

Principle Capital Holdings S.A.

Condensed Consolidated
Interim Financial Information
for the period
from 1 January 2009
to 30 June 2009

58, rue Charles Martel

L-2134 Luxembourg

RCS: Luxembourg B0098144

PRINCIPLE CAPITAL HOLDINGS S.A.
Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009

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

6, rue Adolphe Fischer

L-1520 Luxembourg

COMPANY NUMBER

98144

BANKERS

Barclays Private Clients International Limited

Jersey, St Helier

PO Box 8

Jersey

JE4 8NE

AUDITORS

KPMG Audit S.à r.l.

9, Allée Scheffer

L-2520 Luxembourg

PRINCIPLE CAPITAL HOLDINGS S.A.
Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009

CONTENTS

Pages	1 - 6	Chief Executive Statement
	7	Review Report
	8	Condensed Consolidated Interim Statement of Comprehensive Income
	9	Condensed Consolidated Interim Statement of Financial Position
	10	Condensed Consolidated Interim Statement of Cash Flows
	11 - 12	Condensed Consolidated Interim Statement of Changes in Equity
	13 - 26	Notes to the Condensed Consolidated Interim Financial Information

Chief Executive's Statement

For the six months to 30 June 2009

1. Introduction

Despite a very difficult first half of the year for financial services businesses generally, I am pleased to report that assets under management have held steady at US\$ 1.12 billion.

Whilst fund raising markets remained closed in the first half as investors sorted out their own positions and future allocations, we have focused on two strategic efforts. First, we have been working hard to preserve the existing assets under management. In this regard Principle Capital, L.P. ("PCLP"), a fund managed by one of our Group companies, has successfully launched a takeover offer for Principle Capital Investment Trust plc ("PCIT"), whose future had been the subject of much debate earlier in the year. This is a positive turnaround for this fund strategy and we now plan to continue running with the activist strategy through these combined vehicles. Given the market dislocations, some attractive opportunities have emerged and we hope to be active in the market again in the final quarter of this year. Further we have, through PCLP and PCIT significantly increased our exposure to both Sirius Real Estate Limited ("SRE") and South African Property Opportunities plc ("SAPRO"), where we are also investment managers, at what we believe to be highly discounted prices.

Second, we have continued to focus on our development as a premier alternative asset management franchise with strong emerging market expertise. We have taken the opportunity to secure several outstanding investment professionals with whom we are now working to develop new investment product. Further, we have been able to take some useful soundings from potential investors which we believe will stand us in good stead as investors begin allocating funds again.

In total, as at 30 June 2009, Principle Capital had fee earning assets under management, allowing for cross holdings between the funds, of US\$ 1.12 billion. This was the same level as at 31 December 2008 (US\$ 1.12 billion), however it has subsequently increased to US\$ 1.14 billion as at 31 August 2009.

The Group produced a profit in the financial period of £ 0.71 million. Of this profit, £ 0.84 million has been accrued by Proteus Property Partners Limited, our 52% owned subsidiary, as a result of the increase in the performance fee which had been accrued at 31 December 2008 as being potentially due from SAPRO. The whole performance fee crystallised at 30 June 2009, at £ 4.96 million (our 52% share of which would be £ 2.58 million), subject to final audit. Further we have benefited from increases in the share prices of our holdings in both PCIT and SAPRO, which increased by £ 0.86 million since 31 December 2008.

We continued to invest in developing the business during the period and the results of these efforts are highlighted by the continued growth in turnover, primarily represented by investment management and fund and trust administration fees, the generation of which is the Group's core focus. Turnover, excluding non-recurring performance fees, for the period were £ 3.74 million, up 51% on the same period in 2008 (£ 2.47 million). Administrative and operating expenses also increased, to £ 4.79 million, up 46% on the same period in 2008 (£ 3.28 million). This is a result

of our investment in certain key hires compared to the same period last year, investment in new products and as a result of a one-off reorganisation programme. We expect to see some of the benefit of cost reductions arising from the reorganisation in the second half of the year.

As at 30 June 2009, the Group had net assets of £35.1 million (equivalent to 188p per share), which was the same as at 31 December 2008. Of that, £ 2.75 million was represented by cash and listed investments and £ 3.62 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 was formally tested as at 31 December 2008 and there was no impairment indicated.

