

PRINCIPLE CAPITAL HOLDINGS

S.A.

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2008**

PRINCIPLE CAPITAL HOLDINGS S.A.

DIRECTORS

Executive Chairman

Brian A Myerson

Chief Executive Officer

Jonathan Sieff

Non-executive Directors

David J Cooley

Brian S Padgett

Leonard O'Brien

Richard Bolton

SECRETARY

Maitland Luxembourg S.A.

58, rue Charles Martel

L-2134 Luxembourg

REGISTERED OFFICE

58, rue Charles Martel

L-2134 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.

9, 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 2008

1. Introduction

Despite the turmoil in global financial markets during the first half of the year, which then turned into a full scale collapse in the second half, our operational businesses have continued to expand funds under management. I am pleased to report that following the acquisition of our joint venture interest in the Sirius Real Estate Asset Management business, the Group has now achieved assets under management beyond the \$1 billion target that the Group set itself on launch in November 2004.

Strategically, we continue our development as a premier alternative asset management franchise with strong emerging market expertise. We have reorganised the business into two divisions: Investment Management and Fund and Trust Administration. The Investment Management division covers four asset classes: equities, real estate, infrastructure and commodities (with a focus on renewable energy). We currently manage five distinct fund strategies (two of these in real estate, one in each of the other asset classes) and each product remains highly scaleable. As investor sentiment improves, we plan to grow these products further. We have been actively developing our distribution platform and have made three senior hires, Mark Whitfeld (Head of Business Development), Tom Norton (Head of Asia Pacific) and Raymond Greaves (Managing Director of Principle Energy). Their primary goal is to increase our funds under management and to broaden our product range. In addition, our Fund and Trust Administration division has continued to be a stable and reliable fee generator.

In total, as at 31 December 2008, Principle Capital had fee earning assets under management, allowing for cross holdings between the funds, of £776 million (\$1.12 billion). This represented an increase in funds under management of 164% since 31 December 2007 (£294 million), which was primarily achieved by the acquisition in August 2008 of our joint venture interest in the Sirius Real Estate Management business. These levels have been maintained through the first five months of this year, with assets under management at 31 May 2009 down in Sterling terms at £716 million (due to currency movements), although up in US Dollar terms (\$1.16 billion). The well publicised shareholder battle over our eponymous investment trust, Principle Capital Investment Trust plc ("PCIT") will result in that fund being wound down over a period of time and our advisory contract will come to an end in February 2010. PCIT accounted for £48 million or 7% of our funds under management as at 31 May 2009. Given the circumstances and difficult market backdrop, I believe we have had an outstanding year.

The Group produced a profit of £1.77 million in the year, of which £1.72 million is attributable to minority interest and £0.05 million to equity holders of the Group (2007: loss of £5.05 million). However, of this profit, £4.1 million has been accrued by Proteus Property Partners Limited, our then 59.8% owned subsidiary (now 52%), for a potential performance fee (of which £2.46 million is attributable to the equity holders of the Group) due from South African Property Opportunities plc ("SAPRO"). Such performance fee will only crystallise if certain hurdles are met as at 30 June 2009 and these hurdles are highly sensitive to movements in the South African Rand. On the credit side, we suffered from falls in the share prices in both PCIT and SAPRO, which reduced profit by £2.71 million. However, we have retained these holdings and their values have recovered substantially since the year end.

We continued to invest in developing the business during the period and the results of these efforts are highlighted by the continued growth in management/advisory and administration

PRINCIPLE CAPITAL HOLDINGS S.A.

CHIEF EXECUTIVE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

fees, the generation of which is the Group's core focus. Management/advisory and administration fees, excluding non-recurring performance fees, for the year were £6.10 million, up 79% on 2007 (£3.41 million), while administrative and operating expenses were up only 10% at £7.79 million (2007: £7.11 million). We recorded an increase of £0.72 million over the performance fees previously accrued at the end of 2007, following the realisation of our investment in Nord Anglia Education plc. The whole of this performance fee was paid out in 2008 in Nord Anglia shares (equivalent to £1.68 million). These shares were subsequently sold for £2.52 million.

As at 31 December 2008, the Group had net assets of £35.1 million (equivalent to 189p per share), compared to £33.6 million at 31 December 2007 (206p per share). Of that, £2.87 million was represented by cash and listed investments and £3.25 million in unlisted investments. A significant part of the balance sheet is made up of goodwill, which was created following the acquisition of Silex and the minorities buy-out of our fund operations business Principle Capital Partners in October 2007. This has been independently tested for impairment and remains stable at £25.0 million (31 December 2007: £25.0 million).

At present we have six fee generating operations, producing annualised recurring management/advisory fees as at 31 May 2009 of approximately £8.3 million, up 41% compared to 31 May 2008 (£5.9 million). This amount is calculated after allowing for our joint venture partners' share in these operations and excludes any non-recurring performance related revenues.

2. Investment Management

Principle Capital Investment Trust plc ("PCIT"), Principle Capital, L.P. ("PCLP") and Bulldog Financial Limited ("Bulldog")

PCIT and PCLP had a poor year, with their long only UK small and mid cap focus. The collapse in markets and flight to larger caps saw our funds in this strategy's composite performance fall 44%, albeit outperforming the FTSE Small Companies ex Investment Trusts Index which fell 50% over the period.

At 31 December 2008, the net asset value of PCIT was £44.9 million (31 December 2007: £89 million) and our open-ended fund, Principle Capital, LP ("PCLP"), stood at £8 million (31 December 2007: £16 million).

The life of Bulldog, our £15 million special purpose vehicle investing in Nord Anglia Education plc, came to an end during the period, generating a significant carried interest for the Group, which was paid in shares of Nord Anglia. Subsequently we played a significant role in securing an offer for Nord Anglia from The Baring Private Equity Asia Fund IV at a 70% premium to the average market price over the six months prior to the approach being made public. The Nord Anglia investment generated IRRs in excess of 50% to our funds over a three year period.

The Nord Anglia position helped bolster performance but also generated significant cash for PCIT and PCLP, which held positions alongside Bulldog Financial. Both funds have been able to acquire positions in the remainder of their portfolios at attractive prices during the downturn and since the year end performance has benefited from this approach, with the net asset value of PCIT increasing by 19% in the first four months of the year.

PRINCIPLE CAPITAL HOLDINGS S.A.

CHIEF EXECUTIVE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

Shareholders will have noticed the much publicised battle over PCIT launched by QVT, one of its major investors and also an investor in our Company. QVT has been attempting to exit a number of similar closed-end funds that it invested in over the last few years. QVT temporarily brought about a wholesale change to the board of PCIT with a view to winding up the portfolio. The original Board has since been restored, but has agreed to realise the portfolio in an orderly fashion and thus our investment advisory contract will end in February 2010.

We intend to continue with the strategy through PCLP and whilst developments at PCIT have been disappointing, we believe that we can prove that the strategy is effective, through a fund structure that is not faced with the discount problems that listed funds suffer from in difficult market conditions and with investors that have longer term investment horizons.

South African Real Estate

South African Property Opportunities plc ("SAPRO") has made excellent progress. SAPRO, whose investment manager is Proteus Property Partners Limited ("Proteus"), is listed on AIM and the Channel Islands Stock Exchange. It is focused on funding and managing real estate developments in southern Africa. It has made investments in 15 development projects to date across a wide range of sectors, including industrial, mixed use and residential. In its interim results for the six months to 31 December 2008, it reported an adjusted net asset value of £79 million (127 pence per share) up 16% since 30 June 2008, despite the global real estate downturn during that period. It has minimal gearing and a valuation of its portfolio of developments showed a 38% uplift over base cost (including post acquisition capex), with the average development being only 13.5 months old.

