition and measurement - eligible hedged items*

#### *IFRIC18: Transfer of assets from customers*

#### **Standards in issue and not relevant to the group's operations at present**

#### *IFRIC12: Service concession arrangements*

#### *IFRIC13: Customer loyalty programmes*

#### *IFRIC14: IAS19 - The limit on a defined benefit asset, minimum funding requirements and their interaction*

#### *IFRIC16: Hedges of a net investment in a foreign operation*

### 1. Principles of consolidation

Subsidiaries are entities, including unincorporated entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity. The financial statements of subsidiaries are consolidated from the date on which the group acquires effective control up to the date that effective control ceases.

Special purpose entities established to facilitate client investments into hedge funds managed by the group are consolidated when the substance of the relationship between the group and the special purpose entity indicates that the group effectively controls the entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired (including intangible assets) and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values, with the exception of those assets classified as held for trading in terms of IFRS5 which are recognised at their fair value less costs to sell, at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of an acquisition over the fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy note 5. The accounting policies of subsidiaries are consistent with the policies adopted by the group.

# Principal accounting policies

Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation.

Investments in subsidiaries are accounted for at cost by the company. The carrying amount of these investments are reviewed annually and written down for impairment where considered necessary.

The group share incentive trusts are included in the consolidated financial statements as subsidiaries.

## 2. Associates

Associates are those entities over which the group has the ability to exercise significant influence, but not control, over the financial and operating policies.

Interest in associates are accounted for using the equity method and are carried in the balance sheet at an amount that reflects the group's share of the net assets of the associate. Equity accounting involves recognising the investment initially at cost, including goodwill, and subsequently adjusting the carrying value for the group's share of associate profit or loss recognised in the income statement and other direct reserve movements. When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

Unrealised gains and losses arising from intercompany transactions are eliminated in determining the group's share of equity accounted profits.

Where an investment which meets the definition of an associate is acquired and held for purposes of the group's investment activities, it is not accounted for under the equity method but is classified as held at fair value through profit or loss and accounted for on the basis set out in accounting policy note 6.

Investments in associates are accounted for at cost by the company and reviewed for impairment annually.

## 3. Foreign currencies

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in rands which is the company's functional currency and the group's presentation currency.

### *Transactions and balances*

Transactions in foreign currencies are translated into the functional currency at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and liabilities, measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair

value in a foreign currency are translated using the foreign exchange rates at the dates the fair value was determined.

### *Foreign operations*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the group's presentation currency are translated into rands as follows:

- assets and liabilities are translated at the foreign exchange rate ruling at the balance sheet date, and
- income and expenses are translated at average exchange rates for the year, to the extent that such average rates approximate rates ruling at the dates of the transactions.

Exchange differences arising on the translation are recognised directly in a separate component of equity (foreign currency translation reserve). When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

## 4. Property and equipment

### *Owned assets*

Property and equipment are stated at historic cost less accumulated depreciation and impairment.

### *Leased assets*

Leases in terms of which the group assumes substantially all of the benefits and risks of ownership are classified as finance leases.

Lease payments are accounted for as set out in policy note 17. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Maintenance and repairs which do not meet these criteria are recognised in profit or loss as incurred.

Property and equipment are depreciated on the straightline basis to write off the cost of the asset to its expected residual value over its estimated useful life. Land is not depreciated. The residual value, if not insignificant, is reassessed annually. Where the residual value equals or exceeds the carrying amount of an asset no depreciation is recognised.

Estimated useful lives are as follows:

Computer hardware	3 years
Computer software	2 years
Furniture, fittings and office equipment	4-5 years
Motor vehicles	4 years
Leasehold improvements	3 years

The carrying value of an asset is reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell or the value in use.

The fair value is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

## Principal accounting policies

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in profit or loss.

### 5. Intangible assets

#### *Goodwill*

Goodwill represents the difference between the cost of acquisition of subsidiaries and associates and the fair value of the identifiable net assets acquired.

Goodwill arising on acquisitions prior to 31 March 2004 is included in the balance sheet at its deemed cost (cost less accumulated amortisation recognised up to 31 March 2003) which represents the amount recorded under previous SA GAAP.

Goodwill arising on acquisitions after 1 April 2004 and the carrying value of goodwill that existed at this date are not amortised but carried at cost less impairment losses.

Goodwill is tested annually for impairment and whenever there is an indicator of impairment. For the purposes of impairment testing goodwill is allocated to cash generating units expected to benefit from the business combination in which the goodwill arose. An impairment is recognised if the carrying amount of the cash generating unit exceeds its recoverable amount. Losses are recognised in profit or loss. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the cash generating unit sold.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

Negative goodwill is recognised in profit or loss in the period in which it arises.

#### *Other intangibles*

Intangible assets are recorded at cost less accumulated amortisation and impairments.

Intangible assets with a finite life are amortised on a straightline basis to write off the cost of the asset to its expected residual value over its estimated useful life. The useful life and residual value are reassessed annually.

Intangible assets with an indefinite life are not amortised, however they are tested for impairment on an annual basis.

### 6. Financial assets

#### *Classification*

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification is dependent on the purpose for which the asset is acquired. Management determines the classification of its investments at the time of purchase and re-evaluates such designation at every reporting date.

#### *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception and include the group's investment into hedge funds, securities held as part of the group's stockbroking activities and investments

held as part of the group's investment banking activities. Derivative instruments are classified as assets held for trading.

All financial assets that are held by the group to back life assurance and investment contract liabilities are designated by the group on initial recognition as at fair value through profit and loss. This designation eliminates a measurement inconsistency that would otherwise arise if these financial assets were not measured at fair value and the changes in fair value were not recognised in profit or loss since the investment contract liabilities are also measured at fair value.

#### *Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those which the group has classified upon initial recognition as at fair value through profit or loss.

#### *Available-for-sale assets*

These are assets that are held for an indefinite period of time and are not classified in any of the other categories. The category includes shares and rights held by various group companies as members of the JSE Ltd and SAFEX.

#### *Measurement*

Purchases and sales of 'regular way' financial assets are recognised on the trade date, which is when the group commits to purchase or sell the assets. Other financial assets are recognised when the entity becomes party to the contractual provisions of the agreement and derecognised when the contractual rights to receive cash flows from the financial asset expire, or where the financial assets have been transferred, together with substantially all of the risks and rewards of ownership.

All financial assets are initially measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs incurred in the acquisition of financial assets carried at fair value through profit or loss are expensed in profit or loss.

After initial recognition, the group measures financial assets designated at fair value through profit or loss or as available-for-sale, at fair values without any deduction for transaction costs it may incur on their disposal.

The fair value of quoted financial assets is their bid price at the balance sheet date. If the market for a financial asset is not active or the instrument is an unlisted instrument the fair value is estimated using valuation techniques. These include the use of recent arm's length transactions, references to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for a financial asset with similar terms and conditions. Where other pricing models are used, inputs are based on observable market indicators at the balance sheet date. If the value of unlisted equity instruments cannot be reliably measured, they are measured at cost.

Loans and receivables are measured at amortised cost using the effective interest method, less impairment losses which are recognised in profit or loss. In the case of short term and trade receivables,

## Principal accounting policies

the impact of discounting is not material and cost approximates amortised cost.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses, which are recognised in profit or loss. When available-for-sale financial assets are sold or impaired, the cumulative gains or losses previously recognised in equity are recognised in profit or loss.

### **Impairment**

Financial assets, other than those designated as at fair value through profit or loss are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the recoverable amount is estimated and the carrying value is reduced to the estimated recoverable amount by means of a charge to profit or loss.

#### *Available-for-sale financial assets*

An available-for-sale financial asset is considered impaired if a significant or prolonged decline in the fair value of the security below its cost has occurred.

Where an available-for-sale asset is impaired and a loss on the financial asset was previously recognised directly in equity, the cumulative net loss that has been recognised in equity is transferred to profit or loss as part of the impairment loss.

Where an available-for-sale asset is impaired and an increase in the fair value of the financial asset was previously recognised in equity, the increase in fair value of the financial asset recognised in equity is reversed to the income statement to the extent that the asset is impaired and recognised as part of the impairment loss. Any additional impairment loss is recognised in profit or loss. If in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the reversal is recognised directly in equity.

#### *Loan and receivables*

Loans and receivables carried at amortised cost are impaired if there is objective evidence that the group will not receive cash flows according to the original contractual terms. Default or delinquency in payment and significant financial difficulties are considered indicators that the receivable is impaired. The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows discounted at the original effective rate. The resulting loss is accounted for as an impairment in profit or loss.

## **7. Hedge accounting**

Derivative financial instruments which form part of qualifying designated hedging relationships are classified as either cash flow hedges, fair value hedges or a hedge of a net investment in a foreign operation depending on the nature of the risk being hedged. At the time a financial instrument is designated as a hedge, the group formally documents the relationship between the hedging instrument and hedge items, including the risk management objectives and its strategy in undertaking the hedge transaction,

together with the methods that will be used to assess the hedge effectiveness. The group assesses on an ongoing basis whether the hedge has been effective in offsetting fair value changes or cash flows of hedged items.

#### *Fair value hedges*

Gains and losses on fair value hedges are recognised in profit and loss at each reporting date.

#### *Cash flow hedges*

Fluctuations in the fair value of cash flows hedges are recognised directly in equity to the extent that the hedge is effective. Any fair value movements resulting in ineffectiveness in the hedging relationship are recognised in profit or loss immediately.

Where the underlying hedged transaction results in the recognition of a non-financial asset, the gain or loss deferred in equity is recognised in the carrying value of the underlying asset at initial recognition.

## **8. Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents.

## **9. Financial liabilities**

#### *Financial liabilities at fair value through profit or loss*

These are financial liabilities held for trading and comprise securities held as part of the group's stockbroking activities.

#### *Loans and payables*

Loans are recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. In the case of short-term payables, the impact of discounting is not material and cost approximates amortised cost.

#### *Investment contracts*

The group issues investment contracts that transfer financial risk. Through the consolidation of Citadel Life Ltd, and certain special purpose entities established to facilitate the investment of client funds into local hedge funds the investment contracts are carried on balance sheet.

Investment contracts are recognised as financial liabilities in the balance sheet when the group becomes party to their contractual provisions. Contributions received from policyholders are not recognised in profit or loss but are accounted for as deposits.

All investment contracts issued by the group are designated by the group on initial recognition as at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value.

Changes in the fair value of investment contracts are included in profit or loss in the period in which they arise.

Fair value measurement of investment contract liabilities is based on the fair value of the financial assets held within the appropriate unit-linked funds less the tax anticipated to be paid on investment gains.

# Principal accounting policies

## 10. Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

## 11. Deferred taxation

Deferred taxation is provided for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax is not accounted for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that a taxable profit will be available in future years against which the tax asset can be recovered.

## 12. Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds, net of tax.

Shares in the company held by group companies and the share incentive trusts are classified as treasury shares. The consideration paid for treasury shares, including any directly attributable costs (net of income taxes) is deducted on consolidation from total shareholders' equity. Fair value changes recognised in subsidiary financial statements in respect of treasury shares are reversed on consolidation and dividends received are offset against dividends paid. Profits/losses realised on the application of treasury shares are credited/debited directly to equity. Where treasury shares are subsequently sold or issued, the consideration received (net of incremental cost and attributable taxes) is included in equity.

## 13. Loan arrangements and offsetting

In the ordinary course of its business the Stenham group arranges loans against borrowings where the lender only has recourse to the ultimate borrower, and not the group. The group charges fees for arranging the loans but bears none of the risks and rewards in respect of these loans and receives no interest on the loans. Accordingly, the loans and the corresponding borrowings are set off in the group's financial statements in accordance with the provisions of IAS39 and IFRS7.

## 14. Segment reporting

Operating segments have been identified using the management approach as required by IFRS 8, in terms of which segment classification is determined according to the basis on which management and the board review the operating results.

## 15. Employee benefits

### *Post-retirement benefits*

Citadel Holdings Ltd operates a defined contribution plan based on a percentage of pensionable earnings funded by employees. Plan assets are held in separate trustee administered funds. Contributions to the plan are charged to profit or loss in the period in which they become payable.

### *Leave entitlements*

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with respect to services rendered up to the balance sheet date.

## 16. Revenue

Principal sources of revenue comprise:

- fees and profit participations charged for fund management activities;
- fees on financial structuring advice and related services;
- brokerage and commissions arising on the purchase and sale of equities and other financial instruments;
- net interest earned on scrip lending, contracts-for-difference and other prime broking products and services, and
- rental received from external tenants.

Other income includes:

- profit on sale of financial investments;
- changes in the fair value of assets classified as at fair value through profit or loss;
- interest earned on loans made as part of the group's investing activities;
- interest paid on hedge fund gearing, and
- dividend income.

Revenue from service-based activities is recognised when the service is provided and complete. Interest income is recognised on a basis that reflects the effective yield on the underlying instruments. Dividends are brought into account as at the last date of registration in respect of listed shares and when declared in respect of unlisted shares. Rental received is recognised on a straightline basis over the term of the lease.

## 17. Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straightline basis over the term of the lease.

## 18. Taxation

The tax expense for the period comprises current, deferred and secondary tax on companies. Tax is recognised in the income statement except to the extent that it relates to items recognised in equity, in which case it is recognised in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or deductible. The group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by balance sheet date.

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>1. Operating revenue</b>				
Fees and performance participations	1 168 587	628 554	-	-
Brokerage and trading income	254 489	274 543	-	-
Net interest received in respect of stockbroking activities (note 1.1)	111 627	186 537	-	-
Rentals received	6 805	5 804	-	-
	<b>1 541 508</b>	1 095 438	-	-
<b>1.1 Net interest received in respect of stockbroking activities</b>				
Interest received (note 1.1.1)	469 508	497 558	-	-
Interest paid (note 1.1.2)	(357 881)	(311 021)	-	-
	<b>111 627</b>	186 537	-	-
<i>1.1.1 Interest received</i>				
Scrip lending	176 760	102 845	-	-
Client accounts	7 733	14 011	-	-
Margin, collateral and CFD funding	285 015	380 702	-	-
	<b>469 508</b>	497 558	-	-
Arising on:				
Financial assets at amortised cost	283 198	118 333	-	-
Financial assets at fair value through profit or loss	186 310	379 225	-	-
	<b>469 508</b>	497 558	-	-
<i>1.1.2 Interest paid</i>				
Scrip lending	164 327	126 843	-	-
Margin, collateral and CFD funding	193 554	184 178	-	-
	<b>357 881</b>	311 021	-	-
Arising on:				
Financial liabilities measured at amortised cost	136 936	221 042	-	-
Financial liabilities at fair value through profit or loss	220 945	89 979	-	-
	<b>357 881</b>	311 021	-	-
<b>2. Investment and other income</b>				
Dividend income	2 491	12 420	127 734	103 000
Realised profit:	32 761	80 448	-	-
Hedge fund investments	(61 894)	52 353	-	-
Private equity investments	(22 317)	27 905	-	-
Unit trusts	1 608	190	-	-
Property - land and building	115 364	-	-	-
Fair value adjustments:	(117 465)	138 334	-	-
Hedge fund investments	(16 880)	26 194	-	-
Private equity investments	(97 019)	112 650	-	-
Unit trusts	(3 566)	(510)	-	-
Net interest (paid)/received in respect of investing activities (note 2.1)	(7 282)	3 142	-	-
	<b>(89 495)</b>	234 344	<b>127 734</b>	103 000

