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The Company and the Directors, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document. Under no circumstances should the information contained in this document be relied upon as being accurate any time after Admission.

This document, which constitutes an admission document drawn up in accordance with the AIM Rules, has been prepared in connection with a proposed placing and subsequent admission to trading of the Company's Ordinary Shares on AIM. This document is not a prospectus and has not been delivered to the Financial Services Authority in accordance with the Prospectus Rules. **Application has been made for the entire issued share capital of the Company to be admitted to trading on AIM and it is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 23 March 2006.**

This document has not been delivered to the Isle of Man Financial Supervision Commission for registration as a prospectus pursuant to section 38 of the Companies Act 1931 on the basis that the offer of Ordinary Shares constituted hereby is a "private placement" as defined in the Companies (Private Placements) (Prospectus Exemptions) Regulations 2000. This document and the Placing have not been approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man.

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PROSPECTIVE INVESTORS SHOULD READ THE WHOLE TEXT OF THIS ADMISSION DOCUMENT. YOUR ATTENTION IS PARTICULARLY DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART III OF THIS DOCUMENT.

Pactolus Hungarian Property plc

(Incorporated in the Isle of Man under the Companies Act 1931-2004 with registered number 115148C)

Placing of up to 15,833,333 Ordinary Shares at a price of 60p per share and Admission to trading on AIM

Nominated Adviser:

City Financial Associates Limited

Broker:

Hichens, Harrison & Co. plc

City Financial Associates Limited is the Company's nominated adviser for the purposes of the AIM Rules. City Financial Associates Limited, which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to customers of City Financial Associates Limited or for advising any other person on the contents of this document or any matter referred to herein. The responsibilities of City Financial Associates Limited as the nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc. City Financial Associates Limited has not authorised the contents of, or any part of, this document and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by City Financial Associates Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information for which the Company and its Directors are solely responsible.

Hichens, Harrison & Co. plc is the broker to the Company for the purposes of the AIM Rules. Hichens, Harrison & Co. plc, which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Hichens, Harrison & Co. plc or for advising any other person on the contents of this document or any matter referred to herein.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act 1933, as amended, or under the securities legislation of any state of the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no document in relation to the Placing has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing or the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States, Canada, Australia, South Africa or Japan or offered or sold to a person within the United States or a resident of Canada, Australia, South Africa or Japan.

Copies of this document will be available free of charge to the public during normal business hours on weekdays (excluding public holidays) from the date hereof until the date one month from Admission from the offices of City Financial Associates Limited at Pountney Hill House, 6 Laurence Pountney Hill, London EC4R 0BL.

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PLACING STATISTICS

Placing Price	60p
Pro-forma Net Asset Value per Share before provision for deferred taxation at 7 February 2006	63.1p
Number of Existing Ordinary Shares	5,519,732
Number of Placing Shares	15,833,333*
Estimated net proceeds of the Placing	£8.75 million*
Gross proceeds of the Placing	£9.5 million*
Number of Ordinary Shares in issue immediately following Admission	21,353,065*
Market capitalisation of the Company at the Placing Price following the Placing	£12.8 million*
Percentage of the Enlarged Issued Share Capital represented by the Placing Shares	74.2%*
ISIN Code	GB00B0YMRZ51

*assuming full subscription under the Placing

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings commence on AIM in the Ordinary Shares	23 March 2006
CREST accounts credited	23 March 2006
Share certificates to be dispatched (where applicable) by	30 March 2006

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Christopher Heal Bennett	<i>Non-executive Chairman</i>
	Brett Lance Miller	<i>Non-executive Director</i>
	Christina Lillian Rawlinson	<i>Non-executive Director</i>
	Stephen Dillon Gray	<i>Non-executive Director</i>
	Barry Curtis Smith	<i>Non-executive Director</i>
	Katherine Sarah Ellis	<i>Non-executive Director</i>
	Sarah Joanne Ingrassia	<i>Non-executive Director</i>

All of First Floor, Jubilee Buildings, Victoria Street, Douglas, Isle of Man
IM1 2SH

Company Secretary: Christina Lillian Rawlinson

**Registered Office and
Principal Place of Business** First Floor
Jubilee Buildings
Victoria Street
Douglas
Isle of Man
IM1 2SH

Asset Manager: Midas Investment Management Limited
2nd Floor
Arthur House
Chorlton Street
Manchester
M1 3FH

Property Adviser in Hungary: Midas European Property Limited
Arany János utca 15
Budapest 1051
Hungary

Property Valuer in Hungary: King Sturge Kft
Rákóczi ut 70
1074 Budapest
Hungary

Nominated Adviser: City Financial Associates Limited
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

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

Reporting Accountants: CLB Littlejohn Frazer
Chartered Accountants
1 Park Place
Canary Wharf
London
E14 4HJ

Auditors:	PKF (Isle of Man) LLP Chartered Accountants PO Box 16 Analyst House 20-26 Peel Road Douglas Isle of Man IM99 1A
Solicitors to the Company as to English Law:	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA
Solicitors to the Company as to Isle of Man Law:	Cains Advocates Limited 15-19 Athol Street Douglas Isle of Man IM1 1LB
Solicitors to the Company as to Hungarian Law:	Ruttkai Marczel Ruttkai Attila útca 133 1012 Budapest Hungary
Tax Adviser to the Company:	BDO Stoy Hayward LLP Commercial Buildings 11-15 Cross Street Manchester M2 1WE
Bankers:	Barclays Bank PLC Barclays House Victoria Street Douglas Isle of Man IM1 2LE
Administrator & Registrar:	Anglo Irish Trust Company Limited First Floor Jubilee Buildings Victoria Street Douglas Isle of Man IM1 2SH
CREST Service Provider:	Computer Share Investor Services (Channel Islands) Limited Ordnance House 31 Pier Road St Helier Jersey JE4 8PW

KEY INFORMATION

The following information should be read in conjunction with the full text of this document from which it is derived.

