

**PRINCIPLE CAPITAL HOLDINGS S.A.**

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005

# **PRINCIPLE CAPITAL HOLDINGS S.A.**

## **DIRECTORS**

### **Chief Executive Officer**

Brian A Myerson

### **Non-executive Directors**

David J Cooley

Brian S Padgett

Leonard O'Brien

Marco Felder

## **SECRETARY**

Maitland Luxembourg S.A.

6, rue Adolphe Fischer

L-1520 Luxembourg

## **REGISTERED OFFICE**

6, rue Adolphe Fischer

L-1520 Luxembourg

## **COMPANY NUMBER**

98144

## **BANKERS**

Barclays Private Clients International Limited

Jersey, St Helier

PO Box 8

Jersey

JE4 8NE

## **AUDITORS**

KPMG Audit S.à r.l.

31, allée Scheffer

L-2520 Luxembourg

# PRINCIPLE CAPITAL HOLDINGS S.A.

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# PRINCIPLE CAPITAL HOLDINGS S.A.

## CHIEF EXECUTIVE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

### **Introduction**

In 2005, our operational businesses, Principle Capital Partners Limited, Principle Capital Fund Managers Limited and Principle Capital Advisors Limited (together "Principle Capital") have focused on the business strategy outlined in the AIM prospectus issued on our launch in November 2004.

### **Investments and Investment Management**

Principle Capital has established three core activities, namely fund management, consortium investments and direct investments. In total, as at 31 December 2005, direct investments and funds under management totalled £60 million (\$104m).

#### *Investment Management*

October 2005 saw the launch of Principle Capital's first dedicated activist investment fund, Principle Capital Investment Trust plc ("PCIT"). The issue was well received and we attracted funding from a broad range of investors, including a number of hedge funds and activists with whom we are already working on certain transactions. PCIT has built a number of interesting positions and is now well on the road to being fully invested. The positions have shown encouraging resilience in the face of recent market turbulence and a number have also already been the subject of corporate activity, which demonstrates that we are both continuing to find the type of investments which fulfil our demanding criteria which should enable us to accelerate returns to investors.

PCIT is an excellent product for Principle Capital. Not only does it enable us to forge closer relationships with other investors in our marketplace, but also, its closed end nature means that it should give long term visibility on revenues for Principle Capital, through the management and performance fees charged to PCIT by Principle Capital Fund Managers Limited. We intend to increase the scale of this on an ongoing basis with further fund raising and believe that it will become a showcase for our investment strategy when marketing our other products.

Since the end of the year, we have commenced a marketing exercise with a view to launching an offshore fund, which will invest alongside PCIT. This fund is targeted at non-UK based pension and endowment funds, high net worth and fund of fund investors. It will not be listed, but will have redemption features to give investors liquidity. Whilst launching a product of this nature is a lengthy process, we have received encouraging feedback from a number of prospective investors and we hope to have a first closing in the near future. We are also in discussions regarding the launch of a number of other investment products, one of which is at an advanced stage.

We will keep shareholders informed of our progress in respect of the offshore fund and the launches of other potential products at the appropriate time.

#### *Consortium Investments*

In April 2005, we launched our first consortium vehicle, Bulldog Financial Limited, which is now the largest shareholder in Nord Anglia Education plc. Nord Anglia is a leading provider of education, training and childcare and which is listed on the London Stock Exchange. We have been working very closely with management and other shareholders to realise the inherent value in Nord Anglia. In March 2006, we also entered into a co-investment arrangement with a hedge fund regarding Luminar plc, an investment owned by PCIT and we look forward to working together with them on that position. We are working on a number of other consortium and co-investment arrangements, which should generate both fees for Principle Capital and enhance opportunities for Principle Capital's managed funds.

