

PRINCIPLE CAPITAL HOLDINGS S.A.

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007**

PRINCIPLE CAPITAL HOLDINGS S.A.

DIRECTORS

Chief Executive Officer

Brian A Myerson

Non-executive Directors

David J Cooley

Brian S Padgett

Leonard O'Brien

Richard Bolton

SECRETARY

Maitland Luxembourg S.A.

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L-1520 Luxembourg

REGISTERED OFFICE

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COMPANY NUMBER

98144

BANKERS

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PRINCIPLE CAPITAL HOLDINGS S.A.

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PRINCIPLE CAPITAL HOLDINGS S.A.

CHIEF EXECUTIVE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

1. Introduction

In the year to 31 December 2007, our operational businesses continued to expand funds under management both through fund raisings, new products and organic growth as well as identifying several new business opportunities for the Group. Importantly, the year also saw the acquisition of our fund and trust administration business, Silex, and the addition of two new operations, in the PME African Infrastructure fund and Principle Energy.

In total, as at 31 December 2007, Principle Capital had fee earning assets under management, allowing for cross holdings between the funds, of £294 million (\$583 million). This represented an increase of funds under management of £156 million or 113% over the year (2006: £138m). Since the year end, Bulldog Financial Limited (“Bulldog”), the £15 million special purpose vehicle established to invest in the shares of Nord Anglia Education plc has been broken up, realising a significant carried interest valued at £1.68 million for the Group (£960,847 at 31 December 2007). Primarily as a result of this, but also following falls in the value of our Activist Investment Funds due to the poor equity market conditions, funds under management stood at £269 million at 31 May 2008. Nevertheless this still represents an increase of 34% since 31 May 2007 (£201m). Given the turbulent market conditions, we regard this as an extremely creditable performance and the resilience to date of our Alternative Investment Funds to the issues affecting many of the world’s major global markets is of particular note.

Principle Capital now has three divisions: our Activist Investment Funds business, our Alternative Investment Funds business and our Fund and Trust Administration business. The Activist Funds include our flagship main London Stock Exchange listed fund, Principle Capital Investment Trust plc (“PCIT”) and our open-ended fund, Principle Capital, LP, which was launched in May 2007. Our Alternative Investment Funds business was initiated in October 2006 with the launch of our South African real estate fund, South African Property Opportunities plc (“SAPRO”), which initially raised £30 million (before placing expenses). In May 2007, we raised further funds for SAPRO (£34.2 million before placing expenses) and in July and December respectively we added PME African Infrastructure Opportunities plc (“PMEAIO”) and Principle Energy to our portfolio of products.

All of the existing funds are extremely scaleable and we are very optimistic about the growth prospects for each of them. The Alternative and the Activist Investment Funds businesses are each also in the advanced stages of developing a new fund product which would add significant value to the Principle Capital business as each comes onstream, subject to market conditions. We will keep shareholders fully updated as to progress on all of the Group’s fundraising activities.

Silex, our Fund and Trust Administration business acquired last October, had a very good year in 2007. Whilst the Group only benefited for the last two months of the year, Silex is well placed to repeat that performance as we go into 2008. For the whole year 2007, Silex generated profits of just under £1 million on turnover of £2.6 million, compared with £0.6 million and £1.75 million in 2006. Silex provides administration services to over \$1.7 billion of client assets, including five listed funds and several new unlisted funds. It also has a strong pipeline of new fund administration and private client mandates.

We flagged at the half year that attaining the level of growth that we have achieved, which includes a doubling of funds under management and a trebling of recurring revenues, would have a short term cost and this is reflected in the numbers for 2007. The retained loss for the year of £5.05 million (2006: retained profit of £1.81 million) is made up of several components which do not show the strength of the underlying position the Group is now in. Of this loss, £1.17 million relates to a reduction in the value of our investment in PCIT, which has suffered along with many other small cap UK funds both in terms of NAV performance but also share price discount to NAV. However, we are very confident that this will be recovered and PCIT is actively addressing its discount issues, including conducting share buy-backs. A further £488,076 of the loss is attributable to the reduction in value at the year end of the performance fees

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payable by Bulldog. However, since the year end we have realised the performance fees at £720,000 higher than the 31

December value, thus more than recovering that element of loss. Finally, £2.26 million was paid out in bonuses, reflecting both the successful performance in 2006 and the successful fund raisings in 2007. However, as stated at the time of the restructuring, the founding partners of the business, who now own 60% of the Company are, as a result of the restructuring, very closely aligned with shareholders, and accordingly the Company does not intend to pay the founding partners bonuses on an ongoing basis. In addition, other staff bonuses will remain primarily related to performance fee payments and increases in assets under management.

Taking out those 'exceptional' items and comparing on a like for like basis, management/advisory fees for the year were £3.41 million, up 196% on 2006 (£1.15 million) and 'normal' administrative/operating expenses before bonuses was £5.03 million. More importantly perhaps, looking forward, we now have six separate fee generating operations compared to the three that we had at the end of 2006. And not only do these opportunities generate significant recurring revenue (currently approximately an annualised £4.3 million (31 May 2007: £2.3 million)), they also provide a diversified base from which the Group will have many opportunities to grow, as well as significant and varied opportunities for performance fee generation. We have invested in these opportunities and in new products and staff and whilst this has had a cost, the resulting change to the shape and scope of the business has been very significant.

We are particularly pleased with the opportunities we have developed in Africa, an area that is generating significant investor interest and gives a diversification for our business. With products now focused on infrastructure, renewable energy and real estate in the region, we are one of the first groups in Europe to offer a range of dedicated investment products for this exciting emerging market. We are currently looking at ways in which we can accelerate our growth in this region to take advantage of this position.

2. Investment Management

As mentioned above, the core investment management operations now address two distinct activities: our Activist Investment Funds and our Alternative Investment Funds.