Background

- Pactolus Hungarian Property plc has been formed to invest in the Hungarian property market with an initial focus on the residential freehold market in the more affluent districts of Budapest.
- The Group is centred on a single country in which the Asset Manager and Property Adviser have specific knowledge and expertise.
- The Group invests in high value freehold property in the heart of Budapest which it renovates to a high standard and lets at attractive yields to tenants with good covenants.
- The Group is not involved in the development of new buildings or in highly speculative off plan investments.
- Midas Investment Management Limited is an award winning investment manager with approximately £150 million under management including the funds of Manchester & London Investment Trust plc. Manchester & London Investment Trust plc has the following attributes:
 - has outperformed the FTSE All Share by 28 per cent. over the last three years and 79 per cent. over the last five years on a dividend reinvested basis to the end of December 2005;
 - ranked by Standard & Poors as the second best performing UK Growth Trust over the last five years to the end of December 2005 and the third best performing UK Growth Trust over the last three years to the end of December 2005;
 - winner of Money Observer's award for best UK Growth Investment Trust of 2004 and 2005;
 - winner of Investment Week's best UK Growth Investment Trust 2004; and
 - awarded three stars for performance by Standard & Poors.
- The properties within the portfolio of the Pactolus Group have all, except one, been bought since 28 January 2005. As at 7 February 2006 the gross valuation uplift was 46 per cent. The pro-forma Net Asset Value per Share of the Group before taxation and exceptionals as at 7 February 2006 is 65.3p compared to 48p of its predecessor group, Pactolus Eastern European Property Limited, at 28 January 2005. This represents a compound annual growth rate of 34 per cent.
- The Company's target dividend yield is 3.5 per cent. at the Placing Price for 2006 and 2007 and the Directors expect this yield to increase in later years. Please see paragraph 9 "Dividend Policy" in Part I of this document.

The Opportunity

- The Asset Manager considers that the Hungarian property market, particularly in Budapest, presents an attractive investment opportunity due to:
 - the high yields available in the Hungarian property market relative to other European markets;
 - the growth in the Hungarian economy over the past few years, which has exceeded the EU average;
 - strong foreign direct investment within Hungary, partly due to Hungary having one of central Europe's lowest corporate tax rates;
 - the service sector based economy of Hungary, which represented 65.3 per cent. of the economy in 2005 (Source: Deloitte Touche Tohmatsu, May 2005). The labour force of Hungary is relatively well educated and has significant cost advantages over many western European countries (in 2005 the average monthly wage in Hungary was approximately €617 compared with €3,452 in Germany)

(Source: Hungarian Investment & Trade Development Agency (2005) and Federal Statistical Office, Germany 2005/2006);

- the capital injection that Hungary has received from the European Union following its accession in May 2004 which it is anticipated will continue, with Hungary being eligible for €3.21 billion from the date of its accession to the end of 2006;
 - the increases in capital value that will be generated by yield compression as Hungarian interest rates continue to converge to Euro rates as Hungary moves closer towards its intended Euro adoption in 2010;
 - the current market constraints on mortgage leveraging in the residential real estate market which will reduce as competition from banks leads to the development of a more sophisticated domestic real estate financing market and higher leverage ratios; and
 - property prices in Budapest which are low relative to the prices in other capitals within the region such as Prague, Zagreb and Warsaw.
- The Asset Manager intends to continue with the current strategy of refurbishment and letting of high value, period, freehold residential properties in Budapest, maintaining the Group's current portfolio and will also focus on refurbishing whole block branded apartments incorporating concierge, parking and other services.
 - In addition the Asset Manager will investigate other new opportunities such as refurbishing buildings into student residential accommodation and the possibility of investing in government backed commercial properties to be utilised as dentists, opticians and doctors' surgeries which are government funded.

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Accession States”	the countries that joined the European Union on 1 May 2004 being Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia;
“Acts”	the Isle of Man Companies Acts 1931 – 2004, as amended;
“Administration and Registrar’s Agreements”	the agreements dated 22 December 2005 and 9 February 2006 between the Company and Anglo Irish relating to the provision of services by Anglo Irish as administrator and registrar;
“Admission”	the admission of the entire ordinary share capital, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the AIM Rules;
“Admission Document”	this document dated 17 March 2006;
“AIM”	AIM, a market operated by the London Stock Exchange;
“AIM Rules”	the rules for AIM companies published by the London Stock Exchange;
“Anglo Irish”, “Administrator” or “Registrars”	Anglo Irish Trust Company Limited, the Company’s administrator and registrar;
“Articles”	the articles of association of the Company;
“Asset Manager”	Midas Investment Management Limited;
“Asset Management Agreement”	the agreement dated 17 March 2006 between the Company and Midas relating to, <i>inter alia</i> , the management of the Group’s assets by Midas, further details of which are set out in paragraph 10.9 of Part VI of this document;
“CFA” or “City Financial Associates”	City Financial Associates Limited, the Company’s nominated adviser;
“Combined Code”	the Principles of Good Governance and the Combined Code on Corporate Governance, published in July 2003 by the Financial Reporting Council;
“Company” or “Pactolus”	Pactolus Hungarian Property plc, a company incorporated in the Isle of Man with company registration number 115148C and whose registered office is at First Floor, Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH;
“CREST”	the electronic settlement system operated by CRESTCo which facilitates the holding and transfer of title to shares in uncertificated form;
“CRESTCo”	CRESTCo Limited, the operator of CREST;
“CREST Regulations”	the Uncertificated Securities Regulations 2005;
“CREST Service Provider” or “Computershare”	Computershare Investor Services (Channel Islands) Limited;
“Directors” or “Board”	the directors of the Company whose names are set out on page 4 of this document;