**PRINCIPLE CAPITAL HOLDINGS S.A.**

**CHIEF EXECUTIVE STATEMENT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2005**

*Direct Investments*

In October 2005, the Company invested £6.7m in the ordinary shares of PCIT, although we have subsequently sold 1.5 million shares at cost in order to help meet institutional demand for the stock and bring in new investors. In addition, in April 2005, the Company had at the year end invested £975,000 in Bulldog Financial Limited in respect of its 18.75% interest.

Our investment in 1.27m ordinary shares of Liberty plc, the London based luxury retailer, remains an attractive investment in our view and the share price increased 22% over the year, ending at £2.625 per share. Liberty has produced encouraging results for the six months ending 31 December 2005 and we are confident of its future growth prospects.

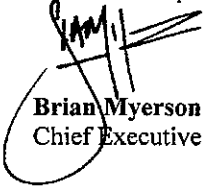
*New Director*

We are pleased to announce that Richard Bolton, Managing Director of Anglo Irish Fund Services Limited, has agreed to join the Board of Directors with effect from 1 July 2006. He replaces Marco Felder, who will leave the Board after the AGM to be held on 30 June 2006. We would like to extend our thanks to Marco for his contribution to the Company since its launch.

*Financial Results and Outlook*

Naturally the 2005 results reflect considerable activity on our part in the development and marketing of our products, without a major income stream or investment realisations. The Company retains a strong balance sheet and the launch of the investment trust, together with the pipeline of new products scheduled for this year should generate significant uplift in our income stream, even without allowing for potential performance fee payments. We also expect to see increases in the value of the Company's direct investments.

I would like to thank everybody involved with Principle Capital for all their work to date in continuing to establish and promote our exciting business.



**Brian Myerson**  
Chief Executive

## PRINCIPLE CAPITAL HOLDINGS S.A.

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

#### **General**

PRINCIPLE CAPITAL HOLDINGS S.A. (the "Company" or "PCH") is a Luxembourg company incorporated on December 29, 2003 under the name of TABULA HOLDINGS EIGHT S.à r.l. as a private limited liability company (société à responsabilité limitée).

On October 8, 2004, the Company was renamed from TABULA HOLDINGS EIGHT S.à r.l. to PRINCIPLE CAPITAL HOLDINGS S.A. and was transformed into a limited liability company (société anonyme).

The registered office of the Company is at 6, rue Adolphe Fischer, L- 1520 Luxembourg and the Company is registered with the "Registre de commerce et de société au Grand-Duché de Luxembourg" under section B, number 98.144. The Company is established for an unlimited period.

The Company shall have as its business purpose the holding of participations, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind.

The Company's year commences on the first of January and will terminate on the last day of December.

The authorised share capital of the Company is 12,500,000 shares with a par value of £1 each, of which 8,999,806 are issued and fully paid.

The Company's shares are admitted to trading on the Alternative Investment Market of the London Stock Exchange.

#### **Principal Activities**

PRINCIPLE CAPITAL HOLDINGS S.A. is the holding company of a Group established to raise and manage investment funds. The Company may also invest its own money in or alongside these funds.

#### **Business Review and Dividend**

The results for the period are set out in the Consolidated Profit and Loss Account on page 9 of the financial statements. At 31 December 2005 the Group had a retained loss on ordinary activities after taxation and before minority interests of £1,331,192. The retained loss attributable to the Company for the year is £952,848. The Directors are not recommending payment of a dividend.

**PRINCIPLE CAPITAL HOLDINGS S.A.**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2005**

**Stock Options**

As at 31 December 2005, the following Directors of the Company have a right to subscribe for shares in the Company:

1. David John Cooley, 89,998 shares at 200 pence each, granted 3 November 2004;
2. Brian Sean Padgett, 44,999 shares at 200 pence each, granted 3 November 2004; and
3. Leonard Joseph O'Brien 44,999 shares at 200 pence each, granted 3 November 2004.

**Notes to Accounts**

Two items in the accounts warrant further explanation.