Activist Investment Funds

Like most UK investment funds with a small and mid cap focus, the year to 31 December 2007 was a year of mixed fortunes. Our flagship fund, PCIT, had two small fund raisings and at the half year was again achieving a performance that would have generated a performance fee. However, the second half took its toll, as investors took flight from small and mid cap stocks into large caps, as well as share prices in those stocks as well as that of the fund suffering from the impact of heavy redemptions being incurred in the wider investment community, resulting from the turmoil caused by the credit crisis. At the year end, the net asset value of PCIT was £89 million (2006: £99 million) and our open-ended fund, PCLP, which launched in May 2007 with £18 million, stood at £16 million.

The portfolios of PCIT and PCLP are still in the early stages of their development. The average age of the investment portfolio is currently only 22 months. It usually takes longer for the market to appreciate the positive changes happening in these companies as a result of our activist strategies, seeing them as still beset by the same legacy issues and not yet giving credit for the changes being implemented and in tough markets these stocks are often the first to be avoided. It is inevitable, however, that in the long term

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company fundamentals will be the overriding factor when pricing assets. We believe this situation will normalise in due course and we have continued to invest selectively to pick up opportunities at lower prices.

In addition to PCIT and PCLP, Principle Capital managed one co-investment vehicle, investing in the shares of Nord Anglia Education plc (through Bulldog Financial Limited (“Bulldog”). This investment has proved to be highly successful and subsequent to the year end, Bulldog has been substantially broken up.

Investment Performance

The market turmoil since the summer of 2007 materially influenced the outcome for the year for PCIT. The net asset value per share (total return) started the year at 117.7p and peaked at 127.7p on 31 July, an increase of 8.5%. During the same period the FTSE Small Cap ex-Investment Trust Index rose 0.39%. However, from this peak, the net asset value (total return) per share declined significantly, ending the year at 88.5p, down 30.7% from its peak. By contrast, the FTSE Small Cap ex-Investment Trust Index fell 18.2% from the same point. PCLP was launched in May 2007. At the end of the year it had fallen 18.2%, compared with the FTSE Small Cap ex-Investment Trust Index which fell 23.4% over the same period.

Bulldog invested solely in the securities of Nord Anglia Education plc, a leading provider of education, training and childcare and listed on the London Stock Exchange. Over the period we worked very closely with management to maximise the value of the position and have been assisting the company in its recovery programme and forward strategy. Bulldog has been substantially broken up since the year end. It has been a very successful coinvestment and at the date of the break up (31 March 2008), Bulldog showed a net IRR of 27% and the net absolute return to investors was £14.9 million or 1.87x since it launched in April 2005 with £8 million of commitments.

Performance Fees

In 2006 we generated performance fees amounting to approximately £2.57 million due to Principle Capital from PCIT. However, given the falls of PCIT and PCLP in 2007, no performance fees were generated. Whilst the funds are now significantly greater in size, it will take time for PCIT and PCLP to recover performance and qualify for further performance fees. We remain confident with the underlying value in the portfolio companies and that the turnarounds they are going through will enable them to recover quickly to historic levels once the general market malaise is resolved.

Bulldog represented the first fund we established and had a limited life (to 31 March 2008). At the year end, the notional performance fee payable to Principle Capital was £960,847, £661,799 lower than at 31 December 2006. However, given the strong performance of Nord Anglia in the first quarter of 2008 to the date of its break-up, this generated a fee of £1.68 million to Principle Capital. The fee was paid in Nord Anglia shares and shareholders will see this significant recovery recognised in the next income statement. We are delighted that the investment has been such a successful one for our investors and Principle Capital.

Fund raisings and new opportunity

We are very pleased to report that we have been awarded investments by two major US state pension plans, subject to legal contracts, which are currently being processed. Whilst we expect the total amount to be just under \$50 million, this would mark a major step forward in terms of our fund raising efforts for the Activist Investment Funds and will hopefully be a timely investment on their part. These awards partially reflect historic relationships we have had in the US, but also the efforts of our now full time US consultant. We very much hope that these commitments will help us unlock further awards from this sector.

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At the end of 2007, we engaged with a highly regarded fund manager to promote on a joint basis a new fund to be called the Principle Capital Good Citizen fund, which is an ethical/environmental fund opportunity. Whilst traditional UK equity investors have proven difficult targets given the state of the market, we are pleased to report that we are receiving good levels of interest for the product from primarily European based pension plans and are optimistic that we will be able to launch this fund, which would broaden our equity strategy away from purely traditional activism.

Alternative Investment Funds

South African Real Estate

South African Property Opportunities plc (“SAPRO”) (Ticker: SAPO), of which our 59.80% owned subsidiary, Proteus Property Partners Limited (“Proteus”) is the investment manager, has made very significant progress. SAPRO is a closed-end fund listed on AIM and listed on the Channel Islands Stock Exchange. It is focused on funding and managing real estate developments in South Africa. It has made investments in 15 development projects to date in a wide range of sectors, including industrial, mixed use and residential and has committed £67.4 million, making it substantially fully invested well ahead of the expectations set in May 2007 when it undertook its second fund raising. Once fully geared, we expect SAPRO to have a portfolio of over £200 million (Rand 3 billion), making it a very significant player in its local market.

As well as progress in terms of capital deployment, SAPRO has made excellent progress in terms of increased valuation. In its interim results to 31 December 2007, it announced an increase in Triple Net Asset Value to £71.5 million (114.8 pence per ordinary share, compared with the May 2007 issue price of 106p per share). This was calculated in accordance with the European Public Real Estate Association guidelines, which uses the IFRS Net Asset Value (£64.5 million) and adjusts for the increase in values attributed to eight properties in the portfolio pursuant to a valuation conducted by CB Richard Ellis and allowing for a notional tax deduction. The eight properties valued at that time showed a 46% uplift in value and it was particularly gratifying that those significant uplifts were achieved on projects with a cost base of £20.9 million, representing less than half of the commitments made by the Company on projects at that date and one third of the net issue proceeds from SAPRO’s fund raisings in October 2006 and May 2007. Following the interim results, SAPRO will undertake a valuation of the whole portfolio as of 30 June 2008 and we hope that further progress will be announced with the results in the autumn.