## Notes to the annual financial statements

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>2. Investment income (continued)</b>				
<b>2.1 Net interest (paid)/received in respect of investing activities</b>				
Interest received - private equity investments	8 584	14 062	-	-
Interest paid - hedge fund loans	(15 866)	(10 920)	-	-
	<b>(7 282)</b>	3 142	-	-
Arising on:				
Financial investments at fair value through profit and loss	(189 019)	245 243	-	-
Available-for-sale investments	26	21	-	-
Financial liabilities measured at amortised cost	(15 866)	(10 920)	-	-
Non-financial assets	115 364	-	127 734	103 000
	<b>(89 495)</b>	234 344	<b>127 734</b>	103 000
<b>3. Investments linked to policyholder investment contracts and policyholder investment contract liabilities</b>				
<b>3.1 Net fair value (losses)/gains on linked financial investments</b>				
<i>Citadel Life investment contracts</i>				
Realised and unrealised (losses)/gains on policyholder investments	(148 458)	176 652	-	-
Investment income	23 934	13 431	-	-
Interest received	20 172	2 327	-	-
Dividends received - local	3 761	11 103	-	-
Dividends received - foreign	1	1	-	-
	<b>(124 524)</b>	190 083	-	-
<i>Non-Citadel Life investment contracts</i>				
Realised and unrealised investment (losses)/gains	(157 389)	34 480	-	-
Investment income	88 141	49 558	-	-
Interest received	61 710	38 852	-	-
Dividends received	26 431	10 706	-	-
	<b>(69 248)</b>	84 038	-	-
	<b>(193 772)</b>	274 121	-	-
<b>3.2 Linked liability adjustment</b>				
<i>Citadel Life investment contracts</i>				
Expenses borne by policyholders	(19 235)	(18 351)	-	-
Fair value adjustment on policyholder liabilities	141 700	(160 168)	-	-
Policyholder tax withheld (note 3.3)	2 059	(11 564)	-	-
	<b>124 524</b>	(190 083)	-	-
<i>Non-Citadel Life investment contracts</i>				
Interest paid	(49 834)	(27 562)	-	-
Administration expenses	(11 876)	(11 290)	-	-
Fair value adjustment/(distribution) to debenture holders	130 958	(45 186)	-	-
	<b>69 248</b>	(84 038)	-	-
	<b>193 772</b>	(274 121)	-	-

## Notes to the annual financial statements

	Group		Company
<b>3. Investments linked to policyholder investment contracts and policyholder investment contract liabilities (continued)</b>			
<b>3.3 Taxation on policyholder investments</b>			
Taxation on policyholder investments comprises tax due on investment gains in policyholder funds. Taxes that become due and payable are recovered from policyholder assets.			
	<b>2009</b> R'000	2008 R'000	<b>2009</b> R'000
			2008 R'000
<b>4. Operating expenses</b>			
Auditors' remuneration	<b>11 299</b>	5 420	<b>27</b>
Audit fees	<b>6 833</b>	3 536	<b>27</b>
Other services			
Internal audit	<b>2 678</b>	1 608	-
Advisory fees	<b>1 788</b>	276	-
Depreciation	<b>16 236</b>	6 896	-
Computer hardware	<b>4 649</b>	3 488	-
Computer software	<b>4 499</b>	1 894	-
Furniture, fittings and office equipment	<b>3 692</b>	957	-
Motor vehicles	<b>109</b>	97	-
Leasehold improvements	<b>3 287</b>	460	-
Loss/(profit) on disposal of property, plant and equipment	<b>39</b>	(63)	-
Amortisation of intangible assets - customer relationships	<b>36 260</b>	1 484	-
Amortisation of intangible assets - trade name	<b>6 647</b>	-	-
Directors' emoluments (note 4.1)	<b>15 010</b>	25 158	-
Executive directors			
For managerial services paid for by subsidiaries	<b>14 005</b>	24 130	-
Non-executive directors	<b>1 005</b>	1 028	-
Key management remuneration	<b>118 919</b>	212 029	-
Salaries and contributions	<b>40 966</b>	35 801	-
Pension benefits	<b>2 966</b>	2 675	-
Bonus and performance participations	<b>74 987</b>	173 553	-
Staff-related costs	<b>411 066</b>	218 466	-
Salaries and contributions	<b>263 195</b>	111 747	-
Pension benefits	<b>12 557</b>	8 155	-
Bonus and performance participations	<b>135 314</b>	98 564	-
Fees for services	<b>36 806</b>	19 927	<b>135</b>
Administrative	<b>12 515</b>	10 419	<b>135</b>
Secretarial	<b>422</b>	438	-
Technical	<b>23 869</b>	9 070	-
Operating lease rentals	<b>29 546</b>	7 817	-
Premises	<b>29 492</b>	7 767	-
Office equipment	<b>54</b>	50	-
Foreign exchange losses/(gains)	<b>5 606</b>	(13 345)	-
Decrease in impairment for doubtful debts	<b>(599)</b>	-	-
Impairment to loans and receivables	<b>2 666</b>	-	-
Other non-disclosable expenses	<b>451 139</b>	182 112	<b>215</b>
	<b>1 144 528</b>	665 901	<b>377</b>
Number of employees	<b>573</b>	418	

## Notes to the annual financial statements

Group							
	Fees	Basic salary and allowances	Pension fund benefits	Performance bonus	Total emoluments paid	Gain on share options	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>4. Operating expenses (continued)</b>							
<b>4.1 Directors' emoluments 2009</b>							
Executive directors							
SA Melnick <sup>1</sup>	-	3 655	-	3 500	7 155	-	<b>7 155</b>
P Goetsch	-	1 944	-	3 000	4 944	-	<b>4 944</b>
KA Betty (resigned 31 March 2009)	-	1 906	-	-	1 906	-	<b>1 906</b>
	-	7 505	-	6 500	14 005	-	<b>14 005</b>
Non-executive directors							
LN Harris	220	-	-	-	220	-	<b>220</b>
BC Beaver	220	-	-	-	220	-	<b>220</b>
E Dube	120	-	-	-	120	-	<b>120</b>
MY Sibisi	120	-	-	-	120	-	<b>120</b>
S Stein	325	-	-	-	325	-	<b>325</b>
	1 005	7 505	-	6 500	15 010	-	<b>15 010</b>
2008							
Executive directors							
SA Melnick	-	2 160	-	6 000	8 160	-	8 160
P Goetsch	-	1 800	-	6 000	7 800	-	7 800
KA Betty	-	1 358	562	6 250	8 170	1 155	9 325
	-	5 318	562	18 250	24 130	1 155	25 285
Non-executive directors							
LN Harris	200	-	-	-	200	-	200
BC Beaver <sup>2</sup>	370	-	-	-	370	-	370
E Dube	120	-	-	-	120	-	120
MY Sibisi	120	-	-	-	120	-	120
S Stein (appointed 28 May 2007)	218	-	-	-	218	-	218
	1 028	5 318	562	18 250	25 158	1 155	26 313

<sup>1</sup>The basic salary and allowance paid to SA Melnick comprise emoluments paid by local subsidiaries in the amount of R243 111 and emoluments paid by the Stenham group in the amount of £227 947.

<sup>2</sup>BC Beaver's emoluments for the year ended 31 March 2008 include an amount of R150 000 relating to prior years.

No director earned an emolument in terms of which, in accordance with IFRS2, an amount was expensed through the income statement in the current year.

## Notes to the annual financial statements

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>5. Net interest received</b>				
Interest received (note 5.1)	<b>88 716</b>	87 895	<b>391</b>	58
Interest paid (note 5.2)	<b>(137 863)</b>	(23 354)	-	-
	<b>(49 147)</b>	64 541	<b>391</b>	58
<b>5.1 Interest received</b>				
Bank balances	<b>81 783</b>	77 016	<b>391</b>	58
JSE Trustees	<b>4 204</b>	6 559	-	-
Loans	<b>1 950</b>	3 020	-	-
Deferred delivery scheme receivable	-	267	-	-
Other	<b>779</b>	1 033	-	-
	<b>88 716</b>	87 895	<b>391</b>	58
Arising on:				
Financial assets at amortised cost	<b>88 011</b>	87 314	<b>391</b>	58
Financial assets held for trading	<b>613</b>	453	-	-
Non-financial assets	<b>92</b>	128	-	-
	<b>88 716</b>	87 895	<b>391</b>	58
<b>5.2 Interest paid</b>				
Bank overdraft	<b>426</b>	8 641	-	-
Finance lease liability	<b>9 200</b>	11 050	-	-
JSE Trustees	-	46	-	-
Funding facilities	<b>127 299</b>	3 142	-	-
Other	<b>938</b>	475	-	-
	<b>137 863</b>	23 354	-	-
Arising on:				
Financial liabilities measured at amortised cost	<b>137 816</b>	12 224	-	-
Non-financial liabilities	<b>47</b>	11 130	-	-
	<b>137 863</b>	23 354	-	-
<b>6. Capital (impairment)/surplus</b>				
Impairment to loan to associate forming part of the net investment in associate	<b>(11 043)</b>	-	-	-
Surplus on sale of shares in Peregrine iQ (Pty) Ltd	-	5 500	-	-
	<b>(11 043)</b>	5 500	-	-

## Notes to the annual financial statements

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>7. Taxation</b>				
South African normal taxation	<b>86 677</b>	168 832	-	-
Current year	<b>95 863</b>	168 673	-	-
Prior year (over)/under provision	<b>(9 186)</b>	159	-	-
Deferred taxation	<b>(80 747)</b>	(12 306)	-	-
Current year	<b>(86 336)</b>	(11 826)	-	-
Prior year underprovision	<b>5 589</b>	165	-	-
Rate change	-	(645)	-	-
Foreign taxation	<b>30 024</b>	587	-	-
Secondary tax on companies	<b>4 927</b>	3 200	-	-
	<b>40 881</b>	160 313	-	-
Profit before taxation	<b>256 836</b>	741 023	<b>127 748</b>	102 663
Income from associate companies	<b>(9 541)</b>	(7 101)	-	-
Profit before taxation and income from associate companies	<b>247 295</b>	733 922	<b>127 748</b>	102 663
Tax rate reconciliation	%	%	%	%
Standard rate of taxation	<b>28.0</b>	29.0	<b>28.0</b>	29.0
<i>Adjusted for:</i>				
Disallowable expenditure	<b>15.3</b>	3.4	-	-
Capital losses	<b>5.1</b>	-	-	-
Secondary tax on companies	<b>2.0</b>	0.4	-	-
Losses/(income) attributable to partners in private equity fund	<b>6.5</b>	(2.9)	-	-
Revaluation of deferred tax due to currency movements	<b>0.3</b>	-	-	-
Capital profits and exempt income	<b>(25.5)</b>	(7.1)	<b>(28.0)</b>	(29.1)
Amounts deductible for tax purposes	<b>(1.8)</b>	(0.3)	-	-
Income earned in non taxed jurisdictions and jurisdictions with differing tax rates	<b>(11.9)</b>	-	-	-
Assessable losses	-	-	-	0.1
Prior year assessed losses utilised for which no deferred tax asset raised	-	(0.6)	-	-
Rate change and difference in rate of share trusts	-	(0.1)	-	-
Prior year underprovision	<b>(1.5)</b>	-	-	-
Effective rate of taxation	<b>16.5</b>	21.8	-	-
Estimated assessable losses available for set-off against future taxable income	<b>176 965</b>	18 639	<b>1 056</b>	1 087
Applied to reduce deferred tax	<b>(174 893)</b>	(15 875)	-	-
	<b>2 072</b>	2 764	<b>1 056</b>	1 087
<b>8. Earnings per share</b>				
Headline earnings per share (cents)	<b>33.9</b>	222.7		
Basic earnings per share (cents)	<b>54.8</b>	225.4		
Diluted headline earnings per share (cents)	<b>33.9</b>	222.7		
Diluted basic earnings per share (cents)	<b>54.8</b>	225.4		
Headline earnings per share excluding intangible amortisation (cents)	<b>43.7</b>	223.4		
Basic earnings per share excluding intangible amortisation (cents)	<b>64.6</b>	226.1		

## Notes to the annual financial statements

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>8. Earnings per share (continued)</b>				
The calculation of basic, diluted and headline earnings per share is based on the following data:				
Earnings				
Profit attributable to equity holders	118 041	467 754		
Headline earnings	73 067	462 254		
	<b>'000</b>	<b>'000</b>		
Number of shares				
Weighted average number of ordinary shares in issue during the year	215 239	207 548		
Diluted weighted average number of ordinary shares in issue during the year	215 239	207 548		

Basic earnings per share is calculated by dividing profit attributable to equity holders by the weighted average number of shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At balance sheet date there were no potentially dilutive ordinary shares still to be issued.

	2009 R'000	2008 R'000
Reconciliation between earnings and headline earnings:		
Profit attributable to equity holders - IAS 33 earnings	118 041	467 754
<i>Adjustments:</i>		
Impairment to loan to associate forming part of the net investment in associate - IAS 36	11 043	-
Surplus on sale of property - IAS 16	(56 017)	-
Surplus on sale of subsidiary shares - IAS 27	-	(5 500)
<b>Headline earnings</b>	<b>73 067</b>	<b>462 254</b>

Headline earnings have not been adjusted for loss on disposal of property, plant and equipment of R38 673 (2008: profit of R63 112) as the amounts are not considered material. The surplus on sale of property is net of tax and minority interests in the amounts of R14,370 million and R44,977 million respectively.

### 9. Dividend

Dividends are accounted for when declared.

Dividend paid	<b>120 554</b>	88 661	<b>127 752</b>	102 658
Dividend declared on 28 May 2008 paid on 28 July 2008 (cents per share)	<b>56.0</b>		<b>56.0</b>	
Dividend declared on 28 May 2007 paid on 6 August 2007 (cents per share)		45.0		45.0

A cash dividend in respect of the year ended 31 March 2009 of 13 cents will be paid to shareholders on 3 August 2009. The financial statements do not reflect this dividend.

## Notes to the annual financial statements

		Group						
Notes	At fair value through profit and loss		Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Non-financial instruments	Total	
	Held for trading R'000	Designated at inception R'000	R'000	R'000	R'000	R'000	R'000	
<b>10. Analysis of assets and liabilities by financial instrument classification</b>								
<b>2009</b>								
<b>Non-current assets</b>								
Property, plant and equipment	11	-	2 918 337	11 459	995	-	1 578 167	<b>4 508 958</b>
Intangible assets	13	-	-	-	-	-	40 369	<b>40 369</b>
Investment in associate companies	15	-	-	-	-	-	1 455 064	<b>1 455 064</b>
Investments linked to policyholder investment contracts	16	-	2 725 372	-	-	-	8 992	<b>8 992</b>
Financial investments	17	-	192 965	-	995	-	-	<b>2 725 372</b>
Loans and receivables	18	-	-	11 459	-	-	270	<b>193 960</b>
Deferred taxation	19	-	-	-	-	-	73 472	<b>11 729</b>
		-	-	-	-	-	-	<b>73 472</b>
<b>Current assets</b>								
Financial investments	17	2 038 399	532 841	2 869 739	-	-	27 717	<b>5 468 696</b>
Loans and receivables	18	17 225	532 841	-	-	-	-	<b>550 066</b>
Trade and other receivables	20	-	-	5 917	-	-	-	<b>5 917</b>
Amounts receivable in respect of stockbroking activities	21	-	-	272 893	-	-	8 412	<b>281 305</b>
Taxation	22	2 021 174	-	1 877 314	-	-	-	<b>3 898 488</b>
Cash and cash equivalents	22	-	-	-	-	-	19 305	<b>19 305</b>
		-	-	713 615	-	-	-	<b>713 615</b>
<b>Total assets</b>		2 038 399	3 451 178	2 881 198	995	-	1 605 884	<b>9 977 654</b>
<b>Non-current liabilities</b>								
Interest-bearing borrowings	25	-	2 720 443	-	-	731 632	24 072	<b>3 476 147</b>
Policyholder investment contract liabilities	16	-	-	-	-	674 135	-	<b>674 135</b>
Loans and other payables	26	-	2 720 443	-	-	-	4 929	<b>2 725 372</b>
Deferred taxation	19	-	-	-	-	57 497	7 407	<b>64 904</b>
		-	-	-	-	-	11 736	<b>11 736</b>
<b>Current liabilities</b>								
Financial instrument liabilities	27	1 932 441	4 206	-	-	2 633 867	74 125	<b>4 644 639</b>
Current portion of interest-bearing borrowings	25	-	4 206	-	-	-	-	<b>4 206</b>
Trade and other payables	28	-	-	-	-	169 585	-	<b>169 585</b>
Amounts payable in respect of stockbroking activities	21	-	-	-	-	416 768	12 967	<b>429 735</b>
Taxation	21	1 932 441	-	-	-	2 047 514	-	<b>3 979 955</b>
		-	-	-	-	-	61 158	<b>61 158</b>
<b>Total liabilities</b>		1 932 441	2 724 649	-	-	3 365 499	98 197	<b>8 120 786</b>