First, on page 15 in the note on Administrative Expenses, shareholders should note that the professional fees include the cost of certain employees whose services (company secretarial and administration) are supplied by Active Value Advisors Limited pending the end of the Active Value Funds (scheduled for 30 June 2006). From 1 July 2006, 4 of these employees will become full time employees of Principle Capital Advisors Limited, and the costs associated will no longer be treated as professional fees.

Second, on page 17 in the note on Investments, shareholders should note that the realisation of the loss attributable to shares in Nord Anglia Education plc, was created by a transfer of those shares from the Company to Bulldog Financial Limited, in which the Company now holds an 18.75% interest. Any improvement in the shares of Nord Anglia Education plc will result in an increase in the value of the Company's investment in Bulldog Financial Limited.

**Auditors**

KPMG Audit S.à r.l. were appointed during the period and have expressed their willingness to be reappointed.

Approved by Board of Directors on 8 June 2006.



**Brian Padgett**

# PRINCIPLE CAPITAL HOLDINGS S.A.

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

### STATEMENT OF DIRECTORS RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for ensuring adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the UK Companies Act 1985.

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

Under applicable law, the Directors are also responsible for preparing a Directors' Report that complies with that law.



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To the Shareholders  
PRINCIPLE CAPITAL HOLDINGS S.A.  
6, rue Adolphe Fischer  
L-1520 Luxembourg

## AUDITORS' REPORT


We have audited the accompanying consolidated financial statements of PRINCIPLE CAPITAL HOLDINGS S.A. for the year ended 31 December 2005 and we have read the related Directors' report. These consolidated financial statements and the Directors' report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to check the consistency of the Directors' report with them.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached consolidated financial statements give, in conformity with United Kingdom generally accepted accounting principles, a true and fair view of the consolidated financial position of PRINCIPLE CAPITAL HOLDINGS S.A. as at 31 December 2005 and of the consolidated results of its operations and its cash flows for the year then ended.

Luxembourg, 8 June 2006

KPMG Audit S.à r.l.  
Réviseurs d'Entreprises

  
D.G. Robertson

  
D. Wallace

# PRINCIPLE CAPITAL HOLDINGS S.A.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Group 2005 £	Group 2004 £
<b>TURNOVER</b>	2		
Advisory fees		183,652	-
<b>OTHER INCOME</b>			
Unrealised gains on investments		558,511	-
Realised loss on sale of investments	8	<u>(438,238)</u>	<u>-</u>
<b>GROSS PROFIT</b>		303,925	-
Administrative expenses	3	<u>(1,960,298)</u>	<u>(1,983,053)</u>
<b>OPERATING LOSS</b>		<u>(1,656,373)</u>	<u>(1,983,053)</u>
Interest receivable and similar income		<u>340,319</u>	<u>85,437</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,316,054)	(1,897,616)
Tax on loss on ordinary activities	6	<u>(15,138)</u>	<u>(935)</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(1,331,192)	(1,898,551)
Minority interest		378,344	50,308
<b>RETAINED LOSS FOR THE FINANCIAL YEAR/PERIOD</b>		<u><u>(952,848)</u></u>	<u><u>(1,848,243)</u></u>

The notes on pages 13 to 21 form an integral part of these financial statements.

The turnover and operating loss of the Group are derived entirely from continuing operations.

The Group made no recognised gains or losses other than those reported in the profit and loss account.