Proteus is now making a good contribution to the Group on a recurring revenue basis. However, subject to achieving its performance hurdles, Proteus would be entitled to performance fees with effect from the period ended 30 June 2009 and Proteus will be working hard to generate strong returns to investors, which we also hope will generate performance fees for the Group. In addition, SAPRO now has a substantially fully invested portfolio and at the appropriate time we shall review opportunities for expanding the fund or creating a parallel fund for a different investor base.

PME African Infrastructure

In July 2007, we were delighted to announce the launch of our second closed-end permanent capital Alternative Investment Fund. PME African Infrastructure Opportunities plc (“PMEAIO”) (Ticker: PMEAI), raised gross placing proceeds of \$180 million and, like SAPRO, trades on AIM. PMEAI’s strategy is to invest in infrastructure and infrastructure-related opportunities across sub-Saharan Africa, covering a wide range of sectors such as transportation, telecommunications, energy, water and sanitation and infrastructure-related real estate sectors as well as participating in public-private partnerships investing in those sectors. Once fully invested and geared, PMEAI should have a portfolio of over \$500 million and PMEAI is to our knowledge the only listed infrastructure fund dedicated to investing in Africa. We have estimated that in excess of \$120 billion of infrastructure investment opportunities will be created in the next ten years as a result of infrastructure demands in Africa. This makes the fund significantly scaleable.

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Principle Capital owns 31.67% of PME Infrastructure Managers Limited (“PMEIM”), the investment manager of PME AIO, alongside Unicos Partners LLP, the Masazane Capital group (Principle Capital’s partner in Proteus) and the interests of Richard Bouma, ex-head of investment banking in sub-Saharan Africa for HSBC and Chief Executive of PMEIM. At current asset levels, PME does not make a major contribution in terms of recurring revenues to Principle Capital. However, PME receives management fees based on the gross asset value of PME AIO, as a result of which, as gearing is taken into the portfolio, fee levels will increase. In addition, PME 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.

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, a new Principle Capital company, whose mission is to become a leading producer of low-cost ethanol.

The first project comprises a greenfield project in the central region of Mozambique near Dombe, based on the building of a single large scale integrated ethanol from sugar cane production facility. Principle Energy has raised approximately \$70 million of equity funding for the project and expects to raise a further \$90m to complete the equity requirement in early 2009, probably combined with an IPO. Total funding for the project including project finance is likely to be approximately \$290 million.

Principle Energy has secured approximately 23,000 hectares of workable land, 20,000 of which will be planted with sugar cane and fully irrigated, which, as a result of the quality soils, climate and irrigation should give cane yields of over 50% higher than the Brazilian average. The funding for the project has been subject to final governmental approval being granted. Principle Energy has been informed that the project has been approved and it is in the process of obtaining formal documentation to that effect. Subject to certain hurdles and parameters, Principle Capital will receive management services and performance fees from Principle Energy as well as an entitlement to warrants in Principle Energy.

Given current investor interest in alternative fuels, and also agricultural opportunities, we are considering growth opportunities for this strategy alongside the initial project.

New opportunities

As we have been developing our Alternative Investment Funds offering, new opportunities are increasingly being referred to us from management teams and fund managers. We have been carefully selecting those that we believe have the best potential and can report that we are well advanced with one new fund product, which will be launched in the third quarter of 2008, subject to market conditions. We also have a number of other opportunities in the pipeline in this area.

Fund and Trust Administration

Silex, our Fund and Trust Administration business which we acquired for shares last October, had a very good year in 2007. Whilst the Group only benefited for the last two months of the year, Silex is well placed to repeat that performance as we go into 2008. For the whole year 2007, it generated profits of just under £1 million on turnover of £2.6 million compared with £0.6 million and £1.75 million in 2006.

Silex provides administration services to over \$1.7 billion of client assets, including five listed funds and several new unlisted funds and its profile is of an ‘annuity’ style business, which should provide regular levels of revenue. Nonetheless, Silex also has a strong pipeline of new fund administration and private client mandates and has grown significantly over the last few years. Once these businesses reach a critical

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mass, the marketing of the service becomes easier and the cost synergies greater. We are therefore very optimistic about the prospects for this division.

3. Africa

Over the course of the last two years Principle Capital has been establishing its investment credentials in sub-Saharan Africa, the world's last real untapped emerging market.

We are particularly pleased with the opportunities we have developed here, an area that is generating very significant investor interest and gives a significant diversification for our business. With three products now focusing in the region on infrastructure, renewable energy and real estate and assets of \$370 million, we are one of the first groups in Europe to offer a range of dedicated investment products focused on sub-Saharan Africa. We are currently looking at ways in which we can accelerate our growth in this region to take advantage of this position.

Sub-Saharan Africa covers an area of 24.3 million square kilometres, about two-and-a-half times the size of the United States and seven times the size of India. It consists of 44 countries and has a population of more than 744 million, representing approximately 11% of the world population.

The region is characterised by diverse climate, topography, fauna and flora. Elevation, wind and the oceans, east and west, have defined the wide variety of environments in sub-Saharan Africa. Approximately 40% of the region is desert, approximately 8% is tropical rainforest and the rest is a vast expanse of Sahel, savannah and wooded grassland between desert and jungle.

As well as land available for agricultural opportunities, sub-Saharan Africa is extremely well endowed with minerals and other natural resources. The region is, for example, estimated to possess approximately 90% of the world's platinum, 30% of its bauxite and over 40% of its gold, as well as major deposits of diamonds, chrome, copper and iron ore. It also has significant oil and gas reserves and West Africa is expected by 2015 to supply 25% of the United States' crude oil imports.