“Enlarged Issued Share Capital”	the issued Ordinary Share capital of the Company immediately following the Placing and Admission, comprising the Existing Ordinary Shares and the Placing Shares;
“European Union” or “EU”	the union of independent European states founded on 1 November 1993;
“Euro” or “€”	the Euro, the currency of some member states of the European Union;
“Existing Ordinary Shares”	the 5,519,732 existing Ordinary Shares in issue immediately prior to the allotment of the Placing Shares;
“FSA”	the Financial Services Authority of the United Kingdom;
“FSMA”	the UK Financial Services and Markets Act 2000, as amended;
“Gall & Eke” or “Gall & Eke Limited”	Gall & Eke Limited, a company incorporated in England and Wales with company registration number 03894718 and whose registered office is at 2nd Floor, Arthur House, Chorlton Street, Manchester, M1 3FH;
“GDP”	gross domestic product;
“Group” or “Pactolus Group”	the Company and its subsidiaries;
“Hichens” or “Hichens, Harrison & Co.”	Hichens, Harrison & Co. plc, the Company’s broker;
“HUF”	the Hungarian Forint, the currency of Hungary;
“King Sturge”	King Sturge Kft, the Company’s Property Valuer in Hungary;
“Lock-In Agreements”	the conditional agreements dated 17 March 2006 between the Company, City Financial Associates Limited, Hichens, and each of the Lock-In Persons, details of which are set out in paragraph 10.13 of Part VI;
“Lock-In Persons”	Mark Sheppard, Midas Nominees Limited, Gall & Eke and Nicholas Leigh-Wood;
“London Stock Exchange”	London Stock Exchange plc;
“Midas European Property Limited” or “MEP”	a company incorporated in England and Wales with company registration number 04089559 and whose registered office is at 2nd Floor, Arthur House, Chorlton Street, Manchester, M1 3FH, which provides property sourcing, procurement and management services to the Group in Hungary;
“Midas Investment Management” or “Midas”	Midas Investment Management Limited, a company incorporated in England and Wales with company registration number 01851650 and whose registered office is at 2nd Floor, Arthur House, Chorlton Street, Manchester, M1 3FH, which is authorised and regulated by the Financial Services Authority;
“Midász” or “Midász Property Kft”	Midász Property Ingatlanfejlesztő KFT, a subsidiary of the Company which is registered in Hungary under the number 01-09-726049, and which currently holds the Group’s property assets;
“Net Asset Value” or “NAV”	the Group’s net assets as derived from the audited accounts or management accounts for the relevant period end;
“Net Asset Value per Share”	means the Net Asset Value divided by the number of Shares in issue;
“Official List”	the official list of the UK Listing Authority;
“Ordinary Shares” or “Shares”	ordinary shares of 1p each in the capital of the Company;

“Pactolus (IOM) Limited”	a subsidiary of the Company, incorporated in the Isle of Man with company registration number 115129C and whose registered office is at First Floor, Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH;
“Placing”	the conditional placing of the Placing Shares on behalf of the Company at the Placing Price pursuant to the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 17 March 2006 between the Company (1), certain of the Directors and Midas (2), City Financial Associates (3), and Hichens (4), relating to the Placing, details of which are set out in paragraph 10.12 of Part VI of this document;
“Placing Price”	60 pence per share;
“Placing Shares” or “New Ordinary Shares”	up to 15,833,333 new Ordinary Shares to be issued pursuant to the Placing;
“Property Adviser”	Midas European Property Limited;
“Property Portfolio”	the property owned by the Group through its subsidiary, Midász;
“Property Valuer”	Bradmore King Sturge or whoever the Directors may appoint from time to time;
“pound” or “£”	UK pounds sterling;
“Securities Act”	the United States Securities Act 1933, as amended;
“Share Dealing Code”	the share dealing code adopted by the Company to ensure compliance with Rule 21 of the AIM rules;
“Shareholder”	a holder of Ordinary Shares;
“UK Act”	the UK Companies Act, 1985, as amended;
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purpose of Part VI of the FSMA;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“Valuation Date”	the half yearly or end of accounting period date at which the Property Valuer will value the Property Portfolio;
“VAT”	value added tax;
“\$”	US dollars, the currency of the United States of America

All amounts shown in this document are in pounds sterling, euros or Hungarian Forints unless shown to the contrary. As at 15 March 2006 the rates of exchange were as follows:

£1: €1.45

£1:HUF 378

PART I

INFORMATION ON THE GROUP

1. INTRODUCTION

The Company was established in December 2005 and acquired the operating business of the Group in January 2006 as a result of a corporate reorganisation. The Group undertakes through its Hungarian subsidiary, property development, trading and investment, primarily in residential property, in Budapest, Hungary and has been doing so since March 2004.

