



***SEMI-ANNUAL REPORT  
FOR THE PERIOD ENDED***

***JUNE 30<sup>th</sup>. 2009***

# Management Report

## Semi-annual accounts as of June 30<sup>th</sup> 2009

September 25<sup>th</sup>, 2009

### **To the shareholders of Basinco Holdings S.A.H.:**

The global liquidity surge engineered by central banks has produced a remarkable rally in virtually all types of financial assets since the lows of last March. Interest rates in the United States, Europe and Japan have been artificially maintained at record lows with short term rates essentially hovering around zero. Some signs of economic recovery have begun to appear, but it is difficult to distinguish between genuine growth and liquidity-induced asset inflation.

This environment has been a difficult one for Basinco Holdings S.A.H. which has maintained a prudent stance throughout and so did not participate much in the rally. On the surface, this semester's performance was satisfactory with profit of € 333 900 compared to € 116 175 in the same semester last year. However, this was due to in no small part to the reduction of unrealized gains recognized directly in equity, as required by international accounting standards. Currency translation effects also slightly depressed results, and we expect the recent weakness in the U.S. dollar to continue to exert downward pressure on reported figures this year.

Low or negative real interest rates have the effect of capping the returns of almost any conservative strategy and many prudent investors are tempted to increase their risk profile as a result at this time. Cash is plentiful as it is created out of thin air in a seemingly inexorable fashion by central banks in the name of thwarting the massive deflationary consequences of the crisis. In our view this cocktail is leading to more asset bubbles which will only start deflating when central banks will start withdrawing some of the unprecedented liquidity they injected. Given their record in forecasting and averting crises, we believe they will necessarily get the timing wrong and the consequence will be either further asset inflation or a double dip recession, depending on whether they will be early or late.

We are confident that we can scale back the precautions we had taken at the height of the financial crisis since it is now evident that governments and central banks have decided to print whatever amount of currency is needed to stave off disorderly bank failures.

These new circumstances require a new type of positioning which we will take gradually and as prudently as possible in this era of questionable financial experimentation by governments and central banks.

As we have repeated for many years, 2010 will be the last year of Basinco Holdings' existence in its present state as the 1929 holding company regime will disappear definitively on December 31<sup>st</sup>. 2010. Even though the Board has authorized the delisting of the Company, we have decided for the time being to stay listed on the Euro MTF of the Luxembourg Stock Exchange while we finish exploring the way forward for Basinco Holdings, which will likely involve relocation to another jurisdiction.

Please keep in mind that the statements above are forward looking and treat them accordingly. As usual, comments from shareholders are always welcome on [investor@basinco.com](mailto:investor@basinco.com).

Very truly yours,

*Paolo Casaccia*

Chairman of the Board of Directors

## BALANCE SHEET

As of June 30th. (Unaudited in Euros)

	<i>30 06 2009</i>	<i>30 06 2008</i>
<u>Current Assets</u>		
Prepaid Expenses		
Cash and cash equivalents	15,675,887.47	10,883,010.19
Assets classified as for sale	594,814.47	5,090,082.95
<b>Total Current Assets</b>	<b><u>16,270,701.95</u></b>	<b><u>15,973,093.13</u></b>
<b>TOTAL ASSETS</b>	<b>16,270,701.95</b>	<b>15,973,093.13</b>
<u>EQUITY AND LIABILITIES</u>		
<u>Equity</u>		
Issued Capital	13,300,000.00	13,300,000.00
Legal reserve	788,686.60	771,671.99
Treasury shares	(516,785.00)	(359,081.10)
Results brought forward	2,434,063.93	2,110,786.29
Profit (loss) for the period	333,899.62	116,174.72
Unrealized gains and losses recognized directly in equity	(88,020.21)	5,599.23
<b>Total Equity</b>	<b><u>16,251,844.95</u></b>	<b><u>15,945,151.13</u></b>
<u>Current Liabilities</u>		
Trade and other payables	18,857.00	27,942.00
<b>Total Current Liabilities</b>	<b>18,857.00</b>	<b>27,942.00</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b><u>16,270,701.95</u></b>	<b><u>15,973,093.13</u></b>
<b>INCOME STATEMENT</b>		
<b>As of June 30th.</b>		
<b>(Unaudited in Euros)</b>	<i>30 06 2009</i>	<i>30 06 2008</i>
<u>Continuing operations</u>		
Revenue	-	-
Other expenses	(5,658.07)	(105,717.64)
<b>Operating Profit</b>	<b><u>(5,658.07)</u></b>	<b><u>(105,717.64)</u></b>
Finance costs	(361.41)	(80.97)
Finance income	349,391.10	231,445.44
Other financial items	0	0
Profit before tax	343,371.62	125,646.83
Tax Expense	(9,472.00)	(9,472.00)
<b>Profit for the period from continuing operations</b>	<b><u>333,899.62</u></b>	<b><u>116,174.83</u></b>
<u>Earnings per share</u>	<i>30 06 2009</i>	<i>30 06 2008</i>
Number of shares	7,400,000	7,400,000
Earnings per share	0.05	0.02