We believe that there are a number of factors present in sub-Saharan Africa which will benefit Principle Capital from investing in and managing funds investing in the region. These include:

- GDP growth rates in sub-Saharan Africa have averaged above 5% in recent years;
- the International Monetary Fund has forecasted growth rates in sub-Saharan Africa to reach 6.5% per annum in 2008;
- estimated Foreign Direct Investment into sub-Saharan Africa reached approximately US\$53bn in 2007 compared with just US\$11bn in 2000;
- significant increase in local demand, contributing to sustainable economic growth; and
- local demand and the strength of a growing middle class are also believed to be contributing to economic expansion. Domestic investment reached close to 22% of GDP in 2007, an all time high for the region. Improvements in the local economies are stimulating consumption and businesses are expanding capacity.

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4. Company Investments

In 2007, the Company realised its investment in Liberty plc, the London based luxury retailer. This realised a profit of just under £300,000 for the Group. Since that disposal, our strategy with the Company's investments has been to concentrate them into Group products, which helps demonstrate to potential investors our confidence in those strategies and avoid any conflicts of interest arising with any of our funds. At 31 December 2007, the Company's investment in the shares of PCIT was worth £2.9 million, up £479,367 on book cost, but down £1.17 million from 31 December 2006, and the Company's investment in SAPRO was valued at £557,500, up £27,500 on book cost. Since the year end the Company received Nord Anglia shares by way of payment of its performance fee due from Bulldog. We shall review the merits of holding the investment during the course of the next few months or potentially move it into our managed funds, subject to any applicable investment guidelines as well as the necessary board and regulatory approvals.

5. Staffing

Naturally as the business develops we have had greater staffing needs – we are in a competitive business and it is essential that we have high quality staff. We now have 33 investment professionals and 10 support staff and offices in London, Geneva, Cape Town and Johannesburg. In respect of Principle Energy we also have over twenty consultants assigned to the project and office space in Durban (South Africa) and Beira (Mozambique). There has certainly been a short term cost in terms of generating business to justify the investment in this overhead, but we are now very close to break even on a recurring revenue basis, which is our highest priority.

Following a recent review of our Group strategy we have concluded that there is no current requirement to increase our staffing or other overhead unless it is accompanied by increases in revenues. In addition, as we increase the number of products we manage and clients we provide administration services to, there are also greater synergies to be extracted, including sharing certain central functions and office overheads across the product range.

6. Financial Results and Outlook

We invested heavily in the last year in particular in growing this business and, whilst that has resulted in a loss for the year, we have also seen the rewards for that investment, in terms of fee earning assets under management and diversification of our product and other business streams. The multiplying effect of this strategy means that our opportunities to scale funds under management are now driven by four different strategies instead of the one that we had less than two years ago before the launch of SAPRO. Furthermore the Fund and Trust Administration business is so far proving to be an excellent natural extension to our fund management operations.

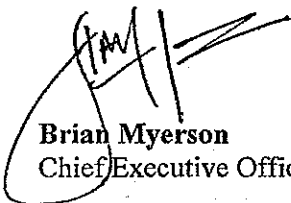
Our Activist Investment Funds have not been immune to the turbulent market conditions being experienced at the lower end of the UK market, but we have had some successes, particularly with the Nord Anglia coinvestment and also in terms of making headway with US investors. However, to date, our diversification into new and interesting alternative products has proved a major boon for the Group and to date they have remained fairly immune to the market conditions currently

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being experienced in the wider UK equities market. That gives us continued confidence in our ability to grow our funds and generate performance fees.

Again this year it is my pleasure to thank everybody involved with the Principle Capital Group for all their work to date in the fast changing world we are in today as well as the continued rapid development of our Group.



Brian Myerson
Chief Executive Officer

PRINCIPLE CAPITAL HOLDINGS S.A.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

General

PRINCIPLE CAPITAL HOLDINGS S.A. (the "Company" or "PCH") is a Luxembourg company incorporated on December 29, 2003.

Together with its subsidiaries it represents the "Group".

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

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

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

The authorised share capital of the Company is 18,500,000 shares with a par value of £1 each, of which 16,249,806 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 2007 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 4 to 11 of the annual report, which, in the opinion of the Directors, contain a balanced and comprehensive review of the Company's performance and development during the year, and the position at the end of the year.

The results for the period are set out in the Consolidated Income Statement on page 18 of the financial statements. At 31 December 2007 the Group had a retained loss on ordinary activities after taxation and before minority interests of £ 5.435 million. The retained loss attributable to the Group for the year is £ 5,049,730. Loss per share was 48.23 pence (stated after minority interest). The Directors are not recommending payment of a dividend.

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

1. Limited trading history

The Company 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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

2. Investments and Investment Funds

The value of an investment in the Company 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 Company 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 Company'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.

7. Further equity issues

The Company 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 Company. 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 Company.

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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 Company 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 Company 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 Company 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.

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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007, 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 Company's auditors are unaware; and each Director of the Company 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 Company's auditors are aware of that information.

18. Auditors

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



Approved by Board of Directors on 12 June 2008



KPMG Audit
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L-2520 Luxembourg

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To the Shareholders of
PRINCIPLE CAPITAL HOLDINGS S.A.
6, rue Adolphe Fischer
L-1520 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 2007 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 2007, 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, 12 June 2008

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 2007**

	Notes	2007 £	2006 £
TURNOVER	5	2,751,878	5,336,074
OTHER INCOME			
Unrealised (losses)/gains on investments	11.5	(1,147,378)	716,262
Realised gains on sale of investments	11.5	39,412	372,651
Other operating income		<u>13,200</u>	<u>-</u>
		1,657,112	6,424,987
Administrative expenses	6.1	(4,810,223)	(2,266,623)
External charges	6.2	<u>(2,299,319)</u>	<u>(1,523,216)</u>
OPERATING (LOSS)/PROFIT		(5,452,430)	2,635,148
Interest income		205,409	128,572
Interest expense		(94,229)	(86,107)
Share of losses of associate company		<u>(317)</u>	<u>-</u>
(LOSS)/PROFIT BEFORE INCOME TAX		(5,341,567)	2,677,613
Income tax expense	9	<u>(93,163)</u>	<u>(28,914)</u>
(LOSS)/PROFIT FOR THE YEAR		(5,434,730)	2,648,699
Attributable to:			
Equity holders of the Company		(5,049,730)	1,812,136
Minority interests		(385,000)	836,563
(LOSS)/PROFIT FOR THE YEAR		<u>(5,434,730)</u>	<u>2,648,699</u>
(Loss)/earnings per share	18	(48.23p)	20.14p
Diluted (loss)/earnings per share	18	(48.23p)	20.12p

The notes on pages 22 to 45 form an integral part of these financial statements.

