



**Pactolus Hungarian Property Plc**  
**Annual Report and Financial Statements**  
**31 December 2006**

# **Pactolus Hungarian Property Plc**

## **Annual Report and Financial Statements 2006**

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# **Pactolus Hungarian Property Plc**

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### **Chairman's Statement**

I am pleased to report the results of Pactolus Hungarian Property Plc for the year ended 31 December 2006.

Income for the period under review was €469,537, total operating expenses amounted to €2,216,194 and net profit after investment results amounted to €5,865,150. Net assets as at 31 December 2006 were €20,484,893 which included cash balances of €2,529,827.

The main objective for the Company in 2006 was to invest its funds in appropriate assets in order to fulfil the objectives set out in the Company's business plan. Despite a very difficult year for Hungary generally the market remained very competitive on the investment acquisition side even though there were some letting difficulties in the last quarter arising from the political unrest.

It is very much to the credit of the team that the Group's objectives were fulfilled and it acquired around 41 properties almost all of which have either been refurbished and let or sold at a profit. The valuation carried out by King Sturge shows how successful the acquisitions were.

Politically, Hungary is now settling down and I expect that 2007 will be a much calmer year.

I would like to express my gratitude to the asset manager, directors, advisors and the Budapest team for the success in 2006 and I am confident that this will continue in 2007.

C.H. Bennett, BA, FRICS  
Chairman  
Budapest

10 May 2007

## **Asset Manager's Report**

### **The Property Portfolio**

During the period from admission, the Group has purchased 41 units with a total floor space of 5,546 square metres. The Group's total floor space at the period end is 364 per cent of the total floor space on admission to AIM. These new acquisitions which have been retained have been valued at a per square metre value of €2,752.

### **Gearing and further acquisitions**

Since 31 December 2006, the Group has been in negotiation with various banks to borrow up to €10m. With the aforementioned money the Group intends to acquire further apartments and buildings.

### **Lettings**

During the period since admission to AIM, the Group has let 29 properties for an average yield against cost of approximately 8.7 per cent compared to the average yield as was stated on admission to AIM of 8.2 per cent.

The Group has 3 apartments which it owned as at the period end which have not yet been let. The Group expect to let these apartments in the near future at yields not dissimilar to the average yield described above. The Group has 4 apartments which it owned as at the year end which it bought specifically to develop and trade on. These units are within a villa which the Group bought and is splitting into apartments.

### **Disposals**

Since admission, the Group has taken the opportunity to sell 6 properties for total profits (after all costs) in excess of the total balance sheet values of the disposed properties of €65,734.

### **Hungarian Economy**

Fears over the weakening and possible collapse in the Hungarian Forint ("HUF") led the Group to take action to reduce its exposure to the currency during the period. The Group opened nine month currency future positions which purchase the Euro against the HUF with an underlying exposure of €10,450,000. Even though there were riots and political unrest during the period the HUF appeared to have a firm resistance to devaluation due to central bank rate rises. Shortly after the riots in October 2006 the HUF began to appreciate quite rapidly and we decided to close our hedge position. This resulted in a loss on the position which was similar in value to the cost of opening the position. The HUF continued to strengthen from this point and as at the date of publishing stands at approximately €247.07 compared to the rate of €268.86 when the hedge was closed.

Analysts estimate that during the forthcoming year interest rates will be able to drop from the current rates of 8 per cent which should allow some yield compression on asset values. However, the economy is in a difficult short term position with a bloated public sector deficit coupled with inflation. The government's austerity package, which we wholeheartedly support, will almost certainly lead to a slow down in the economy this year but growth in GDP is forecast to remain above 2.2 per cent and we remain hopeful of better growth prospects in the more medium term. The key measures undertaken have been to move a number of public services (particularly in health) to a fee paying basis and to remove the subsidies provided on utilities.

Another factor that may become increasingly important is Hungary's reliance on Russian gas. While not completely reliant like a number of ex-Russian satellite states, Hungary does import from Russia a large proportion of its annual consumption. Should Gazprom continue to flex its corporate muscles with further price rises or turning off the pipes, this may lead to issues for the Hungarian domestic economy.

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

If you combine increased gas prices with increased public services cost it is easy to see why some forecasters expect inflation to escalate up to nine per cent. On a longer term view, we are encouraged by progress at Falcon Oil & Gas Ltd who appear to have discovered substantial gas reserves in Hungary. Analysts have suggested that these reserves may make Hungary self reliant for gas and be able to export over €1bn per annum. We will see!

2006 has been a difficult year with a number of unsettling uncertainties and we are hopeful of a calmer 2007. In conclusion, we see a slowdown in the economy and we are surprised that the forint has remained so strong. We believe that Hungary's macro economic performance in 2007 will be weak but we believe that this is necessary medicine to ensure a brighter medium term future. However, in our view there is the possibility that the above scenario has been over discounted in property prices as we believe property prices in Budapest are now somewhat cheaper than in similar Central & Eastern European capitals.

