

# **Pactolus Hungarian Property Plc**

**Interim Report  
For the six months ended  
30<sup>th</sup> June 2011**

# Pactolus Hungarian Property Plc

For the six months ended 30<sup>th</sup> June 2011

## Advisors & Administrators

### Directors

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

### 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

### Administrator

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

### Stockbroker

Religare Capital Markets plc  
100 Cannon Street  
London  
EC4N 6EU

### Auditor

CLB Coopers  
Fleet House  
New Road  
Lancaster  
LA1 1EZ

### Principal Bankers

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

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

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

### Legal Advisor

Baruch Ügyvédi Iroda  
1056 Budapest  
Hungary

### Nominated Advisor

Singer Capital Markets Ltd  
1 Hanover Street  
London  
W1S 1YZ

# Pactolus Hungarian Property Plc

## For the six months ended 30<sup>th</sup> June 2011

Pactolus Hungarian Property plc ("the Company") announces its results for the six months ended 30<sup>th</sup> June 2011.

The principal activity of the Company and its subsidiaries (the "Group") is 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 period

- Net asset value per share (before deferred taxation) of 58p as at 30<sup>th</sup> June 2011 (57p at 31<sup>st</sup> December 2010), constituting an increase of 2 per cent;
- Annualised rent roll of €987,000 as at 30<sup>th</sup> June 2011 (€905,000 as at 31<sup>st</sup> December 2010);
- Rental yield on cost as at 30<sup>th</sup> June 2011 was 7.6 per cent (7.3 per cent as at 31<sup>st</sup> December 2010); and
- Net debt decreased from €4.3m to €4.0m.

### Chairman's Statement

There has been no significant change in market conditions since we reported our annual results in May 2011.

During the period, the Group agreed the sale of three properties for aggregate proceeds of €715,000, at an average price of €1,981 per square metre. These sales were previously announced in the financial statements for the year ended 31<sup>st</sup> December 2010, which were released on 31<sup>st</sup> May 2011.

Since the period end, the Group has agreed the sale of five further properties for aggregate proceeds of €1.4m, representing an average price of €1,965 per square metre. On average, these sales represent a loss of 12.5 per cent compared to valuation.

It is important to note that although the Group has contracted to sell the properties, completion and exchange of monies has not yet occurred.

The Group has also reduced its debt by €0.3m during the period and will continue to reduce its borrowings as the proceeds of property sales are received.

As we have previously noted, the Group's strategy continues to be focused on reducing costs and the size of the portfolio through the sale of property. The net proceeds of any sales will be used to reduce debt and buy-back the Company's shares if that opportunity arises.

C.H. Bennett, BA, FRICS,  
Chairman,  
Budapest.

27<sup>th</sup> September 2011.

Notes: Euro to the Pound Sterling rate of €1.1064 as at 30<sup>th</sup> June 2011 (Source: xe.com)

# Pactolus Hungarian Property Plc

For the six months ended 30<sup>th</sup> June 2011

## Consolidated Income Statement

	6 months ended 30 <sup>th</sup> June 2011 € Unaudited	6 months ended 30 <sup>th</sup> June 2010 € Unaudited	Year ended 31 <sup>st</sup> December 2010 € Audited
<b>Continuing operations</b>			
Rental income and related fees	523,824	556,837	1,063,525
Direct operating expenses	(188,723)	(209,291)	(398,208)
<b>Gross profit</b>	335,101	347,546	665,317
Administrative expenses	(315,409)	(358,702)	(651,994)
<b>Operating profit/(loss)</b>	19,692	(11,156)	13,323
Finance income	1,035	3,186	4,720
Finance costs	(129,126)	(143,806)	(285,375)
Loss on disposal of investment	(78,141)	(16,299)	(135,338)
Net loss on revaluation of investment properties	-	-	(1,340,592)
<b>Loss before taxation</b>	(186,540)	(168,075)	(1,743,262)
Taxation	5 (10,619)	-	62,307
<b>Loss for the year from continuing operations</b>	(197,159)	(168,075)	(1,680,955)
<b>Other comprehensive loss:</b>			
Exchange differences on translating foreign operations	(40,494)	(3,145)	(50,482)
<b>Total comprehensive loss for the year</b>	(237,653)	(171,220)	(1,731,437)
<b>Loss attributable to equity shareholders</b>	(197,159)	(168,075)	(1,680,955)
<b>Total comprehensive loss attributable to equity shareholders</b>	(237,653)	(171,220)	(1,731,437)
<b>Earnings per share basic and diluted</b>	(1.2) cent	(1.0) cent	(10.3) cents
<b>Weighted average number of shares</b>	16,147,582	16,163,007	16,328,909