**PRINCIPLE CAPITAL HOLDINGS S.A.**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2005**

	Notes	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
<b>FIXED ASSETS</b>					
Tangible Assets	7	53,227	-	-	-
Shares in Group undertakings	8	-	17,053	-	17,053
Other investments	8	10,968,415	10,968,415	2,731,521	2,731,521
		<u>11,001,652</u>	<u>10,985,468</u>	<u>2,731,521</u>	<u>2,748,574</u>
<b>CURRENT ASSETS</b>					
Debtors	9	230,486	1,574,326	48,605	209,440
Cash at bank and in hand		1,017,139	943,631	10,698,764	10,659,369
		<u>1,247,625</u>	<u>2,517,957</u>	<u>10,747,369</u>	<u>10,859,809</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(226,214)</u>	<u>(120,885)</u>	<u>(124,635)</u>	<u>(97,434)</u>
<b>NET CURRENT ASSETS</b>		<u>1,021,411</u>	<u>2,397,072</u>	<u>10,622,734</u>	<u>10,762,375</u>
<b>NET ASSETS</b>		<u>12,023,063</u>	<u>13,382,540</u>	<u>13,354,255</u>	<u>13,510,949</u>
<b>CAPITAL AND RESERVES</b>					
	11, 12				
Called up share capital		8,999,806	8,999,806	8,999,806	8,999,806
Share premium account		6,250,000	6,250,000	6,250,000	6,250,000
Profit and loss account		<u>(2,801,091)</u>	<u>(1,867,266)</u>	<u>(1,848,243)</u>	<u>(1,738,857)</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		<u>12,448,715</u>	<u>13,382,540</u>	<u>13,401,563</u>	<u>13,510,949</u>
Minority interest		(425,652)	-	(47,308)	-
		<u>12,023,063</u>	<u>13,382,540</u>	<u>13,354,255</u>	<u>13,510,949</u>

The notes on pages 13 to 21 form an integral part of these financial statements.

As permitted under section 230 of the United Kingdom Companies Act 1985, the Company has not presented its profit and loss account.

These financial statements were approved by the Board of Directors on 21st June 2006 and were signed on its behalf by Leonard O'Brien.

Leonard O'Brien  
Director

Date 08/06/06



# PRINCIPLE CAPITAL HOLDINGS S.A.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Group 2005 £	Group 2004 £
<b>Operating activities</b>			
Net cash outflow from operating activities	13	(1,520,533)	(1,819,521)
<b>Capital expenditure</b>			
Payments to acquire tangible assets		(44,991)	-
<b>Acquisitions and disposals</b>			
Payments to acquire investments		(9,148,620)	-
Receipt from sale of investments		1,032,000	-
<b>Financing activities</b>			
Increase of shares		-	12,518,285
<b>(Decrease)/Increase in cash in the year/period</b>		<u>(9,682,144)</u>	<u>10,698,764</u>
 <b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in cash in the year/period		<u>(9,682,144)</u>	<u>10,698,764</u>
Movement in net debt in the year/period		(9,682,144)	10,698,764
Net funds at the beginning of the year/period		10,698,764	-
Net funds at the end of the year/period*		<u>1,016,620</u>	<u>10,698,764</u>

\* Net funds as at 31 December 2005 are made of cash at bank and in hand for £1,017,139 and bank overdraft for £519 (see note 10).

The notes on pages 13 to 21 form an integral part of these financial statements.

## PRINCIPLE CAPITAL HOLDINGS S.A.

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2005

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Loss for the financial year/period	<u>(952,848)</u>	<u>(128,409)</u>	<u>(1,848,243)</u>	<u>(1,738,857)</u>
New share capital subscribed	(952,848)	(128,409)	(1,848,243)	(1,738,857)
Share premium account	-	-	8,999,806	8,999,806
	<u>-</u>	<u>-</u>	<u>6,250,000</u>	<u>6,250,000</u>
(Decrease in)/Net addition to shareholders' funds	(952,848)	(128,409)	13,401,563	13,510,949
Minority interest	(378,344)	-	(47,308)	-
Opening shareholders' funds	13,354,255	13,510,949		-
Closing shareholders' funds	<u><u>12,023,063</u></u>	<u><u>13,382,540</u></u>	<u><u>13,354,255</u></u>	<u><u>13,510,949</u></u>

The notes on pages 13 to 21 form an integral part of these financial statements.

# PRINCIPLE CAPITAL HOLDINGS S.A.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2005

### 1 ACCOUNTING POLICIES

#### **Basis of accounting**

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention.