## Notes to the annual financial statements

		Group						
Notes	At fair value through profit and loss		Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Non-financial instruments	Total	
	Held for trading R'000	Designated at inception R'000	R'000	R'000	R'000	R'000	R'000	
<b>10. Analysis of assets and liabilities by financial instrument classification (continued)</b>								
2008								
<b>Non-current assets</b>								
Property, plant and equipment	11	-	2 993 147	9 806	1 405	-	403 983	3 408 341
Intangible assets	13	-	-	-	-	-	91 677	91 677
Investment in associate companies	15	-	-	-	-	-	268 157	268 157
Investments linked to policyholder investment contracts	16	-	2 657 024	-	-	-	16 969	16 969
Financial investments	17	-	336 123	-	1 405	-	-	2 657 024
Loans and receivables	18	-	-	9 806	-	-	12 336	337 528
Deferred taxation	19	-	-	-	-	-	14 844	22 142
		-	-	-	-	-	14 844	14 844
<b>Current assets</b>								
Financial investments	17	4 961 584	740 277	3 465 167	-	-	6 918	9 173 946
Trade and other receivables	20	158 777	740 277	-	-	-	-	899 054
Amounts receivable in respect of stockbroking activities	21	-	-	103 234	-	-	-	103 234
Taxation	21	4 802 807	-	2 308 287	-	-	-	7 111 094
Cash and cash equivalents	22	-	-	-	-	-	6 918	6 918
		-	-	1 053 646	-	-	-	1 053 646
<b>Total assets</b>		4 961 584	3 733 424	3 474 973	1 405	-	410 901	12 582 287
<b>Non-current liabilities</b>								
Interest-bearing borrowings	25	-	2 630 817	-	-	110 703	109 924	2 851 444
Policyholder investment contract liabilities	16	-	-	-	-	57 784	-	57 784
Loans and other payables	26	-	2 630 817	-	-	-	26 207	2 657 024
Deferred taxation	19	-	-	-	-	52 919	35 093	88 012
		-	-	-	-	-	48 624	48 624
<b>Current liabilities</b>								
Current portion of interest-bearing borrowings	25	3 867 393	-	-	-	4 012 921	128 436	8 008 750
Trade and other payables	28	-	-	-	-	7 688	-	7 688
Amounts payable in respect of stockbroking activities	21	-	-	-	-	306 472	10 650	317 122
Taxation	21	3 867 393	-	-	-	3 698 761	-	7 566 154
		-	-	-	-	-	117 786	117 786
<b>Total liabilities</b>		3 867 393	2 630 817	-	-	4 123 624	238 360	10 860 194

## Notes to the annual financial statements

Company								
Notes	At fair value through profit and loss		Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Non-financial instruments	Total	
	Held for trading R'000	Designated at inception R'000	R'000	R'000	R'000	R'000	R'000	
<b>10. Analysis of assets and liabilities by financial instrument classification (continued)</b>								
<b>2009</b>								
<b>Non-current assets</b>								
Interest in subsidiaries	14	-	-	71 730	-	-	7 195	<b>78 925</b>
<b>Current assets</b>								
Cash and cash equivalents	22	-	-	1 776	-	-	-	<b>1 776</b>
<b>Total assets</b>		-	-	73 506	-	-	7 195	<b>80 701</b>
<b>Current liabilities</b>								
Trade and other payables	28	-	-	-	-	2 420	-	<b>2 420</b>
<b>Total liabilities</b>		-	-	-	-	2 420	-	<b>2 420</b>
<b>2008</b>								
<b>Non-current assets</b>								
Interest in subsidiaries	14	-	-	71 864	-	-	7 195	79 059
<b>Current assets</b>								
Cash and cash equivalents	22	-	-	748	-	-	-	748
<b>Total assets</b>		-	-	72 612	-	-	7 195	79 807
<b>Current liabilities</b>								
Trade and other payables	28	-	-	-	-	1 522	-	1 522
<b>Total liabilities</b>		-	-	-	-	1 522	-	1 522

## Notes to the annual financial statements

Group								
	Computer hardware	Computer software	Furniture, fittings and office equipment	Motor vehicles	Leasehold improvements	Land	Buildings	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>11. Property, plant and equipment</b>								
<b>2009</b>								
Carrying value at beginning of the year	6 456	1 801	3 691	296	806	23 000	55 627	<b>91 677</b>
Cost	22 180	10 892	16 346	403	1 368	23 000	55 627	<b>129 816</b>
Accumulated depreciation	(15 724)	(9 091)	(12 655)	(107)	(562)	-	-	<b>(38 139)</b>
Acquisitions through business combinations	2 030	2 755	3 832	31	12 626	-	-	<b>21 274</b>
Additions	3 204	10 426	9 026	231	2 353	-	-	<b>25 240</b>
Disposals	(133)	-	(73)	(43)	-	(23 000)	(55 627)	<b>(78 876)</b>
Cost	(657)	(12)	(232)	(175)	-	(23 000)	(55 627)	<b>(79 703)</b>
Accumulated depreciation	524	12	159	132	-	-	-	<b>827</b>
Depreciation	(4 649)	(4 499)	(3 692)	(109)	(3 287)	-	-	<b>(16 236)</b>
Translation difference	(185)	(857)	(389)	-	(1 279)	-	-	<b>(2 710)</b>
Cost	(228)	(1 039)	(476)	-	(1 532)	-	-	<b>(3 275)</b>
Accumulated depreciation	43	182	87	-	253	-	-	<b>565</b>
Carrying value at end of the year	6 723	9 626	12 395	406	11 219	-	-	<b>40 369</b>
Cost	26 529	23 022	28 496	490	14 815	-	-	<b>93 352</b>
Accumulated depreciation	(19 806)	(13 396)	(16 101)	(84)	(3 596)	-	-	<b>(52 983)</b>
<b>2008</b>								
Carrying value at beginning of the year	4 808	990	2 644	218	1 266	23 000	55 627	88 553
Cost	17 081	8 187	14 354	361	1 368	23 000	55 627	119 978
Accumulated depreciation	(12 273)	(7 197)	(11 710)	(143)	(102)	-	-	(31 425)
Additions	5 193	2 705	2 012	205	-	-	-	10 115
Disposals	(57)	-	(8)	(30)	-	-	-	(95)
Cost	(94)	-	(20)	(163)	-	-	-	(277)
Accumulated depreciation	37	-	12	133	-	-	-	182
Depreciation	(3 488)	(1 894)	(957)	(97)	(460)	-	-	(6 896)
Carrying value at end of the year	6 456	1 801	3 691	296	806	23 000	55 627	91 677
Cost	22 180	10 892	16 346	403	1 368	23 000	55 627	129 816
Accumulated depreciation	(15 724)	(9 091)	(12 655)	(107)	(562)	-	-	(38 139)

During the course of the year, the group disposed of its interest in land and buildings comprising office premises situated at 6A Sandown Valley Crescent, Sandown, Sandton. Peregrine Financial Services Holdings Ltd, a wholly owned subsidiary of Peregrine Holdings Ltd was and, in terms of the conditions of sale, remains a head lessee under a lease of the premises (note 39.1). As the group would have acquired a 60% ownership interest in the property on termination of the lease, the lease had, to date of sale of the premises, been capitalised in terms of IAS17. The gain arising on sale of the building, comprising largely dividends received, is disclosed in note 2.

## Notes to the annual financial statements

### Group

#### 12. Business combinations

##### Acquisition of Stenham Ltd

On 4 April 2008, Peregrine Financial Services Holdings Ltd ("PFS") acquired 51% of the shares in Stenham Ltd ("SL"), the holding company of the Stenham group of companies, for a purchase price of R1,158 billion (£75,705 million). Taking account of the shares held by the SL employee share trust, which is consolidated at balance sheet date, Peregrine acquired an effective stake of 52.84%. R1,047 billion (£68,532 million) of the purchase price was settled in cash via transfer of funds from PFS. The balance, in the amount of R111,189 million (£7,173 million), was settled via a dividend declared by SL at the time of the transaction, out of preacquisition reserves of the company ("the SL dividend"). Costs in the amount of R12,927 million have been capitalised to the cost of the acquisition. The consolidation was accounted for using the purchase method.

In order to comply with SA Exchange Control Regulations, the shares in Stenham SA (Pty) Ltd, a South African subsidiary within the Stenham group, were transferred via dividend in specie to the shareholders of SL with effect from 1 October 2008. Following on the transfer, PFS holds directly 52.84% of the shares in Stenham SA.

In the 12 months to 31 March 2009 the Stenham group contributed revenue of R758,631 million (£50,677 million) and net profit after tax and minorities of R84,290 million (£5,631 million) to the consolidated group attributable earnings. The contribution, after adding back the amortisation of intangibles is R103,787 million (£6,933 million).

The acquisition had the following effect on the group's assets and liabilities. The fair values reflected below represent their carrying values. The analysis is presented net of the SL dividend.

	R'000
Assets	2 079 293
Intangible assets	1 394 414
Property, plant and equipment	21 274
Investment in associate companies	27 772
Financial investments	51 416
Loans receivable	69 140
Trade and other receivables	259 338
Cash and cash equivalents	255 939
Liabilities	634 113
Interest-bearing borrowings	202 974
Loans and payables	5 212
Deferred taxation	595
Trade and other payables	391 789
Provision for taxation	33 543
Net assets and liabilities acquired	1 445 180
Less : Minority interest	(397 783)
Purchase consideration	1 047 397
<i>Comprising:</i>	
Cost of acquisition (including costs capitalised)	1 158 586
Less: the SL dividend	(111 189)
Contingent liabilities	
Irrevocable letters of credit	2 679
Guarantees	80 786

## Notes to the annual financial statements

	Group					
	Goodwill	Trade name	Customer relationships	Hedge fund track record	Development costs	Total
	R'000	R'000	R'000	R'000	R'000	R'000
<b>13. Intangible assets</b>						
<b>2009</b>						
Carrying value at beginning of the year	239 987	-	25 224	2 946	-	<b>268 157</b>
Cost	239 987	-	29 676	2 946	8 843	<b>281 452</b>
Amortisation	-	-	(4 452)	-	(8 843)	<b>(13 295)</b>
Acquisition through business combinations	716 617	137 649	540 148	-	-	<b>1 394 414</b>
Amortisation	-	(6 647)	(36 260)	-	-	<b>(42 907)</b>
Translation differences	(86 497)	(16 019)	(62 084)	-	-	<b>(164 600)</b>
Cost	(86 497)	(16 614)	(65 197)	-	-	<b>(168 308)</b>
Amortisation	-	595	3 113	-	-	<b>3 708</b>
Carrying value at end of the year	870 107	114 983	467 028	2 946	-	<b>1 455 064</b>
Cost	870 107	121 035	504 627	2 946	8 843	<b>1 507 558</b>
Amortisation	-	(6 052)	(37 599)	-	(8 843)	<b>(52 494)</b>
<b>2008</b>						
Carrying value at beginning of the year	240 040	-	26 708	2 946	-	269 694
Cost	240 040	-	29 676	2 946	8 843	281 505
Amortisation	-	-	(2 968)	-	(8 843)	(11 811)
Adjustment to purchase price	(53)	-	-	-	-	(53)
Amortisation	-	-	(1 484)	-	-	(1 484)
Carrying value at end of the year	239 987	-	25 224	2 946	-	268 157
Cost	239 987	-	29 676	2 946	8 843	281 452
Amortisation	-	-	(4 452)	-	(8 843)	(13 295)

The cash generating units (CGU) to which the intangibles relate are as detailed in the segmental report. Goodwill is treated as having an indefinite useful life on the expectancy that the CGU to which the business relates is a going concern. Fund track records acquired are treated as having an indefinite life unless the fund manager has a fixed term contract. Customer relationships comprise client mandates acquired on the acquisition of Deloitte Private Clients (Pty) Ltd in 2006 and the Stenham group during the course of the current year. Customer relationships are amortised on a straightline basis over the average life of a client mandate, being 20 and 15 years respectively. The Stenham trade name acquired during the current year is amortised on a straightline basis over 20 years. No internally generated intangibles are recognised.

Critical accounting estimates and assumptions applied in testing for the impairment of goodwill are detailed in note 42.

## Notes to the annual financial statements

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>14. Interest in subsidiaries</b>				
Shares at cost			7 195	7 195
Loan to subsidiary company/ies			71 730	71 864
			<b>78 925</b>	79 059

Details of principal subsidiary companies are set out in Annexure A.

### 15. Investment in associate companies

Shares at cost	7 792	7 633
Share of post acquisition reserves	1 200	1 912
Loan	12 987	7 424
Impairment in carrying value of loan	(12 987)	-
	<b>8 992</b>	16 969
Movement for the year:		
At beginning of the year	16 969	4 805
Acquisition through business combinations	27 772	-
Acquisition	-	7 500
Share of post acquisition reserves	9 541	7 101
Distributions	(37 141)	(10 044)
Foreign exchange translation differences	(725)	183
Loan advances	5 563	7 424
Impairment in carrying value of loan	(12 987)	-
	<b>8 992</b>	16 969

Details of the group's investments in associate companies are set out in Annexure B.

The group's share of post-acquisition profit or loss in associates for the year under review was R9,541 million (2008: R7,101 million).

Summarised financial information of associates:

Assets	27 113	30 630
Liabilities	(30 315)	(25 001)
	<b>(3 202)</b>	5 629
Revenue	104 189	88 950
Profit	19 323	15 844

The loan to associates represents a loan to Orthogonal Investments (Pty) Ltd which bears interest at the Standard Bank prime rate less 1% and is to be repaid by the company prior to the repayment of any other shareholder or related party loans, if any, as and when the board resolves that there are sufficient funds available which are in excess of the cash requirements of the company. The carrying value of the loan has been impaired in full at year end.

The group has interests of 20% or more in various investments which are not accounted for as associates. The investments form part of a portfolio of private equity investments held as part of the group's investing activities. All of the investments held within the private equity portfolio are designated as at fair value through profit or loss.

## Notes to the annual financial statements

Group		
	2009 R'000	2008 R'000
<b>16. Policyholder investment contract investments and liabilities</b>		
<b>16.1 Investments linked to policyholder investment contracts</b>		
<i>Citadel Life investments</i>	<b>1 926 301</b>	1 801 846
Collective investment schemes	<b>875 688</b>	604 603
Variable rate debentures - unlisted	<b>1 050 613</b>	1 197 243
<i>Non-Citadel Life investments</i>		
Variable rate debentures - unlisted	<b>799 071</b>	855 178
Total investments linked to policyholder investment contracts	<b>2 725 372</b>	2 657 024
<b>16.2 Policyholder investment contract liabilities</b>		
<i>Citadel Life investment contract liabilities</i>		
Balance at beginning of the year	<b>1 775 639</b>	1 634 235
Premium income	<b>478 439</b>	168 006
Investment income (note 3.1)	<b>23 934</b>	13 431
Interest	<b>20 172</b>	2 327
Dividends received - local	<b>3 761</b>	11 103
Dividends received - foreign	<b>1</b>	1
Fund balance adjusted for gross fund inflows	<b>2 278 012</b>	1 815 672
Policy surrenders paid	<b>(119 383)</b>	(73 596)
Section 37 transfers out	<b>(2 944)</b>	(89 106)
Annuities paid	<b>(31 943)</b>	(28 197)
Death claims paid	<b>(51 226)</b>	(457)
Commissions paid	<b>(10 020)</b>	(9 634)
Management and operating expenses	<b>(9 215)</b>	(8 717)
Movement in policyholder tax withheld (note 16.3)	<b>21 278</b>	(5 810)
Capital gains tax recovered from policyholders	<b>(1 659)</b>	-
Foreign exchange translation difference	<b>(3 070)</b>	(1 168)
Net realised and unrealised changes in fair value of investments	<b>(148 458)</b>	176 652
	<b>1 921 372</b>	1 775 639
<i>Non-Citadel Life investment contract liabilities</i>		
Variable rate debentures	<b>799 071</b>	855 178
	<b>2 720 443</b>	2 630 817
<b>16.3 Policyholder tax withheld</b>		
Balance at beginning of the year	<b>26 207</b>	20 397
Movement for the year	<b>(21 278)</b>	5 810
Taxation paid	<b>(19 219)</b>	(5 754)
Current tax expense	<b>(2 059)</b>	11 564
	<b>4 929</b>	26 207
Total policyholder investment contract liabilities	<b>2 725 372</b>	2 657 024

The Citadel Life investment contract liabilities balance at 31 March 2009 includes liabilities that have been re-insured of R26,391 million (2008: R46,686 million).