# Pactolus Hungarian Property Plc

For the six months ended 30<sup>th</sup> June 2011

## Consolidated Statement of Financial Position

As at 30<sup>th</sup> June 2011

	30 <sup>th</sup> June 2011 € Unaudited	30 <sup>th</sup> June 2010 € Unaudited	31 <sup>st</sup> December 2010 € Audited
<b>Non-current assets</b>			
Investment properties	13,278,133	16,009,751	13,785,459
Property under development	361,111	361,111	361,111
Property, plant & equipment	490,630	536,061	514,822
Intangible assets	-	22,678	-
	14,129,874	16,929,601	14,661,392
<b>Current assets</b>			
Investment properties	429,026	370,304	657,600
Trade and other receivables	512,328	276,807	212,462
Cash and cash equivalents	203,242	378,634	184,404
	1,144,596	1,025,745	1,054,466
<b>Total assets</b>	15,274,470	17,955,346	15,715,858
<b>Current liabilities</b>			
Trade and other payables	685,391	656,455	594,126
Secured loan	4,165,833	5,006,033	4,460,833
	4,851,224	5,662,488	5,054,959
<b>Non-current liabilities</b>			
Deferred taxation	99,407	171,149	99,407
	99,407	171,149	99,407
<b>Total liabilities</b>	4,950,631	5,833,637	5,154,366
<b>Net assets</b>	10,323,839	12,121,709	10,561,492
<b>Equity</b>			
Share capital	235,133	235,133	235,133
Capital redemption reserve	137,808	137,808	137,808
Share premium account	1,046,894	1,046,894	1,046,894
Merger reserve	(109,195)	(109,195)	(109,195)
Translation reserve	(1,012,132)	(924,301)	(971,638)
Retained earnings	10,025,331	11,735,370	10,222,490
<b>Total equity</b>	10,323,839	12,121,709	10,561,492
Net asset value per share fully diluted	64 cents	75 cents	65 cents

# Pactolus Hungarian Property Plc

For the six months ended 30<sup>th</sup> June 2011

## Consolidated Statement of Changes in Equity

	Unaudited Six months ended 30 <sup>th</sup> June 2011						Total €
	Share Capital €	Capital Redemption €	Share Premium €	Merger Reserve €	Translation Reserve €	Retained Earnings €	
<b>Balance as at 1<sup>st</sup> January 2011</b>	235,133	137,808	1,046,894	(109,195)	(971,638)	10,222,490	10,561,492
Loss for the period	-	-	-	-	-	(197,159)	(197,159)
Exchange difference arising on translation of overseas operations	-	-	-	-	(40,494)	-	(40,494)
	235,133	137,808	1,046,894	(109,195)	(1,012,132)	10,025,331	10,323,839

	Unaudited Six months ended 30 <sup>th</sup> June 2010						Total €
	Share Capital €	Capital Redemption €	Share Premium €	Merger Reserve €	Translation Reserve €	Retained Earnings €	
<b>Balances as at 1<sup>st</sup> January 2010</b>	237,536	135,405	1,098,114	(109,195)	(921,156)	11,903,445	12,344,149
Loss for the period	-	-	-	-	-	(168,075)	(168,075)
Capital redemption	(2,403)	2,403	(51,220)	-	-	-	(51,220)
Exchange difference arising on translation of overseas operations	-	-	-	-	(3,145)	-	(3,145)
	235,133	137,808	1,046,894	(109,195)	(924,301)	11,735,370	12,121,709

	Audited Year ended 31 <sup>st</sup> December 2010						Total €
	Share Capital €	Capital Redemption €	Share Premium €	Merger Reserve €	Translation Reserve €	Retained Earnings €	
<b>Balance as at 1<sup>st</sup> January 2011</b>	237,536	135,405	1,098,114	(109,195)	(921,156)	11,903,445	12,344,149
Loss for the year	-	-	-	-	-	(1,680,955)	(1,680,955)
Capital redemption	(2,403)	2,403	(51,220)	-	-	-	(50,220)
Exchange difference arising on translation of overseas operations	-	-	-	-	(50,482)	-	(50,482)
	235,133	137,808	1,046,894	(109,195)	(971,638)	10,222,490	10,561,492