#### **Basis of consolidation**

The financial statements of the subsidiaries are included in the consolidated financial statements.

Intra-group balances and transactions, and any related gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Acquisitions of subsidiaries are accounted for by application of the purchase method of accounting.

#### **Revenue recognition**

Revenue is recognised on an accruals basis.

#### **Set up costs**

Set up costs have been written off in full.

#### **Bases of conversion for items originally expressed in foreign currency**

The Company maintains its accounts in pounds sterling ("£") and the balance sheet and profit and loss account are expressed in this currency.

Financial assets denominated in other currencies are translated into £ at the historical exchange rates.

Other assets and liabilities expressed in other currencies are translated into £ at the rates of exchange in effect at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the profit and loss account.

Income and charges denominated in foreign currencies are recorded at the rate prevailing on the transaction date.

#### **Tangible fixed assets**

Fixed assets are recorded at historical cost. Depreciation is provided on the reducing balance method at the following annual rate in order to write off each asset over its estimated life.

Fixtures and fittings	15%
Computer Equipment	33%

# PRINCIPLE CAPITAL HOLDINGS S.A.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2005

### **Investments**

Investments are initially recognised at cost (which includes transaction costs) on their trade date. Investments are subsequently re-valued based on quoted mid-market prices at the year-end. None quoted investments are valued using a net assets value basis, which is the method that best reflects the value that these assets could be sold in an open market. Gains and losses resulting from the changes in fair value are recognised in the profit and loss account as they arise.

### **Valuation of debtors**

Debtors are stated at their nominal value. Value adjustments are recorded at the end of the financial year if the net realisable value is lower than the book value.

### **Valuation of creditors**

Creditors are recorded at their nominal value.

### **Taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated using the liability method.

Deferred tax is provided on timing differences, which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the Directors, will probably not reverse.

## **2 TURNOVER**

Turnover relates to investment advisory services provided by the Group, is stated net of VAT and is accounted for when it becomes due.

# PRINCIPLE CAPITAL HOLDINGS S.A.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2005

### 3 ADMINISTRATIVE EXPENSES

Administrative expenses can be detailed as follows :

	2005	2004
	£	£
Selling and marketing costs	109,288	5,567
Directors' remuneration (note 5)	334,096	68,693
Salaries (note 4)	128,628	-
Rent rates and service charges	201,910	19,190
Professional fees	470,322	45,293
Auditors' remuneration (audit)	69,168	49,113
Auditors' remuneration (non audit)	22,868	258,500
Depreciation and amortisation	11,754	-
Set up costs	40,958	1,495,367
Legal fees	134,425	-
Other expenses	436,881	41,330
	<u>1,960,298</u>	<u>1,983,053</u>

### 4 WAGES AND SALARIES

Particulars of employees (including Directors) are shown below:

	2005	2004
	£	£
Wages and salaries	462,724	68,693
Social security costs	<u>25,079</u>	<u>1,397</u>
	<u>487,803</u>	<u>70,090</u>

The average number of employees during the year was:

	No.	No.
Management and Administration	<u>3</u>	<u>3</u>

There were no pension contributions paid during the year.

# PRINCIPLE CAPITAL HOLDINGS S.A.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2005

### 5 REMUNERATION OF DIRECTORS

	2005	2004
	£	£
Directors' remuneration	<u>334,096</u>	<u>68,693</u>

The aggregate emoluments of the highest paid director were £250,000.

There were no pension contributions paid to directors during the year.

Share options to acquire PRINCIPLE CAPITAL HOLDINGS S.A. shares have been granted to Directors of Group companies as follows:

Company of beneficiaries	2005	2004
PRINCIPLE CAPITAL HOLDINGS S.A.	179,996	179,996
Principle Capital Advisors Limited	<u>179,996</u>	<u>89,998</u>
Total options granted at the end of the year/period	<u>359,992</u>	<u>269,994</u>

Share options become exercisable at £2 on 3 November 2006 and will lapse to the extent not exercised on 2 November 2014.