At present we have six fee generating operations, producing annualised recurring management/advisory fees (including those generated by our associates, and allowing for our joint venture partners' share) as at 31 August 2009 of approximately £ 8.4 million, up 9% compared to 31 August 2008 (£ 7.7 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") and Principle Capital, L.P. ("PCLP")

PCIT and PCLP follow an activist investment strategy. PCIT is advised by Principle Capital Fund Managers Limited ("PCFM") and PCLP is managed by Principle Capital GP Limited ("PCGP"). PCFM and PCGP are 100% owned Group subsidiaries.

PCIT and PCLP both enjoyed solid recoveries in the first half of the year, with their ungeared, long only UK small and mid cap focus. PCIT's NAV was up 14.6% and PCLP up 27.6% against the FTSE All Share Index which fell 1.7%. However, the FTSE Small Cap ex Investment Trusts index was also up strongly, recording a 24.1% rise. At 30 June 2009, the combined net asset values of PCLP and PCIT, after excluding the cross holding was £64 million (30 June 2008: £ 80 million).

The key event in the first half of this year has been that PCLP successfully launched a cash offer for PCIT, through which it was able to secure control of PCIT at a significant discount to its underlying net asset value. In March of this year, PCIT had been pushed by certain investors to wind itself up, because the shares had persistently suffered from a large discount to net asset value. In order to give those shareholders the option to exit, PCLP was able to construct a cash offer and, as a result since the period end, PCIT is now a subsidiary of PCLP and will be taken private shortly. We would like to thank the investors in PCLP for their continued support.

We have, through PCLP and PCIT significantly increased our exposure to both Sirius Real Estate Limited and South African Property Opportunities plc, where we are also investment managers. And whilst PCIT and PCLP are a small part of the funds under management, we are excited about the prospects for activist investing in the current climate and expect to make some interesting new investments in the final quarter.

South African Real Estate

South African Property Opportunities plc (“SAPRO”) has made excellent progress at the portfolio level but has also suffered from the sector wide problems with discounts to net asset value. This has resulted in a strategic review of the company.

SAPRO, whose investment manager is Proteus Property Partners Limited (“Proteus”), in which the Group has a 52% interest 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 had 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 since acquisition.

In spite of this strong performance, following pressure from shareholders looking for a solution to the share price to net asset value discount, a strategic review has resulted, inter alia, in the prospective termination, with effect from October 2010, of the management contract which Proteus has with SAPRO. SAPRO accounts for approximately 11% of our funds under management.

In the light of SAPRO’s excellent performance at the portfolio level, upsetting the management arrangements without even attempting to negotiate alternative terms seems illogical. Through the combined PCIT and PCLP funds we are the second largest shareholder in SAPRO and have requisitioned a general meeting asking for an independent board who would then conduct their own review of the management arrangements.

Reflecting the excellent performance of SAPRO, as at 30 June 2009, Proteus has earned a £ 4.9 million performance fee, subject to final audit by SAPRO’s auditors.

PME African Infrastructure

PME African Infrastructure Opportunities plc (“PMEAIO”) has made steady progress in developing its existing portfolio and is well placed to make new investments with US\$ 83 million in cash available as at 30 June 2009. PMEAIIO’s investment manager is PME Infrastructure Managers Limited (“PMEIM”), in which the Group has a 31.67% interest. As of the most recent announcement, PMEAIIO had committed US\$89.5 million, of which US\$ 78.7 million had been drawn down. These five investments cover telecommunications, transport leasing and logistics. It is also in advanced negotiations on two further projects.

In the first half of the year, to 30 June 2009, PME reported a 9% growth in adjusted net asset value per share, which is extremely creditable given the experiences of many other alternative private equity strategies. The fund has given Principle Capital a significant foothold in the African investment market. Africa continues to be of great interest, especially given the relative strength of the Chinese and Indian economies and the exceptional rally in commodities experienced in the last few months.

Principle Energy Limited

The objective of Principle Energy Limited (“Principle Energy”) is to become a leading producer of low-cost ethanol in southern Africa. Principle Energy has secured approval from the government of Mozambique for its first project, covering 20,000 hectares of land, in the central region of the country near Dombe.

This first site comprises a greenfield project which will build a single large scale integrated ethanol-from-sugarcane production facility, with completion expected by 2012. Principle Energy raised approximately US\$50 million of equity funding for the project in 2007.

