

# **Pactolus Hungarian Property Plc**

**Annual Report and Financial Statements  
31 December 2009**



**Pactolus Hungarian Property Plc**  
**Annual Report and Financial Statements 2009**

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# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Key Highlights**

Pactolus Hungarian Property Plc presents its results for the year ended 31 December 2009.

The principal activities of the Company and its subsidiaries (the "Group") is the investment in the Hungarian property market, focusing on the residential freehold market in the more affluent districts of Budapest. The Group invests in freehold property, which is then renovated to a high standard and then either let to tenants with good covenants or sold.

### **Key Highlights for the year:**

- Net asset value per share (before deferred taxation) 68p, which is a decline of 17 per cent (2008: 82p);
- The portfolio of properties was valued at €18,648,979 as at 31 December 2009 (2008: €23,912,668), following disposals and a valuation write down of 18 per cent during the year;
- Annualised rent roll reaches €1.3m at 31 December 2009 (2008: €1.5m) and the current annualised rent roll is €1.1m;
- Rental yield on cost as at 31 December 2009 was 8 per cent (2008: 8.8 per cent);
- The group has sold 4 properties for a combine value of €1,723,384, at an average of €2,771 per square metre;

## **Pactolus Hungarian Property Plc**

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#### **Chairman's Statement**

2009 has been yet another difficult year for us. Gross revenue excluding interest income for the year increased by 18 per cent to €1,530,453. In addition, we have managed to reduce our costs in relation to our gross income by 4 per cent to €1,446,155, resulting in an operating profit (before investment activities) of €84,298 for the year. However, with an 18 per cent write down in the value of the Group's portfolio and reduced interest income, the Group reports a 20 per cent increase in overall operating losses for the year of €4,251,371, compared to €3,535,100 in 2008.

It is important to note that as the Group sells property, these losses may well increase as the reduced revenue is countered by a relatively constant fixed cost base.

Net assets as at 31 December were €12,344,149 which included cash balances of €253,769. At 31 December 2009 the portfolio comprised of 9,265 square metres of property with a value of €18.6 million. However, since the year end the Group has sold 1,020 square metres of its property portfolio.

The Group has continued its policy of repurchasing its own shares so that shareholders can exit what is an increasingly illiquid investment. Currently the Group has the authority to acquire up to 40 per cent of its issued shares as at 11 September 2009. To date, we have utilised 29 per cent of this facility.

As in the past, I would like to express my gratitude to the asset manager, directors, advisors and the Budapest team for their efforts in a difficult and demoralising environment.

C H Bennett BA FRICS.  
Chairman  
Budapest

17 June 2010

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Asset Manager's Report**

#### **The Property Portfolio**

The Group's portfolio has been re-valued as at 31 December 2009 at an average discount to the 2008 valuation of 18 per cent on a like for like basis. The result is that the Group's properties are valued at €18.6m as at 31 December 2009, which represents an average of €2,013 per square metre, compared to the previous valuation of €2,428 per square metre.

#### **Gearing and Disposals**

During the year to 31 December 2009, the Group made no further additions to the portfolio and the current floor space has reduced from 9,849 square metres to 9,265 square metres through the sale of 4 properties.

Shareholders will recall that in July 2008, in response to the downturn of the world economy, we ceased buying property and the Board decided to use funds available to repurchase its own shares and repay debt. This strategy has continued throughout 2009 and in conjunction with the share repurchase programme detailed below, the level of debt has now reduced to €6,216,010 as at the year end.

#### **Share Repurchase Programme**

Following the increase in the Company's repurchase facility approved on 5 January 2009, the Company sought shareholder approval to further increase the facility at an Extraordinary General Meeting held on 11 September 2009.

The resolution was passed, providing powers for the Company to purchase up to a further 40 per cent of the issued share capital as at 11 September 2009 and to date the Company has repurchased 2,147,191 shares at an average price of 28 pence (32 cents) per share. If the programme should be fully fulfilled, the Company will need to acquire a further 5,174,718 of its currently issued ordinary shares.

There has been a lack of liquidity in the Company's shares during the period which has led to shareholders continuing to express requests to divest their holding.

#### **Lettings**

The Group had 53 properties let for an average yield against cost of approximately 8 per cent as at the year end. This has reduced from the 8.8 per cent yield reported at 31 December 2008. The Group, as at the end of May 2010, had 5 properties which were unlet.

The Group has 4 apartments currently under development which have been put on hold due to market circumstances.

#### **Disposals**

During the year the Group has taken the opportunity to sell 4 properties for a total profit in excess of the balance sheet value of the disposed properties of €59,155.

On 28 January 2010, the Group contracted to sell a further 5 properties (subject to mortgage release) for a total price of €2m. Additionally, a contract for sale was signed on 3 June 2010 for a further property, for a price of €0.2m (based on the Forint exchange rate at the transaction date).

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Asset manager's Report (continued)**

#### **Dividend**

Whether the Company pays a dividend for the year ended 31 December 2009 is under consideration by the Board but will depend upon further disposals of property being made over the summer and early autumn 2010. A further announcement with regard to this will be made in due course.

#### **Hungarian Economy**

As we expected, the market in Budapest has remained extremely tough throughout the year and we believe that there is more pain in the short and medium term for Hungary. Hungary, like a number of deficit countries, has a population that simply does not want to accept the need for change which makes it difficult to see a solution. Albeit through blaming their predecessors, the government is now attempting to make this point clear to its electorate. We would expect much more scare stories to come out of the government but this is only natural and is akin to a new CEO "kitchen sinking" his first reported figures or the Conservatives blaming everything on the Labour Party. If anything we find this mildly encouraging as the worst case scenario would be a government that did not accept its fiscal position.

One potential route to regain competitiveness is to devalue its currency against the Euro. With the Euro already undertaking its own devaluation this clearly remains a key investment risk which is unlikely to attract demand for sovereign debt issues.

There remains the strong likelihood that the region requires further financial support from the IMF or the EU. Last year, we noted that Hungary may well have been lucky to have been forced into the hands of the IMF early but the IMF will now be "once bitten, twice shy".

During 2010 we intend to continue with our strategy of working hard to retain our tenants, selling units when we can achieve reasonable valuations, minimise costs such as the change of Nominated Adviser announced on 28 September 2009 and when possible, undertake further reductions in debt. The future is even less clear than last year but we remain hopeful that we will achieve our objectives. We appreciate the continued support of the Company's shareholders.

#### **Midas Investment Management Ltd**

2nd Floor  
Arthur House  
Chorlton street  
Manchester  
M1 3FH

#### **Notes:**

Forex Rates: Euro to the Pound Sterling as at 31 December 2009 was €1.1279;  
Euro to the Forint as at 31 December 2009 was €270.49.

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Management and Administration**

#### **Directors**

Christopher Bennett (Chairman)  
Brett Miller  
Stephen Gray  
Barry Smith  
Katherine Ellis  
Sarah Ingrassia

#### **Company Secretary**

Barry Smith

#### **Registered Office**

Jubilee Buildings  
Victoria Street  
Douglas  
Isle of Man  
IM1 2SH

#### **Asset Manager**

Midas Investment Management Ltd  
2<sup>nd</sup> Floor, Arthur House  
Chorlton Street  
Manchester  
M1 3FH

#### **Administrators**

Equiom Trust Company Ltd  
Jubilee Buildings  
Victoria Street  
Douglas  
Isle of Man

#### **Stockbrokers**

Religare Hichens, Harrison Plc  
Bell Court House  
11 Blomfield Street  
London  
EC2M 1LB

#### **Auditors**

PKF (Isle of Man) LLC  
Analyst House  
20-26 Peel Road  
Douglas  
Isle of Man

#### **Tax Advisors**

BDO LLP  
3 Hardman Street  
Manchester  
M3 3AT

#### **Independent Property Valuers**

King Sturge  
Rakoczi utca 70  
1074 Budapest  
Hungary

#### **Principal Bankers**

Investec Bank Plc (Irish Branch)  
The Harcourt Building  
Harcourt Street  
Dublin 2  
Ireland

Raiffessen Bank Rt.  
H-1054 Budapest  
Akadémia utca 6  
Hungary

Barclays Bank Plc  
Barclays House  
Victoria Street  
Douglas  
Isle of Man  
IM99 1AJ

#### **Legal Advisors**

Ruttkai Marczel Ruttkai  
Attila utca 133  
1012 Budapest  
Hungary

#### **Nominated Advisors**

Singers Capital Markets Ltd  
1 Hanover Street  
London  
W1S 1YZ

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Report of the Directors**

The Directors of Pactolus Hungarian Property Plc ("the Group") are pleased to submit the Audited Consolidated Financial Statements of the Group for the year ended 31 December 2009, which show the state of the Group and Parent Company affairs.

#### **Principal Activity**

The Group's activity throughout the year continued to be that of buying, selling, developing and making available for rent apartments in Budapest, Hungary.

Pactolus Hungarian Property Plc was incorporated in the Isle of Man on 21 December 2005. The address of the registered office is Jubilee Buildings, Victoria Street, Douglas, Isle of Man. IM1 2SH.