### 6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2005	2004
	£	£
Corporation tax	13,952	935
Deferred taxation	<u>1,186</u>	<u>-</u>
	<u>15,138</u>	<u>935</u>

As a 1929 holding company, the Company is not subject to any form of taxation in Luxembourg other than the "taxe d'abonnement" ("subscription tax") and the "droit d'apport" ("capital duty").

The corporation tax charge relates to tax on the profit of Principle Capital Advisors Limited during the year.

Deferred taxation arises from timing difference on depreciation of assets qualifying for capital allowances held by Principle Capital Advisors Limited.

# PRINCIPLE CAPITAL HOLDINGS S.A.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2005

### 7 TANGIBLE FIXED ASSETS

For the Group	<b>Fixtures &amp; Equipment £</b>
<b>Cost</b>	
At 1 January 2005	-
Additions	44,991
At 31 December 2005	<u>44,991</u>
<b>Depreciation</b>	
At 1 January 2005	-
Depreciation for the year	(11,754)
At 31 December 2005	<u>(11,754)</u>
<b>Net Book Value</b>	
At 1 January 2005	-
At 31 December 2005	<u>33,237</u>

Tangible fixed assets are entirely held by Principle Capital Advisors Limited.

### 8 INVESTMENTS

a) Group investments	Cost 31 December 2005 £	Fair Value 31 December 2005 £	Cost 31 December 2004 £	Fair Value 31 December 2004 £
Liberty Plc (formerly Retail Stores Plc)	2,731,521	3,366,759	2,731,521	2,731,521
Bulldog Financial Limited	975,000	864,757	-	-
Principle Capital Investment Trust Plc	6,703,382	6,736,899	-	-
<b>Total Group investments</b>	<u>10,409,903</u>	<u>10,968,415</u>	<u>2,731,521</u>	<u>2,731,521</u>

The investments in Bulldog Financial Limited and Principle Capital Investment Trust Plc were made during the year.

Also during the year, Nord Anglia Education Plc shares were acquired for £1,470,238 and disposed of for a £438,238 realised loss.

# PRINCIPLE CAPITAL HOLDINGS S.A.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2005

	Principal activity	Incorporated	Share type	% of shares held as at 31/12/2005	% of shares held as at 31/12/2004
Liberty Plc (formerly Retail Stores Plc)	Holding company	United Kingdom	Ordinary	5.60%	5.60%
Bulldog Financial Limited	Investment trust	British Virgin Islands	Ordinary	18.75%	0.00%
Principle Capital Investment Trust Plc	Investment trust	United Kingdom	Ordinary	13.40%	0.00%
<b>b) Company shares in Group undertakings</b>					
	Principal activity	Incorporated	Share type	% of shares held as at 31/12/2005	% of shares held as at 31/12/2004
Principle Capital Advisors Limited 100 ordinary shares valued at cost £10,000	Advisory company	United Kingdom	Ordinary	100.00%	100.00%
Principle Capital Partners Limited 7,100 ordinary shares valued at cost £7,053	Management company	British Virgin Islands	Ordinary	70.16%	70.16%

During the year, Principle Capital Partners Limited acquired 100% of a subsidiary named Principle Capital Fund Managers Limited, a fund management company incorporated in Cayman Islands.

## 9 DEBTORS

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Social security and other taxes	1,456	-	11,127	-
Non trade receivable from Principle Capital Partners Limited	-	1,512,147	-	174,947
Other debtors	113,956	2,240	2,985	-
Prepayments and accruals	115,074	59,939	34,493	34,493
	<u>230,486</u>	<u>1,574,326</u>	<u>48,605</u>	<u>209,440</u>

All the above amounts fall due within one year.