The Asset Manager believes that property prices in the UK may not show the same rate of growth as in the last decade complicating the search for quality property investments offering attractive yields.

The Asset Manager believes that prices in the Hungarian property market, which have increased in previous years, will continue to increase.

In order to take advantage of these anticipated growth opportunities and undertake its expansion plans, the Company is proposing to raise up to £9.5 million (before expenses), by way of the Placing and at the same time is applying for Admission of its Ordinary Shares to AIM.

The Group will continue to focus on its current strategy of the refurbishment and letting of high value period residential properties at attractive yields and will also focus on refurbishing whole block branded apartments incorporating concierge, parking and other services.

In addition the Group will investigate the following new opportunities:

- acquiring and refurbishing buildings into student residential accommodation; and
- acquiring and investing in commercial properties to be utilised as dentists, opticians and doctors' surgeries which are government funded.

2. KEY STRENGTHS

The Asset Manager believes that the Group has the following key strengths:

- the Group is focused on a single country in which the Asset Manager and the Property Adviser have specific knowledge and expertise;
- the Property Adviser to the Group is located in Budapest and manages the Group's investments on a permanent day to day basis;
- Hungary has a well balanced service based economy with low unemployment and an educated workforce unlike a number of other countries in Eastern and Central Europe which have considerable progress to make before, in the Asset Manager's opinion, being considered developed European economies;
- the Group focuses on lower risk refurbishment and renovation rather than development. Furthermore, the Group is not currently involved in complicated planning matters which reduces its operational risk profile;
- the Group is investing in high value period properties, predominantly in Budapest's Vth district (considered the heart of the city), that have been in existence for, in some cases, up to 120 years;
- the Group is not involved in highly speculative activities such as off plan investments;
- the Group's property and investments are managed by the Asset Manager, which has a proven and award winning investment record (see paragraph 6.1 below);
- the Asset Manager believes that as Hungary has joined the EU, interest rates will decline to harmonise with rates in the Euro zone and mortgage gearing will increase as Western banking practices become more common. Any fall in interest rates and increase in leverage ratios may stimulate property prices; and

- the Asset Manager expects Hungary and its property prices to benefit from the €3.21 billion investment due to the country from the EU during the 2004-2006 period.

3. THE OPPORTUNITY

Hungary

Hungary joined the European Union in May 2004. The Asset Manager believes that Hungary joining the EU should be favourable for the Hungarian property market in the future.

In economic terms, the Asset Manager believes that there will be an economic convergence within Europe and an increase in house prices and GDP as occurred in Ireland between 1990 and 2000 where GDP almost doubled and house prices more than doubled. In comparison to other EU countries property prices in Hungary are relatively low with the average price of a property in Dublin approximately three times the price of its Budapest equivalent.

The country is politically stable and the Hungarian Forint has been pegged to the Euro since January 2000. Between May 2001 and June 2003 this was at a rate of plus or minus 15 per cent. on 276.1 Hungarian Forint to 1 Euro but since June 2003 it has been pegged at a rate of 282.36 Hungarian Forint to 1 Euro.

The Asset Manager believes that Hungary is an attractive environment in which to invest in property assets. The main reasons for this belief are as follows:

- **Economic Growth** – The Hungarian economy is growing at a rate above the EU average. Growth in industrial production and the maintenance of a relatively low unemployment rate has resulted in relatively strong GDP growth over the last few years. The economy has grown at an average rate of 3.9 per cent. over the last three years and despite this, inflation has been reduced to the low level of 3.3 per cent. in 2005. Imports were forecast to be \$62.7 billion in 2005 compared to \$59 billion in 2004, a forecast increase of 6.3 per cent (Source: www.centreurope.org/cofacerating_2005). Hungarian exports were forecast to increase to \$60.1 billion in 2005 from \$55 billion in 2004, a forecast 9.3 per cent. increase (Source: Hong Kong Trade Development Council, March 2005, www.centreurope.org/cofacerating_2005). The Asset Manager believes the growth in the Hungarian economy should underpin a strong property market and lead to increased asset prices.
- **Strong foreign direct investment** – Hungary has one of the lowest corporate tax rates in central Europe (16 per cent.) which has attracted foreign direct investment into Hungary. Cumulated foreign direct investment has increased on a year-on-year basis over the past three years. Hungary has been a leading destination for foreign direct investment in Central and Eastern Europe and has received approximately \$23 billion of foreign direct investment since 1989 (Source: www.economist.com, CIA World Factbook, Strategis (Federal Government of Canada)).
- **Service based economy** – Hungary is not reliant on old-fashioned heavy industry and manufacturing and therefore does not have many of the economic and structural problems associated with some other European countries. It has a relatively well educated low cost labour force with significant cost advantages over Western European countries. Hungary has a high proportion of its economy based in the services sector being estimated at 65.3 per cent. of the GDP for 2005 (Source: CIA 2005 World Factbook, Deloitte Touche Tohmatsu, May 2005).
- **Low relative property prices** – Average apartments in the best residential areas of Budapest sell for around €1,200 – €1,700 per square metre (roughly £82 – £116 per square foot) (Source: ingatlan.com 2005). To give regional comparisons, residential property in Zagreb, Croatia sells for €2,200 – €2,500 per square metre, in Prague, Czech Republic €2,200 – €2,700 per square metre, in Warsaw, Poland for €1,475 – €4,000 per square meter and in Athens, Greece for €7,600 – €8,800 per square metre (Source: www.bulgarproperty.com, Prague Property Report 2004/2005, Knight Frank and Ober Haus Real Estate Company, Warsaw). The Asset Manager believes that property in Hungary is cheaper than that in many other countries and that Hungary has good economic prospects. By way of comparison, in London, property in a number of residential areas (such as Knightsbridge, Kensington and Chelsea) can sell for approximately €16,000 per square metre (Source: www.bulgarproperty.com) and in Paris for approximately €18,000 per square metre (Source: www.easier.com – an article “Budapest – the Paris of Eastern Europe” (23rd January 2006)).
- **Capital injection from the EU** – On joining the European Union in May 2004 Hungary became eligible for grants to assist in its economic regeneration. Hungary has been allocated almost €3.21 billion from European funds for the 2004-2006 period (Source: Eurostat December 2005, Ernst & Young 2004).