We remain hopeful of better growth prospects in the more medium term. In particular, we note that the government's draft New Hungary Development Plan foresees spending of €29.5bn between 2007 and 2013, most of which will come from the EU.

#### **Prospects for Property**

We believe that the prospects for the Budapest property market remain encouraging in the medium term. We intend to invest further capital within the next year, sell a proportion of the portfolio, reinvest to improve asset quality and continue to attempt to maximise our net asset value. We continue to believe that the Group's current strategy will continue to generate attractive returns for shareholders as has been evidenced by its recent trading and letting experience.

#### Notes:

1. Forex Rates: Current Euro to the Pound Sterling rate of 1.484;  
Euro to the Forint for King Sturge valuation as at 7 February 2006 was 250;  
Euro to the Forint for King Sturge valuation as at 31 December 2006 was 251.94;  
Euro to the Forint as at 31 December 2006 was 251.94; and  
Current Euro to Hungarian Forint rate of 247.07.

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### **Management and Administration**

#### **Directors:**

Christopher Bennett  
Brett Miller  
Christina Rawlinson  
Stephen Gray  
Barry Smith  
Katherine Ellis  
Sarah Ingrassia

#### **Company Secretary:**

Christina Rawlinson

#### **Registered Office:**

Jubilee Buildings  
Victoria Street  
Douglas  
Isle of Man  
IM1 2SH

#### **Asset Manager:**

Midas Investment Management Ltd  
2nd Floor  
Arthur House  
Chorlton Street  
Manchester  
M1 3FH

#### **Administrators:**

Equiom Trust Company Ltd  
Jubilee Buildings  
Victoria Street  
Douglas  
Isle of Man  
IM1 2SH

#### **Stockbrokers:**

Hichens, Harrison & Co. Plc  
Bell Court House  
11 Blomfield Street  
London  
EC2M 1LB

#### **Auditors:**

PKF (Isle of Man) LLC  
Analyst House  
20-26 Peel Rd  
Douglas  
Isle of Man  
IM99 1AP

#### **Tax Advisors:**

BDO Stoy Hayward LLP  
Commercial Buildings  
11-15 Cross Street  
Manchester  
M2 1WE

#### **Independent Property Valuer:**

King Sturge  
Rakoczi ut 70  
1074 Budapest  
Hungary

#### **Principal Bankers:**

Anglo Irish Bank Plc  
10 Old Jewry  
London  
EC2R 8DN

#### **Raiffeissen Bank Rt.**

H-1054 Budapest  
Akadémia utca 6  
Hungary

# Pactolus Hungarian Property Plc

## Annual Report and Financial Statements 2006

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### Report of the Directors

The directors of Pactolus Hungarian Property Plc (“the Company”) and its subsidiaries (together “the Group”) are pleased to submit the Audited Consolidated Financial Statements of the Group for the period from incorporation to 31 December 2006, which show the state of the Group’s affairs.

#### Trading Review

The Company acquired Pactolus Eastern European Property Ltd and all its subsidiaries on 17 January 2006. The Group continued to perform its key activity in investing in properties in Budapest.

#### Listing

The Ordinary Shares of the Company were admitted to AIM on 23 March 2006.

#### Results

The results for the period and the amount to be carried to reserves are shown in the Consolidated Income Statement on page 12.

#### Dividend

A dividend for the period ended 31 December 2006 of 2.1p per share is proposed by the Board, for declaration by shareholders at the Annual General Meeting on 12 July 2007. The dividend will be paid on 13 July 2007.

On 22 December 2006 the Company was granted a certificate of registration under Section 59(4) of the Isle of Man Companies Act 1931. This allows the Company to reclassify its share premium reserve to that of a distributable reserve.

#### Directors’ Interests

		<b>As at 31 December 2006</b>
		<b>Ordinary Shares of 1p each</b>
Chris Bennett	– Appointed 16 March 2006	–
Brett Miller	– Appointed 16 March 2006	61,666
Christina Rawlinson	– Appointed 16 February 2006	–
Stephen Gray	– Appointed 16 February 2006	–
Barry Smith	– Appointed 16 February 2006	–
Katherine Ellis	– Appointed 16 February 2006	–
Sarah Ingrassia	– Appointed 16 February 2006	–

A total of 41,666 Ordinary shares are held under option by Chris Bennett (16,666) and Brett Miller (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.