PRINCIPLE CAPITAL HOLDINGS S.A.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	2007 £	2006 £
ASSETS			
Tangible assets	10	275,713	34,645
Goodwill on acquisition	11.4	25,041,465	-
Other investments, including derivatives	11.1	3,911,908	8,118,536
TOTAL NON-CURRENT ASSETS		29,229,086	8,153,181
Debtors	12	2,553,697	583,015
Prepayments and accruals		566,864	4,419,223
Other investments, including derivatives	11.2	-	900,000
Cash at bank and in hand		3,221,974	2,148,710
TOTAL CURRENT ASSETS		6,342,535	8,050,948
TOTAL ASSETS		35,571,621	16,204,129
EQUITY			
Called up share capital	14	16,249,806	8,999,806
Share premium	14	23,287,500	6,250,000
Foreign exchange differences		21,415	(242)
Accumulated losses		(5,945,986)	(851,152)
Equity attributable to shareholders		33,612,735	14,398,412
Minority interest		172,297	411,342
TOTAL EQUITY		33,785,032	14,809,754
Deferred tax liabilities	9	4,375	1,020
Creditors	13	1,782,214	1,393,355
TOTAL EQUITY AND LIABILITIES		35,571,621	16,204,129

The notes on pages 22 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 2007

	Notes	2007 £	2006 £
Cash flows from operating activities			
(Loss)/profit for the year		(5,434,730)	2,648,699
Adjustments for:			
Depreciation	6.1	48,802	11,593
Unrealised losses (gains) on investments	11.5	1,147,378	(716,262)
Realised gains on investments	11.5	(39,412)	(372,651)
Share options	15	839	137,803
Share of loss of associate company		317	-
Interest expense		94,229	86,107
Income tax expense	9	93,163	28,914
Decrease (increase) in debtors		3,569,443	(4,764,020)
(Decrease)/increase in creditors		<u>(1,251,007)</u>	<u>1,153,249</u>
		(1,770,978)	(1,786,568)
Interest paid		(94,229)	(86,107)
Tax paid		<u>(28,760)</u>	<u>(13,483)</u>
Net cash outflow from operating activities		(1,893,967)	(1,886,158)
Cash flows from investing activities			
Payments to acquire 30% Principle Capital Partners Ltd.	11.4	(20,632,817)	-
Payments to acquire tangible fixed assets	10	(265,151)	(13,001)
Cash acquired upon acquisition of Silex Holdings Ltd.	11.4	633,459	-
Loan granted to third parties		(72,099)	(7,596)
Loan to associate company		(532,133)	-
Acquisition costs related to Silex Holdings Ltd.		(124,737)	-
Payments to acquire associate	11.6	(317)	-
Payments to acquire investments		(3,113,887)	(3,429,810)
Proceeds from sale of investments		<u>7,119,075</u>	<u>6,468,602</u>
Net cash (used in)/from investing activities		(16,988,607)	3,018,195
Cash flows from financing activities			
Payment of newly subscribed capital	11.4	20,100,000	-
Payment of issued share capital		136	295
Dividends paid to former shareholders of Silex Management Ltd.	13	<u>(145,000)</u>	<u>-</u>
Net cash flows from (used in) financing activities		19,955,136	295
Net increase in cash		1,072,562	1,132,332
Cash at the beginning of the year		2,148,710	1,016,620
Effect of exchange rate fluctuations on cash held		702	(242)
Cash at the end of the year		<u><u>3,221,974</u></u>	<u><u>2,148,710</u></u>

The notes on pages 22 to 45 form an integral part of these financial statements.

PRINCIPLE CAPITAL HOLDINGS S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2007

	Called up share capital	Share premium	Foreign exchange differences	Accumulated losses	Year end shareholder's equity (Group share)	Minority interests	Year end shareholder's equity (Total)
As at 1 January 2006	8,999,806	6,250,000	-	(2,801,091)	12,448,715	(425,652)	12,023,063
Foreign exchange	-	-	(242)	-	(242)	-	(242)
Total income and expense recognised in equity	-	-	(242)	-	(242)	-	(242)
Result 2006	-	-	-	1,812,136	1,812,136	836,563	2,648,699
Total recognised income and expense	-	-	(242)	1,812,136	1,811,894	836,563	2,648,457
Share based payments	-	-	-	137,803	137,803	-	137,803
Minority interests	-	-	-	-	-	431	431
As at 31 December 2006	8,999,806	6,250,000	(242)	(851,152)	14,398,412	411,342	14,809,754
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
Swiss statutory 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	(5,945,986)	33,612,735	172,297	33,785,032

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2007

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 three major business activities, which include its Activist Investment Funds business, Alternative Investment Funds business and Fund and Trust Administration business.

The Activist Funds include Principle Capital Investment Trust Plc (PCIT), the Company’s open-ended fund, Principle Capital, LP and its co-investment vehicle, Bulldog Financial Limited. In October 2006, the Company launched its Alternative Funds business with the raising of its South African real estate fund, South African Property Opportunities Plc.

Silex Holdings Limited (‘Silex’), the Group’s new Fund and Trust Administration business was acquired in October 2007. Silex provides administration services to over \$1.7 billion of client assets, including five listed funds and several new unlisted funds.

The Group also purchased the remaining 30% of Principle Capital Partners Limited which it did not already own in October 2007.