## Notes to the annual financial statements

	Group	
	2009 R'000	2008 R'000
<b>17. Financial investments</b>		
<b>17.1 Non-current investments</b>		
JSE Ltd shares	890	1 300
Bond Market Exchange seats	105	105
Private equity investments	189 696	331 898
Listed	89 972	170 637
Unlisted	99 724	161 261
Unit trusts - unlisted	3 269	4 225
	<b>193 960</b>	<b>337 528</b>
Movement in available-for-sale financial investments: (comprising JSE Ltd shares and BME seats)		
Balance at the beginning of the year	1 405	1 524
Fair value adjustments derecognised in equity	(410)	(119)
	<b>995</b>	<b>1 405</b>
<b>17.2 Current investments</b>		
Unit trusts - unlisted	11 199	10 607
Variable rate debentures - unlisted	1 482	2 412
Hedge funds - unlisted	524 822	737 243
Private equity investments - unlisted	8 019	3 034
Forward exchange contracts	4 544	145 758
	<b>550 066</b>	<b>899 054</b>

A register of investments is available for inspection at the registered office of the company in terms of Section 113 of the Companies Act.

Certain of the unlisted hedge fund investments made with Peregrine Investment Managers (Pty) Ltd and its associated managers are on a geared basis, with permissible loan to value ratios of up to 80%. The investments are presented net of loans which amounted to R46,649 million at year end (2008: R107,417 million). The loans bear interest at Standard Bank's call rate or the JSE Trustees deposit rate plus 0.5% and are repayable by no later than 10 days after disinvestment from the fund. Disinvestment is at the discretion of the group and is allowed on a quarterly basis.

Forward exchange contracts ("FEC") outstanding at balance sheet date represent contracts entered into on behalf of clients within the trade finance division of the Stenham group. Contracts are entered into on a back to back basis with Stenham as principal between the client and contracting party (note 27).

The forward exchange contract ("FEC") relating to the prior year of R145,758 million was entered into in order to hedge out currency exposure on the major portion of the purchase price payable in terms of the acquisition of 51% of Stenham Ltd ("SL"). The gain realised on the FEC during the current year fully offset the movement in foreign currency on that portion of the purchase price hedged and has been applied in reduction of the purchase price of SL (note 12).

The fair value of unlisted investments are primarily based on comparative earnings multiple models, offers received and discounted cash flow models, which include some assumptions that are not supported by observable market prices or rates. The significant assumptions and inputs to the valuation models are as disclosed in note 42 "Critical accounting estimates and judgements".

## Notes to the annual financial statements

	Group	
	2009 R'000	2008 R'000
<b>17. Financial investments (continued)</b>		
Private equity investments (current and non current) comprise:		
Proprietary investments	25 205	40 022
Investment in private equity fund	172 510	294 910
	<b>197 715</b>	334 932
Represented by:		
Equity	127 583	232 493
Shareholders loans	70 132	102 439
	<b>197 715</b>	334 932
Peregrine is a 50% partner in the private equity fund. The fund is consolidated into the group results.		
Terms of shareholders loans:		
No fixed repayment term		
Interest free	26 800	28 286
Interest-bearing (prime - prime + 5%)	35 313	68 460
Repayable (within 1 year)		
Interest free	-	3 034
Interest-bearing (prime - prime + 0.5%)	8 019	-
Repayable (2-5 years)		
Interest-bearing (prime - prime + 0.5%)	-	2 659
	<b>70 132</b>	102 439
<b>18. Loans and receivables</b>		
<i>Interest-bearing loans receivable</i>		
Lexshell 642 Investments (Pty) Ltd	3 992	3 688
Executive management of Peregrine iQ (Pty) Ltd	4 000	6 118
Executive management within the Stenham Group	7 459	-
Tulip Holding N.V.	1 925	-
	<b>17 376</b>	9 806
Less: Current portion disclosed under current assets	<b>(5 917)</b>	-
Lexshell 642 (Pty) Ltd	<b>(3 992)</b>	-
Tulip holding N.V	<b>(1 925)</b>	-
	<b>11 459</b>	9 806
<i>Other receivables</i>		
Lease receivable under IAS 17	270	245
Prepayment - costs relating to an acquisition subsequent to year end (note 12)	-	12 091
	<b>270</b>	12 336
	<b>11 729</b>	22 142
Fair value of collateral held	<b>31 819</b>	13 300

## Notes to the annual financial statements

### Group

#### 18. Loans and receivables (continued)

The loan to Lexshell 642 Investments (Pty) Ltd ("Lexshell 642"), held by Illitye, arose out of the sale of 9% of Peregrine iQ (Pty) Ltd (PQ). The loan bears interest at the Standard Bank prime overdraft rate and is repayable by no later than 31 March 2010. All distributions received by Lexshell 642, as a shareholder in PQ, are to be applied in repayment of the loan. Should the loan, together with accrued interest not be repaid by 31 March 2010, Peregrine has the right to require Lexshell 642 to sell its 9% shareholding in PQ to Peregrine, the purchase price of which shall be discharged in full and final settlement through offset of the amount owing on the loan account, including accrued interest. The collateral is valued at R3,6 million (2008: R6,3 million) at year end.

The loan to the executive management of PQ arose out of the sale of 10% of PQ to management. The loan bears interest at the SA Revenue Services fringe benefits tax rate and is repayable by no later than 31 March 2012. All distributions received by management, as shareholders of PQ, are to be applied in repayment of the loan. The loan is secured by the pledge by the executives of 10% of the shares in PQ on the basis that, should the executives fail to make payment of the loan plus interest thereon by 31 March 2012, Peregrine is entitled, without prejudice to its other rights in law, to acquire the pledged shares at a price equal to the balance of the amount owing. The carrying value of the loan has been impaired at year end in order to reflect the fair value of the collateral held, being R4,0 million (2008: R7,0 million).

The loans to executive management within the Stenham group bear interest at the UK bank rate ("base") plus 1% and are repayable as and when dividends are paid by Stenham Ltd ("SL") but by no later than 5 years from the date of grant, the latest grant date being 9 April 2008. The loans are secured by the shares in SL representing 1.41% of the issued share capital (note 41.5), with a fair value of R28,364 million at year end.

The loan to Tulip Holding N.V. arose out of the sale of certain Swiss operating entities as part of a reorganisation of the Stenham group, prior to the acquisition of shares in SL. The loan is unsecured, bears interest at base plus 1% and is repayable by no later than 31 March 2010.

	2009	2008
	R'000	R'000

#### 19. Deferred tax assets and liabilities

##### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Investments	(5 550)	(5 550)
Estimated tax losses	48 970	4 445
Capital allowances	(374)	-
Fair value adjustments – financial investments	(88)	(39 463)
Forward exchange contract	-	(15 345)
Prepayments	(775)	(989)
Accruals	19 962	25 843
Foreign exchange translation differences	38	(2 835)
Other	(447)	114
	<b>61 736</b>	<b>(33 780)</b>
Deferred tax asset	<b>73 472</b>	14 844
Deferred tax liability	<b>(11 736)</b>	(48 624)
	<b>61 736</b>	<b>(33 780)</b>

## Notes to the annual financial statements

	Group	
	2009 R'000	2008 R'000
<b>19. Deferred tax assets and liabilities (continued)</b>		
Reconciliation of movement in deferred tax balance:		
At beginning of the year	(33 780)	(30 573)
Acquisitions through business combinations	(595)	-
Movement through profit and loss:	80 675	12 306
Tax losses utilised	(4 297)	(996)
Estimated assessable losses for set-off against future income	48 822	2 466
Capital allowances	(374)	-
Fair value adjustment – financial investments	39 318	(1 083)
Fair value adjustment - share scheme receivable	-	(112)
Prepayments	214	(534)
Accruals	(6 049)	14 777
Foreign exchange translation differences	2 873	(2 622)
Rate change	-	645
Other	168	(235)
Movement through equity:	15 436	(15 513)
Fair value adjustment - forward exchange contract	15 345	(15 893)
Fair value adjustment - available-for-sale financial investments	57	17
Foreign exchange translation differences	34	(191)
Rate change	-	554
	<b>61 736</b>	<b>(33 780)</b>
<b>20. Trade and other receivables</b>		
Trade receivables due from associates	884	7 095
Receivable from related parties (note 41.5)	748	773
Trade and other receivables	220 461	91 309
Bills receivable	50 800	-
Prepayments	8 412	4 057
	<b>281 305</b>	<b>103 234</b>
Fair value of collateral held	<b>102 096</b>	<b>773</b>

Bills receivable comprise advances made to clients of the trade finance division within the Stenham group. The total of bills receivable outstanding at balance sheet date and trade receivables in the amount of R13,466 million are secured by cash deposits, guarantees and pledges over investments with a fair value of R101,348 million.

Receivables from related parties comprise loans to directors and staff of PIM. The loans are interest-bearing and repayable after one year or at the discretion of the group. The loans are secured by an investment into the funds managed by PIM with a fair value of R748 234 (2008: R772 983).

## Notes to the annual financial statements

	Group	
	2009 R'000	2008 R'000
<b>21. Financial assets and liabilities arising from stockbroking activities</b>		
<b>21.1 Amounts receivable in respect of stockbroking activities</b>		
Securities trading balances (note 21.1.1)	530 142	660 837
Money market investments	601 315	526 700
Dividend claims	6 249	2 388
Cash collateral (note 21.1.2)	497 689	448 253
STRATE settlement account	-	400 473
Financial investments held for trading	2 021 174	4 802 807
Amounts receivable in respect of contracts-for-difference and option positions	189 787	179 759
SAFEX initial margin	52 132	89 877
	<b>3 898 488</b>	<b>7 111 094</b>

### *21.1.1 Securities trading balances*

Amounts owing in respect of unsettled equity transactions by:

Clients	530 142	526 107
Agents	-	2 595
Brokers	-	132 135
	<b>530 142</b>	<b>660 837</b>

### *21.1.2 Collateral for scrip-lending facilities*

As at 31 March 2009, Peregrine Equities (Pty) Ltd has pledged cash in the amount of R497,689 million (2008: R448,253 million) and scrip to the value of R2,501 billion (2008: R6,543 billion) as collateral for scrip lending facilities.

### **21.2 Amounts payable in respect of stockbroking activities**

Securities trading balances (note 21.2.1)	349 287	883 115
Money market investments	601 315	526 700
Dividend claims	8 175	4 655
Client collateral	591 323	1 190 994
Strate settlement account	82 465	-
Financial investments held for trading	1 932 441	3 867 393
Margin account	347 913	713 747
Amounts payable in respect of contracts-for-difference and option positions	67 036	379 550
	<b>3 979 955</b>	<b>7 566 154</b>

### *21.2.1 Securities trading balances*

Amounts owing in respect of unsettled equity transactions by:

Clients	347 549	772 447
Agents	1 738	110 633
Brokers	-	35
	<b>349 287</b>	<b>883 115</b>

Amounts owing to clients are stated net of an amount of R3,314 billion (2008: R3,268 billion) lodged with JSE Trustees (Pty) Ltd.

## Notes to the annual financial statements

### Group

#### 21. Financial assets and liabilities arising from stockbroking activities (continued)

##### 21.3 Financial assets held for trading, client collateral and margin accounts

The group enters into various derivative contracts both as principal for trading purposes and on behalf of clients. These include exchange traded futures and OTC futures, options and contracts-for-difference. The instruments underlying OTC derivatives are equity securities listed on the JSE Securities Exchange Ltd. The risks associated with derivative instruments are monitored in the same manner as for the underlying investments. In the case of proprietary positions, derivative positions are entered into as a hedge against underlying stock positions. In the case of OTC derivative trades with clients, exposure to changes in the market price of the derivative is hedged by a corresponding long or short position in the stock underlying the derivative instrument.

	2009 R'000	2008 R'000
<i>21.3.1 Principal trades</i>		
Stock positions – fair value		
Long positions	223 527	499 694
Short positions	(707 183)	(1 508 855)
	<b>(483 656)</b>	<b>(1 009 161)</b>
Futures – fair value	<b>481 715</b>	<b>1 008 288</b>

As at 31 March 2009 Peregrine Equities (Pty) Ltd and Peregrine Direct Ltd held TOPI futures positions with a fair value of R479,590 million (2008: R1,044 billion), DTOP futures positions with a fair value of R2,125 million (2008: short position of R37,751 million) and an INDI futures position with a fair value of Rnil (2008: R2,182 million) as a hedge of a basket position in shares.

	Net R'000	2009 Positive R'000	2009 Negative R'000	Net R'000	2008 Positive R'000	2008 Negative R'000
<i>21.3.2 Option contracts</i>						
Options – fair value	111 256	213 347	(102 091)	(221 138)	908 969	(1 130 107)
Options written	(102 091)	-	(102 091)	(1 130 107)	-	(1 130 107)
Options purchased	213 347	213 347	-	908 969	908 969	-
Stock positions – fair value	(111 256)	-	-	221 138	-	-
Long positions	102 091	-	-	1 130 107	-	-
Short positions	(213 347)	-	-	(908 969)	-	-
Net exposure	-	213 347	(102 091)	-	908 969	(1 130 107)
<i>Notional</i>						
Options written	(102 091)	-	(102 091)	(1 130 107)	-	(1 130 107)
Options purchased	213 347	213 347	-	908 969	908 969	-
	111 256	213 347	(102 091)	(221 138)	908 969	(1 130 107)
		Notional R'000	Replacement cost R'000		Notional R'000	Replacement cost R'000
<i>Maturity analysis</i>						
Up to one year		111 256	213 347		(221 138)	908 969
One to five years		-	-		-	-
Greater than five years		-	-		-	-
		111 256	213 347		(221 138)	908 969
<i>Counterparty analysis</i>						
Financial institutions		111 256	213 347		(221 138)	908 969
Non-financial institutions		-	-		-	-
		111 256	213 347		(221 138)	908 969

## Notes to the annual financial statements

	Group			Company
<b>21. Financial assets and liabilities arising from stockbroking activities (continued)</b>				
<i>21.3.3 Contracts-for-difference and futures contracts</i>				
Contracts-for-difference and futures contracts are entered into for both long and short positions. The positions are covered by an initial margin deposit which is represented by the margin account as part of amounts payable in respect of stockbroking activities. Unrealised profit on the positions is hedged by the variation margin which is settled on a daily basis.				
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
Stock positions – fair value	<b>683 645</b>	1 723 437		
Long positions	<b>1 695 556</b>	3 173 006		
Short positions	<b>(1 011 911)</b>	(1 449 569)		
Initial margin held	<b>347 913</b>	713 747		
<b>22. Cash and cash equivalents</b>				
Bank balances	<b>713 615</b>	1 053 646	<b>1 776</b>	748
<b>23. Share capital</b>	<b>'000</b>	'000	<b>'000</b>	'000
<i>Authorised</i>				
500 million ordinary shares of 0,1 cents each	<b>500</b>	500	<b>500</b>	500
10 million preference shares of 0,1 cents each	<b>10</b>	10	<b>10</b>	10
	<b>R'000</b>	R'000	<b>R'000</b>	R'000
<i>Issued</i>				
228,129 million ordinary shares of 0.1 cents each	<b>228</b>	228	<b>228</b>	228
There has been no movement in the number of shares in issue during the year.				
The unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting of shareholders. This authority is valid until the next annual general meeting.				
Treasury shares				
<i>Movement in the number of treasury shares:</i>				
At beginning of the year	<b>12 853</b>	32 440		
Shares acquired	<b>1 125</b>	320		
Share options exercised	-	(1 336)		
Shares issued under the deferred delivery scheme	-	(18 010)		
Shares sold	-	(561)		
	<b>13 978</b>	12 853		
Held by:				
Subsidiaries	<b>8 697</b>	7 572		
Share trusts	<b>5 281</b>	5 281		
	<b>13 978</b>	12 853		

Details of the movement in share capital, share premium and treasury shares are provided in the statement of changes in equity.