#### 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.

# Pactolus Hungarian Property Plc

## Annual Report and Financial Statements 2006

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### Report of the Directors (continued)

#### Substantial Shareholdings

At 4 May 2007, 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
Alfred Michael Sutton	1,000,000	4.9
Barnard Nominees Ltd	1,992,000	9.7
Deutsche Bank Aktiengesellschaft	1,600,000	7.8
Goldman Sachs Securities (Nominees) Ltd	822,526	4.0
HSBC Global Custody (Nominees) Ltd	1,375,000	6.7
J M Finn Nominees Ltd	2,586,417	12.6
Nortrust Nominees Ltd	1,746,663	8.5
Pershing Keen Nominees Ltd	3,614,823	17.6
Rock (Nominees) Ltd	1,233,019	6.0
State Street Nominees Ltd	760,807	3.7

The Asset Manager, Midas Investment Management Ltd and its associated companies own 958,056 (4.7 per cent) of the issued share capital as at 4 May 2006. This forms part of the holdings in Pershing Keen Nominees Ltd.

#### 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. 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;
- 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.

Each of the directors has confirmed that so far as he is aware, there is no relevant audit information of which the Group's auditors are unaware, and that he has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and establish that the Group's auditors are aware of that information.

#### Status of Taxation

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

Midasz Property Kft., the Hungarian subsidiary which owns the Group's property portfolio, is subject to a corporate rate of tax of 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.

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**Report of the Directors (continued)**

**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.

C.H. Bennett, BA, FRICS  
Chairman

10 May 2007

## **Independent Auditor's 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 period ended 31 December 2006 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated statement of changes in equity, the consolidated cash flow statement 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. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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 director's report, the chairman's statement and the asset manager's report. 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.

### **Basis of audit opinion**

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.

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.

**Pactolus Hungarian Property Plc**  
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**Independent Auditor's Report (continued)**

**Opinion**

In our opinion:

- the group 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 affairs as at 31 December 2006 and of its profit for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Isle of Man Companies Acts 1931 to 2004, of the state of the parent company's affairs as at 31 December 2006;
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- the information given in the directors' report is consistent with the financial statements.

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

9 May 2007

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**Consolidated Income Statement**

For the period 21 December 2005 to 31 December 2006

	Notes	21-Dec-05 to 31-Dec-06 €
<b>Income</b>		
Rent receivable		304,471
Other fees receivable		14,373
Bank and other interest		150,693
<b>Total Income</b>		<b>469,537</b>
<b>Expenses</b>		
Asset manager's fees	2(i)	325,654
Legal and professional fees		220,543
Property management fees		145,820
Loss on derivative financial instrument	7	316,497
Performance fee	3	832,491
Administrator's costs		43,672
Agency fees		71,303
Audit fees		22,000
Administrative costs		41,889
Directors' emoluments	5	36,414
Insurance		12,650
Advertising, PR and marketing		24,599
Depreciation		73,034
Currency exchange loss		4,515
Bank charges		45,113
<b>Total Operating Expenses</b>		<b>2,216,194</b>
<b>Net Loss before Investment Result</b>		<b>(1,746,657)</b>
Unrealised surplus on revaluation of properties	11	7,496,721
Profit on the sale of investment properties	11	115,086
<b>Net Profit after Investment Results</b>		<b>5,865,150</b>
Taxation	8	(1,051,873)
<b>Retained profit for the period</b>		<b>4,813,277</b>
<b>Earnings per Ordinary Share:</b>	10	<b>Basic 0.28 Euro</b> <b>Diluted 0.28 Euro</b>

All items in the above statement are derived from continuing operations.

The accompanying notes on pages 17 to 31 form an integral part of the financial statements.

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**Consolidated and Company Balance Sheet**

As at 31 December 2006

	Notes	Group €	Parent €
<b>Non-current Assets</b>			
Investment properties	11	18,287,807	–
Property under development	11	1,421,292	–
Furniture and equipment	11	52,844	–
Investment in subsidiaries	12	–	68,250
Goodwill	13	22,678	22,678
		19,784,621	90,928
<b>Current Assets</b>			
Cash and short term deposits		2,529,827	521,976
Debtors	15	284,348	11,744
Loans to subsidiaries	14	–	10,901,762
		2,814,175	11,435,482
<b>Total Assets</b>		22,598,796	11,526,410
<b>Current Liabilities</b>			
Creditors	16	1,071,078	759,303
<b>Non-current Liabilities</b>			
Deferred taxation	8	1,042,825	–
<b>Total Liabilities</b>		2,113,903	759,303
<b>Net Assets</b>		20,484,893	10,767,107
<b>Represented by:</b>			
<b>Capital and Reserve</b>			
Share capital	17	298,185	298,185
Merger reserve	20	(109,195)	(3,689,271)
Other distributable reserve	19	15,412,576	15,412,576
Translation reserve	21	70,050	–
Profit and loss reserve	22	4,813,277	(1,254,383)
		20,484,893	10,767,107

The financial statements on pages 12 to 31 were approved at a meeting of the Board of Directors held on 4 May 2007 and signed on its behalf by:

**Tina Rawlinson**  
*Director*

**Stephen Gray**  
*Director*

The accompanying notes on pages 17 to 31 form an integral part of the financial statements.