The focus of efforts in the first half has been to prepare for the fund raising which will be required to take the project to completion. It is expected to require approximately US\$ 150 million of equity and US\$ 200 million of debt. Strong indications of interest have been secured, primarily from development finance institutions, but also private institutions as well. As a result, various key steps have had to be completed prior to a successful fund raising, one of which was securing a key offtake arrangement with a major global energy company. We are pleased to say that heads of terms were signed in June and provides for all of Principle Energy’s ethanol to be taken for a minimum of five years. The final quarter of this year will be focused on completing the fund raising.

Sirius Real Estate Limited

Sirius Real Estate Limited (“Sirius”) 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. In its last financial statements for the year ended 31 March 2009, Sirius had gross assets of €543 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 has made life difficult for smaller businesses, but equally the offering is defensively priced and offers flexibility in its lease terms which appeals to small and medium sized businesses in uncertain times.

We believe the business model is sound and scaleable and we are seeing some interesting opportunities in the region to expand our activities there.

New products

We continue to work with a highly regarded European fund manager about promoting an ethical/environmental fund opportunity and we have deepened our relationships with our target European pension funds, as well as exploring opportunities to secure commitments from US investors.

We are also well advanced with an infrastructure fund opportunity in India, where we have been able to secure the services of an eminent infrastructure investment team. We are targeting investors for the fund in the final quarter of this year and into the beginning of next year.

As our alternative funds platform expands, we are in advanced discussions 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 will provide investors with new ways to access growth in emerging markets.

3. Fund and Trust Administration

Silex, our Fund and Trust Administration business which we acquired in October 2007, made an excellent contribution in the first half of the year. In the period, Silex generated profits of £ 464,113 on turnover of £ 1.4 million. Silex provides fund and trust administration services to approximately US\$ 2 billion of client assets, including five listed funds and several unlisted funds. We have had a number of discussions regarding the expansion of this division and are increasing its licenses to undertake complementary activities.

4. Company Investments

At 30 June 2009, the Company held investments of £ 5.3 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 products and across a broader geographic range, with a bias towards emerging markets. Whilst fund raising opportunities have been limited in the first half, this has been a good time to build operationally and to develop new products and alliances.

At its core, the Group has 17 staff. However, including our wider network of fund management and administration operations, there are over 150 people in offices in Geneva, London, Berlin, Singapore, Cape Town, Johannesburg, Durban and Beira (Mozambique). We continually look at ways in which synergies can be extracted from our various activities.

6. Outlook

I am pleased that we kept our business steady and maintained our funds under management comfortably over the US\$1 billion mark in what can only be described as the worst investing environment in a generation. It is good to have resolved the issues at PCIT and we are cautiously optimistic for our chances of raising at least two new products within the next six months. We continue to forecast strong demand for alternative products and exposure to emerging markets to generate returns in an otherwise low growth environment and we remain well positioned to benefit from these trends.

A handwritten signature in cursive script, reading "Jonathan Sieff".

Jonathan Sieff
Chief Executive Officer



KPMG Audit
9, Allée Scheffer
L-2520 Luxembourg

Téléphone +352 22 51 51 1
Fax +352 22 51 71
audit@kpmg.lu
www.kpmg.lu

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

AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

We have reviewed the accompanying condensed consolidated statement of financial position of PRINCIPLE CAPITAL HOLDINGS S.A. as of 30 June 2009 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended (the "condensed consolidated interim financial information"), and a summary of significant accounting policies and other explanatory notes. The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, 29 September 2009

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

David Wallace

Principle Capital Holdings S.A.

Condensed consolidated statement of comprehensive income
for the period from 1 January 2009 to 30 June 2009
(expressed in GBP)

	Group June 2009	Group June 2008
	£	£
TURNOVER	4,553,656	3,189,574
OTHER INCOME		
Unrealised gains / (losses) on investments	862,728	(788,789)
Realised gains on sale of investments	-	103,218
Other operating income	<u>78,129</u>	<u>44,214</u>
	5,494,513	2,548,217
Administrative expenses	(3,458,049)	(2,054,580)
External charges	<u>(1,335,706)</u>	<u>(1,226,773)</u>
OPERATING PROFIT/(LOSS)	700,758	(733,136)
Interest income	36,560	63,217
Interest expense	(283)	(731)
Share of gains / (losses) of associate companies	<u>27,144</u>	<u>-</u>
PROFIT/(LOSS) BEFORE INCOME TAX	764,179	(670,650)
Income tax expense	(56,513)	(59,443)
PROFIT/(LOSS) FOR THE PERIOD	<u>707,666</u>	<u>(730,093)</u>
OTHER COMPREHENSIVE INCOME		
Foreign currency translation differences	(68,820)	(7,871)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>638,846</u>	<u>(737,964)</u>
Income/(loss) attributable to:		
Shareholders of parent company	259,707	(847,984)
Non-controlling interest	447,959	117,891
Total comprehensive income/(loss) attributable to:		
Shareholders of parent company	186,947	(855,855)
Non-controlling interest	451,899	117,891
Earnings/(loss) per share	1.46p	(5.2p)
Diluted earnings/(loss) per share	1.46p	(5.2p)