The company was listed on AIM on 23 March 2006. These financial statements cover the year ended 31 December 2009.

Pactolus Hungarian Property Plc and its subsidiaries (together the Group) is an investment group concentrating on properties in Budapest, Hungary. It is principally involved in acquiring, developing, selling and letting investment property under short to medium term contracts.

The functional currency of the Group is the Hungarian Forint because that is the currency of the primary economic environment in which the Group operates. The Directors have chosen to present these financial statements in Euros due to the international exposure and stakeholders of the entity.

#### **Results**

The results for the year are shown in the Consolidated Income Statement on page 13.

The Group has increased its annual rental and related income by 15 per cent to €1,471,298. Combine with only a 13 per cent increase in operating costs before investment activities, the resulting operating profit before investment activities is €84,298 compared to €20,845 for 2008.

The Board does not expect this increase in income to be maintained as the Group continues to downsize its portfolio in order to fund the current Share Repurchase programme.

The net amount transferred to profit and loss reserve is €(4,281,015), (2008: €11,721,189). This amount includes €Nil transferred from distributable reserve (2008: €15,412,576).

#### **Dividend**

During the year the Company declared and paid a dividend of 2.1 pence per ordinary share. This was paid on 16,947,582 ordinary shares for the period ended 31 December 2008.

#### **Post balance sheet events**

The Group has sold 6 properties for aggregate net proceeds of €2.1m, at an average of 2,059 per square metre. The combined value of these properties represents eleven per cent of the Group's portfolio as at the balance sheet date.

The Company has purchased and subsequently cancelled a further 155,000 of its own shares as part of its continued share buy back programme. These shares were acquired at an average price of 27 pence per share.

# Pactolus Hungarian Property Plc

## Annual Report and Financial Statements 2009

### Report of the Directors (continued)

#### Post balance sheet events (continued)

As part of the continued strategy of reducing the Group's debt, aggregate repayments of €1,209,967 have been made in 2010, which has resulted in a reduction of the loan to value ratio from 33 per cent as at 31 December 2009, to 30 per cent as at today.

#### Directors' Interests

	As at 31 December 2009 Ordinary Shares of 1p each	As at 31 December 2008 Ordinary Shares of 1p each
Chris Bennett	-	-
Brett Miller	61,666	61,666
Stephen Gray	-	-
Barry Smith	-	-
Katherine Ellis	-	-
Sarah Ingrassia	-	-
<b>Shares held under option:</b>		
Chris Bennett	16,666	16,666
Brett Miller	25,000	25,000

#### Corporate Governance

The Directors recognise the importance of sound corporate governance and intend that the Company will comply with all the provisions of the Combined Code insofar as they are appropriate given the Company's size, the nature of its business and the stage of its development.

#### Financial Instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The impacts of these risks on the Company's state of affairs are detailed within the notes to the financial statements.

#### Going Concern

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements as there are adequate resources within the group to continue its operational activities for the foreseeable future.

#### Share Issue, Conversion and Repurchase

On 19 November 2008, the Company conducted a share buyback for the maximum then authorised 10 per cent of the holdings as empowered by the Shareholders on 3 July 2008. The Company bought 2,561,142 shares at a value of €859,407 representing a price of 28 pence per share. These shares were cancelled upon settlement.

On 5 January 2009, the shareholders approve the Board's proposal to repurchase up to 6,915,082 ordinary shares of the Company representing up to 30 per cent of the existing ordinary shares as at 31 December 2008. The purpose of the Share Repurchase programme is to reduce the Company's issued ordinary shares; therefore, all shares acquired will be cancelled upon settlement.

# Pactolus Hungarian Property Plc

## Annual Report and Financial Statements 2009

### Report of the Directors (continued)

#### Share Issue, Conversion and Repurchase (continued)

This facility was further increased by the shareholders at an Extraordinary General Meeting on 11 September 2009. The facility was increased to 40 per cent of the issued share capital as at that date representing up to 7,321,909 ordinary shares.

The Board believes that the Share Repurchase programme will benefit all of the Company's shareholders by:

1. Providing a cash return to those shareholders who no longer wish to retain an investment in the Company;
2. Enhancing the net asset value per share as it is anticipated that purchases will be made at a material discount to net asset value; and
3. Reducing the discount of the share price to net asset value per share.

The maximum price (exclusive of any expenses) to be paid by the Company on any purchase of an Ordinary Share will not be greater than 10 per cent above the average middle market quotation of an Ordinary Share at the close of business on the five business days immediately preceding the date of the purchase. The minimum price (exclusive of any expenses) to be paid on any purchase of an Ordinary Share will be 1 pence (being the nominal value of an Ordinary Share).

Since the Share Repurchase facility commenced, the Company has acquired for cancellation 9,453,833 ordinary shares for a total value of £2,770,805 at an average price of 29 pence per share.

To date the Company has utilized 29 per cent of the current facility. The Share Purchase facility will expire at the conclusion of the Company's next Annual General Meeting.

#### Substantial Shareholdings

At 16 June 2010, the Directors were aware that the following shareholders owned 3 per cent or more of the issued Ordinary Shares of the Company.

	Number of Ordinary Shares	% of Ordinary Shares
Perishing Keen Nominees Ltd	6,526,120	40.0
Barnard Nominees Ltd	2,275,000	14.0
Harewood Nominees Ltd	1,041,666	6.5
Hero Nominees Limited	680,000	4.2
J M Finn Nominees Ltd	549,683	3.4
Lee Robert Morton	508,333	3.2
The Asset Manager, Midas Investment Management Ltd via its associated companies own (33.3 %) of the issued share capital as at 16 June 2010. This forms part of the holding in Pershing Keen Nominees Ltd.		

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Report of the Directors (continued)**

#### **Directors' Responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, prepared the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the Company financial statements in accordance with those standards. The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

#### **Status of Taxation**

The Company is subject to Isle of Man income tax at zero per cent.

The Company's Hungarian subsidiaries which own the Group's property portfolio are subject to a corporate rate of tax of 16 per cent (2008: 16 per cent) on profits in Hungary. Profits include capital gains arising on the sale of properties. The United Kingdom subsidiaries are subject to UK corporation tax on profits.

#### **Asset Manager**

In the Directors' opinion the continuing appointment of the Asset Manager is in the best interests of the shareholders in view of the satisfactory performance of the Group.

#### **Auditors**

PKF (Isle of Man) LLC have indicated their willingness to continue in office.

By order of the board

Barry Smith  
**Company Secretary**

**Dated:** 17 June 2010

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Independent Auditors' Report**

#### **To the members of Pactolus Hungarian Property Plc**

We have audited the Group and Parent Company financial statements ('the financial statements') of Pactolus Hungarian Property Plc for the year ended 31 December 2009 which comprise the consolidated income statement, the statements of financial position, the statements of changes in equity, the statements of cash flow and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

In addition we report to you if, in our opinion, the company has not kept proper books of account or if proper returns adequate for our audit have not been received from branches not visited by us, if the financial statements are not in agreement with the books of account and returns, or if we fail to obtain all the information and explanations which are necessary for the purposes of our audit. Where the financial statements do not contain particulars as to loans to, and remuneration of directors, we have a duty to include a statement giving the required particulars in our report.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the key highlights, the chairman's statement, the asset manager's report, the management and administration schedule and the report of the directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

**Pactolus Hungarian Property Plc**  
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**Independent Auditors' Report (continued)**

**Basis of audit opinion**

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended; and
- have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

**PKF (Isle of Man) LLC**  
Douglas, Isle of Man

17 June 2010

**Pactolus Hungarian Property Plc**  
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**Consolidated Income Statement**  
**For the year ended 31 December 2009**

	Notes	2009 €	2008 €
<b>Income</b>			
Rental income and related fees	3	1,471,298	1,278,833
Realised gain on the sale of investment properties	12	59,155	18,026
<b>Total income</b>		1,530,453	1,296,859
<b>Expenses</b>			
Property management fees		408,474	283,584
Agency fees		142,962	66,352
Asset manager's fees		359,745	477,553
Director's emoluments	6	35,249	40,746
Legal and professional fees		165,787	62,077
Administrator's costs		52,857	41,497
Audit remuneration		34,081	29,018
Administrative costs		47,360	31,950
Insurance		15,995	19,762
Advertising, PR and marketing		37,854	36,610
Currency exchange (gain)/loss		(16,841)	3,036
Bank charges		7,566	6,842
Depreciation and impairment		123,494	135,867
Amortisation of borrowing costs		31,572	41,120
<b>Total operating expenses</b>		1,446,155	1,276,014
<b>Operating profit before unrealised loss on revaluation of properties</b>		84,298	20,845
Net movement in unrealised loss on revaluation of properties	12	(4,005,954)	(3,358,190)
<b>Operating loss</b>		(3,921,656)	(3,337,345)
Bank and other interest	7	27,218	339,226
Interest payable	8	(356,933)	(536,981)
<b>Net loss before tax</b>		(4,251,371)	(3,535,100)
Taxation	9	367,865	520,584
<b>Loss attributable to equity shareholders</b>		(3,883,506)	(3,014,516)
<b>Loss per Ordinary Share:</b>			
Basic	11	(22) Cents	(12) Cents
Diluted		(21) Cents	(12) Cents

The consolidated comprehensive loss for the year is €(3,998,220) (2008: €(3,502,059)). The only other item of comprehensive loss, besides the loss attributable to equity shareholders as shown in the income statement, is a loss on translation of €114,474 (2008: €487,543). The total comprehensive income for the parent company is €406,805 (2008: €566,993). The only other item of comprehensive income, besides the profit attributable to equity shareholders is again on translation of £Nil (2008: £110,176).