**Pactolus Hungarian Property Plc**  
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**Consolidated Statement of Changes in Equity**

	Share Capital €	Share Premium €	Merger Reserve €	Other Distributable Reserve €	Translation Reserve €
Issue of ordinary shares	217,815	12,850,938	–	–	–
Issue cost of placing	–	(1,069,943)	–	–	–
Group merger and reorganisation	80,370	3,631,581	(109,195)	–	–
Translation of foreign subsidiary	–	–	–	–	70,050
Reserve reclassification	–	(15,412,576)	–	15,412,576	–
Retained profit for the period	–	–	–	–	–
<b>Balance as at 31 December 2006</b>	<b>298,185</b>	<b>–</b>	<b>(109,195)</b>	<b>15,412,576</b>	<b>70,050</b>

	Retained Earnings €	Total €
Issue of ordinary shares	–	13,068,753
Issue cost of placing	–	(1,069,943)
Group merger & reorganisation	–	3,602,756
Translation of foreign subsidiary	–	70,050
Reserve reclassification	–	–
Retained profit for the period	4,813,277	4,813,277
<b>Balance as at 31 December 2006</b>	<b>4,813,277</b>	<b>20,484,893</b>

The accompanying notes on pages 17 to 31 form an integral part of the financial statements.

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**Company Statement of Changes in Equity**

	Share Capital €	Share Premium €	Merger Reserve €	Other Distributable Reserve €	Retained Earnings €
Issue of ordinary shares	217,815	12,850,938	–	–	–
Issue cost of placing	–	(1,069,943)	–	–	–
Group merger and reorganisation	80,370	3,631,581	(3,689,271)	–	–
Translation of foreign subsidiary	–	–	–	–	–
Reserve reclassification	–	(15,412,576)	–	15,412,576	–
Retained profit for the period	–	–	–	–	(1,254,383)
<b>Balance as at 31 December 2006</b>	<b>298,185</b>	<b>–</b>	<b>(3,689,271)</b>	<b>15,412,576</b>	<b>(1,254,383)</b>

	<b>Total €</b>
Issue of ordinary shares	13,068,753
Issue cost of placing	(1,069,943)
Group merger and reorganisation	22,680
Translation of foreign subsidiary	–
Reserve reclassification	–
Retained profit for the period	(1,254,383)
<b>Balance as at 31 December 2006</b>	<b>10,767,107</b>

The accompanying notes on pages 17 to 31 form an integral part of the financial statements.

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**Consolidated and Company Cash Flow Statement**

For the period 21 December 2005 to 31 December 2006

	Notes	Group 21-Dec-05 to 31-Dec-06 €	Parent 21-Dec-05 to 31-Dec-06 €
<b>Operating Activities</b>			
Rent and fees received		381,415	–
Bank interest received		150,693	133,065
Expenses paid		(1,129,711)	(973,731)
<b>Net cash outflow from operating activities</b>	24	(597,603)	(840,666)
<b>Investing Activities</b>			
Purchase of investment properties		(9,496,973)	–
Receipt from sale of investment properties		872,128	–
Purchase of fixed assets		(119,849)	–
Net investment of derivative financial instruments		(332,044)	(332,044)
Loans to subsidiary undertakings		–	(10,852,076)
<b>Net cash outflow from investing activities</b>		(9,076,738)	(11,184,120)
<b>Financing Activities</b>			
Issue of Ordinary Shares		13,068,753	13,068,753
Issue costs paid on issuance of Ordinary Shares		(1,069,943)	(1,069,943)
<b>Net cash inflow from financing activities</b>		11,998,810	11,998,810
<b>Taxation</b>		(16,159)	–
Increase in cash and short term deposits		2,308,310	(25,975)
Cash acquired on business merger		221,517	547,952
<b>Cash and short term deposits as at 31 December 2006</b>		2,529,827	521,977

The accompanying notes on pages 17 to 31 form an integral part of the financial statements.

# Pactolus Hungarian Property Plc

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### Notes to the Financial Statements

For the period 21 December 2005 to 31 December 2006

#### General information

The Group's activity throughout the period were 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 the Alternative Investment Market (AIM) on 23 March 2006 and these financial statements cover the period from incorporation to 31 December 2006. As these are the company's first financial statements there are no comparatives.

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.

#### 1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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. The consolidated financial statements have been prepared under the historical cost convention.

##### *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, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

##### *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;
- goodwill for which amortisation is not tax deductible;
- 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.

## **Notes to the Financial Statements**

(continued)

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

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.

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.