The registered office of the Company is at 6, rue Adolphe Fischer, L- 1520 Luxembourg and the Company is registered with the “Registre de commerce et de société au Grand-Duché de Luxembourg” under section B, number 98.144. The Company is established for an unlimited period. The Company is listed in London on the AIM stock exchange.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 9 June 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of Principle Capital Holdings S.A. (“the Company”) are prepared in accordance with International Financial Reporting Standards, and have been prepared for the first time. 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 2008 or later periods, but the Group has not early adopted them:

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

- IAS 23 (Amendment), “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 is currently not applicable to the Group as there are no qualifying assets.

a) 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 2008 or later periods:

- 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.
- IFRIC 14, “IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction” (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 is not relevant to the Group’s operations because none of the Group’s companies operate any pension plans.
- IFRIC 12, “Service concession arrangements” (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group’s operations because none of the Group’s companies provide for public sector services.
- IFRIC 13, “Customer loyalty programmes” (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Group’s operations because none of the Group’s companies operate any loyalty programmes.

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.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

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 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.

b) Transactions and balances

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

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.

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.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

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 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 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 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' and cash and cash equivalents 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 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 FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

2.7 Trade and other receivables

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

2.8 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.

2.9 Impairment

Except for the Group's investments designated at fair value through profit and loss, the carrying 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.

2.10 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.

2.11 Trade and other payables

Trade and other payables are stated cost.

2.12 Revenue

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

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

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.

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.

2.13 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.

2.14 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.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

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.

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 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

As the Group has no significant interest-bearing assets nor liabilities, other than a £100,000 loan obtained by a Group company (refer to Note 13 for further disclosures). 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 FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

(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.

(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 2007. 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 2007, the Group holds some investments in illiquid and unquoted positions which are not significant in value. They are 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.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

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 EXPLANATION OF TRANSITION TO IFRS

As stated in note 2.1, these are the Group's first consolidated annual financial statements prepared in accordance with IFRS.

The transition from previous GAAP to IFRS has affected the Group's financial position, financial performance and cash flows only in terms of presentation and disclosures. The relevant comparatives with 2006 have been updated to reflect this change.

The transition from previous GAAP to IFRS had no impact on the equity or on the operating profit/(loss) of the Group.

5 TURNOVER

Turnover relates to investment management services provided by the Group, is stated net of VAT and is accounted for when it becomes due. It comprises management and advisory fees for £3,413,677 (2006: £1,142,878) and performance fees for (£661,799) (2006: £4,193,196).

6 ADMINISTRATIVE EXPENSES AND EXTERNAL CHARGES

6.1 Administrative Expenses

	2007	2006
	£	£
Directors' remuneration (Note 8)	2,796,014	1,268,340
Staff costs (Note 7)	1,597,185	656,184
Administration fees	236,719	129,589
Office expenses	82,884	67,396
Depreciation and amortisation	48,802	11,593
South African offices	48,619	133,521
	<u>4,810,223</u>	<u>2,266,623</u>

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

6.2 External Charges

	2007	2006
	£	£
Selling and marketing costs	485,853	176,788
Rent rates and service charges	414,089	276,870
Professional fees	273,106	377,450
Auditors' remuneration	216,556	54,537
Introduction fees	184,632	-
Insurance	153,653	101,159
Subscriptions	103,492	91,444
Legal fees	70,872	(1,795)
Recruitment and training	70,248	11,864
Bank loan arrangement fee	50,000	-
Website development	31,614	22,106
Brokers commission on CFDs (note 11.2)	28,436	12,894
Bulldog retrocession	24,318	350,229
Other expenses	192,450	49,670
	<u>2,299,319</u>	<u>1,523,216</u>

7 STAFF COSTS

Particulars of employees (including Directors) are shown below:

	2007	2006
	£	£
Wages and salaries	1,256,310	391,062
Social security costs	298,026	118,332
Health and life insurance	42,010	8,987
Share based payments (Note 15)	839	137,803
	<u>1,597,185</u>	<u>656,184</u>

There were no pension contributions paid during the year.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 DECEMBER 2007

8 REMUNERATION OF DIRECTORS

	2007	2006
	£	£
Directors' remuneration	<u>2,796,014</u>	<u>1,268,340</u>

The aggregate emoluments of the highest paid Director were £ 1,058,000.

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

9 TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES

Analysis of charge in year

	2007	2006
	£	£
<i>Foreign tax</i>		
Current tax on income for the year	89,808	29,080
Adjustments in respect of prior years	-	-
Total current tax	<u>89,808</u>	<u>29,080</u>
<i>Deferred tax</i>		
Originating/reversal of timing differences	<u>3,355</u>	<u>(166)</u>
Tax on profit on ordinary activities	<u>93,163</u>	<u>28,914</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 December 13, 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 July 20, 2006, may continue to benefit from this regime during a transitional period from January 1, 2007 till December 31, 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 during the year.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 DECEMBER 2007

9 TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES (continued)

Deferred taxation arises from timing difference on depreciation of assets qualifying for capital allowances held by PRINCIPLE CAPITAL ADVISORS LIMITED.

	2007	2006
	£	£
Deferred tax liability		
- Property, plant and equipment	4,375	1,020
Charge for the year		
- Origination and reversal of temporary differences	3,355	(166)
Reconciliation of deferred tax liability		
- Opening balance	1,020	1,186
- Deferred tax expense	3,355	(166)
- Closing balance	<u>4,375</u>	<u>1,020</u>

10 TANGIBLE FIXED ASSETS

For the Group	Fixtures & Equipment £
Cost	
At 1 January 2007	57,992
Additions (*)	289,870
Disposals	
At 31 December 2007	<u>347,862</u>
Depreciation	
At 1 January 2007	23,347
Depreciation for the year	48,802
At 31 December 2007	<u>72,149</u>
Net Book Value	
At 1 January 2007	<u>34,645</u>
At 31 December 2007	<u>275,713</u>

(*) Included in fixed assets is the amount of GBP 24,719 in fixed assets acquired from Silex Holdings Limited in October 2007.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 DECEMBER 2007