## Notes to the annual financial statements

	Group		Company			
	2009 R'000	2008 R'000	2009 R'000	2008 R'000		
<b>24. Non-distributable reserves</b>						
Capital redemption reserve fund	6	6	6	6		
Foreign currency translation reserve	<b>(30 164)</b>	48 170	-	-		
Reduction in amounts due to vendors	<b>39 930</b>	39 930	<b>39 930</b>	39 930		
Revaluation reserve: available-for-sale assets	<b>641</b>	924	-	-		
Cash flow hedge reserve	<b>(2 609)</b>	94 262	-	-		
	<b>7 804</b>	183 292	<b>39 936</b>	39 936		
Movement in non distributable reserves:						
	Capital redemption reserve R'000	Translation reserve R'000	Reduction in vendor obligations R'000	Revaluation reserve R'000	Cash flow hedge reserve R'000	Total R'000
<b>2009</b>						
Balance at 31 March 2008	6	48 170	39 930	924	94 262	183 292
Translation of foreign subsidiaries	-	(78 334)	-	-	-	(78 334)
Revaluation of available-for-sale assets	-	-	-	(283)	-	(283)
Net gain on forward exchange contract transferred to cost of investment on realisation (note 12)	-	-	-	-	(94 262)	(94 262)
Revaluation of other forward exchange contracts	-	-	-	-	(2 609)	(2 609)
	6	(30 164)	39 930	641	(2 609)	7 804
<b>2008</b>						
Balance at 31 March 2007	6	19 259	39 930	1 000	-	60 195
Translation of foreign subsidiaries	-	28 911	-	-	-	28 911
Revaluation of available-for-sale assets	-	-	-	(76)	-	(76)
Revaluation of forward exchange contract (note 17)	-	-	-	-	94 262	94 262
	6	48 170	39 930	924	94 262	183 292
			<b>2009 R'000</b>	2008 R'000		
<b>25. Interest-bearing borrowings</b>						
<i>Secured</i>						
Term loans			<b>726 234</b>	-		
Loan and overdraft			<b>98 289</b>	-		
Trade finance overdraft			<b>13 697</b>	-		
Bankers acceptances			<b>5 500</b>	-		
Finance lease liability			-	65 472		
			<b>843 720</b>	65 472		
Less: Current portion included in current liabilities			<b>(169 585)</b>	(7 688)		
Term loans			<b>(97 902)</b>	-		
Loan and overdraft			<b>(52 486)</b>	-		
Trade finance overdraft			<b>(13 697)</b>	-		
Bankers acceptances			<b>(5 500)</b>	-		
Finance lease liability			-	(7 688)		
			<b>674 135</b>	57 784		

## Notes to the annual financial statements

### Group

#### 25. Interest-bearing borrowings (continued)

The term loans with Investec Bank comprise:

- an agreement entered into by Peregrine Financial Services Holdings Ltd ("PFS") in order to fund the acquisition of Stenham Ltd (note 12) in the amount of R150 million. The facility bears interest at 3 month JIBAR (plus margin), determined according to debt levels relative to earnings and capped at 3.5% (currently 3.5%). The facility is repayable quarterly over a period of 7 years, the first repayment having commenced in July 2008;
- agreements entered into by other subsidiaries within the group in the amount of R600 million, in order to fund the repayment of loans to PFS and so as to fund those subsidiaries' ongoing investment and growth strategies. Interest and repayment terms are consistent with those of the PFS facility.

The facilities are subject to positive and negative undertakings and financial covenants including, but not limited to various quarterly and/or semi-annual coverage ratios and restrictions on share buy-backs and further incurrence of debt. In addition, undertakings have been given not to create any security interest over assets of the group including the shares in Stenham Ltd.

As security for the obligations in terms of the facilities:

- Peregrine Holdings Ltd ("Holdings") has given a joint and several guarantee, together with PFS and other group companies, to Investec;
- Holdings and other group companies have ceded to Investec:
  - (i) all their rights, title and interest in and to the shares in certain subsidiaries (excluding Stenham Ltd), and
  - (ii) all investments or assets held in any hedge fund from time to time (note 17.2).

The facilities may be settled earlier than the scheduled repayment dates without penalty.

The liability to Royal Bank of Scotland International ("RBS") comprises a loan of R64,489 million (£4,731 million) and an overdraft facility of R33,800 million (£2,480 million).

The loan bears interest at base plus margin (currently 1.25%), determined according to a debt coverage ratio and is repayable in quarterly instalments of £1 million, with the final instalment due in June 2010. In addition to the scheduled quarterly repayments a further annual repayment is required based on cash generated from operating activities. Through a separate agreement with RBS, the base rate is capped at 6.5%. The overdraft facility bears interest on the same terms as the loan facility and is repayable on demand once the loan facility is settled in full. The liabilities are subject to positive and negative undertakings and financial covenants, including but not limited to various quarterly coverage ratios and restrictions on further incurrence of debt.

The facilities are secured by a fixed and floating charge over the assets of Stenham Ltd and its major operating subsidiaries, being Stenham Group Ltd, Stenham Asset Management Inc, Stenham Property Finance Ltd and Stenham Trustees Ltd, comprising the following at balance sheet date:

	R'000
Property, plant and equipment	3 462
Investment in associates	1 472
Trade and other receivables	130 139
Cash and cash equivalents	203 032
	<hr/>
	338 105

As Stenham Limited is the holding company, directly and indirectly of all of the Stenham group subsidiaries, the security includes a charge over the shareholding by Stenham Ltd in all of these entities.

The trade finance overdraft facility comprises a Barclays Bank plc facility of R23,852 million (£1,750 million) of which R13,697 million (£1,005 million) was drawn down at balance sheet date. The facility bears interest at base plus 2%, has no fixed repayment terms and is secured by a fixed charge over bills receivable in the amount of R39,597 million (note 20) and a floating charge over all of the other assets of Stenham Financial Services plc ("SFS"), a wholly owned subsidiary of Stenham Ltd, comprising the following at balance sheet date:

Property, plant and equipment	218
Trade and other receivables	16 520
Cash and cash equivalents	10 168
	<hr/>
	26 906

R2,5 million of the bankers acceptance facility bears interest at 10% and is repayable on 25 May 2009. The balance of R3 million bears interest at 9.75% and is repayable on 15 June 2009. The full R5,5 million facility is guaranteed by Barclays Bank plc under the security as detailed above.

The finance lease liability was settled on disposal of land and buildings (note 11). The liability bore interest at 16.43% and was repayable in monthly instalments of R1,537 million (2008: R1,385 million) escalating at 11% in September of each year.

## Notes to the annual financial statements

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>26. Loans and other payables</b>				
Loans:	<b>57 497</b>	52 919		
Lexshell 630 (Pty) Ltd and Lexshell 642 (Pty) Ltd	<b>3 561</b>	4 161		
Private equity fund investors	<b>53 936</b>	48 758		
Lease obligation under IAS17	<b>937</b>	276		
Private equity fund – provision for profit participations	<b>6 470</b>	34 817		
	<b>64 904</b>	88 012		

The loans from Lexshell 630 and Lexshell 642 to PQ, held by Vunani and Illitye (minority shareholders in PQ) are interest free and have no fixed terms of repayment.

Peregrine is a 50% partner in a private equity fund which is consolidated by the group. The loans from other investors to the fund are interest free and shall not be repaid before 1 April 2010 (note 41.6). Profit participations are linked to the returns generated within the private equity fund. The amounts will not be paid before 1 April 2010 and will only be paid as and when investment returns are realised.

### 27. Financial instrument liabilities

Forward exchange contract	<b>4 206</b>	-
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Forward exchange contracts ("FEC") outstanding at balance sheet date represent contracts entered into on behalf of clients within the trade finance division of the Stenham group. Contracts are entered into on a back to back basis between the client and contracting party (note 17.2).

### 28. Trade and other payables

Trade and administrative	<b>184 540</b>	75 881	<b>2 420</b>	1 522
Trade payables due from associates (note 41.2)	<b>214</b>	1 275	-	-
Employee costs	<b>212 471</b>	228 930	-	-
Payables under forward exchange contracts	<b>19 543</b>	-	-	-
Provisions	<b>12 967</b>	10 650	-	-
Lease obligation under IAS17	-	386	-	-
	<b>429 735</b>	317 122	<b>2 420</b>	1 522

The Stenham group enters into FEC's as a hedge against currency movements in respect of fees receivable in euros and/or dollars. Payables under FEC's represent the adjustment to fair value of FEC contracts outstanding at balance sheet date.

### 29. Employee benefits

#### 29.1 Post-retirement benefits

Save for Citadel Holdings Ltd, the group makes no provision for retirement or post-retirement benefits as employees contribute to schemes of their own choice.

Citadel Investment Services, a subsidiary of Citadel Holdings Ltd, operates a defined contribution plan on behalf of employees. The fund is governed by The Pension Funds Act 1956 and the assets are held independently of the group's assets. All of Citadel's 320 employees are members of the fund. The fund is subject to an annual statutory review by actuaries which review takes place in June each year and is facilitated by the administrators of the fund. The company has no commitment to fund benefits under the rules of the fund. Contributions to the fund charged to the income statement amount to R15,523 million (2008: R11,392 million).

# Notes to the annual financial statements

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## Group

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### 30. Financial risk management

Having regard to the fact that managing risk is an inherent part of the group's activities, risk management and the ongoing improvement in corresponding control structures remain a key focus of management in building a successful and sustainable business. Within a complex financial services environment, the board recognises that risk management is a dynamic process and that the risk framework should be robust enough to effectively manage and react to change in an efficient and timeous manner.

Peregrine has historically evolved as separate, independent operating units with minority ownership and/or participation by management in each of the group's subsidiaries.

Formalisation of a risk management framework for the group is the responsibility of Peregrine Holdings and the board of directors. The framework ensures:

- efficient allocation of capital across various activities in order to maximise returns and diversification of income streams;
- risk taking within levels acceptable to the group as a whole and within the constraints of the relevant business unit;
- efficient liquidity management and control of funding costs, and
- appropriate risk management and control.

Whilst the board is ultimately responsible for the management of risk, the board relies on management to operate within the control structures and frameworks established by the board and has delegated the responsibility for implementation of the risk framework to functions within the operating units. The structure of the group promotes the active participation of executive management in all of the operational and strategic decisions affecting their business units. This creates a strong culture of ownership and accountability.

Senior management take an active role in the risk management process and are responsible for the implementation, ongoing maintenance of and ultimate compliance with the risk process as it applies to each business unit. The board is kept abreast of developments through formalised reporting structures, ongoing communication with management, regular board meetings at an operating subsidiary level and through representation of executive members of the board on certain of the forums responsible for the management of risk at an operating subsidiary level. The group is committed to ensuring a strong financial and operational infrastructure within each of the business units.

#### *Risk management structure*

The group's risk management framework is summarised below. Key responsibilities lie with the following management bodies and committees.

Group board of directors: responsible to shareholders for the strategic direction, supervision and control of the group and for defining the group's overall tolerance for risk.

Boards of directors of subsidiary entities: responsible for the strategic direction, supervision and control of the respective entity and for defining the entity's tolerance for risk.

Risk committees: responsible for assisting the board of directors of the group and subsidiary entities in fulfilling their responsibilities by providing guidance regarding risk governance and the development of the group's risk profile, including regular review of major risk exposures and the management of risk limits.

Audit committees: responsible for assisting the various boards in fulfilling their oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance.

Internal auditors: responsible for assisting the boards, audit committee and management in fulfilling their responsibilities by providing an objective and independent evaluation of the effectiveness of control, risk management and governance processes.

The nature of key financial risks to which the group is exposed are categorised as follows:

#### 30.1 Market risk

Market risk is the potential change in the value of a financial instrument resulting from changes in market conditions. The group's activities expose it primarily to the financial risks of changes in equity prices, foreign currency exchange rates and interest rates.

## Notes to the annual financial statements

### Group

#### 30.1 Market risk (continued)

##### 30.1.1 Funds under management

As a wealth and asset management group, Peregrine's revenue is dependent on the level of funds under management, as well as the performance of these funds relative to various benchmarks. The value of these funds fluctuate with market movements. The investment of clients' funds is managed through structured investment processes within a strong operating control environment.

The value of funds under management at balance sheet date and by business segment are as follows:

Business segment	Value of assets under management	
	2009 R'000	2008 R'000
<i>Wealth management</i>		
Citadel	13 595 165	15 090 519
<i>Asset management</i>		
Peregrine iQ	14 915 680	21 846 744
Hedge funds	5 701 321	6 416 814
Peregrine Capital	2 888 011	3 593 456
Peregrine Investment Managers	604 972	1 122 260
Caveo (associate)	2 208 338	1 701 098
<i>Stenham</i>	46 650 581	-
Hedge funds	19 917 566	-
Property	26 733 015	-
	80 862 747	43 354 077

##### 30.1.2 Equity pricing risk

###### 30.1.2.1 Key risk exposures

The management of the group's balance sheet is split between capital allocation for business imperatives and capital allocated for investment purposes. The Holdings' executive is responsible for the management and allocation of capital to new and existing business opportunities. Capital allocation for investment activities, including investment into hedge funds and investment banking opportunities is managed by a separate business unit, under mandate from the board and subject to specific investment criteria.

As part of its investing activities and in order to seed and establish new hedge fund managers, Peregrine's business model has been to invest a substantial portion of the group's proprietary capital in the funds managed by Peregrine Capital (Pty) Ltd ("Peregrine Capital") and Peregrine Investment Managers (Pty) Ltd ("PIM"). The group is exposed to market risk as a result of these investments. The group also has exposure to equity price movements as a result of listed and unlisted investments held as part of its investment banking activities and, through Peregrine Equities (Pty) Ltd ("Peregrine Equities"), has market exposure as a result of certain transactions undertaken as part of its stockbroking activities.

At balance sheet date, group capital (net of third party investments into the private equity fund) was allocated as follows:

	2009 R'000	2008 R'000
Hedge funds	516 737	727 605
Gross exposure	563 386	835 022
Loans	(46 649)	(107 417)
Private equity	111 460	187 477
	628 197	915 082

At balance sheet date, the value of equity positions held as a hedge against CFD, option and futures positions within Peregrine Equities (note 21.3) was:

Long positions	1 797 647	4 303 114
Short positions	(1 225 258)	(2 358 538)
	572 389	1 944 576

# Notes to the annual financial statements

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## Group

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### 30.1 Market risk (continued)

#### 30.1.2.1 Key risk exposures (continued)

##### *Investment into hedge funds*

To date, the group has successfully invested funds with Peregrine Capital and, on a smaller scale, into certain of the funds managed by PIM.

Peregrine Capital manages a suite of hedge funds, which focus predominantly on South African listed equity counters. Stock selection is primarily bottom up, based on fundamental research employing disciplined and consistent research procedures. The funds aim to achieve positive returns regardless of the direction of the equity market.

The group is seeking to expand on the success achieved by Peregrine Capital by taking equity stakes in or entering into profit sharing arrangements with other single strategy managers across various hedge fund styles. This initiative is being conducted under the auspices of PIM. Five single strategy funds are currently operational within PIM. The group has provided the necessary capital to seed the establishment of certain of these funds and at year end was invested in three of the funds.

The decision to seed new investments and the quantum thereof forms part of the group's capital allocation decision implemented and managed by the Holdings executive. The decision to remain invested in the funds once they have achieved financial success forms part of the investment of group capital. In both instances, funds are subject to appropriate due diligence and selected on the basis of the manager's track record and experience, his/her approach to investment and risk management, as well as his/her ability to demonstrate sound operational procedures and acceptable legal infrastructure. Investment into the funds is on an arms length basis. Operational controls surrounding the investment process include:

- management according to a fund mandate, which sets out investment parameters including target investments, maximum holdings and exposures, and various investment limits;
- investor review by way of daily access to portfolio information and regular reporting;
- monitoring of positions against mandate limits;
- utilisation of external administrators for the provision of independent accounting, administration and valuation services;
- utilisation of an appropriate prime-broker, and
- an annual audit of the funds by the external auditors.

Investments into the funds managed by Peregrine Capital are diversified between market neutral, growth and performance funds. Through PIM, investments are further diversified as the selected managers employ a variety of trading styles and strategies. The selection of funds and managers is part of the ongoing and active management of the group's balance sheet and fits in with the core focus of the group in the hedge fund industry.

Peregrine measures the profit/loss of its proprietary hedge fund portfolio monthly or more regularly if required and has the ability to exit investments on a quarterly basis. As the funds in which the group is invested to date are managed in-house, Peregrine has access to detailed portfolio composition and risk reports and the ability to review underlying investment decisions on a regular basis. The risk management process surrounding the funds is viewed as fundamental and primary to the long-term success of the funds.