- **Likely increase in mortgage leverage** – In the Asset Manager’s experience, individuals can only currently mortgage approximately 25-45 per cent. of a Hungarian property’s value (unless the property is a new build). In future, the Asset Manager believes that the competition generated by Western banks will liberalise the Hungarian property market making borrowing easier and increasing gearing levels. This, in turn, may increase property prices in Hungary through increasing liquidity.
- **Personal debt levels are low** – Financial liabilities as a percentage of GDP in Hungary was 16.2 per cent compared to 94.6 per cent in the UK in 2003 (Source: Eurostat 2005). The Asset Manager believes that if household debt levels continue to rise to Western European levels the increased liquidity in the money supply will drive up asset prices.
- **Borrowing cost likely to fall** – The current cost of Hungarian borrowing is relatively high. In the Asset Manager’s experience, the rate that ordinary Hungarians pay for a floating rate HUF mortgage is in the region of 11 per cent. per annum. The Asset Manager believes that once Hungary integrates further within the EU, interest rates should fall in order to harmonise with rates in the Euro zone. Lower interest rates should help stimulate the Hungarian property market.
- **High yields** – It is currently possible to achieve high rental yields on property. Rental yields on Hungarian residential property are currently in the range of 5 – 10 per cent. of the purchase cost (Source: Casaro-Hungary and A1 Real Estate Budapest). The Asset Manager believes that the Group should be able to achieve rental yields at the higher end of the above mentioned range on properties which it has renovated and refurbished. The Group expects to borrow at approximately 2 per cent. above the current Euribor rate which is currently around 2.4 per cent.
- **Multinationals are increasingly establishing themselves in Hungary and are often basing their regional headquarters for Central and Eastern Europe in Budapest** – By 2002 there were over 30,000 foreign owned companies operating in Hungary and 323 of the Fortune 500 companies have offices in Hungary (Source: www.movewithus.co.uk, Strategis (Federal Government of Canada)). As Hungary’s integration into the mainstream of European economic life continues, more multinationals are increasing their operations in Hungary. For example General Electric, General Motors, Nokia, Audi, IBM, Siemens, Philips and Ericsson all have offices in Hungary. In a survey by Bancraft in 2001 (Source: American Chamber of Commerce 2001), they found that 44 per cent. of companies questioned had their regional headquarters in Budapest as opposed to 24 per cent in both Prague and Vienna. Companies which have regional headquarters in Budapest include KPMG, Deloitte & Touche, Unilever, Proctor & Gamble, Levi Strauss and Philips.

Many of the banks in Hungary are foreign owned and Citibank, which has been present in Hungary since 1985, established their first Central and Eastern Europe regional office in Budapest.

In addition, ING Bank of the Netherlands has opened a regional centre in Budapest to consolidate its financial back office operations for Bratislava, Sofia, Vienna, Prague, Bucharest and Budapest itself.

ABN Amro, BNP Paribas, Deutsche Bank and KBC are amongst other major banks who have regional offices in Budapest.

The Asset Manager actively seeks to locate sites, specifically to refurbish and lease to multinational companies or their employees.

- **Central European distribution point and low cost flights** – Easyjet, Sky Europe, WizzAir and Jet2 currently operate direct low cost economy flights to Budapest from the United Kingdom. In addition, there are a number of carriers including Malev (the Hungarian national airline), British Airways, Lufthansa and Czech Airways which operate direct and indirect flights to Budapest from Western European Cities. Furthermore, Hungary is located as a central distribution point for European countries, close to Germany and Austria.

For all of these reasons, the Asset Manager believes that it is a good time to invest in the Hungarian property market. The Asset Manager believes that, in Hungary, property is relatively inexpensive, yields are high and the prospects for substantial capital appreciation are good.

Hungarian Economy

The private sector accounted for over 80 per cent of GDP in 2005 (Source: CIA World Factbook and www.state.gov (US Department of State)).

At 9 February 2006, Moody's rated Hungary's sovereign debt as A1, which is equal to their rating for the Czech Republic and Estonia, but higher than the ratings for all of the other rated Accession States and Romania and Bulgaria which are both rated only BA1 (Source: Deutsche Bank/Bloomberg 2006). Inflation has declined substantially, from 14 per cent. in 1998 to 3.3 per cent. in 2005 (Source: Magyar Nemzeti Bank (December 2005)) and unemployment is relatively low, forecast around 7.0 per cent. in 2005 and 2006 (Source: Financial Times 13 December 2005). Germany is Hungary's largest economic partner.