As with many listed funds the share price has disconnected from the underlying portfolio value and the fund announced a strategic review in March 2009 and subsequently certain board changes have occurred. The outcome of the strategic review is yet to be announced. Proteus makes a reasonable contribution to the Group on a recurring revenue basis, but potentially more significantly Proteus could be entitled to performance fees from the period ended 30 June 2009. However, any payment is subject to achieving its performance criteria as at 30 June 2009, and such criteria are sensitive to movements in the South African Rand.

Proteus will be working hard to generate strong returns to investors, which we also hope will result in the payment of further performance fees for the Group. In order to incentivise further and reward the local management team for their excellent performance, Principle Capital reduced its interest in Proteus to 52% (from 59.8%) with effect from 1 January 2009.

PME African Infrastructure

PME African Infrastructure Opportunities plc ("PMEAIO") has made steady progress in making investments and in developing the existing portfolio. PMEAIIO is listed on AIM and its investment manager is PME Infrastructure Managers Limited ("PMEIM"), in which the Group has a 31.67% interest. As of the most recent announcement, PMEAIIO's five investments covering telecommunications, transport leasing and logistics, have an equity requirement of \$89.5 million. It is also in advanced negotiations on further projects. The fund has generated some very interesting opportunities and has given Principle Capital a significant foothold in the African investment market, which is now one of the few regions globally to be experiencing growth.

PRINCIPLE CAPITAL HOLDINGS S.A.

CHIEF EXECUTIVE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

Whilst PMEIM is broadly break even at present on a management fee basis, PMEIM receives management fees based on the gross asset value of PMEAI0, as a result of which, as gearing is taken into the portfolio, PMEIM should begin to contribute on the basis of recurring revenues. In addition, PMEIM receives performance fees on a project by project basis and, accordingly, has a high chance of generating strong levels of performance fees from its exposure to early stage opportunities in the fast growing continent of Africa, once realisations are made.

Principle Energy Limited

In December 2007, the Company announced it had secured funding for the first phase of a project to be undertaken by Principle Energy Limited, whose mission is to become a leading producer of low-cost ethanol. Principle Energy has secured Mozambican government approval for this project, covering 20,000 hectares of land.

Principle Energy comprises a greenfield project in the central region of Mozambique near Dombe, based on the building of a single large scale integrated ethanol from sugarcane production facility. Principle Energy raised approximately \$50 million of equity funding for the project in 2007. Subject to certain hurdles and parameters, Principle Capital is now entitled to receive management service and performance fees from Principle Energy as well as an entitlement to warrants in Principle Energy.

As the plant ordering and land clearing steps up, Principle Energy will need to raise further equity and debt funds. This process is well under way and there has been encouraging levels of interest from equity investors and finance houses. In addition Principle Energy is in advanced discussions with a major global energy company about an ethanol "offtake" contract.

Sirius Real Estate Limited

In August 2008, the Company announced that its wholly owned subsidiary, Principle Capital Partners Limited had agreed to acquire a 48% interest in the asset manager of Dawnay Day Sirius Limited, an AIM listed fund, as well as certain associated real estate interests. Dawnay Day Sirius has been renamed Sirius Real Estate Limited and invests primarily in large mixed-use commercial real estate assets in Germany which can be (or have already been) sub-divided into flexible workspaces, offering high quality managed business accommodation to local businesses, predominantly SMEs. Sirius raised €328 million in July 2007 and in its last financial statements for the year ended 31 March 2009, had gross assets of €519 million. Our partners in the asset manager are Kevin and Frank Oppenheim, who own 24% each and senior management who own the remaining 4%.

The business model aims to drive significant increases in rental values through relatively low capex, by taking typically old inefficient warehouse space and converting it into space more appropriate for modern business as well as creating a better quality business environment for its clients. Undoubtedly the economic situation in Germany will affect the smaller businesses, but equally some of the offering is defensively priced and also offers flexibility in its lease terms which appeals to businesses in uncertain times.

We believe the business model is sound and scaleable and we plan to expand it significantly over time.

PRINCIPLE CAPITAL HOLDINGS S.A.

CHIEF EXECUTIVE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

New opportunities

We are engaged with a highly regarded European fund manager about promoting an ethical/environmental fund opportunity. Whilst our target audience, the European pension funds, have embraced the fund concept, the recent turmoil has slowed down the process of obtaining commitments. However, we continue to make progress now that some stability has returned to financial markets.

In recognition of the growth in our alternative funds platform, we are regularly in discussion with a number of investment professionals and teams about the creation of alternative fund strategies that resonate with our own strategy. Recent market dislocations have thrown up a number of opportunities with highly experienced managers looking to build funds that may not have existed beforehand. For that reason, we continue to assess the best managers who are focused on our preferred asset classes primarily in emerging markets.

Performance Fees

Bulldog represented the first fund we established and had a limited life (to 31 March 2008). At 31 December 2007, the notional performance fee payable to Principle Capital was £0.96 million and was accrued in the 2007 accounts. However, given the strong performance of Nord Anglia in the first quarter of 2008 to the date of its break-up, this realised a fee of £1.68 million to Principle Capital and £0.72 million was recorded as a further profit this year. The fee was paid in Nord Anglia shares, which were subsequently sold for a total of £2.52 million, some prior to but mostly following the Baring Private Equity Asia offer. This generated good cashflow for the Group. As set out above there may also be a performance fee payable by SAPRO, subject to certain performance criteria being achieved at 30 June 2009.

3. Fund and Trust Administration

Silex, our Fund and Trust Administration business which we acquired in October 2007, made an excellent contribution in 2008. Silex generated profits of just over £0.8 million on turnover of £2.18 million. Silex provides fund and trust administration services to over \$1.5 billion of client assets, including five listed funds and several unlisted funds. We are looking at ways in which we can grow this division's increasingly strong market position.

4. Company Investments

It is the Company's policy to seed and make investments primarily in its own fund products. At 31 December 2008, the Company held investments of £4.1 million, covering PCIT, Principle Energy, SAPRO and certain minority interests in the Sirius Real Estate portfolio, which it acquired alongside the asset manager.

5. Strategy

It is our medium term aim to broaden our alternative fund strategies to approximately ten themes and across a broader geographic range, with a bias towards emerging markets. Whilst fund raising opportunities have been limited since the collapse in markets in the second half of 2008, we believe this is a good time to build operationally. For this reason, we have made the three senior hires mentioned earlier, focused on business development and distribution. This will help our existing products to grow but also gives us the ability to attract new joint venture partners for new product offerings.

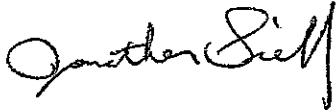
PRINCIPLE CAPITAL HOLDINGS S.A.

**CHIEF EXECUTIVE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

We have over 150 staff within the wider Group, including all our joint venture fund management operations, with offices in Geneva, London, Berlin, Cape Town, Johannesburg, Durban and Beira (Mozambique) and, most recently, in Singapore. We continually look at ways in which synergies can be extracted from our various activities.

6. Outlook

I am pleased to have joined the Group at such a crucial time in its development and to have achieved the \$1 billion milestone in funds under management last year against a bleak market backdrop. Our share price has suffered along with the rest of the market, but our business is stable and we are confident that recent events in financial markets have strengthened demand for alternative investment products, as well for exposure to emerging markets. As markets recover, we are well placed to grow our alternative fund strategies and that growth will benefit our shareholders.



Jonathan Sieff
Chief Executive Officer

PRINCIPLE CAPITAL HOLDINGS S.A.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

General

Principle Capital Holdings S.A. (the "Company" or "PCH") is a Luxembourg company incorporated on 29 December 2003.

Together with its subsidiaries it represents the "Group".

The registered office of the Company is at 58, rue Charles Martel, L- 2134 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 terminates on the last day of December.

The authorised share capital of the Company is 24,500,000 shares with a par value of £1 each, of which 18,644,806 are issued and fully paid.