Principle Capital Holdings S.A.

Condensed consolidated statement of financial position
as at 30 June 2009
(expressed in GBP)

	Group June 2009	Group Dec 2008
	£	£
ASSETS		
Property, plant and equipment	486,900	513,415
Goodwill	25,041,465	25,041,465
Investment in associates	821,869	799,453
Other investments	4,355,478	3,479,520
TOTAL NON-CURRENT ASSETS	30,705,712	29,833,853
Debtors	2,668,465	2,419,803
Other assets	6,355,760	4,611,487
Assets held for sale	888,482	523,787
Available-for-sale financial assets	61,020	49,328
Cash and cash equivalents	1,063,829	2,067,794
TOTAL CURRENT ASSETS	11,037,556	9,672,199
TOTAL ASSETS	41,743,268	39,506,052
EQUITY		
Called up share capital	18,644,806	18,644,806
Share premium	22,392,125	22,392,125
Foreign exchange differences	(138,422)	(65,662)
Non-distributable reserve	25,176	25,176
Accumulated losses	(5,484,204)	(5,810,973)
Equity attributable to shareholders	35,439,481	35,185,472
Non-controlling interest	2,032,750	1,893,887
TOTAL EQUITY	37,472,231	37,079,359
Deferred tax liabilities	6,822	6,261
Creditors	2,366,067	1,730,588
Deferred income	1,898,148	689,844
TOTAL EQUITY AND LIABILITIES	41,743,268	39,506,052

Principle Capital Holdings S.A.

Condensed consolidated statement of cash flows
for the period from 1 January 2009 to 30 June 2009
(expressed in GBP)

	Notes	Group June 2009 £	Group June 2008 £
Cash flows from operating activities			
Profit / (loss) for the period		707,666	(730,093)
Adjustments for:			
Depreciation		82,070	50,793
Unrealised (gains) / losses on investments		(862,728)	788,789
(Gains) / losses on disposal of property, plant and equipment		-	(259)
Realised (gains) / losses on investments		-	(103,218)
Share option reserve increase		67,062	52,202
Share of (gains) / losses of associated companies		(27,144)	-
Interest expense		283	731
Income tax expense		56,513	59,443
(Increase) / decrease in debtors		176,244	(114,651)
(Increase) / decrease in other assets		(1,744,273)	-
Increase / (decrease) in creditors		1,843,783	(588,623)
		<u>299,476</u>	<u>(584,886)</u>
Interest paid		(283)	(731)
Tax paid		(79,625)	(27,612)
Net cash inflow / (outflow) from operating activities		<u>219,568</u>	<u>(613,229)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(55,555)	(324,048)
Loans granted to third parties		(304,311)	(500,779)
Loan to associate company		(120,595)	-
Acquisition of associates		(10,662)	-
Purchase of subsidiary undertaking		(442)	-
Purchase of investments		(376,387)	(44,733)
Proceeds from sale of investments		1,006	791,614
Net cash used in investing activities		<u>(866,946)</u>	<u>(77,946)</u>
Cash flows from financing activities			
Dividends paid to former shareholders of Silex		-	(556,626)
Dividends paid to non-controlling interests		(313,600)	-
Net cash used in financing activities		<u>(313,600)</u>	<u>(556,626)</u>
Net decrease in cash and cash equivalents		(960,978)	(1,247,801)
Cash and cash equivalents at the beginning of the period		2,067,794	3,221,974
Effect of exchange rate fluctuations on cash held		(42,987)	(23,610)
Cash and cash equivalents at the end of the period		<u>1,063,829</u>	<u>1,950,563</u>

Principle Capital Holdings S.A.