# Pactolus Hungarian Property Plc

For the six months ended 30<sup>th</sup> June 2011

## Consolidated Cash Flow Statement

	Notes	30 <sup>th</sup> June 2011 € Unaudited	6 months ended 30 <sup>th</sup> June 2010 € Unaudited	Year ended 31 <sup>st</sup> December 2010 € Audited
<b>Cash flow from operating activities</b>				
Cash received from lessees		539,644	411,175	946,686
Cash paid to suppliers and employees		(443,714)	(611,787)	(984,736)
Cash (outflow)/inflow from operations		95,930	(200,612)	(38,050)
Bank interest paid		(129,907)	(146,238)	(287,305)
Corporation tax paid		(14,640)	(1,194)	(6,608)
<b>Net cash (outflow)/inflow from operating activities</b>	6	(48,617)	(348,044)	(331,963)
<b>Cash flow from Investing activities</b>				
Properties renovation		(30,751)	-	(78,786)
Net receipt from sale of investment properties		406,723	1,800,000	2,225,929
Purchase of fixed assets		(11,711)	(76,566)	(32,386)
Bank interest received		1,035	3,186	4,720
<b>Net cash inflow from investing activities</b>		365,296	1,726,620	2,119,477
<b>Cash flow from financing activities</b>				
Purchase of own shares		-	(51,220)	(51,220)
Loan repayment		(295,000)	(1,209,977)	(1,755,177)
<b>Net cash outflow from financing activities</b>		(295,000)	(1,261,197)	(1,806,397)
<b>Net movement in cash and short term deposits</b>				
		21,679	117,379	(18,883)
Effect of exchange movement		(2,841)	7,486	(50,482)
Cash and short term deposit as at 1 <sup>st</sup> January		184,404	253,769	253,769
<b>Cash and short term deposits</b>		203,242	378,634	184,404

# Pactolus Hungarian Property Plc

For the six months ended 30<sup>th</sup> June 2011

## Notes to the Interim Report

### 1. General Information

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

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 and letting investment property under short to medium term contracts.

### 2. Basis of preparation

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the UK Companies Act 2006. The financial information contained in this report has been prepared based on the accounting policies described in the Group financial statement for the year ended 31<sup>st</sup> December 2010. It is intended that these policies will be adopted by the Group in preparation of the accounts.

The interim report was approved for issue by the Board of Directors on 27<sup>th</sup> September 2011.

### 3. Going concern

The directors are satisfied that the Group has adequate resources in place to manage its risks after the review of the financial position and cash flow forecast. The impact of any potential tenancy failures and the continued volatility in the economy has been taken into account. The directors are satisfied that the Group will continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing these interim reports.

### 4. Operating segments

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

The loss for the period of €197,159 (2010: €168,075) is all derived from the 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 entire Group's revenue and property assets are derived from and located in a single geographical location, Hungary.

### 5. Tax on profit on ordinary activities

	6 months ended 30 <sup>th</sup> June 2011 € Unaudited	6 months ended 30 <sup>th</sup> June 2010 € Unaudited	Year ended 31 <sup>st</sup> December 2010 € Audited
Taxation on foreign operation	(10,619)	-	(9,435)
Deferred tax expenses	-	-	71,742
	<u>(10,619)</u>	<u>-</u>	<u>62,307</u>

# Pactolus Hungarian Property Plc

For the six months ended 30<sup>th</sup> June 2011

## Notes to the Interim Report (continued)

### 6. Reconciliation of net loss to net cash inflow

	6 months ended 30 <sup>th</sup> June 2011 € Unaudited	6 months ended 30 <sup>th</sup> June 2010 € Unaudited	Year ended 31 <sup>st</sup> December 2010 € Audited
Loss before taxation	(186,540)	(168,075)	(1,743,262)
Realised loss on sale of investment properties	78,141	16,299	135,338
Bank interest received	(1,035)	(3,186)	(4,720)
Income tax paid	(10,619)	(1,194)	6,608
Adjustments for:			
Depreciation and amortisation	33,168	36,751	58,838
Goodwill impairment loss	-	-	22,678
Decrease/(Increase) in debtors	13,859	(51,123)	31,875
Increase/(decrease) in creditors	27,250	(166,885)	(129,428)
Effect of exchange movements	(2,841)	(10,631)	(50,482)
Unrealised loss on investment property valuation	-	-	1,340,592
Net cash (outflow)/inflow from operating activities	(48,617)	(348,044)	(331,963)

### 7. Events after the balance sheet date

Since the period end, the Group has agreed the sale of five properties for proceeds of €1.4m, representing a valuation of €1,965 per square metre. On average, these sales represent a loss of 12.5 per cent compared to valuation.

It is important to note that although the Group has contracted to sell the properties, completion and exchange of monies has not yet occurred.

### 8. Interim report

The Interim Report and Accounts will be posted to shareholders and will be available from the Company's registered address at Jubilee Building, Victoria Street, Douglas, Isle of Man, IM1 2SH and on the Company's website [www.pactolus.co.uk](http://www.pactolus.co.uk).