The Company's shares are admitted to trading on the Alternative Investment Market of the London Stock Exchange (AIM). All companies admitted to trading on AIM are required to adopt IFRS for the year ending 31 December 2007. Accordingly, the financial statements for 2008 have been prepared under IFRS.

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 Directors draw shareholders attention to the Chief Executive's Statement on pages 1 to 6 of the annual report, which, in the opinion of the Directors, contain a balanced and comprehensive review of the Group's performance and development during the year, and the position at the end of the year.

The results for the year are set out in the Consolidated Income Statement on page 14 of the financial statements. At 31 December 2008 the Group had a retained profit on ordinary activities after taxation and before minority interests of £ 1.769 million. The retained profit attributable to the Group for the year is £ 46,979. Earnings per share were 0.28 pence (stated after minority interest). The Directors are not recommending payment of a dividend.

PRINCIPLE CAPITAL HOLDINGS S.A.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

In the opinion of the Directors the risks and uncertainties facing the Group which the Directors consider to be material are shown below.

1. Limited trading history

The Group began trading in late 2004 and therefore has a limited operating history and trading record. The Company's prospects should be considered in light of the risks associated with companies in their early stages of development.

2. Investments and Investment Funds

The value of an investment in the Group is partly dependent upon the performance of the Group's investments, the performance of the investments and investment funds managed/advised by companies within the Group (the "Funds") as well as the Group's ability to raise more capital for the Funds and to raise new Funds. There can be no guarantee that the Group's investments or the Funds will perform well, nor that the Group will be successful in raising more capital for the Funds or new Funds.

3. Silex

The value of an investment in the Group is also partly dependent upon the performance of Silex, the Group's fund and trust administration business. Silex's revenues are generated from contracts with various funds and private clients and typically have notice periods of less than one year. Revenues may therefore be impacted by loss of client mandates at relatively short notice.

4. Foreign exchange risk

An investment made by the Group may be made in countries other than the United Kingdom or other currencies whose currency is not pounds sterling, the reporting currency of the Group. The value of any such investment would, therefore, be affected by any fluctuations in foreign exchange rates.

5. Dependence on key staff

The Group's performance is dependent on the ability of the executive directors and key individuals (the "Management Team") retained or employed within the Group. If one or more of them ceases to work for or provide services to the Group, the Group's businesses may be adversely affected.

6. Past Performance

The past performance and investment track record of the Management Team is not a guarantee of future performance of the Group.

PRINCIPLE CAPITAL HOLDINGS S.A.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

7. Further equity issues

The Group may in the future seek to raise further equity funds through the issue of additional Shares. Any equity funds raised would have a dilutive effect on existing shareholdings.

8. Trading on AIM and Liquidity

The share prices of publicly quoted companies can be volatile. The price of shares is dependent upon a number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group. It may be the case that the market price of the Company's shares does not fully reflect the underlying net asset value of the Group.

Although the Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in Shares may be difficult to realise and the share price may be subject to greater fluctuations than might otherwise be the case.

The Shares are quoted on AIM rather than on the Official List of the UK Listing Authority. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List as the AIM Rules are less demanding than the rules of the Official List. Investors should be aware that the value of the Shares may be volatile and may go down as well as up and investors may not recover their original investment.

9. General Market Risk

The performance of the investments held by the Group and/or the Funds may be adversely affected by general market sentiment or economic trends which bear little or no relationship to the underlying fundamentals of the companies concerned.

10. Risk of Illiquidity of Investments

The ability to sell investments held by the Group and/or the Funds may be adversely affected due to insufficient trading activity or, indeed, actual trading halts in the markets in which the securities concerned are traded. In such circumstances it may take time to liquidate the positions of the Group and/or the Funds and the market prices obtained may be substantially different from those indicated at the time when the decisions to liquidate were taken. The Group and/or the Funds may from time to time invest their money in private entities where there is no market.

11. Institutional Risk

The institutions, including brokerage firms and banks, custodians and administrative and executive service providers, with which the Group (directly or indirectly) does business, or to which securities have been entrusted for custodial purposes may encounter financial difficulties which impair the operational capabilities or the capital position of the Company and/or the Funds.

PRINCIPLE CAPITAL HOLDINGS S.A.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

12. Counterparty and Settlement Risk

Transactions effected by Group members on behalf of the Group and/or the Funds will not always be limited to transactions on, or effected under the rules of major securities exchanges and it is possible that some trades may be effected off-exchange, directly with counterparties. The Group and/or the Funds will take a credit risk on the parties with which it trades and therefore the Group and/or the Funds acting through Group members will seek to transact only with major established counterparties. The Group and/or the Funds will also bear the risk of settlement default by clearing houses and exchanges. Any default by a counterparty or on settlement could have a material adverse effect on the Group and/or the Funds.

13. Investment Strategies

The Group may employ certain strategies which depend upon the reliability and accuracy of the analytical models performed by, amongst others, members of the Group. To the extent such models (or the assumptions underlying them) and/or strategies do not prove to be correct, the Group and/or the Funds may not perform as anticipated, which could result in substantial losses, which will affect the Company's revenues and in turn might affect the value of the Company.

14. Incentive Fees

Performance-based fees may create an incentive for Group members to make investments which are riskier and more speculative than would be the case in the absence of such performance-based fees.

15. Changes in Applicable Law

The Group must comply with various legal requirements, including those imposed by the securities laws, tax laws and pension laws in various jurisdictions. If any of those laws change, the legal, regulatory and taxation requirements and treatments to which the Group and its shareholders may be subject could differ materially from the current requirements.

16. Stock Options

As at 31 December 2008, the following Directors of the Company have a right to subscribe for shares in the Company:

David John Cooley, 89,998 shares at 200 pence each, granted 3 November 2004;

Brian Sean Padgett, 44,999 shares at 200 pence each, granted 3 November 2004; and

Leonard Joseph O'Brien 44,999 shares at 200 pence each, granted 3 November 2004.

17. Disclosure of Information to Auditors

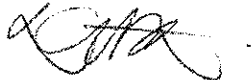
The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Director of the Group has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

PRINCIPLE CAPITAL HOLDINGS S.A.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008**

18. Auditors

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

A handwritten signature in black ink, appearing to be a stylized name, possibly 'KPMG' or similar, written over a horizontal line.

Approved by Board of Directors on 8 June 2009



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To the Shareholders of
Principle Capital Holdings S.A.
28, rue Charles Martel
L-2134 Luxembourg

REPORT OF THE AUDITOR

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Principle Capital Holdings S.A., which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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.

Responsibility of the Auditor

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Auditor, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the Board of Directors, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements give a true and fair view of the consolidated financial position of Principle Capital Holdings S.A. as of 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other information

The Chief Executive Statement and Directors' report, which are the responsibility of the Board of Directors, are in accordance with the consolidated financial statements.

Luxembourg, 8 June 2009

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


Ph. Meyer


D. Wallace

PRINCIPLE CAPITAL HOLDINGS S.A.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £	2007 £
TURNOVER	4	11,196,860	2,751,878
OTHER INCOME			
Unrealised losses on investments	10.7	(2,749,013)	(1,147,378)
Realised gains on sale of investments	10.7	792,839	39,412
Other operating income		<u>119</u>	<u>13,200</u>
		9,240,805	1,657,112
Administrative expenses	5.1	(5,112,334)	(4,810,223)
External charges	5.2	<u>(2,681,930)</u>	<u>(2,299,319)</u>
OPERATING PROFIT/(LOSS)		1,446,541	(5,452,430)
Interest income		335,852	205,409
Interest expense		(3,365)	(94,229)
Share of gains/(losses) of associate companies	10.4	<u>108,169</u>	<u>(317)</u>
PROFIT/(LOSS) BEFORE INCOME TAX		1,887,197	(5,341,567)
Income tax expense	8	<u>(118,628)</u>	<u>(93,163)</u>
PROFIT/(LOSS) FOR THE YEAR		1,768,569	(5,434,730)
Attributable to:			
Equity holders of the Company		46,979	(5,049,730)
Minority interests		1,721,590	(385,000)
PROFIT/(LOSS) FOR THE YEAR		<u><u>1,768,569</u></u>	<u><u>(5,434,730)</u></u>
Earnings/(loss) per share	19	0.28p	(48.23p)
Diluted earnings/(loss) per share	19	0.28p	(48.23p)

The notes on pages 18 to 45 form an integral part of these financial statements.