Condensed consolidated statement of changes in equity
for the six months ended 30 June 2009
(expressed in GBP)

	Called up share capital	Share premium	Foreign exchange Differences	Non- distributable reserve	Accumulated losses	Shareholder's equity (Group share)	Non- controlling interest	Total equity
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
Comprehensive income for the period								
Profit/(loss) for the period	-	-	-	-	(847,984)	(847,984)	117,891	(730,093)
Other comprehensive income								
Foreign exchange	-	-	(7,871)	-	-	(7,871)	-	(7,871)
Total comprehensive income for the period	-	-	(7,871)	-	(847,984)	(855,855)	117,891	(737,964)
Transactions with owners, recorded directly in equity								
Share based payments	-	-	-	-	52,202	52,202	-	52,202
As at 30 June 2008	16,249,806	23,287,500	13,544	3,546	(6,745,314)	32,809,082	290,188	33,099,270
As at 1 July 2008	16,249,806	23,287,500	13,544	3,546	(6,745,314)	32,809,082	290,188	33,099,270
Comprehensive income for the period								
Profit/(loss) for the period	-	-	-	-	894,963	894,963	1,603,699	2,498,662
Other comprehensive income								
Foreign exchange	-	-	(79,206)	-	-	(79,206)	-	(79,206)
Total comprehensive income for the period	-	-	(79,206)	-	894,963	815,757	1,603,699	2,419,456
Transactions with owners, recorded directly in equity								
Shares issued	2,395,000	(895,375)	-	-	-	1,499,625	-	1,499,625
Share based payments	-	-	-	-	61,008	61,008	-	61,008
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.

Condensed consolidated statement of changes in equity
for the six months ended 30 June 2009
(expressed in GBP)
(continued)

	Called up share capital	Share premium	Foreign exchange Differences	Non- distributable reserve	Accumulated losses	Shareholder's equity (Group share)	Non- controlling interest	Total equity
As at 1 January 2009	18,644,806	22,392,125	(65,662)	25,176	(5,810,973)	35,185,472	1,893,887	37,079,359
Comprehensive income for the period								
Profit/(loss) for the period					259,707	259,707	447,959	707,666
Other comprehensive income								
Foreign exchange	-	-	(72,760)	-		(72,760)	3,940	(68,820)
Total comprehensive income for the period	-	-	(72,760)	-	259,707	186,947	451,899	638,846
Transactions with owners, recorded directly in equity								
Share based payments	-	-	-	-	67,062	67,062	-	67,062
Increase in non controlling interests	-	-	-	-	-	-	564	564
Dividends paid to non-controlling interest	-	-	-	-	-	-	(313,600)	(313,600)
As at 30 June 2009	18,644,806	22,392,125	(138,422)	25,176	(5,484,204)	35,439,481	2,032,750	37,472,231

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009

1 General

Principle Capital Holdings S.A (“the Company”) 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.

2 Significant Accounting Policies

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 September 2009.

2.2 Change in accounting policy

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, who are the Group’s chief operating decision makers. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

The Group applies revised IAS 1 ‘‘Presentation of Financial Statements (2007)’’, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 30 June 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2.3 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 condensed consolidated interim 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 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 non controlling 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 condensed consolidated interim 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.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, 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.

2.4 Foreign currency translation

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

(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.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

(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.

2.5 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.

(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.

2.6 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 subsidiaries is included in "intangible assets". 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 non-controlling interests

Goodwill arising on the acquisition of a non-controlling 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.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

2.7 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.

2.8 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 'trade and other receivables'.

(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 non-current assets unless 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.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

2.9 Trade and other receivables

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

2.10 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.

2.11 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.

2.12 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.

2.13 Trade and other payables

Trade and other payables are stated at amortised cost.

2.14 Revenue

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

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

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

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.

2.15 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.

2.16 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.

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.

The Group comprises two main business segments: investment management and trust and fund management.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

3 Financial risk management

3.1 Financial risk factor

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.

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 statement of financial position 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 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.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

(b) Credit risk

Transactions effected by Group members on behalf of the Group 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 will take a credit risk on the parties with which it trades and therefore the Group acting through Group members will seek to transact only with major established counterparties. The Group 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. Management mitigates this risk through Know-Your-Client and other investigative procedures performed on counterparties prior to the commencement of business relationships.

(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 2009 and 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 may from time to time invest their money in private entities where there is no market.

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.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

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.