### ***Impact of revisions to International Financial Reporting Standards***

The IASB and IFRIC have issued the following standards and interpretations with effective date after the date of these financial statements:

	<b>Effective date</b>
• IFRIC 7 Financial reporting in hyperinflationary economies	1 March 2006
• IFRIC 8 Scope of IFRS 2	1 May 2006
• IFRIC 9 Reassessment of embedded derivatives	1 June 2006
• IFRIC 10 Interim financial reporting and impairment	1 November 2006
• IFRS 7 Financial instruments: disclosures	1 January 2007
• IAS 1 Capital disclosures	1 January 2007
• IFRIC 11 Group and treasury share transactions	1 March 2007
• IFRIC 12 Service concession arrangements	1 January 2008
• IFRS 8 Operating segments	1 January 2009
• IAS 23 Borrowing costs	1 January 2009

The Group has decided to early adopt the following standards/amendments to standards:

1. IAS 1 Amendment – Capital disclosures.

The revised standards have not had an impact on the Group's equity.

### ***Income***

Interest, fees and rental income are included in the financial statements on an accruals basis. Property sales are included in the financial statements on an unconditional exchange basis.

## **Notes to the Financial Statements**

(continued)

### ***Expenses***

All expenses are accounted for on an accruals basis.

### ***Issue costs***

The share issue costs incurred in the placing on 23 March 2006 amounted to €1,069,943 and were written off in full against the share premium account in the period ended 31 December 2006.

### ***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 average exchange rate) and all resulting exchange differences are recognised as separate component of equity.

### ***Investment property***

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment property is carried at fair value. Fair value is based on active market prices determined by independent property valuers. These valuations are performed in accordance with the guidance issued by the International Accounting Standards Board.

Properties under development held for investment are classified under property, and are stated at fair value.

Properties under development held for sale are classified under current assets and are stated at the fair value less any impairments.

### ***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.

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 the lower of historical cost less depreciation and net realisable value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

## **Notes to the Financial Statements**

(continued)

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 are incurred.

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

Freehold buildings	–	50 years
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 carrying amount. These are included in the income statement.

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

The investments in subsidiary companies are included in the Company Balance Sheet at cost less any provisions for diminution in value.

### ***Goodwill***

Goodwill arising on the acquisition of subsidiaries is under the combination of business assets rule.

### ***Derivative financial instruments and hedging activities***

The Group uses derivative financial instruments, in the form of currency hedge, to dilute its risks associated with currency rate fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Derivatives are carried as current assets when the fair value is positive and as current liabilities when the fair value is negative.

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

The unsecured subordinated loan made to Midasz Property Kft. has been accounted for as an originated loan under IFRS. This loan carries interest under the effective rate method. The loans are reviewed regularly for impairment.

### ***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.

### ***Comparatives***

There are no comparatives as this is the first period of trading for the company.

# Pactolus Hungarian Property Plc

## Annual Report and Financial Statements 2006

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### Notes to the Financial Statements

(continued)

#### 2 Material agreements

- (i) Midas Investment Management Ltd (“MIM”) was appointed the Company’s Asset Manager on 17 March 2006. The Asset 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 in respect of the period from Admission to 31 December 2006 of 20% of the amount net assets exceeds a benchmark rate of return of 9% per annum.

The Investment Management Agreement is terminable by the Company on 12 months notice, such notice to be given on or after the second anniversary of the Investment Manager’s Agreement.

- (ii) Equiom Trust Company Limited (formerly Anglo Irish Trust Company Limited) were 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 Performance fee

	<b>2006</b>
	€
Fees crystallised on Admission to AIM	249,012
Fees accrued based on the net asset value as at 31 December 2006	583,479
	<u>832,491</u>

#### 4 Group operating profit is stated after charging

	<b>21 December 2005 to 31 December 2006</b>
	€
Directors emoluments	36,414
Asset Manager’s fees	325,654
Bank charges	45,113
Auditors remuneration	22,000
Direct operating expenses	<u>317,773</u>

The asset manager’s fee calculated and payable for the period to 31 December 2006 all relates to Midas Investment Management Ltd. As at 31 December 2006 management fees due to Midas Investment Management Ltd were €111,300.

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements**

(continued)

**5 Directors' emoluments**

	<b>21 December 2005 to 31 December 2006 €</b>
(i) Directors' fees:	
Total fees	<u>7,032</u>

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

The Directors fees for all other directors, for the period ended 31 December 2006, were paid to Equiom Trust Company Ltd in accordance with the Letter of Engagement referred in Note 2 (ii).

(ii) Remuneration of Directors:

	<b>21 December 2005 to 31 December 2006 €</b>
Mr C Bennett (Chairman)	17,487
Mr B Miller	<u>11,895</u>

**6 Finance income**

	<b>21 December 2005 to 31 December 2006 €</b>
Bank interest	<u>150,693</u>

**7 Derivative financial instruments**

During the period the Company entered into a nine month currency hedge Euro against the Hungarian Forint at an average rate of €285.99 to the Ft. All contracts were sold during the period at an average rate of €277.42 to the Ft. resulting in a loss of €316,497.