PRINCIPLE CAPITAL HOLDINGS S.A.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Notes	2008 £	2007 £
ASSETS			
Tangible assets	9	513,415	275,713
Goodwill	10.3	25,041,465	25,041,465
Investment in associates	10.4	799,453	-
Other investments	10.1	3,479,520	3,909,197
TOTAL NON-CURRENT ASSETS		<u>29,833,853</u>	<u>29,226,375</u>
Debtors	11	2,419,803	2,553,697
Other assets	12	4,611,487	566,864
Cash at bank and in hand		2,067,794	3,221,974
Assets held for sale	10.5	523,787	-
Available-for-sale financial assets	10.6	49,328	2,711
TOTAL CURRENT ASSETS		<u>9,672,199</u>	<u>6,345,246</u>
TOTAL ASSETS		<u><u>39,506,052</u></u>	<u><u>35,571,621</u></u>
EQUITY			
Called up share capital	15	18,644,806	16,249,806
Share premium	15	22,392,125	23,287,500
Foreign exchange differences		(65,662)	21,415
Non-distributable reserve		25,176	3,546
Accumulated losses		<u>(5,810,973)</u>	<u>(5,949,532)</u>
Equity attributable to shareholders		35,185,472	33,612,735
Minority interest		1,893,887	172,297
TOTAL EQUITY		<u>37,079,359</u>	<u>33,785,032</u>
Deferred tax liabilities	8	6,261	4,375
Creditors	13	1,730,588	1,782,214
Deferred income	14	689,844	-
TOTAL EQUITY AND LIABILITIES		<u><u>39,506,052</u></u>	<u><u>35,571,621</u></u>

The notes on pages 18 to 45 form an integral part of these financial statements.

PRINCIPLE CAPITAL HOLDINGS S.A.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £	2007 £
Cash flows from operating activities			
Profit/(loss) for the year		1,768,569	(5,434,730)
Adjustments for:			
Depreciation	9	125,994	48,802
Unrealised losses on investments	10.7	2,749,013	1,147,378
Realised gains on investments	10.7	(792,839)	(39,412)
Share options	16	113,210	839
Share of (gains)/losses of associate companies	10.4	(108,169)	317
Interest expense		3,364	94,229
Income taxes	8	118,628	93,163
(Increase)/decrease in debtors, prepayments and accruals		(5,548,961)	3,569,443
Increase/(decrease) in creditors and deferred income		1,189,086	(1,251,007)
		(382,105)	(1,770,978)
Interest paid		(3,365)	(94,229)
Tax paid		(110,985)	(28,760)
Net cash outflows from operating activities		(496,455)	(1,893,967)
 Cash flows from investing activities			
Payments to acquire 30% Principle Capital Partners Ltd.		-	(20,632,817)
Payments to acquire tangible fixed assets	9	(363,696)	(265,151)
Cash acquired upon purchase of Silex Holdings Ltd.		-	633,459
Loan granted to third parties		82,681	(72,099)
Loan to associate companies		(5,805)	(532,133)
Acquisition costs related to Silex Holdings Ltd.		-	(124,737)
Payments to acquire associates	10.4	(931,284)	(317)
Payments to acquire investments	10.1,10.5,10.6	(2,937,183)	(3,113,887)
Proceeds from sale of investments		2,522,180	7,119,075
Net cash used in investing activities		(1,633,107)	(16,988,607)
 Cash flows from financing activities			
Proceeds from newly subscribed capital		1,499,625	20,100,136
Dividends paid to former shareholders of Silex	13	(556,626)	(145,000)
Net cash flows from financing activities		942,999	19,955,136
 Net (decrease)/increase in cash		(1,186,563)	1,072,562
Cash at the beginning of the year		3,221,974	2,148,710
Effect of exchange rate fluctuations on cash held		32,383	702
Cash at the end of the year		2,067,794	3,221,974

The notes on pages 18 to 45 form an integral part of these financial.

PRINCIPLE CAPITAL HOLDINGS S.A.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2008**

	Called up share capital	Share premium	Foreign exchange differences	Non- distributable reserve	Accumulated losses	Year end shareholder's equity (Group share)	Minority interests	Year end shareholder's equity (Total)
As at 1 January 2007	8,999,806	6,250,000	(242)	-	(851,152)	14,398,412	411,342	14,809,754
Foreign exchange	-	-	21,657	-	-	21,657	(2)	21,655
Total income and expense recognised in equity	-	-	21,657	-	-	21,657	(2)	21,655
Result 2007	-	-	-	-	(5,049,730)	(5,049,730)	(385,000)	(5,434,730)
Total recognised income and expense	-	-	21,657	-	(5,049,730)	(5,028,073)	(385,002)	(5,413,075)
Shares issued	7,250,000	17,037,500	-	-	-	24,287,500	-	24,287,500
Share based payments	-	-	-	-	839	839	-	839
Non-distributable reserve	-	-	-	3,546	-	3,546	-	3,546
PCP minority interest acquired	-	-	-	-	(49,489)	(49,489)	145,957	96,468
As at 31 December 2007	16,249,806	23,287,500	21,415	3,546	(5,949,532)	33,612,735	172,297	33,785,032
As at 1 January 2008	16,249,806	23,287,500	21,415	3,546	(5,949,532)	33,612,735	172,297	33,785,032
Foreign exchange	-	-	(87,077)	-	-	(87,077)	-	(87,077)
Total income and expense recognised in equity	-	-	(87,077)	-	-	(87,077)	-	(87,077)
Result 2008	-	-	-	-	46,979	46,979	1,721,590	1,768,569
Total recognised income and expense	-	-	-	-	46,979	(40,098)	1,721,590	1,681,492
Shares issued	2,395,000	(895,375)	-	-	-	1,499,625	-	1,499,625
Share based payments	-	-	-	-	113,210	113,210	-	113,210
Non-distributable reserve	-	-	-	21,630	(21,630)	-	-	-
As at 31 December 2008	18,644,806	22,392,125	(65,662)	25,176	(5,810,973)	35,185,472	1,893,887	37,079,359

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008

1 GENERAL INFORMATION

Principle Capital Holdings S.A is a holding company of a Group (“the Group”) established to raise and manage investment funds. The Company has two divisions: Investment Management, and Fund and Trust Administration.

The Investment Management business includes Principle Capital Investment Trust Plc (PCIT), the Company’s open-ended fund, Principle Capital, LP (PCLP) and South African Property Opportunities Plc (SAPRO).