##### *Investments held as part of the group's investment banking activities*

The group has approximately 18% (2008: 20%) of its proprietary capital invested in listed and unlisted entities as part of its investment banking activities. Investment decisions are structured within a fund mandate, approved by the board and implemented and managed as part of the investment of group capital. The mandate prescribes overall private equity exposure as a proportion of the group's investable assets and limits exposure to individual investments and investment types. Positions in unlisted investments are revalued on a semi-annual basis.

##### *Investments held as part of the group's stockbroking activities*

As part of the service offering of Peregrine Equities, the company has entered into structured transactions with institutional, hedge fund and private clients, involving OTC option, contract-for-difference ("CFD") and futures instruments. Relevant CFD, scrip lending and International Swap Dealers Association ("ISDA") agreements cover all positions.

The instruments underlying CFD, option and futures contracts are equity securities listed on the JSE Limited. Market risk arising from the contracts is hedged via a position in the underlying listed equity. Contracts are subject to initial and daily variation margining arising out of the marking-to-market of the underlying equity security. As a result, the group's primary exposure is to credit risk rather than market risk. Credit risk exposure arises from the potential non payment by clients of outstanding daily margin and option premium balances.

The group's management of credit exposure is more fully discussed under the heading of credit risk.

#### 30.1.2.2 Equity sensitivity analysis

##### *Investment into hedge funds*

The fair value of the group's investments into hedge funds is determined using the underlying market values of the investments held by each fund. As a result of the nature of the funds into which the group has invested, the investments are largely exposed to movements in the prices of equity instruments listed on the JSE.

## Notes to the annual financial statements

### Group

#### 30.1 Market risk (continued)

##### 30.1.2.2 Equity sensitivity analysis (continued)

The table below depicts the sensitivity of the group's hedge fund investments to various market indices (variables) over a range of market movements (up or down). The measurement of the impact on profit and loss is based on a fund beta, determined for each fund and for each of the variables selected. The fund beta measures the correlation of the fund to a change in the underlying variable. The beta is derived by regression analysis of the fund's historic monthly performance relative to the performance of the variable selected, from the date of inception of the fund. A portfolio beta for the portfolio of hedge fund investments has been determined from the betas of the individual funds, weighted for the % invested in each fund at balance sheet date. Funds with less than 10 observations have been excluded from the analysis.

It is important to note that the results of the regression analysis may not be statistically significant due to the small number of observations for certain of the newer funds. Also, past performance is not necessarily an indicator of future events. Consequently, the impact on profit and loss as presented may not accurately reflect the future performance of the funds under the scenarios presented.

Based on the simple regression analysis performed a 10% movement would result in the following impact on pre-tax profit or loss:

Market variable	% change in variable	% change in value of portfolio		Impact on profit or loss	
		2009	2008	2009 R'000	2008 R'000
TOPI	10	2.08	1.87	11 490	15 204
Mid cap	10	2.96	2.60	16 404	21 187
Small cap	10	2.92	2.61	16 150	21 283

##### Investments held as part of the group's investment banking activities

The largest portion of the group's investment banking activities are conducted through an investment into Firefly Investments, a private equity fund that operates as an investment partnership. The fund houses both listed and unlisted equity instruments. As a result of investments entered into historically, certain of the group's private equity investments are held directly. The sensitivity analysis is presented for the portfolio of investment banking assets.

##### Listed investments

The table below depicts the fair value adjustment that would arise on the revaluation of listed equities if equity prices at year end had closed 10% higher/lower than actual levels.

##### Unlisted investments

The fair value of unlisted private equity investments are primarily based on comparative earnings multiple models, offers received and discounted cash flow models, which include some assumptions that are not necessarily supported by observable market prices or rates.

The table below depicts the sensitivity of the valuation of the group's listed and unlisted investments to a 10% change in the significant variables (discount rates and comparative earnings multiples) assumed in valuing the investments.

	% change in variable	Impact on profit and loss	
		2009 R'000	2008 R'000
Listed - market price	10	3 826	8 927
Unlisted - discount rate / earnings multiple	10	3 844	5 774
		7 670	14 701

##### 30.1.3 Foreign currency risk

###### 30.1.3.1 Key risk exposures

The group is exposed to foreign currency risk as a result of foreign exchange transaction exposures.

Transaction exposures arise when a business undertakes a transaction in a currency other than its functional currency. As various of its funds under management are denominated in foreign currencies, the Stenham group carries currency exposure in respect of revenues earned within its hedge fund of funds business. To manage this exposure, non-Sterling revenues are converted promptly on receipt and forward foreign exchange contracts (FEC's) are, in certain instances, entered into to hedge cash flows arising from non-Sterling debtors. At balance sheet date, the group has outstanding FEC's for the purchase of Sterling to the value of USD10,4 million. Outside of these exposures, in the normal course, the group does not have significant transaction exposures other than those in respect of transactions with foreign subsidiaries.

The main functional currencies in which the group transacts are rand (ZAR), Sterling (GBP) and on a lesser scale, US dollar (USD), Euro (EUR) and Yen (JPY).

## Notes to the annual financial statements

### Group

#### 30.1 Market risk (continued)

##### 30.1.3.1 Key risk exposures (continued)

Gains and losses are accounted for in the income statement. The FEC's are accounted for as cash flow hedges in accordance with IAS39.

Whilst foreign exchange translation exposure, arising from the translation of the group's offshore operations into rands is not considered a foreign currency exposure under IFRS, it is important to note that, following on the acquisition of Stenham, a significant portion of the group's revenues are earned in foreign currencies and the volatility of these currencies relative to the rand will impact the group's rand profit or loss and asset values.

##### Acquisition of a foreign subsidiary

During the course of the prior financial year the group entered into a currency hedge in order to hedge out currency exposure on the major portion of the purchase price payable for the acquisition of 51% of Stenham Ltd (notes 12 and 17). The nominal value of the hedge position was £54,983 million (R898,867 million at year end translation rates). The hedge was accounted for as a cash flow hedge.

The carrying amounts of the group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	USD R'000	EUR R'000	2009 CHF R'000	JPY R'000	Total R'000	USD R'000	2008 GBP R'000	Total R'000
Non-current assets	-	1 472	-	-	1 472	20 114	-	20 114
Investment in associate companies	-	1 472	-	-	1 472	-	-	-
Loans and receivables	-	-	-	-	-	20 114	-	20 114
Current	163 791	71 367	17 337	2 971	255 466	2 472	-	2 472
Trade and other receivables	92 929	44 025	14 734	1 363	153 051	2 472	-	2 472
Cash and cash equivalents	70 862	27 342	2 603	1 608	102 415	-	-	-
<b>Total assets</b>	<b>163 791</b>	<b>72 839</b>	<b>17 337</b>	<b>2 971</b>	<b>256 938</b>	<b>22 586</b>	<b>-</b>	<b>22 586</b>
Current liabilities	55 461	14 325	-	-	69 786	-	-	-
Trade and other payables	42 512	14 148	-	-	56 660	-	-	-
Current portion of interest-bearing borrowings	12 949	177	-	-	13 126	-	-	-
<b>Total liabilities</b>	<b>55 461</b>	<b>14 325</b>	<b>-</b>	<b>-</b>	<b>69 786</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash flow hedges - forward exchange contracts (FEC's)	(97 182)	-	-	-	(97 182)	-	898 867	898 867
<b>Net exposure</b>	<b>11 148</b>	<b>58 514</b>	<b>17 337</b>	<b>2 971</b>	<b>89 970</b>	<b>22 586</b>	<b>898 867</b>	<b>921 453</b>

The following significant exchange rates applied at balance sheet date:

	2009	2008
ZAR: USD	9.51	7.12
ZAR: GBP	13.63	14.79
ZAR: EUR	12.62	
ZAR: CHF	8.31	
ZAR: JPY	0.09	

## Notes to the annual financial statements

### Group

#### 30.1 Market risk (continued)

##### 30.1.3.2 Foreign currency sensitivity analysis

The table below depicts the group's sensitivity to a 10% change in value of the rand against the various foreign currencies. The sensitivity analysis measures the impact on the group's net exposure in rands (based on a change in the reporting date spot rate) and the impact on the group's rand profitability given a simultaneous change in all currencies to which the group is exposed at balance sheet date.

A positive number below indicates an increase in profit and other equity following a 10% weakening of the rand against the other currencies. For a 10% strengthening of the rand, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2009 R'000	2008 R'000
Profit	8 963	2 053
Net equity		
Cash flow hedge reserve	-	64 718

##### 30.1.4 Interest rate risk

###### 30.1.4.1 Key risk exposures

Interest rate risk refers to the impact on future cash flows and earnings of interest sensitive assets and liabilities as a result of interest rates repricing.

Interest earned by the group is classified into interest earned as part of the group's revenue generating activities and interest earned as part of the group's financing decisions.

The most significant component of revenue interest comprises interest earned from the group's prime broking activities. Peregrine Equities earns and pays interest on funding provided and amounts borrowed on long and short CFD positions, on cash collateral placed with scrip lenders and in respect of initial margin held, which amounts are detailed in notes 1.1.1 and 1.1.2. In addition, Equities earns interest on the net cash balances arising from these activities. As interest earned and paid is based on variable short term rates with similar bases (base rate), the net interest earned is not vulnerable to the risk of a repricing of the base rate. Rather interest income is vulnerable to margin changes, declines in market activity and/or client losses all of which would adversely affect profits. The interest rate sensitivity analysis presented opposite, consequently, excludes this interest category.

Financial assets and liabilities that are sensitive to interest rate risk comprise cash balances, interest-bearing borrowings and loans. Loans include loans made as part of the group's investment banking activities (note 17). Borrowings include amounts borrowed against hedge fund investments (note 17). The decision to gear against certain of the hedge fund investments is to enhance investment returns rather than as a result of a funding decision. The rates paid on hedge fund gearing are thus managed as part of the overall return expectation of group capital.

The group manages interest rate exposure arising from other borrowings as part of the overall management of group capital. The decision to borrow and the levels at which borrowings are maintained are evaluated on a regular basis. Considerations include historic and anticipated investment yields and the cost of borrowing, the group's liquidity requirements and the current state of credit markets. The efficient allocation of capital should enhance profitability over the longer term.

In respect of free cash, the group manages interest rate risk through a centralised treasury function locally and within the Stenham group. The treasury aims to protect and enhance net interest income, to ensure cost-effective sources of funding and to mitigate against residual undesirable interest rate risks. Margin deposits placed with Peregrine Equities and other cash balances arising from stockbroking activities are retained in the stockbroker to meet liquidity and JSE capital adequacy requirements. Cash requirements are monitored daily and cash is placed with high credit rated financial institutions or invested in UK government bonds. An interest cap agreement has been entered into in respect of borrowings from RBSI as detailed in note 25.

###### 30.1.4.2 Interest rate sensitivity analysis

The repricing profile of assets and liabilities sensitive to interest rate fluctuations is presented in the table opposite. Interest bearing assets and liabilities are allocated to time periods by reference to the earlier of the next contractual interest rate repricing date and the maturity or settlement date. Non-interest bearing assets and liabilities are allocated according to known or estimated settlement dates.

## Notes to the annual financial statements

### Group

#### 30.1 Market risk (continued)

##### 30.1.4.2 Interest rate sensitivity analysis (continued)

A 2% increase or decrease represents management's assessment of the reasonably possible change in interest rates. The tables depict the sensitivity of a 2% parallel increase in all applicable rates.

	up to 1 month R'000	1-3 months R'000	3 months to 1 year R'000	> 1 year R'000	Non rate R'000	Total R'000
<b>2009</b>						
SA interest rate sensitivity gap						
Assets	4 032 182	435 124	39 507	809 610	4 211 109	9 527 532
Liabilities	(4 359 762)	(522 847)	(112 757)	(76 916)	(2 732 236)	(7 804 518)
Equity	-	-	-	-	(1 723 014)	(1 723 014)
Interest rate sensitivity	(327 580)	(87 723)	(73 250)	732 694	(244 141)	-
Cumulative interest rate gap	(327 580)	(415 303)	(488 553)	244 141	-	-
Cumulative earnings risk: 2% change in rate	-	(1 092)	(6 230)			
	£'000	£'000	£'000	£'000	£'000	£'000
UK interest rate sensitivity gap						
Assets	5 466	21 310	4 073	-	2 175	33 024
Liabilities	(9 711)	(5 317)	(7 239)	(88)	(849)	(23 204)
Equity	-	-	-	-	(9 820)	(9 820)
Interest rate sensitivity	(4 245)	15 993	(3 166)	(88)	(8 494)	-
Cumulative interest rate gap	(4 245)	11 748	8 582	8 494	-	-
Cumulative earnings risk: 2% change in rate	-	(14)	176			
	R'000	R'000	R'000	R'000	R'000	R'000
<b>2008</b>						
SA interest rate sensitivity gap						
Assets	8 356 348	23 007	6 277	1 143 973	3 052 681	12 582 287
Liabilities	7 672 637	159 115	166 361	111 722	2 750 360	10 860 195
Equity	-	-	-	-	1 722 093	1 722 092
Interest rate sensitivity	683 711	(136 108)	(160 084)	1 032 252	(1 419 771)	-
Cumulative interest rate gap	683 711	547 603	387 519	1 419 771	-	-
Cumulative earnings risk: 2% change in rate	-	2 279	8 214			

#### 30.2 Credit risk

##### 30.2.1 Key risk exposures

Credit risk is the risk of loss resulting from the default of a counterparty. Credit risk includes settlement risk.

The most significant exposure to credit risk is as a result of the stockbroking activities undertaken within Peregrine Equities. As part of its normal operations a stockbroker is exposed to credit risk should a client not commit to trade settlement. In addition, the group is exposed to credit risk as a result of OTC trades on options, CFD's and futures undertaken with institutional, hedge funds and private clients.

As detailed under the heading of market risk, the instruments underlying CFDs are equity securities listed on the JSE. Credit risk arises where a client is unable to meet a variation margin payment, following an adverse market move in the client's underlying CFD position.

The group manages this exposure through:

- appropriate initial and daily variation margin requirements;
- setting of internal limits on the net exposure per security per client and across the CFD book based on the liquidity of the underlying security;
- internal credit ratings applied to different clients;
- daily review of exposures by client relative to margin held;
- scenario analyses that estimate the maximum exposure that may arise under various market conditions, and
- the implementation of appropriate procedures to ensure that the business is able to respond quickly and effectively when corrective action needs to be taken.

## Notes to the annual financial statements

### Group

#### 30.2 Credit risk (continued)

##### 30.2.1 Key risk exposures (continued)

The board of Peregrine Securities (Pty) Ltd, the holding company of Peregrine Equities, has overall responsibility for the business undertaken by Peregrine Equities. Limits are agreed and approved by the board. Daily risk management and enforcement of compliance with limits has been designated to appropriate individuals within the operating unit with oversight by a trading risk committee. As this is an area of business which has grown significantly over the past few years, the risk management processes and the development of technology to enhance the implementation and enforcement of such processes remains an ongoing area of focus.

Within the Stenham group credit risk exists as a result of lending activities undertaken by the group's trade finance division, where exposures may arise should the value of the collateral held prove to be inadequate and within the property division to the extent that the underlying funds have insufficient liquidity to settle management fees due to the group. The group manages this exposure through internal limits set for different classes of security and through regular reviews of the value of collateral held, including scenario analyses. The property division is actively involved in the day to day management of the funds and monitors the liquidity of each fund through its treasury function.

Within the area of investment banking the group provides loan funding as part of its private equity activities. As the funding is largely part of an overall investment, comprising debt and equity, the exposure is evaluated and measured as part of the group's equity exposure (note 30.1.2.1).

In respect of activities undertaken within the group's long-term assurance subsidiary, Citadel Life Ltd, credit risk arises as a result of re-insurance arrangements entered into in respect of certain of the life fund's policyholder liabilities as disclosed in note 16. All re-insurance arrangements entered into are with a life assurance company that has been reviewed by management and is of high credit standing. The liability to policyholders is linked to the value of the value of assets held under reinsurance arrangements. Citadel Life is liable to policyholders to the extent of the value of these assets regardless of the reinsurer's ability to deliver the assets.