All items in the above statement are derived from continuing operations.  
The accompanying notes on pages 17 to 42 form an integral part of the financial statements.

**Pactolus Hungarian Property Plc**  
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**Statements of Financial Position**

**As at 31 December 2009**

	Notes	Group 2009 €	Parent 2009 €	Restated Group 2008 €	Restated Group 1 Jan 2008 €	Parent 2008 €
<b>Non-current Assets</b>						
Investment properties	12	16,157,967	-	22,158,589	23,535,717	-
Property under development	12	361,111	-	432,704	781,128	-
Furniture and equipment	12	522,966	-	423,150	78,609	-
Investment in subsidiaries	13	-	79,850	-	-	79,850
Goodwill	14	22,678	22,678	22,678	22,678	22,678
		17,064,722	102,528	23,037,121	24,418,132	102,528
<b>Current Assets</b>						
Investment Properties	12	2,129,901	-	1,321,375	-	-
Trade receivables	16	206,470	15,312	341,334	389,133	19,311
Loans to subsidiaries	15	-	11,477,472	-	-	13,601,236
Cash and cash equivalents		253,769	6,022	1,981,625	10,042,239	4,737
		2,590,140	11,498,806	3,644,334	10,431,372	13,625,284
<b>Total Assets</b>		19,654,862	11,601,334	26,681,455	34,849,504	13,727,812
<b>Current Liabilities</b>						
Trade and other payables	17	923,554	247,374	588,421	730,845	140,631
Secured loan	18	6,216,010	-	6,566,010	9,025,000	-
		7,139,564	247,374	7,154,431	9,755,845	140,631
<b>Non-current liabilities</b>						
Deferred taxation	9	171,149	-	544,629	1,069,149	-
<b>Total Liabilities</b>		7,310,713	247,374	7,699,060	10,824,994	140,631
<b>Net Assets</b>		12,344,149	11,353,960	18,982,395	24,024,510	13,587,181
<b>Capital and Reserve</b>						
Share capital	19	237,536	237,536	335,647	372,941	335,647
Capital redemption reserve		135,405	135,405	37,294	-	37,294
Distributable reserve		-	-	-	15,412,576	-
Share premium		1,098,114	1,098,114	3,340,631	4,203,816	3,340,631
Merger reserve		(109,195)	(3,689,271)	(109,195)	(109,195)	(3,689,271)
Translation reserve		(921,156)	-	(806,442)	(318,899)	-
Profit and loss reserve		11,903,445	13,572,176	16,184,460	4,463,271	13,562,880
		12,344,149	11,353,960	18,982,395	24,024,510	13,587,181

The financial statements on pages 14 to 42 were approved at a meeting of the Board of Directors held on 17 June 2010 and signed on its behalf by:

Stephen Gray  
**Director**

Barry Smith  
**Director**

The accompanying notes on pages 18 to 43 form an integral part of the financial statements.

**Pactolus Hungarian Property Plc**  
**Annual Report and Financial Statements 2009**

**Statements of Changes in Equity**

	<b>Group 2009 €</b>	<b>Parent 2009 €</b>	<b>Group 2008 €</b>	<b>Parent 2008 €</b>
<b>Share Capital</b>				
As at 1 January	335,647	335,647	372,941	372,941
Cancellation of ordinary shares	(98,111)	(98,111)	(37,294)	(37,294)
As at 31 December	237,536	237,536	335,647	335,647
<b>Capital redemption reserve</b>				
As at 1 January	37,294	37,294	-	-
Cancellation of ordinary shares	98,111	98,111	37,294	37,294
As at 31 December	135,405	135,405	37,294	37,294
<b>Share premium</b>				
As at 1 January	3,340,631	3,340,631	4,203,816	4,203,816
Cancellation of ordinary shares	(2,242,517)	(2,242,517)	(863,185)	(863,185)
As at 31 December	1,098,114	1,098,114	3,340,631	3,340,631
<b>Distributable reserve</b>				
As at 1 January	-	-	15,412,576	15,412,576
Transferred to profit and loss reserve	-	-	(15,412,576)	(15,412,576)
As at 31 December	-	-	-	-
<b>Merger reserve</b>				
As at 1 January and 31 December	(109,195)	(3,689,271)	(109,195)	(3,689,271)
<b>Translation reserve</b>				
As at 1 January	(806,442)	-	(318,899)	(110,176)
Movements during the year	(114,714)	-	(487,543)	110,176
As at 31 December	(921,156)	-	(806,442)	-
<b>Profit and loss reserve</b>				
As at 1 January	16,184,460	13,562,880	4,463,271	(1,629,642)
Net (loss)/profit for the year	(3,883,506)	406,805	(3,014,516)	456,817
Transfer from distributable reserve	-	-	15,412,576	15,412,576
Dividends paid	(397,509)	(397,509)	(676,871)	(676,871)
	11,903,445	13,572,176	16,184,460	13,562,880
<b>Total comprehensive income</b>				
Net (loss)/profit for the year	(3,883,506)	406,805	(3,014,516)	456,817
Loss in translation of overseas subsidiary	(114,714)	-	(487,543)	110,176
	(3,998,220)	406,805	(3,502,059)	566,993

The accompanying notes on pages 17 to 42 form an integral part of the financial statements.

**Pactolus Hungarian Property Plc**  
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**Statements of Cash Flows**  
**For the year ended 31 December 2009**

	Notes	Group 2009 €	Parent 2009 €	Group 2008 €	Parent 2008 €
<b>Cash flow from operating activities</b>					
Cash received from lessees		1,692,843	-	1,487,807	-
Cash paid to suppliers and employees		(1,102,294)	(462,411)	(1,469,698)	(873,402)
Cash inflow/(outflow) from operations		590,549	(462,411)	18,109	(873,402)
Bank interest paid		(358,036)	-	(543,679)	-
Corporation tax paid		(8,280)	-	(3,932)	-
<b>Net cash from/(used) in operating activities</b>	<b>21</b>	<b>224,233</b>	<b>(462,411)</b>	<b>(529,502)</b>	<b>(873,402)</b>
<b>Cash flow from investing activities</b>					
Purchase/renovation of properties		(320,975)	-	(3,658,674)	-
Receipt from sale of investment properties		1,672,055	-	262,000	-
Purchase of furniture and fittings		(257,500)	-	(487,927)	-
Net loans from subsidiary undertakings		-	3,103,655	-	1,495,429
Bank interest received		27,218	67	355,570	11,740
<b>Net cash from/(used in) Investing activities</b>		<b>1,120,798</b>	<b>3,103,722</b>	<b>(3,529,031)</b>	<b>1,507,169</b>
<b>Cash flow from financing activities</b>					
Purchase of own shares		(2,242,517)	(2,242,517)	(863,184)	(863,185)
Loan repayment		(350,000)	-	(2,458,990)	-
Dividends paid		(397,509)	(397,509)	(676,871)	(676,871)
<b>Net cash outflow from financing activities</b>		<b>(2,990,026)</b>	<b>(2,640,026)</b>	<b>(3,999,045)</b>	<b>(1,540,056)</b>
<b>(Decrease)/Increase in cash and deposits</b>		<b>(1,644,995)</b>	<b>1,285</b>	<b>(8,057,578)</b>	<b>(906,289)</b>
Effect of exchange movement		(82,861)	-	(3,036)	-
Cash and short term deposits as at 1 January		1,981,625	4,737	10,042,239	911,026
<b>Cash and short term deposits as at 31 December</b>		<b>253,769</b>	<b>6,022</b>	<b>1,981,625</b>	<b>4,737</b>

The accompanying notes on pages 17 to 42 form an integral part of the financial statements.

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Notes to the Financial Statements**

#### **For the year ended 31 December 2009**

#### **Accounting policies**

##### **1. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated and parent company financial statements are set out below.

##### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Isle of Man Companies Acts 1931 to 2004.

A separate income statement for the parent company has not been presented as permitted by the Isle of Man Companies Acts 1931 to 2004. The parent company earned a profit of €406,805 (2008: €456,817).

The entire loan balance as at 31 December 2008 has been reclassified as secured loan due within one year, as the bank retained the right to call the loan on demand. This amount was presented as amount due within one year €350,000, and long term portion of bank loan €6,216,010 in the 2008 Accounts and Reports.

##### **Consolidation**

The Company produces consolidated financial statements incorporating all of its subsidiaries.