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements**

(continued)

**8 Taxation**

	<b>2006</b>
	<b>€</b>
<b>Current tax</b>	
UK corporation tax and income tax of overseas operations on profits for the period	9,048
<b>Deferred tax expense</b>	
Origination and reversal of temporary differences	1,042,825
Total tax charge	<u>1,051,873</u>

The reasons for the difference between the actual tax charge for the period 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>2006</b>
	<b>€</b>
Profit before tax	<u>5,865,150</u>
Expected tax charge based on the applicable rate of 16%	938,424
Local business tax in Hungary	8,947
Gains on disposal of investments	2,494
Different tax rates applied on overseas jurisdictions	255,197
Income not subject to tax	(1,199,475)
Excess of allowable losses over taxable income	3,461
Current tax charge	<u>9,048</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>2006</b>
	<b>€</b>
Profit and loss charge	<u>1,042,825</u>
As at 31 December 2006	<u>1,042,825</u>

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) during the period are shown below.

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

**Pactolus Hungarian Property Plc**  
**Annual Report and Financial Statements 2006**

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**Notes to the Financial Statements**

(continued)

**8 Taxation (continued)**

Details of the deferred tax liability and amounts charged/credited to the consolidated income statement are as follows:

	<b>2006</b>
	<b>€</b>
Revaluations of investment properties	1,102,994
Available losses in Hungary	(60,169)
	<u>1,042,825</u>
Available losses in the UK	<u>(31,391)</u>

**9 Dividends**

A dividend proposed by the Board, for declaration by Shareholders at the Annual General Meeting on 12 July 2007 to be paid for the period ended 31 December 2006 is 2.1p per Ordinary share amounting to €640,472.

**10 Earnings per share**

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

	<b>Distributable profits</b>	<b>Ordinary Shares</b>	<b>As at</b>
	<b>€</b>	<b>number<math>\beta</math></b>	<b>31 December 2006</b>
			<b>Per Share</b>
			<b>€</b>
Basic earnings per share	4,813,277	16,902,425	0.28
Option conversion*	–	41,666	–
Diluted earnings per share	<u>4,813,277</u>	<u>16,944,091</u>	<u>0.28</u>

**Adjusted earnings per share for the period 21 December 2005 to 31 December 2006**

	<b>Distributable profits</b>	<b>Ordinary Shares</b>	<b>Per Share</b>
	<b>€</b>	<b>number<math>\beta</math></b>	<b>€</b>
Basic earnings per share	4,813,277	16,902,425	0.28
Adjustment to remove:			
Deferred tax charge	1,042,825	–	–
Net valuation gains	(7,496,721)	–	–
Adjusted basic earnings	(1,640,619)	16,902,425	(0.10)
Option conversion*	–	41,666	–
Adjusted diluted earnings per share	<u>(1,640,619)</u>	<u>16,944,091</u>	<u>(0.10)</u>

$\beta$  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)

**11 Investment properties, plant and furniture**

	<b>Investment Properties</b>	<b>Properties Under Development</b>	<b>Furniture and Equipment</b>	<b>Total</b>
	€	€	€	€
Additions at cost/valuation on business combination	2,910,000	612,000	4,787	3,526,787
Additions at cost for the period	–	9,335,076	121,091	9,456,167
Disposal during the period	(644,701)	–	–	(644,701)
Transfer to investment properties	9,321,216	(9,321,216)	–	–
Unrealised profit on revaluation	6,701,292	795,432	–	7,496,724
Depreciation for the period	–	–	(73,034)	(73,034)
<b>As at 31 December 2006</b>	<u>18,287,807</u>	<u>1,421,292</u>	<u>52,844</u>	<u>19,761,943</u>

Properties have been independently valued during the year by King Sturge (“KS”), chartered surveyors and valuers, as at the Balance Sheet date in accordance with IAS 40: Investment Property. 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.

The historical cost of the properties held by the Group including properties under development was €12,212,375.

**Property disposals during the period**

	<b>2006</b>
	€
Proceeds of sale of investment properties	759,787
Less: carrying cost/value	<u>(644,701)</u>
Realised gain on disposal of property	<u>115,086</u>

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements**

(continued)

**12 Investments in Subsidiary Companies**

The subsidiaries of the Company are stated below:

<b>Subsidiary</b>	<b>Principal activity</b>	<b>Proportion of voting rights and shares held</b>
Pactolus (IOM) Limited	Holding company	100%
Pactolus Eastern European Property Ltd	Property investment	100%
Pactolus (UK) Limited	Holding company	100%
Midasz Property Kft.	Property investment	100%

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

<b>Acquisition</b>	<b>Company of registration</b>	<b>Holdings</b>	<b>Cost</b>
Pactolus Eastern European Property Ltd	United Kingdom	100%	18,561
Pactolus (IOM) Limited	Isle of Man	100%	1
Midasz Property Kft.	Hungary	97%	49,688
			<u>68,250</u>

All the above subsidiaries were acquired on 17 January 2006 and accounted for under IFRS 3 business combination. See note 25.