## CASH FLOW STATEMENT

As of June 30th. (Unaudited in Euros)	30 06 2009	30 06 2008
<u>Cash flow from operating activities</u>		
Profit for the period	343,371.62	125,646.83
Change in value corrections on for sale assets	(235,661.01)	107,397.10
Taxes paid	(9,472.00)	(9,472.00)
Cash flow from operating activities	98,238.61	223,571.93
<u>Movement in working capital</u>		
(Increase) / Decrease in other assets	-	3,000.00
(Increase) / Decrease in accrued interest	21,714.00	(42,816.00)
Increase / (Decrease) in trade and payables	9,472.00	18,857.00
Cash generated from operations	31,186.00	(20,959.00)
<u>Net cash generated from operating activities</u>	<u>129,424.61</u>	<u>202,612.93</u>
<u>Cash flow from investing activities</u>		
Payments to acquire financial assets	-	(1,280,666.81)
Proceeds on sales of financial assets	565,526.13	1,161,299.31
<u>Net cash (used in) /generated by investing activities</u>	<u>565,526.13</u>	<u>(119,367.50)</u>
<u>Cash flow from financing activities</u>		
<u>Proceeds from variation on own shares</u>	<u>(24,143.90)</u>	<u>5,699.70</u>
<u>Net cash used in financing activities</u>	<u>-</u>	<u>-</u>
<u>Net increase in cash and cash equivalents</u>	<u>670,806.83</u>	<u>88,945.13</u>
Cash and cash equivalents at the beginning of the period	15,005,080.64	10,794,065.06
Cash and cash equivalents at the end of the period	15,675,887.47	10,883,010.19

## STATEMENT OF CHANGES IN EQUITY

For the year ended on June 30th 2009 (Unaudited in Euros)

	Share capital	Legal reserve	Treasury Shares	Unrealized Gains & Losses	Retained earnings	Profit for the year	Total
Balance at December 31, 2008	13,300,000	771,671.99	-492,641.10	189,223.41	2,110,786.29	340,292.25	16,219,332.84
Allocation AGM		17,014.61			323,277.64	-340,292.25	
Valuation treasury shares			-24,143.90				- 24,143.90
Variation amounts recognized directly in equity				-277,243.62			- 277,243.62
Profit for the year						333,899.62	333,899.62
Balance at June 30, 2009	13,300,000	788,686.60	-516,785.00	-88,020.21	2,434,063.93	333,899.62	16,251,844.95

## BALANCE SHEET

As of December 31st. (in Euros)

<u>ASSETS</u>	<i>2008</i>	<i>2007</i>
<u>Current Assets</u>		
Prepaid Expenses		3,000.00
Cash and cash equivalents	15,005,080.64	10,794,065.06
Assets classified as for sale	1,223,637.20	5,004,370.33
<u>Total Current Assets</u>	<u>16,228,717.84</u>	<u>15,801,435.39</u>
<u>TOTAL ASSETS</u>	<u>16,228,717.84</u>	<u>15,801,435.39</u>
<u>EQUITY AND LIABILITIES</u>		
<u>Equity</u>		
Share capital	13,300,000.00	13,300,000.00
Reserves - Legal reserve	771,671.99	746,499.35
Reserves - Treasury shares	(492,641.10)	(364,780.80)
Retained earnings	2,110,786.29	1,632,506.13
Profit (loss) for the period	340,292.25	503,452.80
Unrealized gains and losses recognized directly in equity	189,223.41	(25,327.09)
<u>Total Equity</u>	<u>16,219,332.84</u>	<u>15,792,350.39</u>
<u>Current Liabilities</u>		
Trade and other payables	9,385.00	9,085.00
<u>Total Current Liabilities</u>	<u>9,385.00</u>	<u>9,085.00</u>
<u>TOTAL EQUITY AND LIABILITIES</u>	<u>16,228,717.84</u>	<u>15,801,435.39</u>