##### **Presentational currency**

The Directors have adopted the use of the Euro in presenting the financial statements due to the international exposure and stakeholders of the Company.

##### **Cash and short term deposits**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

##### **Deferred taxation**

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investment in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Notes to the Financial Statements (continued)**

#### **For the year ended 31 December 2009**

#### **Deferred taxation (continued)**

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### **Segmental reporting**

The Directors are of the opinion that the Group is engaged in a single segment of business, being primarily investment in properties and related services. The Group invests in properties situated in Budapest, Hungary.

#### **Adoption of standards effective in 2009**

The following standards have been applied by the group from 1 January 2009:

- IFRS 8 Operating segments
- IAS 1 (Revised) Presentation of financial statements
- IAS 23 (Amendment) Borrowing costs
- IFRS 2 (Amendment) Share based payments
- IAS 27 (Amendment) Consolidated and separate financial statements
- IFRS 7 (Amendment) Financial instruments: Disclosures

These standards did not have a significant impact on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and Interpretations in force at the reporting date. The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

#### **Income**

Interest, fees and rental income are included in the financial statements on an accruals basis. Rental income is recognised on a straight line basis.

The aggregate cost of lease incentives are recognised on a straight line basis as a reduction of rental income over the lease term.

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Notes to the Financial Statements (continued)**

#### **For the year ended 31 December 2009**

#### **Income (continued)**

Property sales are included in the financial statements on an unconditional exchange basis. The profit on disposal of investment properties is the difference between the sales proceeds and the carrying value of the assets at the date of disposal.

#### **Expenses**

All expenses are accounted for on an accruals basis.

#### **Issue and redemption costs**

All costs incurred in the placing and repurchase of the Company's shares are written off in full against the share premium account.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Group entities that have a functional currency different from the presentation currency are translated at the closing rate of the balance sheet date for assets and liabilities. Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the closing rate of the balance sheet date) and all resulting exchange differences are recognised as a separate component of equity.

#### **Investment property**

Investment properties are completed properties which are held for their investment potential.

Investment property is carried at fair value. Fair value is based on active market prices determined by Independent property valuers. Gains and losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

Properties under development are classified under non-current assets and are stated at the fair value less any impairment.

Investment properties held for sale are classified under current assets and are stated at the fair value less any impairment.

#### **Impairment of assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised as an expense immediately.

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Notes to the Financial Statements (continued)**

#### **For the year ended 31 December 2009**

#### **Impairment of assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Furniture and equipment**

All furniture and equipment are stated at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they incurred.

Depreciation, based on component approach, is calculated using the straight line method to allocate the cost over the assets estimated useful lives, as follows:

Furniture and equipment -            5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each financial year-end.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

#### **Investment in subsidiary companies**

The investments in subsidiary companies are included in the Statement of Financial Position at cost less any provisions for diminution in value.

#### **Goodwill**

Goodwill arising on the acquisition of subsidiaries is accounted for under the purchase method rule. This is allocated to the relevant cash-generating units of the Group expected to benefit from the synergies of the business combination. Cash-generating units of which goodwill are allocated are tested for impairment annually with any impairment losses taken to the income statement. Any impairment loss recognised for goodwill is not reversed in any subsequent periods.

#### **Loans to subsidiary companies**

The unsecured subordinated loan made to Midas Property Kft. has been accounted for under loans and receivables and is measured at cost. The loans are reviewed regularly for impairment.

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Notes to the Financial Statements (continued)**

#### **For the year ended 31 December 2009**

#### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provisions is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The provision is recognised in the income statement.

#### **Trade payables**

Trade payables are stated at their original invoice value.

#### **Interest-bearing borrowings**

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments throughout the expected life of the financial liability.

#### **Share based payments**

Options are measured at fair value at grant date using the Black-Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on the number of options that will eventually vest.

Cash settled share based payment transactions result in recognition of a liability at its current fair value.

#### **Critical judgment in applying the Group's accounting policies**

The Group prepares its consolidated financial statements in accordance with IFRS as adopted by the European Union, the application of which often requires judgements to be made by the board when formulating the Group's financial position and results. The key sources of estimation uncertainty of the Group are the fair value of investment properties.

Investment properties represents a significant proportion of the Group's asset, being 98% (2008: 91%) of the Group's total assets. Therefore, the estimates and assumptions made to determine their fair value are critical to the Group's financial position and performance.

In determining the fair value of investment properties, the Group has adopted the policy of relying on the judgment of the appointed independent property consultant in assessing the value of the Group's property portfolio. The assessment is based on the use of assumptions such as discount rates and risk adjustment to cash flows.

External valuations were obtained for all properties within the portfolio. Capitalisation and discount rates of 7.25% and 8% (2008: 6.75% and 7%) respectively are determined using historical and current market data, existing lease agreements and subsequent expected rentals are used to determine the fair value of each property.

**Pactolus Hungarian Property Plc**  
**Annual Report and Financial Statements 2009**

**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2009**

**Critical judgment in applying the Group's accounting policies (continued)**

Assumption	Base assumption	Change in assumption	Change in fair value assumptions	
			Decrease €m	Increase €m
Capitalisation rate	7.25%	1%	2.6	(2.9)
Discount rate	8.00%	1%	2.3	(2.3)

**2. Material agreements**

- (i) Midas Investment Management Ltd ("MIM") was appointed the Group's Asset Manager on 17 March 2006. The Investment Manager is paid an aggregate annual management fee of 2% of the net asset value of the Group payable quarterly in arrears. In addition MIM is entitled to receive a performance fee of 20% of the amount by which the adjusted net assets exceed a benchmark set at 9% per annum adjusting for all further share issues, redemptions and capital and income distributions.

On 5 January 2009 the agreement was amended via a side letter to incorporate changes to both the management and performance fees.

As from 1 December 2008, the management fee will be calculated at a general discount applied to the Group's property value. This discount is based on 60p per share on a constant exchange rate basis from admission to AIM. The performance fee will now be based on cash returned to shareholders attributable to the period from 1 December 2009 to 31 December 2012.

The performance fee earned on cash returns is paid as follows:

- Once cumulative cash returns have reached €12.2m during the Performance Fee Period, an incentive fee of 2.5 per cent of €12.2m (part of the "Advance Incentive Fees") will be paid to the Asset Manager;
- For cash returns between €12.2m and €13.6m an incentive fee of 2.5 per cent would be payable on cash returns between €12.2 and €13.6m (also part of the "Advance Incentive Fees");
- On reaching cash returns of €13.6m an incentive fee of 5 per cent of €13.6m would be payable, net of any Advance Incentive Fees already paid;
- For cash returns between €13.6m and €19m an incentive fee of 7.5 per cent would be payable on cash returns between €13.6m and €19m; and
- For cash returns above €19m an incentive fee of 15 per cent would be payable on cash returns in excess of €19m.

# Pactolus Hungarian Property Plc

## Annual Report and Financial Statements 2009

### Notes to the Financial Statements (continued)

#### For the year ended 31 December 2009

#### Material agreements (continued)

The Investment Management Agreement can only be terminated, other than for cause after 31 December 2011 by the Company on 3 months' notice.

- (ii) Equiom Trust Company Limited was appointed as Administrator to the Company, pursuant to the terms of a Letter of Engagement dated 21 December 2005. As part of its engagement, Equiom Trust Company Limited ("Equiom") agrees, as required, for a number of its senior staff members to accept the appointment as directors. Equiom also agrees to arrange for a suitable person to be appointed as Company Secretary.

#### 3. Income

Analysis of the Group's revenue is as follows:

	2009	2008
	€	€
Rental income from investment properties	1,384,467	1,186,967
Service charge	86,831	91,866
	<u>1,471,298</u>	<u>1,278,833</u>
Realised gains on investment property disposal	59,155	18,026
	<u>1,530,453</u>	<u>1,296,859</u>

#### 4. Operating segments

The Group operates in a single reporting segment under the classification of its properties held for investment.

The loss for the year €3,883,506 (2008: €3,014,516) all derived from operations of managing the Group's investment properties. The Group's principal activity is to acquire, renovate and let properties located in Central Budapest.

The Group defines turnover from any one customer representing five per cent or more of the Group's annualised rent roll as a major customer for disclosure purposes.

Throughout the year the Group invoiced one major customer for rental income a total of €236,400 (2008: €345,600) being 19 per cent (2008: 23 per cent) of the Group's annualised rent roll.

The entire Group's revenue and property assets are derived from and located in a single geographical location, Hungary.

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2009**

**5. Group operating loss is stated after charging**

	<b>2009</b>	<b>2008</b>
	€	€
Directors' emoluments	35,249	40,746
Investment Manager's fees	359,745	477,553
Bank charges	7,566	6,842
Auditors' remuneration	34,081	29,018
Depreciation	23,893	135,867
Impairment losses on furniture and equipment	<u>99,601</u>	<u>-</u>

The Investment Manager's fee calculated and payable for the year ended 31 December 2009 and the preceding period all relates to Midas Investment Management Ltd. As at 31 December 2009 management fees due to Midas Investment Management Ltd was €188,184 (2008: €106,894).