11 OTHER INVESTMENTS AND GOODWILL

11.1 Non-current investments

			2007	2006
			£	£
Financial assets designated at fair value through profit or loss			<u>3,911,908</u>	<u>8,118,536</u>
	Proportion of capital held 2007 %	Proportion of capital held 2006 %	Fair Value 2007 £	Fair Value 2006 £
<u>Listed equities</u>				
Liberty Plc	-	5.6	-	3,779,663
Principle Energy Limited	18.41	17.56	422,330	251,998
<u>Listed funds</u>				
Principle Capital Investments Trust Plc - Ordinary Shares	3.45	4.9	2,929,367	2,786,875
Principle Capital Investments Trust Plc - C Shares	-	3.22	-	1,300,000
South African Property Opportunities plc	0.80	-	557,500	-
<u>Other investments</u>				
Photo-Me	0.00	-	<u>2,711</u>	<u>-</u>
			<u>3,911,908</u>	<u>8,118,536</u>

In May 2007, the Group acquired 500,000 ordinary shares in SOUTH AFRICAN PROPERTY OPPORTUNITIES PLC (“SAPRO”) at £ 1.06 per share. SAPRO is an investment company established to invest in real estate opportunities in South Africa.

In July 2007, the Group disposed of the LIBERTY PLC shares for a value of £ 4,065,520.

During the year, the following movements occurred on PCIT ordinary and “C” shares:

- In February 2007, the total holding of PCIT “C” shares, namely 1,300,000 “C” shares, was converted into Ordinary shares at a ratio of £ 0.838 obtaining 1,089,452 Ordinary shares.
- In August 2007, 2,011,296 shares were purchased at the price of £ 1.2 each.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

11.1 Non-current investments (continued)

- In November 2007, the Company sold 2,000,000 Ordinary shares with nominal value of £ 1.07 each.

In June and October 2007, the Group made further drawdowns, as per the Committed Capital, to 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 for a total cost of £ 170,332.

11.2 Current investments

			2007 £	2006 £
Derivatives not used for hedging			-	900,000
	Proportion of capital held 2007 %	Proportion of capital held 2006 %	Fair Value 2007 £	Fair Value 2006 £
<u>Derivatives</u> CFDs on PRINCIPLE CAPITAL INVESTMENT TRUST PLC "C" shares	-	2.22	-	900,000

In 2006, the Group started to invest in derivative financial instruments qualified as "Contracts for differences" (CFDs) and underlying on any quoted share or financial instrument.

Related transactions are settled over-the-counter (OTC) with brokers.

In August 2007, the Group entirely disposed of CFDs on PCIT C shares for a £13,555 realized gain.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 DECEMBER 2007

11.3 Shares in group undertakings

	Proportion of the capital held 2007 %	Proportion of the capital held 2006 %
PRINCIPLE CAPITAL ADVISORS LTD.	100	100
PRINCIPLE CAPITAL PARTNERS LTD.	100	70.16
PRINCIPLE CAPITAL ADMINISTRATION S.A.	100	-
PROTEUS PROPERTY ADVISORS LTD.	59.80	41.86
SILEX HOLDINGS LTD.	100	-

During the year, the Company subscribed to 100% of PRINCIPLE CAPITAL ADMINISTRATION S.A., an administration company incorporated in Switzerland on 17 July 2007, with its registered address at 14 Quai Général-Guisan, 1204 Geneva and registered number CH-660-1727007-5.

As at balance sheet date, PROTEUS PROPERTY PARTNERS LTD. is a subsidiary of PCP (shareholding 59.80%).

11.4 Acquisition of subsidiaries and minority interests

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, valued at £ 4,187,500 in exchange for the issuance of 1,250,000 new shares of the Company. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

11.4 Acquisition of subsidiaries and minority interests (continued)

<i>Silex Holdings Ltd</i>	
- Fixed Assets	24,719
- Debtors	409,592
- Cash	633,459
- Intercompany loans	11,930
- Other loans	53,868
- Investments	4,447
- Creditors	(466,302)
- Dividend payable	(701,626)
Net identifiable assets and liabilities	(29,913)
Costs associated with acquisition	124,737
Consideration paid, satisfied in shares	4,187,500
Goodwill on acquisition	4,342,150
Cash acquired	633,459
Net cash inflow	633,459

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values (see note 3 for methods used in determining fair values). There were no contingent consideration arrangements and indemnification assets. No contingent liabilities were recognized from the transactions. Preliminary goodwill recognized from the acquisitions reflects differences between the purchase price and net assets of the acquired companies.

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 in cash, which was used fully in turn by the Founding Partners* immediately to subscribe to 6,000,000 newly issued shares of the Company at £ 3.35 each.

* The Founding Partners consist of: Concerto, in which Brian Myerson (CEO) has a potential beneficial interest and which owns 15.6 % of PCP; George May (Director of Principle Capital Advisors Ltd), David Cooley (Director) and James Peggie (Director of Principle Capital Advisors Ltd), who own 3.6 % of PCP each; and Brian Padgett (Director) and Leonard O'Brien (Director) who own 1.8% of PCP each and each of whom had a direct 50% interest in SILEX HOLDINGS LTD.

The carrying amount of PRINCIPLE CAPITAL PARTNERS LTD's net liabilities in the consolidated financial statements on the date of the acquisition was £ 1,357,328. The Group recognised a decrease in minority interest of £ 145,957 and goodwill of £ 20,699,315, including acquisition costs of £ 532,817.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 DECEMBER 2007

11.4 Acquisition of subsidiaries and minority interests (continued)

PRINCIPLE CAPITAL PARTNERS LTD. (“PCP”) and its subsidiaries and associate made a loss of £ 1,207,559 for the year 2007, while SILEX HOLDINGS LTD. and its subsidiaries made a profit of £ 180,023.