The registered office of the Company is at 58, rue Charles Martel, L-2134 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 is listed in London on the AIM stock exchange.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 8 June 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of Principle Capital Holdings S.A. (“the Company”) have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them or they are not relevant to the Group:

- IFRS 2, “Share-based Payment - Vesting conditions and cancellations” clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellation” (effective for annual periods beginning on or after 1 January 2009). The amendments to IFRS 2 become mandatory for the Group’s 2009 consolidated financial statements.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

- IFRS 3, “Business Combinations” - Comprehensive revision on applying the acquisition method”. Revised IFRS 3 incorporates the changes in relation to the definition of a business, the accounting treatment for contingent consideration, transaction costs, pre-existing interest and non-controlling interest (effective for annual periods beginning on or after 1 July 2009). The Group does not expect any significant impact from application of this amendment.
- IFRS 7, “Financial Instruments: Disclosures - Amendments enhancing disclosures about fair value and liquidity risk” and IAS 39, “Financial Instruments: Recognitions and Measurements”, (effective for annual periods beginning on or after 1 January 2009). Management is currently assessing the impact on the Group’s consolidated financial statements.
- IFRS 8, “Operating segments” (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, ‘Disclosures about segments of an enterprise and related information’. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group does not expect any significant impact from application of IFRS 8.
- IAS 1, “Presentation of Financial Statements” - Comprehensive revision including requiring a statement of comprehensive income, which represents changes in equity during the period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and a all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group’s 2009 consolidated financial statements, is expected to have impact on the presentation of changes in owners’ equity and of comprehensive income.
- IAS 23 (Amended), “Borrowing costs” (effective from 1 January 2009) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009 but has currently no impact for the Group as there are no qualifying assets.
- IAS 27 - “Consolidated and Separate Financial Statements”, requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit and loss (effective for annual periods beginning on or after 1 January 2009). Management is currently assessing the impact on the Group’s consolidated financial statements.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

- IAS 28, “Investments in Associates - Consequential amendments arising from amendments to IFRS 3” (effective for annual periods beginning on or after 1 January 2009).
- IAS 32, “Financial Instruments: Disclosure and Presentation” - Amendments relating to puttable instruments and obligations arising on liquidation. The amendments require puttable instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group’s 2009 consolidated financial statements, with retrospective application required, are not expected to have any impact on the consolidated financial statements.
- IAS 36 (Amended), “Impairment of Assets” requires disclosure of estimates used to determine recoverable amount (effective for annual periods beginning on or after 1 January 2009). The Group does not expect any significant impact from application of this amendment.

(b) Interpretations to existing standards that are not yet effective

The following interpretations to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group:

- IFRIC 16, “Hedges of a Net Investment in a Foreign Operation” (effective for annual periods beginning on or after 1 October 2008).
- IFRIC 17, “Distributions of Non-cash Assets to Owners” (effective for annual periods beginning on or after 1 July 2009). IFRIC 17 applies to the entity making the distribution, not to the recipient.
- IFRIC 18, “Transfers of Assets from Customers” (effective for annual periods beginning on or after 1 July 2009).

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are 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. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

IntraGroup balances, and any unrealised gains and losses or income and expenses arising from intraGroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency

(a) Functional and presentation currency

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 ("the functional currency"). The consolidated financial statements are presented in Great British Pounds ("£"), which is the company's functional and presentation currency.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

(b) Transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to £ at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to £ at foreign exchange rates ruling at the dates the fair value was determined.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

(c) Financial statements of foreign operations

The assets and liabilities for foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to £ at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to £ at rates approximating the foreign exchange rate ruling at the dates of the transactions.

2.4 Property, plant and equipment

(a) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

(b) Depreciation

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Fixture and fittings	6-7 years	15% average depreciation rate
Computer equipments	3 years	33% average depreciation rate

The residual value is reassessed annually.

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in "investments in associates" and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. 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 entity sold.

(b) Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

2.6 Assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. The assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit and loss. Gains are not recognized in excess of any cumulative impairment loss.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

2.7 Financial assets

The Group classifies its financial assets at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are classified as non current as the Company intends to hold them for the purpose of long term capital growth.

Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives are classified as short term.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'debtors' and 'prepayments and accruals' in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in current assets if management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Unless fair values are unavailable, Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

2.8 Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

2.9 Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. 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 for the purpose of the statements of cash flows.

2.10 Impairment

Except for the Group's investments designated at fair value through profit and loss, the carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease.

2.11 Share based payment transactions

The share option programme allows Group employees, Senior Managers and Directors, to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes' model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

2.12 Trade and other payables

Trade and other payables are stated cost.

2.13 Revenue

Revenue relates to the investment management and fund and trust administration services provided by the Group and is recognised in the income statement on an accrual basis.

Performance fees are also recognised in the income statement on an accrual basis. They are based on the evolution of the net asset value of the funds under management.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

Certain performance fees which are recorded on an accrual basis only are recovered upon the partial or full liquidation of the underlying investment. In the event of a decrease in the net asset value of the fund before the liquidation, performance fees could be significantly reduced or eliminated.

2.14 Income tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- goodwill not deductible for tax purposes;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and,
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.15 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of potential financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

Risk management is carried out by the accounting and finance department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and nonderivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally but is exposed to limited foreign exchange risks. The Group's investment management fees are received in £ and business expenses are predominantly £. Some expenses are incurred in Swiss francs but an equal amount of fees are charged in Swiss francs to negate any currency risk. Investments are, in the main, denominated in £.

(ii) Price risk

The Group is exposed to price risk because of listed equity and listed fund investments held by the Group and classified on the consolidated balance sheet at fair value through profit or loss. Publicly quoted companies can be subject to volatile share prices, depending on a number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Company.

The Group is not exposed to commodity price risk at year end. The Group generally invests in listed equities of Funds managed by the Group. The investments are held for the long term and price risk is managed through the Group's investment procedures and policies.

(iii) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets nor liabilities. The Group's income, expenses, and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

Transactions effected by Group members on behalf of the Group and/or the Funds will not always be limited to transactions on, or effected under the rules of major securities exchanges and it is possible that some trades may be effected off-exchange, directly with counterparties. The Group and/or the Funds will take a credit risk on the parties with which it trades and therefore the Group and/or the Funds acting through Group members will seek to transact only with major established counterparties. The Group and/or the Funds will also bear the risk of settlement default by clearing houses and exchanges. Any default by a counterparty or on settlement could have a material adverse effect on the Group and/or the Funds. Management mitigates this risk through Know-Your-Client and other investigative procedures performed on counterparties prior to the commencement of business relationships.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

(c) Liquidity risk

The Group's working capital requirements reflect day-to-day administrative and other operating expenses of an investment management and fund/trust administration concern. Cash requirements are met by fee income and if necessary, equity during a Group entity's start up phase. The Group has no significant borrowings in 2008. Cash deposits are held for working capital purposes and are deposited within secure financial institutions.

The ability to sell investments held by the Group may be adversely affected due to insufficient trading activity or actual trading halts in the markets in which the securities concerned are traded. In such circumstances it may take time to liquidate the positions of the Group and the market prices obtained may be substantially different from those indicated at the time when the decisions to liquidate were taken. The Group and/or the Funds may from time to time invest their money in private entities where there is no market. For the year ended 31 December 2008, the Group holds some investments in illiquid and unquoted positions which are not significant in value. They are generally held for the long term and are managed by the Group.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as listed equities, listed funds and derivatives at fair value through profit and loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using estimated discounted cashflows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

4 TURNOVER

Turnover relates to the investment management and fund and trust administration services provided by the Group, is stated net of VAT and is accounted for when it becomes due. It comprises management, administration and advisory fees for £6,359,426 (2007: £3,413,677) and performance fees for £4,837,434 (2007: (£661,799)). The performance fees include £721,051 received during the year from Bulldog Financial Limited and £ 4,116,383 of accrued performance fees from South African Property Opportunities plc ("SAPRO"). This potential performance fee (of which £2.46 million is attributable to the equity holders of the Group) due from SAPRO will only crystallise if certain hurdles are met as at 30 June 2009 and these hurdles are highly sensitive to movements in the South African Rand.