**6. Directors' emoluments**

	<b>2009</b>	<b>2008</b>
	€	€
(i) Directors' fees:		
Total fees	<u>7,253</u>	<u>8,246</u>

There were no employee costs, other than the Directors listed below.

The Directors fees for all other directors, for both reporting periods, were paid to Equiom Trust Company Ltd in accordance with the Letter of Engagement referred to in Note 2.

(ii) Remuneration of Directors:

	<b>2009</b>	<b>2008</b>
	€	€
Mr. C Bennett (Chairman)	16,800	19,500
Mr. B Miller	<u>11,196</u>	<u>13,000</u>

**7. Finance income**

	<b>2009</b>	<b>2008</b>
	€	€
Bank and cash equivalents interest	<u>27,218</u>	<u>339,226</u>

**8. Finance costs**

	<b>2009</b>	<b>2008</b>
	€	€
Interest on borrowings	<u>356,933</u>	<u>536,981</u>

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2009**

**9. Taxation**

	<b>2009</b>	<b>2008</b>
	€	€
<b>Current tax</b>		
UK corporation tax and income tax of overseas operations on profits for the year	5,615	3,936
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(373,480)	(524,520)
Total tax credit	<u>(367,865)</u>	<u>(520,584)</u>

The reasons for the difference between the actual tax charge for the year and the applicable rate of corporate income tax in Hungary, the principal country of business, applied to profits for the period are as follows:

	<b>2009</b>	<b>2008</b>
	€	€
Loss before tax	<u>(4,251,371)</u>	<u>(3,535,100)</u>
Expected tax charge based on the applicable rate of 16%	(680,219)	(565,616)
Local business tax in Hungary	5,615	3,936
Different tax rates applied on overseas jurisdictions	(78,447)	(71,874)
Income not subject to tax	-	-
Losses not relieviable against taxable profit	758,666	637,490
Deferred tax credit on the Revaluation of investment properties	(556,069)	(396,591)
Deferred tax credit on the increase in available losses in Hungary	182,589	(127,929)
Total tax (credit)/charge	<u>(367,865)</u>	<u>(520,584)</u>

**Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 16%. The movement on the deferred tax account is as shown below:

	<b>2009</b>	<b>2008</b>
	€	€
As at 1 January	544,629	1,069,149
Profit and loss charge	(373,480)	(524,520)
<b>As at 31 December</b>	<u>171,149</u>	<u>544,629</u>

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2009**

**Taxation (Continued)**

Deferred tax assets have been recognised in respect of all tax losses giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12 Income Taxes) during the year are shown below.

The Company is subject to Isle of Man income tax at zero per cent.

Deferred tax liability and amounts charged/ (credited) to the consolidated income statement are as follows:

	<b>2009</b>	<b>2008</b>
	€	€
Revaluations of investment properties	(556,069)	(396,591)
Increase in available losses in Hungary	182,589	(127,929)
	<u>(373,480)</u>	<u>(524,520)</u>
Available losses in the UK	<u>(32,518)</u>	<u>(32,518)</u>

**10. Dividends**

	<b>2009</b>		<b>2008</b>	
	No. of Shares	€	No. of Shares	€
Dividend of 2.1 pence per share paid	16,947,582	397,509	25,611,415	676,871

The dividend payment was converted at an exchange rate of €1.1169 (2008: €1.2585) to the Pound Sterling.

Whether the Company pays a dividend for the year ended 31 December 2009 is under consideration by the Board but will depend upon further disposals of property being made. A further announcement with regard to this will be made in due course.

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2009**

**11. Earnings per share**

The calculation of the earnings per share is based on the following:

	<b>As at 31 December 2009</b>		
	<b>Loss for the year</b>	<b>Ordinary Shares</b>	<b>Per Share</b>
	<b>€</b>	<b>number<math>\beta</math></b>	<b>€</b>
Basic loss per share	(3,883,506)	18,013,112	(0.22)
Option conversion*	-	165,902	-
Diluted loss per share	(3,883,506)	18,179,014	(0.21)
<b>Adjusted earnings per share for the year ended 31 December 2009</b>			
	<b>Loss for the year</b>	<b>Ordinary Shares</b>	<b>Per Share</b>
	<b>€</b>	<b>number<math>\beta</math></b>	<b>€</b>
Basic loss per share	(3,883,506)	18,013,112	(0.22)
Adjustment to remove:			
Deferred tax credit	(373,480)	-	-
Net valuation loss	4,005,954	-	-
Adjusted basic loss	(251,032)	18,013,112	(0.01)
Option conversion*	-	165,902	-
Diluted loss per share	(251,032)	18,179,014	(0.01)

	<b>As at 31 December 2008</b>		
	<b>Loss for the year</b>	<b>Ordinary Shares</b>	<b>Per Share</b>
	<b>€</b>	<b>number<math>\beta</math></b>	<b>€</b>
Basic loss per share	(3,014,516)	25,386,877	(0.12)
Option conversion*	-	165,902	-
Diluted loss per share	(3,014,516)	25,552,779	(0.12)
<b>Adjusted earnings per share for the year ended 31 December 2008</b>			
	<b>Loss for the year</b>	<b>Ordinary Shares</b>	<b>Per Share</b>
	<b>€</b>	<b>Number<math>\beta</math></b>	<b>€</b>
Basic loss per share	(3,014,516)	25,386,877	(0.12)
Adjustment to remove:			
Deferred tax credit	(524,520)	-	-
Net valuation loss	3,358,190	-	-
Adjusted basic loss	(180,846)	25,386,877	(0.01)
Option conversion*	-	165,902	-
Diluted loss per share	(180,846)	25,552,779	(0.01)

$\beta$  Weighted average number of Ordinary Shares in issue during the period.

\* Excess of the total number of potential Shares on option exercise over the number that could be issued at fair value as calculated in accordance with International Accounting Standard No. 33: Earnings per share.

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements (Continued)**  
**For the year ended 31 December 2009**

**12. Investment properties, furniture and equipment**

	<b>Investment Properties €</b>	<b>Properties Under Development €</b>	<b>Furniture and Equipment €</b>	<b>Total €</b>
<b>As at 1 January 2009</b>	22,158,589	432,704	423,150	23,014,443
Additions at cost for the period	321,801	-	257,500	579,301
Disposal during the period	(258,161)	-	(34,190)	(292,351)
Unrealised loss on revaluation	(3,934,361)	(71,593)	-	(4,005,954)
Impairment of furniture and equipment	-	-	(99,601)	(99,601)
Depreciation for the period	-	-	(23,893)	(23,893)
Transfer to properties held for resale	(1,907,813)	-	-	(1,907,813)
<b>As at 31 December 2009</b>	<b>16,380,055</b>	<b>361,111</b>	<b>522,966</b>	<b>17,264,132</b>

	<b>Investment Properties €</b>	<b>Properties Under Development €</b>	<b>Furniture and Equipment €</b>	<b>Total €</b>
<b>As at 1 January 2008</b>	23,535,717	781,128	78,609	24,395,454
Additions at cost for the period	-	3,190,468	487,927	3,678,395
Disposal during the period	(236,455)	-	(7,519)	(243,974)
Unrealised profit/ (loss) on revaluation	(3,358,190)	-	-	(3,358,190)
Transfer to investment properties	3,538,892	(3,538,892)	-	-
Depreciation for the period	-	-	(135,867)	(135,867)
Transfer to properties held for resale	(1,321,375)	-	-	(1,321,375)
<b>As at 31 December 2008</b>	<b>22,158,589</b>	<b>432,704</b>	<b>423,150</b>	<b>23,014,443</b>

**Investment Properties**

	<b>2009 €</b>	<b>2008 €</b>
Investment properties	16,380,055	22,158,589
Properties held for resale	1,907,813	1,321,375
	<b>18,287,868</b>	<b>23,479,964</b>

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**Investment properties, furniture and equipment (continued)**

Properties have been independently valued during the year by King Sturge ("KS"), chartered surveyors and valuers, as at the Balance Sheet date. KS confirm that they have valued the properties in accordance with the Practice Statements in the RICS Appraisal Valuation Standards. The Valuers are appropriately qualified and have sufficient market knowledge and relevant experience of the location of investment properties and have full regards to market evidence when determining the values.

**Property disposals during the period**

	<b>2009</b>	<b>2008</b>
	<b>€</b>	<b>€</b>
Proceeds from the sale of investment properties	1,672,055	262,000
Less: carrying cost/value	(1,612,900)	(243,974)
Realised gain on disposal of property	<u>59,155</u>	<u>18,026</u>

**13. Investments in Subsidiary Companies**

The subsidiaries of the Company are stated below

<b>Subsidiary</b>	<b>Principal activity</b>	<b>Country of &amp; registration</b>	<b>Proportion of voting rights &amp; shares held</b>
Pactolus (IOM) Limited	Holding company	Isle of Man	100%
Pactolus Eastern European Property Ltd	Property investment	UK	100%
Pactolus (UK) Limited	Property investment	UK	100%
Midasz Property Kft.	Property investment	Hungary	100%
Midasz Property Two Kft.	Property investment	Hungary	100%

All of the subsidiaries are directly held with the exception of Midasz Property Kft. and Midasz Property Two Kft. which are held 97% by the parent (Pactolus Hungarian Property Plc) and 3% by Pactolus (IOM) Limited.

