

Pactolus Hungarian Property Plc

**Interim Report
For the six months ended
30th June 2010**

Pactolus Hungarian Property Plc

For the six months ended 30th June 2010

Advisors & Administrators

Directors

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

Company Secretary

Barry Smith

Registered Office

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Victoria Street
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Asset Manager

Midas Investment Management Ltd
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Administrators

Equiom Trust Company Ltd
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IM1 2SH

Stockbrokers

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

Auditors

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

Tax Advisors

BDO Stoy Hayward LLP
3 Hardman Street
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M3 3AT

Independent Property Valuer

King Sturge
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Hungary

Principal Bankers

Barclays Bank Plc
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IM99 1AJ

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Investec Bank Plc (Irish Branch)
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Nominated Advisors

Singer Capital Markets Ltd
One Hanover Street
London
W1S 1YZ

Pactolus Hungarian Property Plc

For the six months ended 30th June 2010

Pactolus Hungarian Property plc, an AIM listed property company, announces its results for the six months ended 30th June 2010.

The principal activity of the Company and its subsidiaries is investment in the Hungarian property market, focusing on the residential freehold market in the more affluent districts of Budapest. The properties are renovated to a market leading standard and then either let to tenants with good covenants or sold.

Key highlights for the period

- Annualised rent roll is currently €1.1m (€1.3m as at 31st December 2009);
- The Group has not undertaken any further revaluations of the property estate since the year end. The value of property per square metre is now valued at €2,002 per square metre (€2,013 per square metre as at 31st December 2009);
- Average rental yield to total cost on let portfolio is 7.8 per cent (8 per cent as at 31st December 2009);
- Net asset value per share (pre-deferred tax) is 63 pence per share (68 pence per share at 31st December 2009).

Chairman's Statement

Market conditions have not improved and the macro concerns we highlighted in April this year remain.

During the six month period, the Group has sold 5 properties for a total loss after all costs, below the balance sheet value of €14,924. The combined net sale value per square metre was €2,099.

Since the period end, the Group has sold one property and a further two properties have been contracted for sale (subject to mortgage release) at an aggregate valuation after all anticipated sales costs of 2.3 per cent below their valuation.

During the period to 30th June 2010, the Company repurchased a further 165,000 shares as part of its share repurchase facility approved by members at an Extraordinary Meeting held on 11th September 2009. The shares were acquired at an average price of 27 pence per share and subsequently cancelled. Following the cancellation of these shares, the issued share capital of the Company is now 16,147,582 ordinary shares of one pence and therefore, the total number of voting rights is 16,147,582.

No further shares have been repurchased and nor will there be until further debt repayments have been made. Following the repayment of debt (see note 7) on receipt of proceeds from the sale of the properties, the Group will have repaid half of its original debt outstanding. The process is slow and very hard work but we are getting closer to our goal.

C.H. Bennett, BA, FRICS,
Chairman,
Budapest.
27th August 2010.

Notes: Euro to the Pound Sterling rate of €1.2168 as at 30th June 2010 (Source: xe.com)

Pactolus Hungarian Property Plc

For the six months ended 30th June 2010

Consolidated Income Statement

		6 months ended 30 th June 2010	6 months ended 30 th June 2009
		€	€
	Notes	Unaudited	Unaudited
Continuing operations			
Revenue		556,837	744,108
Profit/(Loss) on disposal of investment assets		84,681	(43,796)
Administrative expenses		(632,222)	(503,637)
Operating profit		9,296	196,675
Finance income		3,186	16,416
Finance costs		(143,806)	(197,999)
(Loss)/profit before depreciation and amortisation		(131,324)	15,092
Depreciation and amortisation		(36,751)	(71,993)
Loss before tax		(168,075)	(56,901)
Taxation	5	-	(23,551)
Loss for the period		(168,075)	(80,452)
Earnings per share basic and diluted		(1.04) cent	(0.43) cent
Weighted average number of shares		16,163,007	18,638,751

Pactolus Hungarian Property Plc

For the six months ended 30th June 2010

Consolidated Statement of Comprehensive Income

	6 months ended 30 th June 2010	6 months ended 30 th June 2009
	€	€
Notes	Unaudited	Unaudited
Loss for the period	(168,075)	(80,452)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	(3,145)	(118,950)
Total comprehensive expense for the period	<u>(171,220)</u>	<u>(199,402)</u>

Pactolus Hungarian Property Plc

For the six months ended 30th June 2010

Consolidated Statement of Financial Position

As at 30th June 2010

	30 th June 2009	Restated 30 th June 2009
	€	€
	Unaudited	Unaudited
Non-current assets		
Investment properties	16,370,862	22,738,486
Plant and equipment	536,061	513,579
Intangible	22,678	22,678
	<u>16,929,601</u>	<u>23,274,743</u>
Current assets		
Investment properties	370,304	-
Trade and other receivables	276,807	277,396
Cash and short term deposits	378,634	1,453,198
	<u>1,025,745</u>	<u>1,730,594</u>
Total assets	<u>17,955,346</u>	<u>25,005,337</u>
Current liabilities		
Trade and other payables	656,455	540,627
Secured loan	5,006,033	6,566,010
	<u>5,662,488</u>	<u>7,106,637</u>
Non-current liabilities		
Provision for deferred taxation	171,149	568,180
	<u>171,149</u>	<u>568,180</u>
Total liabilities	<u>5,833,637</u>	<u>7,674,817</u>
Net assets	<u>12,121,709</u>	<u>17,330,520</u>
Equity		
Share capital	235,133	266,545
Capital redemption reserve	137,808	106,396
Share premium account	1,046,894	1,740,965
Merger reserve	(109,195)	(109,195)
Translation reserve	(924,301)	(925,392)
Retained earnings	11,735,370	16,251,201
	<u>12,121,709</u>	<u>17,330,520</u>
Total equity	<u>12,121,709</u>	<u>17,330,520</u>
Net asset value per share fully diluted	75 cents	95 cents