5 ADMINISTRATIVE EXPENSES AND EXTERNAL CHARGES

5.1 Administrative expenses

	2008	2007
	£	£
Directors' remuneration (Note 7)	978,827	2,796,014
Staff costs (Note 6)	3,807,971	1,597,185
Depreciation and amortisation	125,994	48,802
South African offices	102,748	48,619
Administration fees	13,358	236,719
Office expenses	83,436	82,884
	<u>5,112,334</u>	<u>4,810,223</u>

5.2 External charges

	2008	2007
	£	£
Legal and professional fees	913,502	343,978
Rent rates and service charges	632,422	414,089
Selling and marketing costs	460,755	485,853
Auditors' remuneration	264,339	216,556
Electronic information	144,281	54,766
Insurance	143,003	153,653
Subscriptions	75,645	103,492
Recruitment and training	27,166	70,248
Introduction fees	-	184,632
Bank loan arrangement fee	-	50,000
Other expenses	20,817	222,052
	<u>2,681,930</u>	<u>2,299,319</u>

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS
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6 STAFF COSTS

Particulars of employees (including Directors) are shown below:

	2008	2007
	£	£
Wages and salaries	3,149,811	1,256,310
Social security costs	479,943	298,026
Health and life insurance	65,007	42,010
Share based payments (Note 16)	113,210	839
	<u>3,807,971</u>	<u>1,597,185</u>

There were no pension contributions paid during the year.

7 REMUNERATION OF DIRECTORS

	2008	2007
	£	£
Directors' remuneration	<u>978,827</u>	<u>2,796,014</u>

The aggregate emoluments of the highest paid Director were £ 470,000.

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

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in year

	2008	2007
	£	£
<i>Foreign tax</i>		
Current tax on income for the year	116,742	89,808
Adjustments in respect of prior years	-	-
Total current tax	<u>116,742</u>	<u>89,808</u>
<i>Deferred tax</i>		
Originating/reversal of timing differences	<u>1,886</u>	<u>3,355</u>
Tax on profit on ordinary activities	<u>118,628</u>	<u>93,163</u>

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2008
(CONTINUED)

Reconciliation of effective tax rate

	2008	2007
	£	£
Profit (loss) for the year	1,768,569	(5,434,730)
Total income tax expenses	<u>118,628</u>	<u>93,163</u>
Profit (loss) excluding income tax	1,887,197	(5,341,567)
Income tax (expense)/gain using the Company's domestic tax rate	N/A	-
Differences in tax rates	6.19% 116,742	89,808
Temporary differences	0.1% <u>1,886</u>	<u>3,355</u>
Tax expenses	6.29% <u>118,628</u>	<u>93,163</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").

On 13 December 2006, Luxembourg abolished by law the tax exemption of the holding 1929 companies. According to this law, Principle Capital Holdings S.A., was established in Luxembourg since 2003 and traded on the London AIM Stock Exchange before 20 July 2006, may continue to benefit from this regime during a transitional period from 1 January 2007 till 31 December 2010.

Alternative tax regimes, including potential conversion of the Company into a normally taxable company that may benefit from particular exemption rules, are currently being reviewed by the Company, so as maintain an efficient tax regime in the future.

The corporation tax charge relates to tax on the profit of Principle Capital Advisors Limited, Principle Capital Administration S.A., Silex Administration S.A. and Proteus Property Partners 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.

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	2008	2007
	£	£
Deferred tax liability		
- Property, plant and equipment	6,261	4,375
Charge for the year		
- Origination and reversal of temporary differences	1,886	3,355
Reconciliation of deferred tax liability		
- Opening balance	4,375	1,020
- Deferred tax expense	1,886	3,355
- Closing balance	<u>6,261</u>	<u>4,375</u>

9 TANGIBLE FIXED ASSETS

For the Group	Fixtures & Equipment
	£
Cost	
At 1 January 2008	347,862
Additions	<u>363,696</u>
At 31 December 2008	<u>711,558</u>
Depreciation	
At 1 January 2008	72,149
Depreciation for the year	<u>125,994</u>
At 31 December 2008	<u>198,143</u>
Net Book Value	
At 1 January 2008	<u>275,713</u>
At 31 December 2008	<u>513,415</u>

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10 INVESTMENTS

10.1 Other investments

		2008	2007
		£	£
Financial assets designated at fair value through profit or loss			
	Proportion of capital held 2008 %	Proportion of capital held 2007 %	Fair Value 2008 £
			Fair Value 2007 £
<u>Un-listed equity</u>			
Principle Energy Limited	8.50	18.41	2,673,082
<u>Listed funds</u>			
Principle Capital Investments Trust Plc	3.45	3.45	596,438
South African Property Opportunities Plc	0.34	0.80	210,000
		3,479,520	3,909,197

In August and October 2008, the Group made further investments in Principle Energy Ltd, a renewable energy company which invests in the production of ethanol in Africa, incorporated in the Isle Man on 24 November 2006, registered number 118329C. An additional 2,079,668 shares were purchased for a total cost of £ 2,250,752. Nonetheless, the issued share capital of Principle Energy Ltd. increased during the year. Therefore, the percentage holding of the Group decreased to 8.5%.

There was no change in the number of shares held by the Group in South African Property Opportunities Plc ("SAPRO") during the year; however the Group's percentage holding in SAPRO has declined to 0.34% due to an increase in issued share capital within SAPRO.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

10.2 Shares in group undertakings

	Proportion of the capital held 2008 %	Proportion of the capital held 2007 %
Principle Capital Advisors Ltd.	100	100
Principle Capital Partners Ltd.	100	100
Principle Capital Administration S.A.	100	100
Principle Capital Advisors (South Africa) (Proprietary) Ltd.	100	100
Proteus Property Advisors Ltd.	59.8	59.8
Silex Holdings Ltd.	100	100
Proteus Property Partners Ltd.	59.8	59.8
Principle Energy Management Services Ltd.	100	-
Principle Capital Fund Managers Ltd.	100	100
Principle Capital GP Ltd.	100	100
Principle Energy Management Ltd.	100	100

As at balance sheet date, Proteus Property Partners Ltd., Principle Energy Management Services Ltd., Principle Capital Fund Managers Ltd., and Principle Energy Management Ltd. are subsidiaries of Principle Capital Partners Ltd..

Principle Capital GP Ltd. is a subsidiary of Principle Capital Fund Managers Ltd..

Principle Capital Advisors (South Africa) (Proprietary) Ltd. is a subsidiary of Principle Capital Administration S.A..

10.3 Goodwill on acquisition

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purpose. The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2008 £	2007 £
Investment Management	20,699,315	20,699,315
Trust and Fund Administration	4,342,150	4,342,150
	<u>25,041,465</u>	<u>25,041,465</u>

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.5. The above goodwill arose from the acquisition of the following during the year 2007.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

Acquisition of Silex Holdings Ltd

Silex Holdings Ltd. was acquired on 19 October 2007 through a non-cash contribution consisting of 100 shares (representing 100% of share capital) in Silex Holdings Limited ("Silex"), valued at £ 4,187,500 in exchange for the issuance of 1,250,000 new shares of the Company. The goodwill of £ 4,342,150 includes transaction costs.

An impairment test as at 31 December 2008 was conducted using a similar valuation methodology adopted in 2007. The methodology is a combination of long term trends, in-house knowledge as well as comparable market information. The valuation multiples (ranging from 1.2 to 14.7) at the time of the acquisition have been discounted by 20% for current market conditions. These multiples have then been applied to Silex Holdings Ltd's revenue and profit precedents for 2008.

The impairment test result indicated no potential impairment in goodwill as at 31 December 2008. A sensitivity analysis was also performed and indicated that a discount rate of up to 40% could be tolerated before impairment is required.

Acquisition of minority shareholding in Principle Capital Partners Ltd.

On 19 October 2007, the Group acquired the minority shares of Principle Capital Partners Ltd. (representing 30% of issued capital of the company) for £ 20,100,000 financed through an issue of shares in Principle Capital holdings S.A. The goodwill of £ 20,699,315 includes transaction costs.

An impairment test was based on the discounted cash flows generated by the related segments, with the assistance of independent valuers. The impairment testing as at 31 December 2008 indicated no potential impairment in goodwill. A variety of scenarios were reviewed and the discounted future cash flows were estimated based on the following key assumptions:

- cost of equity, estimated to be 18%;
- net asset value growth projections (different rates for different funds), and
- terminal value growth range.