Other assets that expose the group to credit risk consist principally of cash deposits and trade receivables. Cash is placed on deposit with high credit rated financial institutions. Credit risk with respect to trade receivables is limited due to the high credit rating of the group's counterparties.

Other than for off-balance sheet exposures and for financial assets and liabilities at fair value through profit or loss, the carrying value of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

##### *Credit exposure relating to off- balance sheet items*

	Maximum credit risk	
	2009	2008
	R'000	R'000
Guarantees provided by holding or subsidiary companies (note 38)	115 467	20 367

##### *Credit exposure relating to financial assets and liabilities designated at fair value through profit or loss*

Investments linked to policyholder investment contracts	2 725 372	2 657 024
Policyholder investment contract liabilities	(2 725 372)	(2 657 024)

## Notes to the annual financial statements

### Group

#### 30.2 Credit risk (continued)

##### 30.2.2 Unimpaired financial assets

The ageing of unimpaired financial assets at the reporting date is set out below:

Receivable class	Not past due R'000	Past due but not impaired					Carrying value R'000	Collateral held R'000
		<30 days R'000	30+ days R'000	60+ days R'000	90+ days R'000	90+ days R'000		
<b>2009</b>								
Loans and receivables	17 376	-	-	-	-	17 376	31 819	
Trade and other receivables	252 264	11 836	2 855	2 745	3 193	272 893	102 096	
Amounts receivable in respect of stockbroking activities	1 865 069	5 277	738	-	6 230	1 877 314	28 327	
Securities trading balances	577 897	5 277	738	-	6 230	530 142	5 601	
Money market investments	601 315	-	-	-	-	601 315	-	
Dividend claims	6 249	-	-	-	-	6 249	-	
Cash collateral	497 689	-	-	-	-	497 689	-	
STRATE settlement accounts	-	-	-	-	-	-	-	
Amounts receivable in respect of CFD and option positions	189 787	-	-	-	-	189 787	22 726	
SAFEX initial margin	52 132	-	-	-	-	52 132	-	
Cash and cash equivalents	713 615	-	-	-	-	713 615	-	
	<b>2 848 324</b>	<b>17 113</b>	<b>3 593</b>	<b>2 745</b>	<b>9 423</b>	<b>2 881 198</b>	<b>162 242</b>	
<b>2008</b>								
Loans and receivables	9 806	-	-	-	-	9 806	13 300	
Trade and other receivables	90 769	-	5 177	1 254	1 977	99 177	773	
Amounts receivable in respect of stockbroking activities	2 295 078	2 143	8 806	2 219	41	2 308 287	46 684	
Securities trading balances	647 628	2 143	8 806	2 219	41	660 837	7 911	
Money market investments	526 700	-	-	-	-	526 700	-	
Dividend claims	2 388	-	-	-	-	2 388	-	
Cash collateral	448 253	-	-	-	-	448 253	-	
STRATE settlement accounts	400 473	-	-	-	-	400 473	-	
Amounts receivable in respect of CFD and option positions	179 759	-	-	-	-	179 759	38 773	
SAFEX initial margin	89 877	-	-	-	-	89 877	-	
Cash and cash equivalents	1 053 646	-	-	-	-	1 053 646	-	
	<b>3 449 299</b>	<b>2 143</b>	<b>13 983</b>	<b>3 473</b>	<b>2 018</b>	<b>3 470 916</b>	<b>60 757</b>	

## Notes to the annual financial statements

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### Group

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#### 30.2 Credit risk (continued)

##### 30.2.3 Impairment

The analysis above is presented net of impairment losses. Impairment losses are accounted for in terms of accounting policy note 6. Default, delinquency in payment and significant financial difficulties are considered indicators that a receivable is impaired. Based on historic default rates and the credit quality of clients, the group does not believe that impairment is required in respect of the assets indicated as past due per the analysis above.

The movement in the allowance for impairment in respect of trade receivables is as follows:

	2009 R'000	2008 R'000
At beginning of the year	7 000	7 000
Acquisition through business combination	3 348	-
Movement through income statement	(599)	-
Effect of exchange rate changes	(350)	-
	9 399	7 000

The impairment allowance account is used to record impairment losses unless the group is satisfied that no recovery of the amount owing is possible. At that point the amounts are considered irrecoverable and are written off against the financial asset directly.

##### 30.2.4 Nature of collateral held

Collateral held against loans and receivables and trade and other receivables is detailed in notes 18 and 20 respectively.

Collateral held against amounts reflected as part of securities trading balances and as part of amounts receivable in respect of CFD and option positions comprises initial cash margin deposits placed with Peregrine Equities as security for obligations arising in respect of CFD trades ("CFD receivables"). The initial margin is calculated as a percentage of the nominal value of the trade and is repayable on the business day following the completion or termination of the CFD contract. The CFD receivables outstanding at year end, in respect of which collateral is held, total R33,415 million (2008: R47,728 million).

#### 30.3 Liquidity risk

##### 30.3.1 Key risk exposures

Liquidity risk refers to the ability to meet funding obligations as they fall due. The group's treasury function is centralised locally and within the Stenham group, thus ensuring that capital is appropriately allocated across the group and that funding and commitments are met timeously.

As the group is not involved in deposit taking and lending activities the group is not exposed to liquidity risks associated with the matching of asset and liability maturities as within a traditional banking environment.

The group has the ability to draw down on hedge fund investments on a quarterly basis.

Within the stockbroking business, liquidity is managed through the appropriate capitalisation of Peregrine Equities, treasury management at the operations level and by ensuring that business growth is within the constraints of available credit lines and existing capital resources.

##### 30.3.2 Liquidity mismatch table

A summary of the group's undiscounted liquidity profile is reflected in the table overleaf. Assets and liabilities are allocated according to their contractual maturity dates. The group has the ability to disinvest from the hedge funds on a quarterly basis (3 - 6 months), however, due to the size of the group's investments into the funds, the analysis treats the investments as realisable over a 9 month period (being 3 months to 1 year). Other investment banking assets (including listed equities) are shown as realisable in greater than a year.

## Notes to the annual financial statements

### Group

#### 30.3 Liquidity risk (continued)

##### 30.3.2 Liquidity mismatch table (continued)

	Demand	Up to 1 month	1-3 months	3-6 months	6 months- 1 year	1-5 years	>5 years and non cash items	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2009								
SA liquidity mismatch table								
Assets	511 497	3 501 405	467 979	287 125	299 283	249 133	4 211 110	9 527 532
Liabilities	(27 525)	(3 647 698)	(522 848)	(77 319)	(91 644)	(663 048)	(2 774 436)	7 804 518
Interest-bearing borrowings	-	(41 695)	(5 500)	(18 233)	(37 974)	(586 189)	(42 143)	(731 734)
Policyholder investment contract liabilities	-	-	-	-	-	-	(2 725 372)	(2 725 372)
Loans and other payables	-	-	-	-	-	(63 967)	(937)	(64 904)
Financial instrument liabilities	-	(1 473)	(2 062)	(371)	(300)	-	-	(4 206)
Trade and other payables	(184)	(76 916)	(90 286)	(17 851)	(53 924)	(2 307)	(5 349)	(246 817)
Amounts payable in respect of stockbroking activities	(27 341)	(3 527 614)	(425 000)	-	-	-	-	(3 979 955)
Other liabilities	-	-	-	(40 864)	554	(10 585)	(635)	(51 530)
Equity	-	-	-	-	-	-	(1 723 014)	(1 723 014)
Liquidity gap	483 972	(146 293)	(54 869)	209 806	207 639	(413 915)	(286 340)	-
Cumulative liquidity gap	483 972	337 679	282 810	492 616	700 255	286 340	-	-
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK liquidity mismatch table								
Assets	16 846	4 625	4 757	2 233	1 846	542	2 175	33 024
Liabilities	(27)	(1 474)	(6 322)	(6 690)	(4 394)	(3 448)	(849)	(23 204)
Interest-bearing borrowings	(6)	-	(1 005)	(1 000)	(2 845)	(3 360)	-	(8 216)
Trade and other payables	(21)	(1 474)	(4 221)	(5 690)	(1 166)	-	(849)	(13 421)
Other liabilities	-	-	(1 096)	-	(383)	(88)	-	(1 567)
Equity	-	-	-	-	-	-	(9 820)	(9 820)
Liquidity gap	16 819	3 151	(1 565)	(4 457)	(2 548)	(2 906)	(8 494)	-
Cumulative liquidity gap	16 819	19 970	18 405	13 948	11 400	8 494	-	-
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2008								
Assets	1 308 743	7 096 684	29 937	362 945	364 519	366 665	3 052 794	12 582 287
Liabilities	52 290	7 620 346	59 908	230 064	62 032	170 984	2 664 570	10 860 194
Interest-bearing borrowings	-	519	1 030	1 739	4 400	57 784	-	65 472
Policyholder investment contract liabilities	-	-	-	-	-	-	2 657 024	2 657 024
Loans and other payables	-	-	-	-	-	87 736	276	88 012
Trade and other payables	-	105 963	58 878	99 206	44 560	1 532	6 983	317 122
Amounts payable in respect of stockbroking activities	52 290	7 513 864	-	-	-	-	-	7 566 154
Other liabilities	-	-	-	129 119	13 072	23 932	287	166 410
Equity	-	-	-	-	-	-	1 722 093	1 722 093
Liquidity gap	1 256 453	(523 662)	(29 971)	132 881	302 487	195 681	(1 333 869)	-
Cumulative liquidity gap	1 256 453	732 791	702 820	835 701	1 138 188	1 333 869	-	-

#### 31. Capital risk management

The group manages its capital to ensure that each of the entities in the group will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the group's capital structure. An optimal capital structure should reduce the cost of capital whilst taking cognisance of the group's risk appetite, growth opportunities and credit markets.

## Notes to the annual financial statements

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>31. Capital risk management (continued)</b>				
The board reviews the capital structure on an ongoing basis as required. Decisions to alter the capital structure give consideration to the cost of capital and the risks associated with each class of capital. The group's long-term borrowings increased (notes 12 and 25) during the course of the year as indicated by the gearing ratio depicted below. In calculating the ratio debt includes long-term borrowings, net of policyholder investment contracts and equity comprises all capital and reserves of the group.				
Debt	750 775	194 420		
Equity	1 417 880	1 602 313		
Debt to equity ratio	53.0%	12.1%		
<b>32. Reconciliation of profit before taxation to cash (utilised by)/ generated from operations</b>				
Profit before taxation	<b>256 836</b>	741 023	<b>127 748</b>	102 663
<i>Adjusted for:</i>				
Depreciation	<b>16 236</b>	6 896	-	-
Amortisation of intangible assets	<b>42 907</b>	1 484	-	-
Reversal of amortisation of share based payments	<b>(1 101)</b>	-	-	-
Decrease in impairment for doubtful debts	<b>(599)</b>	-	-	-
Net fair value (losses)/gains on linked financial investments	<b>193 772</b>	(274 121)	-	-
Linked liability adjustment	<b>(193 772)</b>	274 121	-	-
Loss/(profit) on disposal of property, plant and equipment	<b>39</b>	(63)	-	-
Surplus on sale of property	<b>(115 364)</b>	-	-	-
Loss/(profit) on sale of financial investments	<b>20 709</b>	(28 095)	-	-
Realised loss/(profit) attributable to hedge fund investments	<b>61 894</b>	(52 353)	-	-
Adjustment to fair value of financial investments	<b>107 572</b>	(138 334)	-	-
Interest received on private equity investments - non cash portion	<b>(6 022)</b>	(7 947)	-	-
Interest paid on loans against hedge fund investments - non cash portion	<b>5 264</b>	-	-	-
Impairment to loans and receivables	<b>13 709</b>	-	-	-
Adjustment for straightlining of lease payments and receipts	<b>250</b>	80	-	-
Dividends received - financial investments	<b>(2 491)</b>	(12 420)	-	-
Dividends received - subsidiaries	-	-	<b>(127 734)</b>	(103 000)
Net interest paid/(received)	<b>49 147</b>	(64 541)	<b>(391)</b>	(58)
Income from associate companies	<b>(9 541)</b>	(7 101)	-	-
Surplus on disposal of shares in subsidiary	-	(5 500)	-	-
Foreign currency translation differences	<b>(9 652)</b>	(10 368)	-	-
	<b>429 793</b>	422 761	<b>(377)</b>	(395)
<i>Working capital changes:</i>	<b>(521 546)</b>	302 470	<b>898</b>	557
Decrease in trade and other receivables	<b>105 897</b>	70 250	-	-
Decrease/(increase) in amounts receivable in respect of stockbroking activities	<b>3 212 606</b>	(211 703)	-	-
(Decrease)/increase in trade and other payables	<b>(253 850)</b>	53 410	<b>898</b>	557
(Decrease)/increase in amounts payable in respect of stockbroking activities	<b>(3 586 199)</b>	390 513	-	-
Cash (utilised by)/generated from operations	<b>(91 753)</b>	725 231	<b>521</b>	162
<b>33. Taxation paid</b>				
Unpaid at beginning of the year	<b>110 868</b>	79 607	-	-
Acquisition through business combinations	<b>33 543</b>	-	-	-
Current tax expense through profit or loss	<b>130 814</b>	172 460	-	-
Prior year (over)/underprovision through profit or loss	<b>(9 186)</b>	159	-	-
Current tax expense through equity	<b>12 910</b>	-	-	-
Foreign exchange difference	<b>(3 032)</b>	126	-	-
Unpaid at end of the year	<b>(41 853)</b>	(110 868)	-	-
	<b>234 064</b>	141 484	-	-

## Notes to the annual financial statements

Group		
	2009 R'000	2008 R'000
<b>34. Acquisition of subsidiary company</b>		
With effect from 4 April 2008 Peregrine Financial Services Holdings Ltd acquired 52.84% of the shares in Stenham Ltd, the holding company of the Stenham group of companies, details of which are reflected in note 12.		
Fair value of net assets acquired:		
Assets	<b>2 079 293</b>	-
Intangible assets	<b>677 797</b>	-
Goodwill	<b>716 617</b>	-
Property, plant and equipment	<b>21 274</b>	-
Investment in associate companies	<b>27 772</b>	-
Loans receivable	<b>69 140</b>	-
Financial investments	<b>51 416</b>	-
Trade and other receivables	<b>259 338</b>	-
Cash and cash equivalents	<b>255 939</b>	-
Liabilities	<b>634 113</b>	-
Interest-bearing borrowings	<b>202 974</b>	-
Loans and payables	<b>5 212</b>	-
Deferred taxation	<b>595</b>	-
Trade and other payables	<b>391 789</b>	-
Provision for taxation	<b>33 543</b>	-
Less : Minority interest	<b>1 445 180</b> <b>(397 783)</b>	-
Settled in prior period	<b>1 047 397</b> <b>(48 243)</b>	-
Costs relating to acquisition capitalised	<b>(12 091)</b>	-
Payments in respect of forward exchange contract	<b>(36 152)</b>	-
Cash paid	<b>999 154</b>	-
Cash and cash equivalents acquired	<b>(255 939)</b>	-
	<b>743 215</b>	-

### 35. Acquisition of minority interest in subsidiary company

On 30 September 2008 Stenham Ltd acquired the 25.1% minority interest in Stenham SA (Pty) Ltd for R930 475.

### 36. Acquisition of associate company

On 1 April 2007 Peregrine Financial Services Holdings Ltd acquired 30% interest in Orthogonal Investments (Pty) Ltd.

Fair value of assets acquired:

Intangible asset	-	7 500
Purchase consideration	-	7 500
Consideration settled in shares	-	(5 329)
	-	2 171

### 37. Assets under management

The group manages assets on behalf of clients, which at year end amounted to

<b>80 862 747</b>	43 354 077
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Where these assets are invested via Citadel Life or into local hedge funds, the assets are reflected in the group's balance sheet as detailed in note 16.