The following table gives an overview of the Hungarian economy from 2001 to 2006:

	2001	2002	2003	2004	2005	2006
Economic growth (%)	3.8	3.5	2.9	4.2	4.2 *	4.5 *
Inflation (%)	9.1	5.2	4.7	6.8	3.3 **	2.6 *
Public sector balance (% GDP)	-3.5	-8.5	-6.5	-5.4	-6.3 *	-6.5 *
Unemployment rate (%)	5.6	5.6	5.8	5.9	7.1 *	7.0 *
Exports (\$ billion)	31.0***	34.7***	43.1***	51.4*** ^(e)	61.9 *	70.0 *
Imports (\$ billion)	33.3***	36.8***	46.5***	55.5*** ^(e)	65.0 *	74.3 *
Trade balance (%)	-1.5	-2.3	-4.5	-3.0	-3.1 *	-4.3 *
Government Debt (% GDP)	52.2	55.5	57.4	57.4	60.3 *	65.0 *

* Forecast. Source: Financial Times 13 December 2005

** Source: Magyar Nemzeti Bank

*** Source: Dresdner Bank, Investing in Central and Eastern Europe, September 2004.

All other information sourced from Eurostat, Yearbook 2005

(e) Estimate

Foreign Investment

Following the collapse of communism, the Hungarian state has created a legal and economic environment which is politically stable. EU accession has further removed barriers to competition.

The Hungarian constitution and the law on foreign investments stipulate that, subject to certain exceptions, foreign persons (legal entities, individuals or civil partnerships registered in a foreign country), enjoy equal rights with local persons when conducting economic activities in Hungary except where otherwise provided by law. This principle covers the entire range of economic and legal forms for business activity.

Budapest and the Budapest Property Market

The Asset Manager believes there are numerous reasons for investing in property, specifically in Budapest, including:

- Average salaries are higher in Budapest than in other parts of the country;
- Limited growth in supply of real estate in central districts of Budapest;
- Increasing foreign demand;
- Low prices compared to other major EU capitals including Prague and Zagreb; and
- An expected increase in financial leverage and gearing on mortgages, and a reduction in interest rates.

Budapest has an attractive and lively city centre, which contains many turn of the century buildings, an opera house, numerous theatres, concert halls, music and dance academies, cafes, bars and restaurants. The city is divided into 23 districts, similar to the arrondissements of Paris and after studying the various districts, the Group presently concentrates predominantly on what the Asset Manager believes to be the most affluent districts which are the Vth and the VIth. It is the Asset Manager's intention to focus on these prime areas and, in particular District V, as the Asset Manager believes property investment there offers less risks, but maintains attractive potential rewards. These properties are more likely to be existing rather than new buildings. However the Group may invest in new buildings as well.

District V includes the Parliament Buildings and many ministries that make up Hungary's administrative, financial and political heart. Unrenovated apartments can be purchased for approximately €108,000 to €310,000 and converted into attractive rental properties for the business and foreign communities who live there.

District VI contains Budapest's cultural centre and includes its beautiful boulevard, Andrásy, which is known as the "Champs Elysees of Budapest", and leads to the Opera House and the Liszt Music Academy.

The Group currently has a portfolio of 15 properties located within these two districts.

Budapest possesses one of the largest concentrations of "aristocratic" architecture in Europe. A large number of city-centre buildings are over 75 years old but due to low historic rental income and a high proportion of state ownership, maintenance has been neglected and a large proportion of these are now in a condition requiring renovation and/or refurbishment. There are over 800,000 apartments in Budapest and it was estimated on the 20 October 2004 that more than 200,000 of these are in need of renovation (Source: Independent October 2004). Significantly, a number of local municipalities have established a programme for renovating buildings in the centre of the city and now many are being repaired and renovated by foreign buyers.

According to the Budapest Times, the situation is as follows:

"Values will go up when two things happen: when Hungarian banks make it easier for Hungarians to get long-term mortgages and when salaries rise to Western levels. . . Higher salaries in neighbouring EU countries will pull up local pay levels and Hungarian banks will inevitably match their lending practices to EU norms. This could be fully realised in three to five years. The reward will be substantial capital appreciation for those investors buying into the market in the coming months." – Yizhaq Ben-Ezra, Realtor, Budapest Times, 12 April 2004.

At the end of 2004, the share of privately owned residential properties in Hungary had reached 92 per cent. (Source: Hungarian National Office of Statistics – www.ksh.hu). The Asset Manager believes this ratio is one of the highest in Europe.

Large numbers of foreign skilled workers come to Budapest to work in the banking and finance sectors. There are many embassies and banks located in the heart of the Group's key intended investment area, District V, which means there is a supply of discerning tenants living and working in the area.

4. CORPORATE STRATEGY

The Group intends to build a substantial property portfolio over a number of years. The Asset Manager believes that property prices in Hungary will continue to increase. The Board's intention is for the Group to purchase residential properties either as individual flats or as buildings and renovate or refurbish them into lettable flats, preferably to multinational corporations or their employees. The Asset Manager believes that there will be strong demand for such properties.

After renovation and/or refurbishment, it is intended that such properties would normally be let but may be sold depending on the circumstances. The average refurbishment spend per square metre undertaken by the Group is approximately €419. The Directors are primarily considering investing in freehold residential property in Budapest, as the Asset Manager believes this has a relatively lower risk profile when compared with other types of property.