A sensitivity analysis was applied to the various scenarios as follows:

- high – all new funds are raised;
- medium – new funds are raised in proportion to PCP's track record, and
- low – no new funds are raised.

The impairment test result indicated no potential impairment in goodwill as at 31 December 2008.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2008
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10.4 Shares in associates

a) Summary financial information for equity accounted associates:

	Ownership	Current assets £	Non-current assets £	Total assets £	Current liabilities £	Non-current liabilities £	Total liabilities £	Revenues £	Expenses £	Profit/(loss) £
2007										
PME Infrastructure Managers Limited	31.67%	117,083	18,578	135,661	(147,709)	(664)	(148,373)	508,390	(522,103)	(13,713)
2008										
PME Infrastructure Managers Limited	31.67%	125,900	15,009	140,909	(198,789)	(664)	(199,453)	1,112,679	(1,158,511)	(45,832)
Principle Oil (Proprietary) Limited	49%	13,136	3,407	16,543	(14,146)	-	(14,146)	-	(31,595)	(31,595)
Principle Capital Sirius Real Estate Asset Management Limited	48%	1,860,175	617,390	2,477,565	(655,151)	(1,800,000)	(2,455,151)	1,336,077*	(1,078,471)*	257,606*

* denotes financial results since date of acquisition

b) Share of profits (losses) in the associates and the carrying value:

	Ownership	Carrying value	Share of profit (loss)	Unrecognized share of loss	Accumulated unrecognized share of loss
2007					
PME Infrastructure Managers Limited	31.67%	-	(317)	(3,074)	(3,074)
2008					
PME Infrastructure Managers Limited	31.67%	-	-	(14,515)	(17,589)
Principle Oil (Proprietary) Limited	49%	15,706	(15,482)	-	-
Principle Capital Sirius Real Estate Asset Management Limited	48%	783,747	123,651	-	-
		799,453	108,169	(14,515)	(17,589)

PRINCIPLE CAPITAL HOLDINGS S.A.

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The Group owns 31.67% of PME Infrastructure Managers Limited, a company incorporated on 4 April 2007. PME Infrastructure Managers Limited is a investment management company incorporated to manage a UK listed investment fund PME African Opportunities Plc.

The Group purchased 49% of Principle Oil (Proprietary) Limited on 15 August 2008 for £ 31,188. Principle Oil (Proprietary) Limited was incorporated on 16 October 2006 (formerly Blue Haze Investments). Principle Oil (Proprietary) Limited is an independent trading entity incorporated in South Africa (Registration Number 2006/032022/07) involved in facilitating the sourcing of oil, gas and chemical resources from local and international suppliers for sale to local and international producers of oil, gas and chemical end-products. During the initial period since 15 August 2008 Principle Oil (Proprietary) Limited has incurred a net loss of £ 31,595, resulting in the Group's share of loss in associate of £ 15,482.

The Group purchased 48% of Principle Capital Sirius Real Estate Asset Management Limited (formerly Dawnay Day Sirius Real Estate Asset Management Limited) on 19 September 2008 for £ 900,096. The principal activity of the company is the provision of asset management services to Sirius Real Estate Limited (SRE) (formerly known as Dawnay, Day Sirius Limited). SRE is listed on AIM since May 2007 with the objective of investing in German commercial real estate. Since 19 September 2008 Principle Capital Sirius Real Estate Asset Management Limited has recorded a net profit for the period of £ 257,606, and paid dividends of £500,000 to its shareholders. The Group's share of net profit and dividend amount to £ 123,651 and £ 240,000, respectively.

10.5 Assets held for sale

	Proportion of capital held 2008 %	Proportion of capital held 2007 %	Fair Value 2008 £	Fair Value 2007 £
Falsa Investments SA	50.0	-	365,810	-
Marba Holland BV	48.0	-	<u>157,977</u>	<u>-</u>
			<u>523,787</u>	<u>-</u>

The above investments were acquired during 2008 as part of Principle Capital Sirius Real Estate Asset Management acquisition as follows:

- A 50% interest in Falsa Investments BV, a vehicle which holds a 5.1 per cent interest in certain properties that were acquired by DDS at the time of its initial public offering, purchased for £365,810;
- A 48% interest in Marba Holland BV, a vehicle established to receive performance fees that may become payable to it in respect of DDS's property portfolio, purchased for £157,978 ; and

The investments as above have not been consolidated as the Group does not exercise control.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

10.6 Available-for-sale financial assets

	Proportion of capital held 2008 %	Proportion of capital held 2007 %	Fair Value 2008 £	Fair Value 2007 £
Marba Dutch Holdings BV	2.55	-	12,332	-
Marba Cedarwood BV	2.55	-	12,332	-
Marba Hornbeam BV	2.55	-	12,332	-
Marba Mimosa BV	2.55	-	12,332	-
Photo-Me	-	0.00	-	2,711
			49,328	2,711

The above investments were acquired during 2008 as part of Principle Capital Sirius Real Estate Asset Management acquisition as follows:

- Principle Capital Partners Limited acquired 48% of Dawnay Day Sirius Real Estate Asset Management Limited (to be renamed Principle Capital Sirius Real Estate Asset Management) (PCSREAM). PCSREAM is the asset manager of Dawnay Day Sirius Limited ("DDS") a property investment company (see Note 10.4);
- A 2.55% interest in each of Marba Dutch Holdings BV, Marba Cedarwood BV, Marba Hornbeam BV and Marba Mimosa BV, vehicles which hold certain properties that were rolled into DDS at launch, purchased for a total of £49,328.

The investments as above have not been consolidated as the Group does not exercise control.

In March 2008, Principle Capital Partners Ltd acquired 12,629 shares in Nord Anglia Education Plc for £44,733. The holding in Nord Anglia Education Plc was increased by additional 613,831 shares which were received in May 2008 in lieu of the £1,681,899 Bulldog performance fee receivable. The whole of the Nord Anglia Education Plc shareholdings were sold during the year realising a total gain of £792,839 (note 10.7).

PRINCIPLE CAPITAL HOLDINGS S.A.

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10.7 Net gain on investments

The following table details the gains and losses for financial assets at fair value through the profit and loss for the year ended on 31 December:

	2008	2007
	£	£
<i>Net realised gain/(loss) on financial assets</i>		
- Nord Anglia Education Plc	792,839	-
- Liberty Plc	-	285,857
- Principle Capital Investments Trust Plc - CFD	-	13,555
- Principle Capital Investments Trust Plc - Ordinary shares	-	(260,000)
	<u>792,839</u>	<u>39,412</u>
<i>Net unrealised gain/(loss) on financial assets</i>		
- Principle Capital Investments Trust Plc - Ordinary shares	(2,401,513)	(1,171,063)
- South African Properties Ltd	(347,500)	27,500
- Photo Me	-	(3,815)
	<u>(2,749,013)</u>	<u>(1,147,378)</u>

11 DEBTORS BECOMING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Social security and other taxes	128,247	30,773
Trade debtors	1,022,797	727,276
Non trade receivable from associate	-	60,296
Loan to Principle Energy Ltd.	558,623	552,820
Management fees re PCSREAM	250,000	-
Dividend receivable	240,000	-
Bulldog carried interest	-	960,847
Other debtors	220,136	221,685
	<u>2,419,803</u>	<u>2,553,697</u>

PRINCIPLE CAPITAL HOLDINGS S.A.