**13 Goodwill**

	<b>2006</b>
	<b>€</b>
Arising on acquisition within subsidiary. See note 25 business combination.	<u>22,678</u>

**14 Loans**

	<b>Parent</b>
	<b>€</b>
Pactolus Eastern European Property Ltd	59,770
Midasz Property Kft	10,833,104
Pactolus (IOM) Limited	8,888
	<u>10,901,762</u>

These comprise unsecured subordinated loans issued in support of property acquisitions. The loans are repayable on demand and interest is currently charged at 8.49%.

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements**

(continued)

**15 Debtors**

	<b>Group</b>	<b>Parent</b>
	<b>€</b>	<b>€</b>
Rent receivable	39,313	–
Property purchase deposits	223,336	–
Other debtors	7,111	–
Prepayments	14,588	11,744
	<u>284,348</u>	<u>11,744</u>

**16 Creditors**

	<b>Group</b>	<b>Parent</b>
	<b>€</b>	<b>€</b>
Trade creditors and accruals	854,439	759,303
Rent received in advance	43,016	–
Deposits held	173,623	–
	<u>1,071,078</u>	<u>759,303</u>

**17 Share capital**

	<b>Number of</b>	<b>2006</b>
	<b>Shares</b>	<b>€</b>
Authorised Ordinary Shares of 1 pence each	<u>20,551,651</u>	<u>298,185</u>
Fully paid shares issued during the period as follows:		
Share issue on incorporation	200	3
Issued on acquisition of the subsidiary companies on a share for share basis on 17 January 2006. (See note 25 business combination).	5,519,532	80,370
Placing issue on 23 March 2006	<u>15,031,919</u>	<u>217,812</u>
<b>As at 31 December 2006</b>	<u>20,551,651</u>	<u>298,185</u>

**Option to subscribe for Ordinary Share of sixty pence each**

Pursuant to a Directors Option Agreement dated 16 March 2006, there are 41,666 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 2006.

The weighted average contracted life remaining for these outstanding options is 4.25 years.

As the options were granted after 7 November 2002, all 41,666 options are accounted for in accordance with IFRS 2.

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements**

(continued)

**18 Share premium**

	<b>2006</b>
	<b>€</b>
Proceeds arising on issue of Ordinary Shares	12,850,938
Allocation of issue costs	(1,069,943)
Group merger on a share for share basis (See note •)	3,631,581
Capital restructure (See note 19)	<u>(15,412,576)</u>
	<u>–</u>

The Company raised €13,068,753 from the Placement of 15,031,919 Ordinary Shares at 60 pence each 23 March 2006. The Company was subsequently listed on the Alternative Investment Market (“AIM”).

**19 Other distributable reserve**

	<b>2006</b>
	<b>€</b>
Capital restructure	<u>15,412,576</u>

The Company has been granted permission pursuant to Section 59(4) of the Isle of Man Companies Act 1931, to restructure its share capital. The Company has now restated its share premium reserve to that of a distributable reserve as at 22 December 2006.

**20 Merger Reserve**

	<b>2006</b>
	<b>€</b>
Arising during the period	<u>(109,195)</u>
See note 25 on business combination	

**21 Translation reserve**

	<b>2006</b>
	<b>€</b>
Currency translation	<u>70,050</u>

**22 Profit and loss reserve**

	<b>2006</b>
	<b>€</b>
Profit for the period	<u>4,813,277</u>

**23 Net Asset Value per Ordinary Share**

The net asset value per Ordinary Share is based on the net assets attributable to the ordinary shareholders of €20,484,893 and on 16,902,425 Ordinary Shares being the weighted average shares in issue during the period.

**Pactolus Hungarian Property Plc**  
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**Notes to the Financial Statements**

(continued)

**24 Notes to the Consolidated Cash Flow Statement**

	<b>Group</b>	<b>Parent</b>
	<b>€</b>	<b>€</b>
<b>Reconciliation of net profit before investment result to net cash outflow from operating activities:</b>		
Net loss before investment result	(1,746,657)	(1,254,383)
Loss on derivative financial instrument	316,497	316,497
Commission charges on derivative investments	15,547	15,547
Other interest income	–	(326,436)
Adjustment for non-cash items:		
Depreciation	73,034	–
Decrease/(increase) in debtors	6,256	(11,744)
Increase in creditors	737,720	419,853
Net cash outflow from operating activities	<u>(597,603)</u>	<u>(840,666)</u>

**25 Business combinations**

<b>Name of business acquired</b>	<b>Principal activity</b>	<b>Date of acquisition</b>	<b>Proportion of shares acquired %</b>	<b>Cost of Acquisitions €</b>
Pactolus Eastern European Property Ltd (“PEEP Ltd”)	Property investment	17-Jan-06	100	3,673,162
Pactolus (UK) Limited (“PUK”)	Holding company	17-Jan-06	100	1
Midasz Property Kft. (“Midasz Kft.”)	Property investment	17-Jan-06	100	50,987
				<u>3,724,150</u>

As a result of the group restructuring which involved Pactolus Eastern European Property Ltd becoming a wholly owned subsidiary of the company, the UK operations have substantially reduced.