## INCOME STATEMENT

<u>For the year ended on December 31<sup>st</sup></u> <u>(in Euros)</u>	<i>2008</i>	<i>2007</i>
<u>Continuing operations</u>		
Revenue	-	-
Other expenses	(41,755.31)	(15,794.21)
<u>Operating Profit</u>	<u>(41,755.31)</u>	<u>(15,794.21)</u>
Finance costs	(642.85)	(612.70)
Finance income	331,753.15	641,776.94
Other financial items	60,261.26	(111,409.23)
Profit before tax	349,616.25	513,960.80
Tax Expense	(9,324.00)	(10,508.00)
<u>Profit for the period from continuing operations</u>	<u>340,292.25</u>	<u>503,452.80</u>
<u>Earnings per share</u>	<i>2008</i>	<i>2007</i>
Number of shares	7,400,000	7,400,000
Earnings per share	0.05	0.07

## CASH FLOW STATEMENT

For the year ended on December 31st. (in Euros)	2008	2007
<b>Cash flow from operating activities</b>		
Profit for the period	349,616.25	503,452.80
Change in value corrections on for sale assets	60,261.26	12,521.28
Taxes paid	(9,324.00)	
Cash flow from operating activities	400,553.51	515,974.08
Movement in working capital		
(Increase) / Decrease in other assets	3,000.00	(3,000.00)
(Increase) / Decrease in accrued interest	75,057.00	(98,725.00)
Increase / (Decrease) in trade and payables	(300.00)	(22,300.28)
Cash generated from operations	77,757.00	(124,025.28)
<u>Net cash generated from operating activities</u>	<u>478,310.51</u>	<u>391,948.80</u>
<b>Cash flow from investing activities</b>		
Payments to acquire financial assets	(55,024.72)	(4,694,368.09)
Proceeds on sales of financial assets	3,915,590.09	266,863.72
<u>Net cash (used in) /generated by investing activities</u>	<u>3,860,565.37</u>	<u>(4,427,504.37)</u>
<b>Cash flow from financing activities</b>		
<u>Proceeds from variation on own shares</u>	<u>(127,860.30)</u>	<u>(27.93)</u>
<u>Net cash used in financing activities</u>	<u>-</u>	<u>(4,035,583.50)</u>
<u>Net increase in cash and cash equivalents</u>	<u>4,211,015.58</u>	
Cash and cash equivalents at the beginning of the period	10,794,065.06	14,829,648.56
<b>Cash and cash equivalents at the end of the period</b>	<b>15,005,080.64</b>	<b>10,794,065.06</b>

## **BOARD OF DIRECTORS**

Paolo Casaccia .....Chairman

Carlo Casaccia.....Director

Marie-Joséphine Cifatte .....Director

## **AUDITORS**

Grant Thornton Lux Audit S.A.

83 Pafebruch  
L-8308 Capellen  
Luxembourg

## **OPINION OF THE AUDITOR ON THE ACCOUNTS AS OF DECEMBER 31ST. 2008**

Following our appointment, we have audited the accompanying annual accounts of BASINCO HOLDINGS S.A.H., which comprise the balance sheet as at December 31, 2008, and the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory notes.

**Board of Directors responsibility for the annual accounts:** The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of annual accounts. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Réviseur d'Entreprises:** Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the réviseur d'entreprises, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises considers internal controls relevant to the entity's preparation and fair presentation of the 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 controls.

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

**Opinion:** In our opinion, the financial statements give a true and fair view of the financial position of BASINCO HOLDINGS S.A.H. as of December 31, 2008 and of the results from operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

**Observation:** At the April 28<sup>th</sup> 2008 Extraordinary General Meeting, the Board of Directors was authorized to delist the company from the Euro MTF of the Luxembourg Stock Exchange whenever it sees fit. The Board of Directors is considering a possible liquidation or transfer of its registered office outside Luxembourg.

**Report on other legal and regulatory requirements:** The management report, which is the responsibility of the board of directors, is in accordance with the financial statements.

Luxembourg, February 27, 2009

## **OPINION OF THE AUDITOR ON THE ACCOUNTS AS OF DECEMBER 31ST. 2007**

Following our appointment by the General Meeting of the Shareholders dated March 6, 2007, we have audited the accompanying financial statements of BASINCO HOLDINGS S.A.H., which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The board of directors is responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these annual accounts 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 annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the réviseur d'entreprises, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position of BASINCO HOLDINGS S.A.H. as of December 31, 2007, and of its financial performance and its cash flows in accordance with International Financial Reporting Standards. The management report, which is the responsibility of the board of directors, is in accordance with the financial statements.

Luxembourg, February 15, 2008

**Basinco Holdings S.A.H.**

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