The Group will continue to focus on its current strategy of the refurbishment and letting of high value, period, freehold residential properties at attractive yields and will also focus on:

- refurbishing whole block branded apartments incorporating concierge, parking and other services.

In addition, the Group will investigate the following new opportunities:

- acquiring and refurbishing buildings into student residential accommodation; and
- acquiring and investing in commercial properties to be utilised as dentists, opticians and doctors' surgeries which are government funded.

However, the Asset Manager will also consider investment in property located in other cities throughout Hungary and, in rare circumstances, land for development.

Refurbishment

The Asset Manager estimates that the refurbishment costs for the intended residential property portfolio are typically between 15 and 35 per cent. of the total acquisition cost, depending on the quality of finish and type of building. The Company, through MEP, will appoint architects and builders that are appropriate to individual developments.

By a combination of acquisition and refurbishment of properties for letting and, where appropriate, disposals, the Directors intend to build the Group into an exciting property investment vehicle with the intention of producing appreciable growth over the forthcoming years.

Planning Process

Building and development plans for a Hungarian property have to be submitted to the local authority or municipality for approval. The planning process can be relatively simple but the process for new builds would typically be expected to take three to six months. For developments, full plans have to be included in the planning application, and the authorities will consider zoning and other criteria, as well as the environmental impact, thus the timing and complexity of planning issues can vary.

The Group will primarily focus on simple refurbishments and renovation, which require extremely limited planning permission, which is normally granted expeditiously, or no planning permission.

Property Portfolio

The following table shows the current property portfolio of the Group:

		<i>Total Cost (HUF)</i>	<i>Total Cost (€)</i>	<i>Gross Annual Rental Income (€)</i>	<i>Yield on Total Cost (%)</i>	<i>King Sturge Valuation (€)</i>
1	Veres Pálné utca 25:	68,005,717	276,738	27,600	10.0	455,822
2	Nagymező utca 49:	38,223,269	158,055	13,200	8.4	229,873
3	Október 6 utca 19 (1):	106,172,361	429,497	33,600	7.8	610,249
4	Október 6 utca 19 (2):	67,858,798	275,409	24,000	8.7	413,570
5	Ferenczy István utca 18:	57,672,982	232,244	16,800	7.2	314,399
6	Hercegprímás utca 10:	56,639,708	227,087	17,400	7.7	307,147
7	Józef Nádor tér 10:	52,327,940	215,202	16,800	7.8	283,170
8	Arany János 29:	37,604,302	150,801	12,000	8.0	215,085
9	Henszlmann Imre utca 7:	47,138,701	189,427	16,200	8.6	267,426
10	Henszlmann Imre utca 5:	86,878,745	347,671	30,000	8.6	528,563
11	Bajnok utca 14:	34,808,880	143,799	10,800	7.5	165,863
12	Szalay utca 2:	60,119,775	250,412	18,000	7.2	275,345
	Sub-total 1	713,451,178	2,896,342	236,400	8.2	4,066,512
13	Vörösmarty tér 2	51,146,250	205,102	–	–	–
14	Ferenczy István utca 12:	89,871,750	365,219	–	–	–
15	Veres Pálné utca 30:	60,837,688	232,756	–	–	–
	Sub-total 2	201,855,688	803,077			1,335,935
	Total Invested	915,306,866	3,699,419			5,402,447
	Gross Valuation Uplift					46%

The Group's tenants include employees of Philip Morris Magyarország Kft and Nokia.

In addition, the Group also have the following tenants:

- one of the leading investors in commercial property and providers of financial and property services worldwide;

- one of the world's leading international appliance companies with yearly sales to approximately 55 million consumers in more than 150 countries;
- one of the world's leading financial services companies, with approximately 200 million customer accounts in more than 100 countries.

and employees of the following as tenants:

- one of the leading international accounting and consulting firms; and
- a leading global provider of products and services to consumers in 140 countries with approximately 98,000 employees based in 80 countries worldwide.

Properties 1 to 12 are all let to tenants including multinationals. Properties 14 and 15 are under renovation and property 13 is available to let. The aggregate cost of the Group's property portfolio was €3.7 million including refurbishment costs and taxation on purchase and it is currently valued at €5.4 million, thus showing a gross uplift of 46 per cent. before any provision for deferred taxation on sale.

Property Taxation and VAT

Hungarian property acquisitions incur lawyers' fees and Real Estate Transfer Duty and can incur VAT as follows:

VAT at 20 per cent. is only payable on the first sale of new build residential property transactions. The second and all subsequent sales of existing residential property are exempt from VAT. The Group will have to pay a VAT charge of 20 per cent. on all real estate broker services. VAT at 20 per cent. is payable on refurbishment costs.

Real Estate Transfer Duty is payable on the fair market value of residential property at 2 per cent. on the first 4 million HUF and 6 per cent. on any excess above this. In certain circumstances, real estate traders can opt for a 2 per cent. Real Estate Tax rate, payable in advance, where the property is to be sold within 2 years.

Legal Ownership of Hungarian Property

Overseas individuals and companies are permitted to acquire property in Hungary, but this can be extremely time consuming. The simple solution is for property to be purchased through a Hungarian company. Hungarian law allows Hungarian companies to be 100 per cent. foreign owned.