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12 OTHER ASSETS BECOMING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Performance fee from SAPRO	4,116,383	-
Prepayments and accruals	495,104	566,864
	<u>4,611,487</u>	<u>566,864</u>

13 CREDITORS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Bank loans and overdrafts (*)	-	100,000
Corporation tax	138,852	114,119
Other taxes and social security	117,254	161,387
Trade creditors	70,002	5,803
Other creditors	-	47,440
Dividends payable (**)	-	556,626
Performance management fees - payable to PCIT and PCLP	657,189	366,990
Other accruals	747,291	429,849
	<u>1,730,588</u>	<u>1,782,214</u>

(*) Bank loan represents a Barclays Bank Plc loan to Silex Management Company Ltd. This was granted under a twelve month repayment term with interest charged at 2% over the Barclays Bank Plc base rate. This loan was repaid in January 2008.

(**) Dividend payable represents dividend declared by the Directors of Silex Holdings Limited to its shareholders before the acquisition by Principle Capital Holdings S.A. in 2007. The amount was paid to Gristel Holdings Ltd and Valira International Limited, the former shareholders of Silex Holdings Limited during the year.

14 DEFERRED INCOME

Deferred income, which is classified as current-liabilities, relates to the management fee received in advance and amounts to £ 689,844 as at 31 December 2008 (31 December 2007: Nil). Deferred income is amortized over the period for which the investment management services are paid.

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15 SHARE CAPITAL AND SHARE PREMIUM

	2008 £	2007 £
Authorised:		
24,500,000 Ordinary shares of £1 each	<u>24,500,000</u>	<u>18,500,000</u>
Issued:		
17,394,806 Ordinary shares of £1 each - fully paid	17,394,806	14,999,806
1,250,000 Ordinary shares of £1 each - re contribution of 100 Silex shares	<u>1,250,000</u>	<u>1,250,000</u>
	<u>18,644,806</u>	<u>16,249,806</u>

Further to the EGM of 3 December 2008, the authorised share capital of the Company was increased from £ 18,500,000 to £ 24,500,000.

775,000 ordinary shares of £1 nominal value were issued on 14 August 2008 at a total subscription price of £ 1,499,625 bringing the issued capital of the Company to £ 17,024,806. A further 1,620,000 ordinary shares were issued on 9 December 2008. These shares were issued against an allocation of £ 1,620,000 from the Company's share premium account bringing the issued capital of the Company to £ 18,644,806.

The subscribed and fully paid capital of £ 18,644,806 comprises 18,644,806 fully paid shares with a nominal value of £ 1 each.

Group companies registered in Switzerland have provided for Swiss statutory reserves which are not distributable. By Swiss law, an amount equal to five per cent (5%) of the net profits of the company is set aside for the establishment of a statutory reserve, until this reserve amounts to ten per cent (10%) of the company's nominal share capital. As at 31 December 2008, this amounts to £ 25,176 (2007: £ 3,546).

Share premium was reduced by £ 895,375 during the year as a net result of the allocation of £ 1,620,000 to the share capital account relating to the payment of an Incentive Plan less £ 724,625 increase in share premium as a result of the issuance of 775,000 ordinary shares to Principle Capital Investment Trust Plc.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

16 SHARE INCENTIVES AND BONUS PLAN

The Group 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.

On 22 December 2008, the Board of Directors proposed to make various amendments to the DSOP to increase the limit of the number of new shares over which options may be granted from 3% of the issued share capital of the Company to 5%.

Under separate agreement, the Company may grant options to non-employee Directors up to 5 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 2008, stock options outstanding amounted to 802,488 (2007: 678,930), with the following maturity dates :

- * 449,990 became exercisable on 3 November 2006 at £2 and will lapse to the extent not exercised on 2 November 2014
- * 36,000 became exercisable on 8 April 2007 at £2.225 and will lapse to the extent not exercised on 7 April 2015.
- * 53,998 become exercisable on 18 June 2009 at £3.25 and will lapse to the extent not exercised on 17 June 2017.
- * 138,942 become exercisable on 22 October 2009 at £3.3833 and will lapse to the extent not exercised on 22 October 2017.
- * 73,558 become exercisable on 15 January 2010 at £3.25 and will lapse to the extent not exercised on 15 January 2018.
- * 28,250 become exercisable on 15 August 2010 at £1.65 and will lapse to the extent not exercised on 15 August 2018.
- * 21,750 become exercisable on 9 December 2010 at £1.20 and will lapse to the extent not exercised on 9 December 2018.

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.

PRINCIPLE CAPITAL HOLDINGS S.A.

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The following assumptions were used by the Company in calculating the fair value of share options:

Date	3 Nov 2004	8 April 2005	18 June 2007	22 Oct 2007	15 Jan 2008	15 Aug 2008	9 Dec 2008
Stock Price	200.0	222.5	325.0	340.0	325.0	166.0	120.0
Exercise Price	200.0	222.5	325.0	338.3	325.0	165.0	120.0
Maturity in years	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Interest Rate	4.59%	4.60%	5.64%	4.94%	4.20%	4.48%	3.11%
Annualised Volatility	29.3%	25.0%	23.8%	11.4%	11.3%	15.0%	15.4%

The fair value of the liability is remeasured at each reporting date and at settlement date. Expected volatility is estimated by considering the volatility of two similar listed companies comparable to the Company.

Total charge to the profit and loss for the year was £ 113,210 (2007: £ 839).

17 BUSINESS SEGMENTS

Segment information is presented in respect of the Group's business segments. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment. Segment earnings are presented after elimination of inter-segment profit. The Group comprises the following main business segments:

- Investment Management

The investment management of a number of listed and private investment vehicles.

- Trust and Fund Administration

The administration of a number of listed and private funds and Trusts.

Geographical segments

Operations are centered in Europe for both businesses.

	Investment Management		Trust and Fund Administration		Consolidated	
	2008	2007	2008	2007	2008	2007
	£	£	£	£	£	£
Revenue	7,426,501	1,440,429	2,150,156	422,092	9,576,657	1,862,521
Profit/(loss)	1,133,319	(5,512,023)	635,250	77,293	1,768,569	(5,434,730)
Assets	38,525,916	34,383,527	980,136	1,188,094	39,506,052	35,571,621
Liabilities	(2,293,639)	(960,725)	(133,054)	(825,864)	(2,426,693)	(1,786,589)
Net assets	<u>36,232,277</u>	<u>33,422,802</u>	<u>847,082</u>	<u>362,230</u>	<u>37,079,359</u>	<u>33,785,032</u>

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

Revenue comprises turnover, interest income, other income plus unrealized and realized gains and losses for the year.

18 RELATED PARTIES

As at the year end the Group had an outstanding balance receivable on a non-interest bearing loan to Principle Energy Ltd. of £ 558,623 (2007: £ 552,820).

During the period the Group received service charges of £ 111,995 under a service agreement with PME Infrastructure Advisors Ltd. and administration fees of £ 118,727 from PME Infrastructure Managers Ltd.

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

19 EARNINGS PER SHARE

(a) Basic

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

	2008 £	2007 £
- Profit (loss) attributable to equity holders of the Company	46,979	(5,049,730)
- Weighted average number of ordinary shares in issue	<u>16,642,587</u>	<u>10,469,669</u>
Basic earnings (loss) per share (pence)	<u>0.28p</u>	<u>(48.23p)</u>

(b) Diluted

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. The company has one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008 (CONTINUED)

	2008 £	2007 £
- Profit (loss) attributable to equity holders of the Company	46,979	(5,049,730)
- Profit (loss) used to determine diluted earnings per share	46,979	(5,049,730)
- Weighted average number of ordinary shares in issue	16,642,587	10,469,669
- Adjustments for:		
- Share options	15,390	-
- Weighted average number of ordinary shares for diluted earnings per share	16,657,977	10,469,669
Diluted earnings (loss) per share	<u>0.28p</u>	<u>(48.23p)</u>

Potential ordinary shares are considered as anti-dilutive as their conversion to ordinary shares would decrease loss per share or increase earning per share from operating activities. Therefore, diluted loss per share for the year ended 31 December 2008 is equal to basic loss per share.

20 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 is available at the registered office of the Company.

21 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet at the Group level.