<b>Subsidiaries</b>	<b>2009</b>	<b>2008</b>
	<b>€</b>	<b>€</b>
Pactolus Eastern European Property Ltd	18,561	18,561
Pactolus (UK) Limited	1	1
Midasz Property Kft.	49,687	49,687
Pactolus (IOM) Limited	1	1
Midasz Property Two Kft.	11,600	11,600
	<u>79,850</u>	<u>79,850</u>

All the above subsidiaries with the exception of Midasz Property Two Kft. were acquired and accounted for under IFRS 3 business combination.

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**14. Goodwill**

	<b>2009</b>	<b>2008</b>
	<b>€</b>	<b>€</b>
Arising on acquisition of subsidiary	<u>22,678</u>	<u>22,678</u>

**15. Loans to subsidiaries**

	<b>Parent</b>	<b>Parent</b>
	<b>2009</b>	<b>2008</b>
	<b>€</b>	<b>€</b>
Pactolus Eastern European Property Ltd	65,270	65,270
Midasz Property Kft.	11,370,428	13,501,162
Pactolus (IOM) Limited	41,775	34,803
Pactolus (UK) Limited	(1)	1
	<u>11,477,472</u>	<u>13,601,236</u>

These comprise of unsecured subordinated loans issued in support of property acquisitions. The loans provided by the parent company to Midasz Property Kft. are currently charged at interest of 8.49% (2008: 8.49%).

**16. Trade receivables**

	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Rent and fees receivable	101,094	-	159,668	-
Prepayments and accrued income	105,376	15,312	181,666	19,311
	<u>206,470</u>	<u>15,312</u>	<u>341,334</u>	<u>19,311</u>

**17. Trade and other payables**

	<b>Group</b>	<b>Parent</b>	<b>Group</b>	<b>Parent</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Trade creditors and accruals	356,088	247,374	180,157	140,631
Rent received in advance	138,516	-	168,130	-
Deposits held	418,354	-	225,770	-
Taxation	1,194	-	3,859	-
Interest payable and similar charges	9,402	-	10,505	-
	<u>923,554</u>	<u>247,374</u>	<u>588,421</u>	<u>140,631</u>

Included in deposit is €200,000 received in advance for the sale of investment properties.

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18. Secured loan	Group 2009 €	Parent 2009 €	Group 2008 €	Parent 2008 €
Variable at 2.1% per annum	2,053,510	-	2,053,510	-
Fixed at 6.25% p.a. including margin	4,162,500	-	4,512,500	-
	6,216,010	-	6,566,010	-
<b>Loan issue cost</b>				
Total cost on drawdown of loan	143,978	-	143,978	-
Amortisation of loan issue costs	72,692	-	41,120	-
	33%	-	29%	-

The Group's loan facility with Investec Bank Plc (Irish Branch) was amended on 14 November 2008 from €9,025,000 to €8,766,000. The amended agreement granted the Group permission to acquire its own shares from funds within the loan facility. The loan is due for repayment on 21 December 2014 but the bank retains the right to call the loan on demand.

The loan is secured by a fixed and floating charge over the assets of Midasz Property Kft. (the subsidiary), and a parental Guarantee and Indemnity from Pactolus Hungarian Property Plc (the Parent Company). The carrying value of the assets secured against the loan is €18,648,979 (2008: €23,912,668).

The variable interest rate loan carries a margin of 1.6% over the three months Euribor and therefore exposes the Group to cash flow and interest rate risks.

The fair value of the loan as at 31 December 2009 was €6,216,010 (2008: €6,566,010). During the year, the Group's bank borrowings were subject to the following financial covenants:

- (a) The aggregate outstanding loan to current value of the Group's portfolio should not exceed 43.8% (2008: 45.7%);
- (b) Minimum capital reduction of the loan is €350,000 per annum.

The Group has been in compliance with the financial covenants throughout the period since drawdown.

The entire loan balance as at 31 December 2008 has been reclassified as secured loan due within one year, as the bank retained the right to call the loan on demand. This amount was presented as amount due within one year €350,000, and long term portion of bank loan €6,216,010 in the 2008 Accounts and Reports.

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**19. Share capital**

**Authorised share capital**

	<b>Number of shares</b>	<b>2009 €</b>	<b>Number of shares</b>	<b>2008 €</b>
Ordinary shares of 1p each	70,000,000	789,530	70,000,000	726,180
<b>Ordinary Shares of 1p each issued and fully paid</b>				
	<b>Number of shares</b>	<b>2009 €</b>	<b>Number of shares</b>	<b>2008 €</b>
Balance as at 1 January	23,050,273	335,647	25,611,415	372,941
Cancellation of ordinary shares	(6,737,691)	(98,111)	(2,561,142)	(37,294)
<b>As at 31 December</b>	<b>16,312,582</b>	<b>237,536</b>	<b>23,050,273</b>	<b>335,647</b>

In January 2009 the shareholders approved the Boards proposal to authorize the Company to acquire up to 30 per cent of its issued share capital at 31 December 2008. This authorization was renewed in September 2009 for the acquisition of up to 40 per cent of the then issued share capital. After the resolution was passed, the Company was authorized to acquire up to 7,321,909 of its issued ordinary shares.

During the year to 31 December 2009, the Company acquired 6,737,691 of its issued ordinary as part of the ongoing Share Repurchase programme. The average price paid per ordinary shares was 33 cents (30 pence) inclusive of costs.

Including transactions after the balance sheet date, the Company has a further 71 per cent of the share buy-back facility un-utilized being 5,174,718 ordinary shares.

On 19 November 2008, the Company conducted a share buy-back for the maximum then authorised 10 per cent of the existing holdings as empowered by the Shareholders on 3 July 2008. The Company bought shares at a price of 28 pence per share. These shares were cancelled upon settlement.

Ordinary Shareholders are entitled to vote at all general meetings.

The currency rate used to convert the authorised share capital is €1.1279 (2008: €1.0374).

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<b>20. Net Asset Value per Ordinary Share</b>	<b>2009</b>	<b>2008</b>
Net asset value as at 31 December	€12,344,149	€18,982,395
Weighted average number of shares in issue during the year	18,013,112	25,386,877
Number of shares in issue as at 31 December	16,312,582	23,050,273
Net asset value per ordinary share (weighted average)	€0.69	€0.75
Net asset value per share pre deferred tax (Euro to the Sterling exchange rate at the year-end €1.1279)	£0.68	£0.82

**21. Notes to the Consolidated Cash Flow Statement**

	<b>Group 2009 €</b>	<b>Parent 2009 €</b>	<b>Group 2008 €</b>	<b>Parent 2008 €</b>
<b>Reconciliation of net loss before investment result to net cash outflow from operating activities:</b>				
Net (loss)/profit before taxation	(4,251,371)	406,805	(3,535,100)	456,817
Realised gains on sale of investment properties	(59,155)	-	(18,026)	-
Other interest income	-	(979,891)	-	(1,158,224)
Bank interest received	(27,218)	(67)	(355,570)	(11,740)
Corporation tax paid	8,280	-	(3,932)	-
<b>Adjustment for non-cash items:</b>				
Depreciation and impairment	123,494	-	135,867	-
Decrease/ (increase) in trade receivables	103,292	3,999	2,824	(5,189)
(Decrease)/Increase in trade payables	337,798	106,743	(116,791)	(155,066)
Unrealised currency movement	(16,841)	-	3,036	-
Unrealised loss on investment property valuation	4,005,954	-	3,358,190	-
Net cash inflow/(outflow) from operating activities	224,233	(462,411)	(529,502)	(873,402)

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**22. Share based payments**

Pursuant to an Option Agreement dated 16 March 2006, there are 165,902 Options available to be exercised at any time between 23 March 2006 and 22 March 2011 at a price of 60 pence per Ordinary Share. No options have been exercised as at 31 December 2009. The exchange rate at the option date was €1.4492 to Sterling.

	<b>2009</b>		<b>2008</b>	
	<b>Weighted</b>		<b>Weighted</b>	
	<b>Avg.</b>		<b>Avg.</b>	
	<b>Exercise</b>	<b>Options</b>	<b>Exercise</b>	
	<b>Price</b>		<b>Price</b>	
As at 1 January	165,902	60p	165,902	60p
Granted during the period	-	-		
As at 31 December	165,902	60p	165,902	60p

The weighted average contracted life remaining for these outstanding options is 1.25 years.

The aggregate fair value of the outstanding options granted is €Nil (2008: €9) determined according to the Black Scholes model.