Pactolus Hungarian Property Plc

For the six months ended 30th June 2010

Consolidated Statement of Changes in Equity

	Share Capital € Unaudited	Capital Redemption € Unaudited	Share Premium € Unaudited	Merger Reserve € Unaudited	Translation Reserve € Unaudited	Retained Earnings € Unaudited	Total € Unaudited
Balance as at 1st January 2010	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)	2403	(51,220)	-	-	-	(51,220)
Unrealised gains on value of investment assets	-	-	-	-	-	-	-
Exchange difference arising on translation of overseas operations	-	-	-	-	(3,145)	-	(3,145)
As at 30th June 2010	235,133	137,808	1,046,894	(109,195)	(924,301)	11,735,370	12,121,709

	Share Capital € Unaudited	Capital Redemption € Unaudited	Share Premium € Unaudited	Merger Reserve € Unaudited	Translation Reserve € Unaudited	Retained Earnings € Unaudited	Total € Unaudited
Balances as at 1st January 2009	335,647	37,294	3,340,631	(109,195)	(806,442)	16,184,460	18,982,395
Loss for the period	-	-	-	-	-	(80,452)	(80,452)
Capital redemption	(69,102)	69,102	(1,599,666)	-	-	-	(1,599,666)
Unrealised gains on value of investment assets	-	-	-	-	-	147,193	147,193
Exchange difference arising on translation of overseas operations	-	-	-	-	(118,950)	-	(118,950)
As at 30th June 2009	266,545	106,396	1,740,965	(109,195)	(925,392)	16,251,201	17,330,520

Pactolus Hungarian Property Plc

For the six months ended 30th June 2010

Consolidated Cash Flow Statement

		6 months ended 30 th June 2010	6 months ended 30 th June 2009
		€	€
	Notes	Unaudited	Unaudited
Cash flow from operating activities			
Cash received from lessees		411,175	731,217
Cash paid to suppliers and employees		(611,787)	(503,350)
		<hr/>	<hr/>
Cash (outflow)/inflow from operations		(200,612)	227,867
Bank interest paid		(146,238)	(199,824)
Corporation tax paid		(1,194)	(3,859)
		<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	6	(348,044)	24,184
Cash flow from Investing activities			
Purchase of properties under development		-	(147,193)
Net receipt from sale of investment properties		1,800,000	1,293,570
Purchase of fixed assets		(76,566)	(102,069)
Bank interest received		3,186	16,416
		<hr/>	<hr/>
Net cash inflow from investing activities		1,726,620	1,060,724
Cash flow from financing activities			
Purchase of own shares		(51,220)	(1,599,667)
		<hr/>	<hr/>
Net cash outflow from financing activities		(1,261,197)	(1,599,667)
Net movement in cash and short term deposits			
		117,379	(514,759)
Effect of exchange movement		7,486	(13,668)
Cash and short term deposit as at 1 st January		253,769	1,981,625
		<hr/>	<hr/>
Cash and short term deposits as at 30th June		378,634	1,453,198

Pactolus Hungarian Property Plc

For the six months ended 30th June 2010

Notes to the Interim Report

1. General Information

Pactolus Hungarian Property Plc was incorporated in the Isle of Man on 21st 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 240 of the Companies Act 1985. 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 31st December 2009. It is intended that these policies will be adopted by the Group in preparation of the accounts.

The entire loan balance as at 31st 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 2009 Interim Reports.

The interim report was approved for issue by the Board of Directors on 27th August 2010.

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 economic 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 €168,075 (2009: €80,452) 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 entire Group's revenue and property assets are derived from and located in a single geographical location, Hungary.

Pactolus Hungarian Property Plc

For the six months ended 30th June 2010

Notes to the Interim Report (continued)

5. Tax on profit on ordinary activities

	6 months ended 30 th June 2010 € Unaudited	6 months ended 30 th June 2009 € Unaudited
UK corporation tax	-	-
Deferred tax on property revaluation	-	(23,551)
	-	(23,551)

6. Reconciliation of net loss to net cash inflow

	6 months ended 30 th June 2010 € Unaudited	6 months ended 30 th June 2009 € Unaudited
Loss before taxation	(168,075)	(56,901)
Realised gains on sale of investment properties	(84,681)	43,796
Bank interest received	(3,186)	(16,416)
Corporation tax paid	(1,194)	(3,859)
Adjustments for:		
Depreciation and amortisation	36,751	71,993
(Increase)/decrease in debtors	(51,123)	48,152
Decrease in creditors	(65,905)	(43,934)
Realised currency gains	(10,631)	(18,647)
Net cash (outflow)/inflow from operating activities	(348,044)	24,184

7. Events after the balance sheet date

On 16th July 2010 the Group repaid €210,000 of its secured loan. The current balance of the secured loan is €4,796,033 representing 29 per cent of the value of investment properties as at 30th June 2010.

On 16th July 2010 the Group completed the sale of one property representing 1.3 per cent of its portfolio for a value of €1,918 per square metre.

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.

These reports will also be available on the Company's website www.pactolus.co.uk.