## Notes to the annual financial statements

### Group

#### 38. Contingent liabilities

- 38.1 Peregrine Financial Services Holdings Ltd (“PFS”) has bound itself as surety for and co-principal debtor with Violation Enforcement Systems (Pty) Ltd (in which Peregrine has made a private equity investment) in favour of Investec Private Bank, guaranteeing due payment of all amounts arising in respect of working capital and purchase of capital equipment, which guarantee is limited to a maximum of R12,1 million. As at 31 March 2009, the amount owing in terms of such facility is R7,3 million (2008: R8,3 million).
- 38.2 In respect of its investment banking facilities, PFS has bound itself as surety for and co-principal debtor with various private companies in favour of Investec Private Bank, ABSA Bank Ltd and other vendors, in the total amount of R4,5 million (2008: R4,5 million).
- 38.3 In respect of its derivative broking activities, Peregrine Securities (Pty) Ltd, the holding company of Peregrine Equities (Pty) Ltd, Peregrine Financial Products (Pty) Ltd and Peregrine Derivatives (Pty) Ltd, has guaranteed all obligations on behalf of Peregrine Derivatives (Pty) Ltd that arise, or may arise, in respect of a SAFEX clearing agreement with Société Générale. As at 31 March 2009 the contingent liability, representing one day’s variation margin due from broking clients, totalled R 8,565 million. All obligations were settled subsequent to year end.
- 38.4 In respect of trade finance activities undertaken, subsidiaries within the Stenham group have issued irrevocable letters of credit and guarantees to various banks in respect of client obligations in the total amount of R95,110 million. The guarantees are secured by cash deposits, client guarantees and pledges over investments with a fair value of R164,873 million at balance sheet date.
- 38.5 During the course of 2008 PFS acquired 30% of the issued share capital of Orthogonal Investments (Pty) Ltd. PFS, through a series of call options, has the ability to acquire an additional 20% to 35% of the issued share capital of Orthogonal, which options are exercisable between 1 April 2010 and 30 April 2011. The purchase consideration for the options is based on a valuation of the business of Orthogonal of between R35 to R50 million. At the election of the seller of the shares in Orthogonal, 67% of the consideration may be settled in Peregrine shares at a price of R13.30 per share. In the event that Peregrine fails to exercise its rights under either of the call options, the shareholders of Orthogonal have a put option against PFS requiring PFS to acquire an additional 35% of the issued share capital of Orthogonal for a cash consideration not exceeding R7,5 million.
- 38.6 In respect of the acquisition of shares in Stenham Ltd (note 12), provided the Stenham group earns not less than an aggregate EBITDA in the amount of £106,816 million (“the earn-out amount”) (of which Peregrine’s share is 52.84%) for the 4 year period commencing 1 April 2008, PFS will make available an amount of £5 million to be paid as an earn-out over and above the purchase price paid. The earn-out amount represents a compound growth of 11.7% per annum on EBITDA at the time of acquisition.

	2009 R'000	2008 R'000
<b>39. Commitments</b>		
<b>39.1 Operating leases – office premises and equipment</b>		
The minimum commitments are:	258 451	50 555
Due in one year	48 368	6 713
Due in two to five years	153 533	26 669
Thereafter	56 550	17 173

#### 39.2 Capital expenditure

The minimum commitments are:	10 533	6 415
Contracted	1 465	2 400
Authorised, but not yet contracted	9 068	4 015

It is intended that operating lease and capital expenditure commitments are funded from internally generated funds.

#### 40. Contingent assets

In respect of the acquisition of shares in Stenham Ltd (note 12), PFS has an option to acquire an additional 14% of the shares in Stenham Ltd for a purchase price of £25,237 million plus 14% of all retained income accumulated during the period from 1 April 2008 to date of payment thereof. The option may be exercised from 1 April to 30 April 2010, in whole and not in part only.

## Notes to the annual financial statements

### Group

#### 41. Related party information

##### 41.1 Subsidiaries

Details of interest in subsidiaries are disclosed in note 14 and Annexure A. Transactions between subsidiaries are conducted in the ordinary course of business at arm's length. Dividends paid by subsidiary companies are recognised as investment income by the holding company. Intercompany transactions and balances are eliminated on consolidation. Peregrine Capital (Pty) Ltd ("Peregrine Capital") and Peregrine Investment Managers (Pty) Ltd ("PIM") manage funds on behalf of other companies in the group. This is done on market related terms and conditions, similar to those arranged with third parties.

##### 41.2 Associates

During the year, certain of the group's subsidiaries, in the ordinary course of business, entered into various transactions with associates:

	2009 R'000	2008 R'000
Fees charged for services rendered:		
CAM Fund Management Ltd	23 319	19 893
Caveo Fund Solutions (Pty) Ltd	143	2 293
Stenpark Management IC	1 496	-
Fees paid for services rendered:		
Citadel Trust Ltd	3 529	3 612
Orthogonal Investments (Pty) Ltd	2 378	1 649
Referral fees received:		
Citadel Trust Ltd	126	110
Costs recovered:		
Citadel Trust Ltd	4 748	3 715
Orthogonal Investments (Pty) Ltd	478	473

R884 061 (2008: R7,095 million) of the amount charged for services rendered remains unpaid at year end and is included in trade and other receivables. R213 602 (2008: R1,472 million) of the amount paid for services rendered remains unpaid at year end and is included in trade and other payables.

##### 41.3 Directors

Details of directors' shareholding in the company are disclosed in the corporate governance review. Directors' emoluments are disclosed in note 4.

##### 41.4 Key management

Key management comprises the directors of all of the group's operating subsidiaries. Key management remuneration is disclosed in note 4.

##### 41.5 Staff loans and investments

Included in financial investments is an amount of R8,085 million (2008: R9,638 million) representing investments into the hedge funds on behalf of staff employed by Peregrine Capital. Returns on the investment accrue to staff over a three year period linked to the individuals ongoing employment.

During the course of 2007, Stenham extended loan funding to certain key members of management to acquire shares in Stenham Investments Holdings Ltd, which shareholding was subsequently restructured to 3,726 shares in Stenham Ltd ("SL"). The shares vest in three equal instalments on 1 October 2009, 2010 and 2011. The company has the right to acquire any unvested shares at the lower of the subscription price and market value upon the employee ceasing to be employed with the group (other than as a result of injury, disability, death or redundancy). At the time of the Stenham acquisition, further loan funding was extended to members of management to acquire 11,131 shares in SL, to which no vesting conditions are attached. Terms of the loan funding are detailed in note 18.

Included in receivables are loans totalling R748 234 (2008: R772 983) to directors and staff of PIM. The loans are secured by an investment into the funds managed by PIM, are interest bearing and repayable after one year or at the discretion of the company.

##### 41.6 Private equity fund

Peregrine has a 50% interest in the fund. As a result of the fact that Peregrine directors control the investment decisions of the fund, the partnership has been consolidated into the group results. Certain employees involved with the management of the fund have co-invested with Peregrine into the fund as disclosed in note 26. Specifically, an entity in which Mr SA Melnick has an indirect beneficial interest has co-invested with Peregrine into the fund in the amount of R48,920 million (2008: R44,224 million).

## Notes to the annual financial statements

### Group

#### 41. Related party information (continued)

##### 41.7 Fees and services

Staff are entitled to invest into funds managed by the group. Other than the minimum investment amount for certain of the funds managed by PIM, which is lower than for external parties and reduced management fees for Stenham staff investing into the Stenham funds, the investments are on an arm's length basis and fees are as charged to external clients.

Citadel key management who are Citadel clients do not pay advisory fees (structuring, management and performance fees) but pay administration and product fees on an arm's length basis.

#### 42. Critical accounting estimates and judgements

##### 42.1 Estimated impairment of goodwill and intangibles

The group tests annually whether goodwill and intangibles have suffered any impairment, in accordance with the accounting policy disclosed. The recoverable amounts of cash generating units (CGU) have been determined based on value-in-use calculations.

###### 42.1.1 Stenham group

Following on the acquisition of Stenham Ltd, the group employed the services of external professional advisors to value the intangible assets acquired as part of the business combination. The Stenham trade name was valued using the relief from royalty method, in which the subject intangible asset is valued by reference to the amount of royalty income it would generate if the intangible were licensed in an arm's length transaction. The income approach was used to value the customer relationships. In this approach, an economic benefit stream of the asset under analysis is selected, usually based on historical or forecast cash flow. The focus is to determine a benefit stream that is reasonably reflective of the assets most likely future benefit stream. The selected benefit stream is discounted to present value with an appropriate risk-adjusted discount rate. Discount factors include general market rates of return at the valuation date, business risks associated with the industry in which the company operates and risks specific to the asset being valued.

The valuations have been updated by management at balance sheet date based on actual results achieved for the year under review and revised budgets and forecasts. In addition, the fair value of goodwill at balance sheet date has been determined using the income approach.

At acquisition date, the Stenham intangibles were allocated to the following cash generating units:

	At date of acquisition	Amortisation	Translation difference	At balance sheet date
	R'000	R'000	R'000	R'000
Trade name	137 649	(6 647)	(16 019)	114 983
Customer relationships				
Hedge funds	294 256	(18 938)	(33 822)	241 496
Property	114 397	(7 365)	(13 149)	93 883
Trust and fiduciary	88 278	(5 689)	(10 146)	72 443
Trade finance	43 217	(2 784)	(4 967)	35 466
	677 797	(41 423)	(78 103)	558 271

The significant driver of future cash flow forecasts is expected growth in assets under management. The assumptions applied in the valuations match those applied in the group budget and three year plan approved by the Stenham board which takes account of the current economic climate, anticipated to impact results in the short-term. Assets under management are dependent on new business inflows, investment returns, client redemptions and currency exchange rates. Overall, nominal net growth in assets is assumed for the next 12 months following which annual growth rates of approx 25% are assumed to year 3, driven largely by growth in the hedge fund of funds division. Beyond year 3, growth rates have been reduced by 20% per annum to a terminal rate of 3%, which is considered to be an approximation of expected long-term economic growth. Asset growth rates translate into similar rates for projected cash flows.

###### Trade names

The applicable royalty rate used for the valuation is 0.03%. Future cash flows were discounted at a rate of 15.97%.

###### Customer relationships

Attrition rates of between 13% and 21% have been applied to revenues over a 15 year period. Post attrition revenues were discounted at a rate of 15.47%.

###### Goodwill

Future cash flows have been discounted at 14.97%.

# Notes to the annual financial statements

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## Group

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### 42. Critical accounting estimates and judgements (continued)

#### 42.1.2 Wealth management

The carrying value of goodwill and intangibles (customer relationships) relating to the wealth management division, following on the acquisition of Deloitte Private Clients (Pty) Ltd in 2005, is R238,267 million (2008: R239,751 million) at year end.

The fair value of goodwill and intangibles has been determined using the income approach.

The significant driver of the valuation is expected growth in assets under management resulting from new fund inflows and investment returns and taking into account client withdrawals, mandate cancellations and levels of client retention. The assumptions applied for each of these variables are conservative and match those applied in the preparation of group budgets and forecasts. Assumptions are supported by past experience. Future cash flows were discounted at a rate of 12.29% over a 10 year term and assuming a growth rate of 3% beyond year 10.

#### 42.2 Valuation of unlisted private equity investments

Sectors in which investments are held: Infrastructure, information technology and telecoms, aviation and other industrial. Factors applied in the valuation of investments are set out below.

Earnings multiple range: 2 to 4 times

Earnings projections: based on management's projections

Discount rate range: 7% to 15%

Growth rates into perpetuity: 1% to 3%

Average beta values: 0.63 to 1.32

### 43. Events subsequent to balance sheet date

No material events occurred subsequent to balance sheet date.

## Annexure A

	Nature of business	% holding		Cost of investment		Indebtedness	
		2009	2008	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>Companies:</b>							
<i>Directly held</i>							
Peregrine Financial Services Holdings Ltd	Holding company	100	100	7 195	7 195	58 730	71 864
<i>Indirectly held</i>							
Citadel Holdings Ltd	Wealth management	100	100				
Direct Securities (Pty) Ltd	Financial broking	100	100				
Peregrine Capital (Pty) Ltd	Asset management	50	50				
Peregrine Collective Investments (Pty) Ltd	Asset management	65	65				
Peregrine Direct Limited	Financial broking	100	100				
Peregrine Capital Management (BVI) Ltd	Asset management	70	70				
Peregrine Derivatives (Pty) Ltd	Financial broking	100	100				
Peregrine Equities (Pty) Ltd	Financial broking	100	100				
Peregrine Financial Products (Pty) Ltd	Financial structuring	100	100				
Peregrine Investment Managers (Pty) Ltd	Asset management	100	100				
Peregrine Management Services (Pty) Ltd	Management services	100	100				
Peregrine iQ (Pty) Ltd	Asset management	60	60				
Peregrine Securities (Pty) Ltd	Financial services	100	100				
Peregrine Strategic Investments (Pty) Ltd	Investment holding company	100	100				
Peregrine Structuring (Pty) Ltd	Financial structuring	100	100				
Stenham Ltd	Asset and property management and trade finance services	52.8					
TWF Investments (Pty) Ltd	Investment banking	70	70				
<b>Share Trusts:</b>							
<i>Directly held</i>							
Peregrine Share Incentive Trust		100	100			13 000	-
<i>Indirectly held</i>							
Citadel Holdings Ltd Employee Share Participation Scheme		100	100				
Deloitte Private Clients Employee Share Trust		100	100				
<b>Partnership:</b>							
<i>Directly held</i>							
Firefly Investments 61	Investment banking	50	50				
				<b>7 195</b>	7 195	<b>71 730</b>	71 864

A comprehensive list of subsidiaries is available on request at the registered office of the company. Peregrine Capital Management (BVI) Ltd and Peregrine Direct Ltd are incorporated in the British Virgin Isles. Citadel Holdings Ltd owns 100% of the issued share capital of Citadel Offshore Holdings Ltd which company and its subsidiaries are incorporated in Guernsey. Stenham Ltd and its subsidiaries are incorporated in the UK, British Virgin Isles and Guernsey. All other subsidiary companies are incorporated in the Republic of South Africa. The amounts due by Peregrine Financial Services Holdings Ltd and the Peregrine Share Incentive Trust to Peregrine Holdings Limited are unsecured, interest free and repayable on demand. It is not anticipated that the amounts will be repaid within a period of less than one year.

## Details of associate companies

as at 31 March

## Annexure B

## Group

	CAM Fund Management Ltd <sup>1</sup>	Citadel Trust Ltd <sup>1</sup>	Caveo Fund Solutions (Pty) Ltd <sup>2</sup>	Orthogonal Investments (Pty) Ltd <sup>2</sup>	Stenpark Management IC <sup>3</sup>	CAFM Investment (Pty) Ltd <sup>2</sup>	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>2009</b>							
Percentage held	50.0%	49.0%	49.9%	30.0%	50.0%	33.3%	
Shares at cost	37	61	-	7 500	194	-	7 792
Share of post acquisition reserves	3 001	386	308	(3 780)	1 285	-	1 200
	3 038	447	308	3 720	1 479	-	8 992
Loan	-	-	-	-	-	-	-
Cost	-	-	-	12 987	-	-	12 987
Impairment	-	-	-	(12 987)	-	-	(12 987)
	3 038	447	308	3 720	1 479	-	8 992
Summarised financial information:							
Assets	16 409	1 978	3 574	632	4 520	-	27 113
Liabilities	11 902	1 090	3 257	13 233	833	-	30 315
	4 507	888	317	(12 601)	3 687	-	(3 202)
Revenue	64 258	9 347	10 822	2 397	17 365	-	104 189
Profit/(loss)	10 974	387	(400)	(5 624)	13 986	-	19 323
<b>2008</b>							
Percentage held	50.0%	49.0%	49.9%	30.0%	-	33.3%	-
Shares at cost	37	61	-	7 500	-	35	7 633
Share of post acquisition reserves	1 790	197	2 053	(2 093)	-	(35)	1 912
	1 827	258	2 053	5 407	-	-	9 545
Loan	-	-	-	7 424	-	-	7 424
	1 827	258	2 053	12 831	-	-	16 969
Summarised financial information:							
Assets	20 266	1 587	8 074	703	-	-	30 630
Liabilities	11 970	1 086	4 265	7 680	-	-	25 001
	8 296	501	3 809	(6 977)	-	-	5 629
Revenue	63 794	5 577	17 378	1 649	-	552	88 951
Profit/(loss)	19 052	8	3 820	(6 977)	-	(59)	15 844

1. Wealth management 2. Asset management 3. Property management

All associate companies are incorporated in the Republic of South Africa, with the exception of CAM Fund Management Ltd, which is incorporated in Guernsey and Stenpark Management IC which is incorporated in Jersey, Channel Islands.

All associate companies' reporting dates are 31 March, with the exception of CAM Fund Management Ltd, which is 31 December.