4 Significant events

During the period, the Group reduced its investment in Proteus Property Partners Ltd and Proteus Property Advisors Ltd from 59.8% to 52%.

The Group is not subject to significant seasonality impacts to its operations.

5 Remuneration of Directors

	Group Period ended 30 June 2009 (6 months) £	Group Period ended 30 June 2008 (6 months) £
Directors' remuneration	<u>543,770</u>	<u>532,763</u>

The aggregate emoluments of the highest paid Director were £ 235,000.

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

6 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%.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

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 30 June 2009, stock options outstanding amounted to 1,002,488 (31 December 2008: 802,488), 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.
- * 200,000 become exercisable on 2 January 2011 at £ 0.725 and will lapse to the extent not exercised on 2 January 2019.

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.

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

Date	3 Nov 2004	8 Apr 2005	18 Jun 2007	22 Oct 2007	15 Jan 2008	15 Aug 2008	9 Dec 2008	2 Jan 2009
Stock Price	200.0	222.5	325.0	340.0	325.0	166.0	120.0	72.5
Exercise Price	200.0	222.5	325.0	338.3	325.0	165.0	120.0	72.5
Maturity in years	5.0	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%	2.42%
Annualised Volatility	29.3%	25.0%	23.8%	11.4%	11.3%	15.0%	15.4%	20.8%

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.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

Total charge to the profit and loss for the period was £ 67,062 (2008: £54,925).

7 Business segments

The Group comprises the following main business segments:

- Fund 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 & Fund Management		Consolidated	
	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008
	£	£	£	£	£	£
External Income	4,053,322	1,498,136	1,259,864	931,836	5,313,186	2,429,972
Inter-segment Income	-	-	245,031	181,462	245,031	181,462
(Loss)/Profit	91,689	(1,164,866)	615,977	434,773	707,666	(730,093)
Assets	40,348,206	33,181,804	1,395,062	1,097,254	41,743,268	34,279,058
Liabilities	(4,083,282)	(807,591)	(187,755)	(372,197)	(4,271,037)	(1,179,788)
Net assets	36,264,924	32,374,213	1,207,307	725,057	37,472,231	33,099,270

Total income of GBP 5,558,217 (June 2008: GBP 2,611,434) includes turnover, other income, interest income and income from associates.

Principle Capital Holdings S.A.

Notes to the Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

8 Earning 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.

	Group Period ended 30 June 2009	Group Period ended 30 June 2008
	£	£
- Profit/(loss)/ attributable to equity holders of the Company	259,707	(847,984)
- Weighted average number of ordinary shares in issue	<u>17,747,751</u>	<u>16,249,806</u>
Basic earnings/(loss) per share (pence)	<u>1.46p</u>	<u>(5.2p)</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 Condensed Consolidated Interim Financial Information
for the period from 1 January 2009 to 30 June 2009
(continued)

	Group Period ended 30 June 2009	Group Period ended 30 June 2008
	£	£
- Profit/(loss) attributable to equity holders of the Company	259,707	(847,984)
- Profit/(loss) used to determine diluted earnings per share	259,707	(847,984)
- Weighted average number of ordinary shares in issue	17,747,751	16,249,806
- Adjustments for:		
- Share options	-	-
- Weighted average number of ordinary shares for diluted earnings per share	17,747,751	16,249,806
Diluted (loss)/earnings per share	1.46p	(5.2p)

Potential ordinary shares are considered as anti-dilutive as their conversion to ordinary shares would increase earnings/decrease loss per share from operating activities. Therefore, diluted earnings per share for the period ended 30 June 2009 is equal to basic earnings per share.

9 Related parties

As at 30 June 2009 the Group has an outstanding loan of £ 569,868 (31 December 2008: £ 558,488) to Principle Energy Limited, an entity in which the Group has a 8.5% holding and an outstanding loan of £ 104,763 (31 December 2008: Nil) to Principle Oil Limited, an entity in which the Group has a 49% holding.

During the period the Group received service charges of £ 49,065 under a service agreement with PME Infrastructure Advisors Ltd. and administration fees of £ 77,476 from PME Infrastructure Managers Ltd.

Turnover includes performance fees of £ 844,569 (30 June 2008: £ 721,051). The performance fees in 2007 were due from Bulldog Financial Limited and the performance fees in 2008 are due from South African Property Opportunities Plc (“SAPRO”).

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

10 Subsequent events

There were no significant events after 30 June 2009.