**Components of the cost of acquisition**

	<b>Midasz Kft.</b>	<b>PUK</b>	<b>PEEP Ltd</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Cash and short term deposits	50,987	1	–
Equity instruments issued (1)	–	–	3,673,162
	<u>50,987</u>	<u>1</u>	<u>3,673,162</u>

**Pactolus Hungarian Property Plc**  
**Annual Report and Financial Statements 2006**

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

Acquiree's net assets	Midasz Kft. Book & fair value pre- acquisition €	PUK Book & fair value pre- acquisition €	PEEP Ltd Book & fair value pre- acquisition €
<i>Net assets acquired</i>			
Current assets:			
Cash	128,521	–	92,995
Receivables	79,724	1	71,044
Loans	–	–	3,602,801
Non-current assets:			
Investments	–	–	12,199
Goodwill (2)	–	–	22,678
Investment properties	2,910,000	–	–
Property under development	612,000	–	–
Furniture and equipment	4,787	–	–
Current liabilities:			
Payables	(81,244)	–	(128,555)
Loans	(3,602,801)	–	–
Net assets acquired	<u>50,987</u>	<u>1</u>	<u>3,673,162</u>

The net assets used to determined fair value were considered equal to the open market value.

- (1) In the acquisition of PEEP Ltd 5,519,532 ordinary shares were issued on a share for share basis. The fair value was determined by the net assets of the company as at the acquisition date.
- (2) The goodwill acquired is the difference between the value and amount paid by PEEP Ltd for Midasz Property Kft. on 8 December 2004.

## **Notes to the Financial Statements**

(continued)

### **26 Financial risk factors**

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.

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

#### **Market risk**

The Company 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.

The Company is exposed to property price and market rental risks.

#### **Credit risk**

The Company has no significant concentrations of credit risk. It has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any financial institution.

#### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to finance the company's operations. Due to the dynamic nature of the underlying business, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

#### **Cash flow and fair value interest rate risk**

The Company has no interest-bearing liabilities. Exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

### **27 Commitments**

At the period end the Group had commitments to invest a further €1,164,801 in its portfolio of investment property. The Company had no commitments as at the period end.

### **28 Related parties**

The Company was charged fees by Equiom Trust Company Ltd of €43,672 in accordance with the Letter of Engagement referred to in Note 2 (ii). The amount outstanding as at 31 December 2006 is €7,436.

Asset management and performance fees amounting to €574,666 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 2006 the amount outstanding to Midas Investment Management Ltd was €694,779.

# **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)*

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Notice is hereby given that the first Annual General Meeting of Pactolus Hungarian Property plc (the “Company”) will be held at 11.00am on Thursday 12 July 2007 at Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH, for the following purposes:

1. To approve the payment of a dividend of 2.1p per ordinary share to shareholders on the Company’s register of members at the close of business on Friday 1 June 2007.
2. To receive and adopt the Report of the Directors and audited Accounts for the year ended 31 December 2006.
3. To re-appoint PKF as Auditors to the Company and its subsidiaries (the “Group”).
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To renew the authority for the Company to purchase its own shares.
6. To re-elect Christopher Heal Bennett as a director of the Company.
7. To re-elect Brett Lance Miller as a director of the Company.
8. To re-elect Stephen Dillon Gray as a director of the Company.
9. To renew the authority to issue shares up to an aggregate nominal value equal to 100 per cent of the issued Ordinary Share capital as at the 12th July 2007 (“AGM date”).
10. To transact any other ordinary business of the Company.

*By Order of the Board:*

Christina Lillian Rawlinson  
Company Secretary

*Registered Office:*

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

Dated: 6 June 2007

Notes:

1. A member entitled to attend and vote at the Annual General Meeting 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 Annual General Meeting 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 Annual General Meeting. Deposit of a Form of Proxy will not preclude a member from attending the Annual General Meeting and voting in person should they so wish;
3. Pursuant to Regulation 22 of the Uncertificated Securities Regulations 2005, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (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 6.00pm on 1 June 2007. Changes to entries on the register of members after 6.00pm on that date shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting; and
4. The quorum required for the Annual General Meeting is two members present in person or by proxy and entitled to vote thereat.

**Company Number: 115148C**