# PRINCIPLE CAPITAL HOLDINGS S.A.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2005

### 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Bank loans and overdrafts	519	-	-	-
Corporation tax	13,483	-	935	-
Deferred tax liability	1,186	-	-	-
Other taxes and social security	10,647	-	7,696	-
Accruals and deferred income	200,379	120,885	116,004	97,434
	<u>226,214</u>	<u>120,885</u>	<u>124,635</u>	<u>97,434</u>

### 11 CALLED UP SHARE CAPITAL

	2005 £	2004 £
<b>Authorised:</b>		
12,500,000 Ordinary shares of £1 each	<u>12,500,000</u>	<u>12,500,000</u>
<b>Issued and fully paid:</b>		
8,999,806 Ordinary shares of £1 each	<u>8,999,806</u>	<u>8,999,806</u>

### 12 RESERVES

	Group Share Premium Account £	Group Profit & Loss Account £	Company Share Premium Account £	Company Profit & Loss Account £
At 1 January 2005	6,250,000	(1,848,243)	6,250,000	(1,738,857)
Loss for the year	-	(952,848)	-	(128,409)
At 31 December 2005	<u>6,250,000</u>	<u>(2,801,091)</u>	<u>6,250,000</u>	<u>(1,867,266)</u>

Share premium of £6,250,000 relates to 6,250,000 shares issued at a premium of £1 each through a contribution in kind in 2004.

# PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AS AT 31 DECEMBER 2005

## 13 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating loss	(1,656,373)	(1,983,053)
Interest receivable and similar income	340,319	85,437
Depreciation	11,754	-
Unrealised gains on investments	(558,511)	-
Realised losses on investments	438,238	-
Increase in debtors	(148,249)	(45,605)
Increase in creditors	53,693	123,700
Taxation	(1,404)	-
Net cash outflow from operating activities	<u>(1,520,533)</u>	<u>(1,819,521)</u>

## 14 SHARE INCENTIVES AND BONUS PLAN

The Company has established the PRINCIPLE CAPITAL HOLDINGS S.A. Discretionary Share Option Plan ("DSOP") and the PRINCIPLE CAPITAL HOLDINGS S.A. Discretionary Bonus Plan.

Under the DSOP, the Company may grant options to eligible employees, Directors and Senior Management of the Group to acquire PRINCIPLE CAPITAL HOLDINGS S.A. shares. The maximum number of the Company shares which may be put under option under the DSOP is 3 per cent of the issued share capital of the Company from time to time. The exercise price of the Company share under each option granted after admission will be the market value of the Company share determined by the Board of Directors.

Under separate agreement, the Company may grant options to non-employee Directors up to 2 per cent of the issued share capital. The exercise price for each Company share under these options will be the placing price and the other terms of these options will be as similar as practicable to the terms of the options granted under the DSOP.

As at 31 December 2005, stock options outstanding amounted to 485,990 (2004: 449,990), with an exercise price of £2 and the following maturity dates :

- 449,990 become exercisable on 3 November 2006 and will lapse to the extent not exercised on 2 November 2014
- 36,000 become exercisable on 8 April 2007 and will lapse to the extent not exercised on 7 April 2015.

# PRINCIPLE CAPITAL HOLDINGS S.A.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2005

Under the Bonus Plan and under separate arrangements in the case of Directors and Senior Management who are not employees of the Group, 5 per cent of the profit (if any) of the Company before tax, depreciation, amortisation, exceptional items and bonuses will be allocated at the end of each financial year to a bonus pool.

### **15 RELATED PARTIES**

There are no related party transactions other than those detailed in these financial statements.

### **16 ULTIMATE PARENT COMPANY**

PRINCIPLE CAPITAL HOLDINGS S.A. is the ultimate parent Company of the Group.

These financial statements do not represent the statutory accounts of the Company. The statutory annual accounts of the Company are prepared in accordance with legal and regulatory requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg. The last audited version of these annual accounts are available at the registered office of the Company.