The inputs into the Black Scholes model are as follows:

	<b>2009</b>	<b>2008</b>
Bid price of share	26.7p	31.0p
Weighted average exercise price	60p	60p
Expected volatility	5.8%	14.3%
Expected life	1.2 years	2.2 years
Risk free rate	0.50%	2.00%

The expected volatility was determined by calculating the historical volatility of the Company's share price from the date of trading on AIM, and comparison with the volatilities of similar companies over the same period. The expected life is the remaining period for the option from the year end date.

No charge has been made for the share based payments as it is not considered to be material.

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**23. Financial risk factors**

The Group and Company's activities throughout the year and previous years exposes it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Risk management is carried out by a treasury committee under policies approved by the Board of Directors. The Company's risk management is undertaken at a Group level by the Treasury Committee. The committee identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of financial instruments, and investing excess liquidity.

**Fair value of financial instruments:**

<b>Group</b>	<b>2009 Carrying Value €</b>	<b>2009 Fair Value €</b>	<b>2008 Carrying Value €</b>	<b>2008 Fair Value €</b>
<b>Financial assets</b>				
Rent and fees receivable	101,094	101,094	159,668	159,668
Cash and cash equivalents	253,769	253,769	1,981,625	1,981,625
<b>Financial liabilities</b>				
Other payables	871,184	871,184	588,421	588,421
Secured loan	6,216,010	6,216,010	6,566,010	6,566,010
<b>Company</b>				
<b>Financial assets</b>				
Loans to subsidiaries	11,477,472	11,477,472	13,601,236	13,601,236
Cash and cash equivalents	6,022	6,022	4,737	4,737
<b>Financial liabilities</b>				
Other payables	212,132	212,132	140,631	140,631

It is the Directors' opinion that the Group and Company's carrying and fair value of its financial instruments are the same.

**Credit risk**

The Group places surplus cash with third parties and is therefore potentially at risk from the failure of any such third party of which it is a creditor. It is the Group's policy to place excess cash funds on short-term basis only and spread the risk over a number of different providers.

The Group's principal credit risk is that of cash and short-term deposits. The Board in conjunction with the Asset Manager has a credit policy in place and this exposure is monitored on an ongoing basis.

Within the Group's credit risk policies are measure to ensure that rental contracts are made with customers with an appropriate credit history to minimise the exposure on any outstanding debts from lessees.

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**Financial risk factors (continued)**

The Group and Company's maximum exposure to credit risk:

	<b>Group 2009</b>	<b>Company 2009</b>	<b>Group 2008</b>	<b>Company 2008</b>
	€	€	€	€
<b>Financial assets</b>				
Rent and fees receivable	101,094	-	159,668	-
Cash and cash equivalents	253,769	<b>6,022</b>	1,981,625	4,737
Loans to subsidiaries	-	<b>11,477,472</b>	-	13,601,236
	<b>354,863</b>	<b>11,483,494</b>	<b>2,241,293</b>	<b>13,605,973</b>

The Group and Company holds no collateral as securities against any of the above assets.

**An analysis of rent and fees receivables for the Group:**

**2009**

	<b>Carrying Amount</b>	<b>Neither Impaired nor Past due</b>	<b>61-90 Days</b>	<b>91-120 Days</b>	<b>Past due not Impaired over 121 Days</b>
	€	€	€	€	€
Rent and fees receivables	101,094	95,519	-	5,575	-

**2008**

	<b>Carrying Amount</b>	<b>Neither Impaired nor past due</b>	<b>61 – 90 Days</b>	<b>91-120 Days</b>	<b>Past due not Impaired over 121 Days</b>
	€	€	€	€	€
Rent and fees receivables	159,668	159,668	-	-	-

There are no receivables in the accounts of the parent company.

The Group allows an average receivables period of 30 days after invoice date.

The receivables' age analysis is also evaluated on a regular basis for potential doubtful debts. It is management's opinion that no provision for doubtful debts is required.

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**Financial risk factors (continued)**

The Company's principal credit risk is that of its loans advanced to subsidiaries.

As at the year end the amounts due to the Company is as follows:

	<b>2009</b>	<b>2008</b>
	€	€
Pactolus Eastern European Property Ltd	65,270	65,270
Midasz Property Kft.	11,370,428	13,501,162
Pactolus (IOM) Limited	<u>41,775</u>	<u>34,803</u>

These loans does not carry any security on the assets of the related subsidiary.

The loans are also evaluated on a regular basis for potential impairments. It is the Board's opinion that no impairment provision is required for the year ended 31 December 2009.

**Market risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK Pound, Hungarian Forint and the Euro. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations. Interest rate risk arises from the Group's borrowing exposure.

Net interest income from cash and cash equivalents for the year totalled €27,218 (2008: €339,226). Net interest payment on borrowings for the year totalled €356,933 (2008: €536,981).

The Company net interest income from cash and cash equivalent for the year totalled €67 (2008: €11,740). The Company does not have any long-term borrowing. Interest earned on loans to subsidiaries for the year was €979,891 (2008: €1,158,224).

In light of the current volatility with both interest and currency exchange rates the Board decided that being prudent the relevant risk factors should be taken into account when assessing the Group's exposure to the market risk. The sensitivity test is based on the following:

- (a) Interest rate change of -0 per cent and +2 per cent from the average rate of 2 per cent earned in 2009. The average rate is calculated as the weighted average effective interest rate. Rate on cash at bank balances represents average rate earned on cash balances;
- (b) Foreign exchange rate change of -2 per cent and +3 per cent from €1.1279 to the Pound Sterling and 270.49 Forint to the Euro, being the rate as at 31 December 2009.

The Company's loans to subsidiaries are transacted in Euros. The operating currency of the leading trading subsidiary is Forint and as such exposes the Company to foreign currency exchange risks. The Board is satisfied that no impairment is necessary as the major assets within the relevant subsidiary is valued in Euros.

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**Financial risk factors (continued)**

The tables below show the effect on profit and equity after tax if interest rates as stated in (a) above and all other variables held constant, are used as a sensitivity test on the Group's market risk exposures.

The Company's interest charges for loan advance to its subsidiaries are not tied to the EURIBOR or LIBOR and as such, changes to the interest rate will not have a direct effect.

<b>Group 2009</b>	Total Increase/ (Decrease)	<b>Financial Assets</b>		<b>Financial Liabilities</b>	
		Cash & cash equivalents	Rent & fees Receivable	Trade Payable	Long Term Loan
	€	€	€	€	€
<b>Carrying amount</b>	-	253,769	101,094	774,442	6,216,010
<b>Interest rate risk</b>					
Profit (change of +2%)	(13,852)	27,218	-	-	(41,070)
<b>Foreign exchange rate risk</b>					
Equity (change of -2%)	(6,675)	(8,367)	-	1,692	-
Equity (change of +3%)	10,012	12,550	-	(2,538)	-
<b>Company 2009</b>					
	Total Increase/ (Decrease)	<b>Financial Assets</b>		<b>Financial Liabilities</b>	
	€	Cash & cash equivalents	Loans to Subsidiaries	Trade Payable	Long Term Loan
	€	€	€	€	€
<b>Carrying amount</b>	-	6,022	11,477,472	247,374	-
<b>Interest rate risk</b>					
Profit (change of +2%)	102	102	-	-	-
<b>Foreign exchange rate risk</b>					
Equity (change of -2%)	1,692	-	-	1,692	-
Equity (change of +3%)	(2,538)	-	-	(2,538)	-

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**Financial risk factors (continued)**

<b>Group 2008</b>	<b>Total Increase/ (Decrease)</b>	<b>Financial Assets</b>		<b>Financial Liabilities</b>	
		<b>Cash &amp; cash Equivalents</b>	<b>Rent &amp; Fees Receivable</b>	<b>Trade Payable</b>	<b>Long Term Loan</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Carrying amount</b>	-	1,981,625	159,668	405,927	6,566,010
<b>Interest rate risk</b>					
Profit (change of -4%)	(170,996)	(282,688)	-	-	111,692
Profit (change of +1%)	(15,245)	70,672	-	-	(85,917)
<b>Foreign exchange rate risk</b>					
Equity (change of -10%)	(18,181)	(40,758)	-	22,577	-
Equity (change of +15%)	27,272	61,137	-	(33,866)	-
<b>Company 2008</b>					
	<b>Total Increase/ (Decrease)</b>	<b>Financial Assets</b>		<b>Financial Liabilities</b>	
	<b>€</b>	<b>Cash &amp; cash Equivalents</b>	<b>Loans to Subsidiary</b>	<b>Trade Payable</b>	<b>Long Term Loan</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Carrying amount</b>	-	4,737	13,601,236	140,631	-
<b>Interest rate risk</b>					
Profit (change of -4%)	(470)	(470)	-	-	-
Profit (change of +1%)	118	118	-	-	-
<b>Foreign exchange rate risk</b>					
Equity (change of -10%)	8,459	-	-	8,459	-
Equity (change of +15%)	(12,689)	-	-	(12,689)	-

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**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to finance the Group's operations. The average creditor payment period for the Group and Company is 45 days (2008: 30 days).