11.5 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:

	2007	2006
	£	£
<i>Net realised gain (loss) on financial assets</i>		
Designated at fair value through profit and loss		
- Liberty Plc	285,857	-
- Principle Capital Investments Trust Plc - CFD	13,555	43,751
- Principle Capital Investments Trust Plc - Ordinary shares	(260,000)	88,851
- Bulldog Financial Limited	-	240,049
	39,412	372,651
<i>Net unrealised gain (loss) on financial assets</i>		
Designated at fair value through profit and loss		
- Liberty Plc	-	412,904
- Principle Capital Investments Trust Plc - Ordinary shares	(1,171,063)	303,358
- South African Properties Ltd	27,500	-
- Photo Me	(3,815)	-
	(1,147,378)	716,262

11.6 Shares in associate

The Group owns 31.67% of PME Infrastructure Managers Limited a company incorporated on 4 April 2007. PME Infrastructure Managers Limited is a fund management company incorporated to manage a UK listed investment fund PME African Opportunities Plc. The carrying amount as at 31 December 2007 is nil.

	Proportion of the capital held 2007	Proportion of the capital held 2006
	%	%
PME Infrastructure Managers Limited	31.67	-

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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12 DEBTORS BECOMING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Social security and other taxes	30,773	14,940
Trade debtors	727,276	-
Non trade receivable from associate	60,296	-
Other debtors	1,735,352	568,525
	<u>2,553,697</u>	<u>583,015</u>

13 CREDITORS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Bank loans and overdrafts (*)	100,000	-
Corporation tax	114,119	28,172
Other taxes and social security	161,387	527,783
Trade creditors	5,803	-
Other creditors	47,440	-
Dividends payable (**)	556,626	-
Accruals	796,839	837,400
	<u>1,782,214</u>	<u>1,393,355</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.

(**) Dividend payable represents dividend declared by the Directors of Silex Holdings Limited to its shareholders before the acquisition by Principle Capital Holdings S.A. As at the acquisition date and the balance sheet date, the above dividends were unpaid. The amount is due to Gristel Holdings Ltd and Valira International Limited, the former shareholders of Silex Holdings Limited.

During the period from 19 October 2007 (the acquisition date) to 31 December 2007, £ 145,000 of dividend was paid, leaving the balance as at 31 December 2007 of £ 556,626.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 DECEMBER 2007

14 SHARE CAPITAL AND SHARE PREMIUM

	2007 £	2006 £
Authorised:		
18,500,000 Ordinary shares of £1 each	<u>18,500,000</u>	<u>12,500,000</u>
Issued:		
14,999,806 Ordinary shares of £1 each - fully paid	14,999,806	8,999,806
1,250,000 Ordinary shares of £1 each - re contribution of 100 Silex shares	<u>1,250,000</u>	-
	<u>16,249,806</u>	<u>8,999,806</u>

Further to the EGM of 19 October 2007, the authorised share capital of the Company was increased from £ 12,500,000 to £ 18,500,000. 7,250,000 new shares were issued at a par value of £ 1 each bringing the issued capital of the company to £ 16,249,806.

The subscribed and fully paid capital of £ 16,249,806 comprises 16,249,806 fully paid shares with a nominal value of £ 1 each.

Group companies registered in Switzerland have provided for Swiss statutory reserves which are undistributable. 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 2007, this amounts to £ 3,546.

Share premium was increased during the year as a result of the issuance of shares to the founding partners and the non-cash contribution of the shares of Silex, in the amount of £ 14,100,000 and £ 2,937,500, respectively.

15 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.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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15 SHARE INCENTIVES AND BONUS PLAN (continued)

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

As at 31 December 2007, stock options outstanding amounted to 678,930 (2006: 485,990), 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 Oct 2017.

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.

During the year ended 31 December 2007, 53,998 options were granted on 18 June 2007 and 138,942 options were granted on 22 October 2007.

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

Date	3 November 2004	8 April 2005	18 June 2007	22 October 2007
Stock Price	200.0	222.5	325.0	340.0
Exercise Price	200.0	222.5	325.0	338.3
Maturity in years	5.0	5.0	5.0	5.0
Interest Rate	4.59%	4.60%	5.64%	4.94%
Annualised Volatility	29.3%	25.0%	23.8%	11.4%

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 £ 839 and £ 137,803 for 2006.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS AT 31 DECEMBER 2007

16 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 and Fund Administration		Consolidated	
	2007	2006	2007	2006	2007	2006
	£	£	£	£	£	£
Income	1,440,429	6,553,559	422,092	-	1,862,521	6,553,559
(Loss)/profit	(5,512,023)	2,648,699	77293	-	(5,434,730)	2,648,699
Assets	34,383,527	16,204,129	1,188,094	-	35,571,621	16,204,129
Liabilities	(960,725)	(1,394,375)	(825,864)	-	(1,786,589)	(1,394,375)
Net assets	33,422,802	14,809,754	362,230	-	33,785,032	14,809,754

Income includes turnover, other income and interest income.

17 RELATED PARTIES

The Group paid administration fees of £ 234,671 to Silex Holdings Limited during the year, prior to its acquisition of Silex Holdings Limited and its subsidiaries in October 2007. There are no other material related party transactions other than those detailed in note 11.4.

18 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.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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18 EARNINGS PER SHARE (continued)

	2007	2006
	£	£
- (Loss)/profit attributable to equity holders of the Company	(5,049,730)	1,812,136
- Weighted average number of ordinary shares in issue	10,469,669	8,999,806
Basic (loss)/earnings per share (pence)	(48.23p)	20.14p

(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.

	2007	2006
	£	£
- (Loss)/profit attributable to equity holders of the Company	(5,049,730)	1,812,136
- (Loss)/profit used to determine diluted earnings per share	(5,049,730)	1,812,136
- Weighted average number of ordinary shares in issue	10,469,669	8,999,806
- Adjustments for:		
- Share options	-	6,834
- Weighted average number of ordinary shares for diluted earnings per share	10,469,669	9,006,640
Diluted (loss)/earnings per share	(48.23p)	20.12p

Potential ordinary shares are considered as antidilutive as their conversion to ordinary shares would decrease loss per share from operating activities. Therefore, diluted loss per share for the year ended 31 December 2007 is equal to basic loss per share.

PRINCIPLE CAPITAL HOLDINGS S.A.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS AT 31 DECEMBER 2007

19 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.

20 EVENTS AFTER THE BALANCE SHEET DATE

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