**Contractual maturity analysis for financial liabilities:**

<b>Group 2009</b>	<b>Due within 1 month €</b>	<b>Due between 1 to 3 Months €</b>	<b>Due between 3 months to 1 year €</b>	<b>Due between 1 to 5 years €</b>	<b>Total €</b>
Other payables	343,421	388,445	6,033	185,655	923,554
Secured loan	-	-	6,216,010	-	6,216,010
	343,421	388,445	6,222,043	185,655	7,139,564
<b>Company 2009</b>					
Other payables	87,416	159,958	-	-	247,374

**Group  
2008**

	<b>Due within 1 month €</b>	<b>Due between 1 to 3 Months €</b>	<b>Due between 3 months to 1 year €</b>	<b>Due between 1 to 5 years €</b>	<b>Total €</b>
Other payables	318,193	10,505	33,953	225,770	588,421
Secured loan	-	-	6,566,010	-	6,566,010
	318,193	10,505	6,599,963	6,441,780	7,154,431

**Company  
2008**

Other payables	96,531	44,100	-	-	140,631
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**24. Capital risk management**

The Group manages its capital to ensure that it will be able to continue as a going concern while achieving maximization of equity holders' return. Consistently with others in the industry, the Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt less cash and short term deposits. Adjusted capital comprises all components of equity.

The gearing ratio at the year end is as follows:

	<b>2009</b>	<b>2008</b>
	€	€
Debt	<b>6,216,010</b>	6,566,010
Cash and cash equivalents	<b>(253,769)</b>	(1,981,625)
Net debt	<b>5,962,241</b>	4,584,385
Equity	<b>12,344,149</b>	18,982,395
Net debt to equity ratio	<b>48%</b>	24%

The Group's Asset Manager reviews the debt structure on a quarterly basis in conjunction with the Board. The cost of capital and the associated risks are considered and appropriate measures are taken to reduce the Group's exposure. Debt is defined as long and short-term borrowings (see note 18).

**25. Leasing**

**Operating leases with tenants**

The Group leases out all of its investment properties under operating leases for an average lease term of 1.6 years. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	<b>2009</b>	<b>2008</b>
	€	€
Less than one year	<b>899,364</b>	829,920
Between two and five years	<b>373,092</b>	699,888
	<b>1,272,456</b>	1,529,808

There were no contingent rental incomes recognised in the year (2008: €Nil).

**26. Commitments**

At the year end the Group had no capital commitments (2008: €Nil) in its portfolio of investment property. The Company had no commitments as at the period end.

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2009**

### **Notes to the Financial Statements (Continued)** **For the year ended 31 December 2009**

#### **27. Related parties**

The Company was charged fees by Equiom Trust Company Ltd of €52,587 (2008: €41,497) in accordance with the Letter of Engagement referred to in Note 2 (ii). The amount outstanding as at 31 December 2009 is €3,733 (2008: €8,610).

All the Directors apart from Christopher Bennett and Brett Miller are current staff of Equiom Trust Company Ltd.

Investment management fees amounting to €359,745 (2008: €477,553), and share acquisition commission charges of €1,220 (2008: €735) were charged by Midas Investment Management Ltd. Midas Investment Management Ltd is controlled by Mark Sheppard, who is also a director of the Pactolus Group's United Kingdom subsidiaries. As at 31 December 2009 the amount outstanding to Midas Investment Management Ltd was €206,358 (2008: €106,894).

#### **28. Events after the statement of financial position date**

The Group has sold 6 properties for aggregate net proceeds of €2.1m, at an average of 2,059 per square metre. The combined value of these properties represents eleven per cent of the Group's portfolio as at the balance sheet date.

The Company has purchased and subsequently cancelled a further 155,000 of its own shares as part of its continued share buy back programme. These shares were acquired at an average price of 27 pence per share.

As part of the continued strategy of reducing the Group's debt, aggregate repayments of €1,209,967 have been made in 2010, which has resulted a reduction of the loan to value ratio from 33 per cent as at 31 December 2009, to 30 per cent as at today.

#### **29. Domiciled**

Pactolus Hungarian Property Plc is registered and domiciled in the Isle of Man.

# PACTOLUS HUNGARIAN PROPERTY PLC

## Notice of Annual General Meeting

*(incorporated in the Isle of Man under the Isle of Man Companies Acts 1931 - 2004 with registered number 115148C)*

Notice is hereby given that the fourth Annual General Meeting of Pactolus Hungarian Property plc (the "Company") will be held at 11.00am on Monday 12 July 2010 at Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH, for the following purposes:

1. To receive and adopt the Report of the Directors and audited Accounts for the year ended 31 December 2009.
2. To re-appoint PKF as Auditors to the Company and its subsidiaries (the "Group").
3. To authorise the Directors to fix the remuneration of the Auditors.
4. To re-elect Brett Lance Miller as a director of the Company.
5. To re-elect Barry Curtis Smith as a director of the Company.
6. To renew the Company's existing repurchase facility until the next following annual general meeting or, if earlier 12 July 2011, to purchase a total of 5,174,718 Ordinary Shares pursuant to the Approval of a waiver of under Rule 9 of the City Code of Takeovers and Mergers granted in 2009 and shareholder approval granted at a general meeting of the Company on 11 September 2009 to repurchase a total of 7,321,909 Ordinary Shares of which 2,147,191 have now been purchased and cancelled.
7. To renew the authority for the directors to allot relevant securities and to disapply statutory pre-emption rights arising in respect of the allotment of equity securities up to a nominal aggregate value of £161,575.82.

*By Order of the Board:*

Barry Smith  
Company Secretary

*Registered Office:*

Jubilee Buildings,  
Victoria Street,  
Douglas,  
Isle of Man,  
IM1 2SH.

Dated: 17 June 2010

### NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the AGM may appoint one or more proxies to attend and, on a poll, vote instead on their behalf. A proxy need not be a member of the Company;
2. A Form of Proxy for use at the AGM is enclosed with this document. To be effective, a Form of Proxy (together with the power of attorney or other authority, if any, under which it is executed, or a notarially certified copy of such power of attorney of authority) must be completed, signed and lodged with the Company at their registered address not later than 48 hours before the time for holding the AGM.
3. Deposit of a Form of Proxy will not preclude a member from attending the AGM and voting in person should they so wish.
4. See the notes to the Form of Proxy for more details.
5. Pursuant to Regulation 22 of the Uncertificated Securities Regulations 2005, the Company has specified that to be entitled to attend and vote at the AGM (and for the purposes of determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 11:00 a.m. on 10 July 2010. Changes to entries on the register of members after 11:00 a.m. on that date shall be disregarded in determining the rights of any person to attend and vote at the AGM.
6. The quorum required for the AGM is two members present in person or by proxy and entitled to vote there at.

# PACTOLUS HUNGARIAN PROPERTY PLC

## Annual General Meeting Monday 12 July 2010

### Form of Proxy

I/We, the undersigned, being (a) Member(s) of Pactolus Hungarian Property plc, hereby appoint the Chairman of the Meeting or

(please print name of Proxy): \_\_\_\_\_

To act as my/our Proxy at the third Annual General Meeting of the Company to be held on Monday 12 July 2010 at 11.00am, and at any adjournment thereof, and to vote in accordance with my/our instructions as indicated below:

Please mark the relevant box to indicate how you wish your vote to be cast for each resolution with an 'X' in black ink.

In the absence of a mark against any resolution, and in relation to any other business which may properly come before the Meeting, the proxy may vote or abstain from voting at his/her discretion.

RESOLUTION	For	Against	Vote withheld (note 5)
1. To adopt the Report of the Directors and audited Accounts for the year ended 31 December 2009.			
2. To re-appoint PKF as Auditors to the Company and its subsidiaries (the "Group").			
3. To authorise the Directors to fix the remuneration of the Auditors.			
4. To re-appoint Brett Lance Miller as a Director of the Company.			
5. To re-appoint Barry Curtis Smith as a Director of the Company.			
6. To renew the Company's existing repurchase facility until the next following annual general meeting or, if earlier 12 July 2011, to purchase a total of 5,174,718 Ordinary Shares pursuant to the Approval of a waiver of under Rule 9 of the City Code of Takeovers and Mergers granted in 2009 and shareholder approval granted at a general meeting of the Company on 11 September 2009 to repurchase a total of 7,321,909 Ordinary Shares of which 2,147,191 have now been purchased and cancelled.			
7. To renew the authority for the directors to allot relevant securities and to disapply statutory pre-emption rights arising in respect of the allotment of equity securities up to a nominal aggregate value of £161,575.82.			

Signed: \_\_\_\_\_ day of \_\_\_\_\_ 2010

Signature: \_\_\_\_\_

Name (print): \_\_\_\_\_

Address: \_\_\_\_\_

In the case of joint holders, the signature of any one holder is sufficient.

Second fold

**BUSINESS REPLY SERVICE**

**Licence No. DO81**

1



The Secretary  
Pactolus Hungarian Property plc  
c/o Equiom Investment Trust Company Ltd  
1<sup>st</sup> Floor  
Jubilee Buildings  
Victoria Street  
Douglas  
Isle of Man  
IM1 2SH

First fold

Third fold

And tuck in flap opposite