The Group therefore purchases property through Midász which it owns 100 per cent. through its subsidiaries.

In common with other Eastern European countries, Hungary made provision for the return of property to owners whose property had been confiscated during the communist era. Land restitution was completed in 2000.

5. BORROWING STRATEGY

The Directors believe that the Group should have a prudent but significant level of debt. As the Hungarian Forint is currently pegged to the Euro, the Directors intend that the Group's borrowing should also be in Euros. By borrowing money, the Group will be able to undertake more investments than it would otherwise be able to do, and it will have the potential to grow faster and thus achieve greater potential returns to investors.

As outlined above, the Group plans to invest in a number of properties, the majority of which will be income producing. The Group intends to borrow up to between 50 – 75 per cent. of the costs of each project, depending on the property involved. Initially it is expected that the Group will only borrow up to 50 per cent. of the value of each property.

6. MANAGEMENT OF THE COMPANY

Midas will provide a complete asset management service to the Group as provided under the Asset Management Agreement entered into with the Company.

6.1 Asset Manager

The current business of Midas, which is controlled by Mark Sheppard, was established in 2002 and currently manages approximately £150 million in UK equities including an award winning investment trust.

The flagship investment fund of Midas is the Manchester & London Investment Trust plc, which has the following attributes:

- Has outperformed the FTSE All Share by 28 per cent. over the last three years and 79 per cent. over the last five years on a dividend reinvested basis to the end of December 2005.
- Ranked by Standard & Poors as the second best performing UK Growth Trust over the last five years to the end of December 2005 and the third best performing UK Growth Trust over the last three years to the end of December 2005.
- Winner of Money Observer's award for best UK Growth Investment Trust of 2004 and 2005.
- Winner of Investment Week's best UK Growth Investment Trust 2004.
- Awarded three stars for performance by Standard & Poors.

Midas will procure the performance of its obligations under the Asset Management Agreement through Mark Sheppard. A brief biography for Mark Sheppard is provided below:

Mark Brian Birch Sheppard, ACA (aged 35)

Mark qualified in 1996 as a chartered accountant with Deloitte & Touche in London. He moved to ABN Amro Equities Limited where he became a smaller companies analyst and was part of the Restaurant, Breweries and Pubs team, which was voted the second best team in the 1998 Reuters UK Smaller Company Survey. The following year he moved to the UK Smaller and Mid Cap Institutional sales team that was voted the second best team in the 1999 survey. In 1999, Mark was appointed Chief Executive of Galleon Assets Management Limited, which he sold to Abinger Investments plc in 2001. He was then appointed Chief Executive of Midas Investment Management Limited which he had previously founded. Mark has been involved in the management of a number of investment funds.

6.2 Property Advisers

MEP's business, which is controlled by Mark Sheppard, was set up in conjunction with Nicholas Leigh-Wood, in 2004 to purchase, renovate, sell, rent and manage property in Hungary. MEP does not receive a fee from the Group but has a separate agreement with Midas, which remunerates MEP out of the proceeds of its Asset Management fee.

Under the agreement between Midas and MEP, MEP will provide the services of Nicholas Leigh-Wood and MEP's office in Budapest. These services include carrying out the identification of properties for investment or development, the preparation (if so requested by the Company) of written reports on potential investments or developments and written recommendations regarding the upkeep, refurbishment or disposal of investments. MEP may receive a fee from the Group should it sell any of the Group's properties to other clients of MEP for which a normal market based agency fee would be due and yet no acquisition fee has been received from the purchasing client in respect of the transaction.

A brief biography for Nicholas Leigh-Wood is provided below:

Nicholas Leigh-Wood (aged 34)

Nicholas graduated in 1994 with an MBA from L'Institut Supérieur de Gestion, Paris, France. Nicholas was founder and managing director of Future Internet Technologies Ltd and built up a web design and software business before managing the reverse takeover of AIM listed Griff-Tech.com plc in May 2000, raising £3million in the process. He subsequently managed the merger of the underlying business and assets with Hong Kong based Magically Inc.

Since 2002, while acting as a consultant to a number of businesses including InsideSpace Art & Interior Design Limited and Facade International Limited. Nicholas has also been actively involved in the acquisition, restoration and re-sale of buildings in disrepair for Counterhouse Developments Limited.

He has had experience of transacting in property in Budapest since 1998 and has focused on the property management of the Group's Hungarian subsidiary since December 2004. Nicholas is half Hungarian and has extensive contacts in Budapest. His grandfather was instrumental in setting up the Budapest Stock Exchange at the request of the World Bank and his grandfather subsequently held the role of Senior Central European Advisor at Flemings.

6.3 The Asset Management Agreement

Pursuant to the Asset Management Agreement, Midas will provide services to the Group including, but not limited to, advising on the sale and purchase of properties and investments and assisting with effecting the same, advising on strategy and property development, providing day-to-day administration and management services including rent collection and maintenance and providing some administration services including book-keeping, management reporting and budgeting.

Further details of the Asset Management Agreement are set out in paragraph 10.9 of Part VI of this document. In summary, the following fees will be paid to Midas pursuant to the Asset Management Agreement:

Midas will receive an annual management fee of 0.5 per cent. per quarter (plus direct costs, expenses and disbursements) based upon the net assets of the Group at the quarter end but before any provision for the management fee or performance fee (if due) for that quarter. There are also restrictions on the extent to which the management fees will apply to cash deposits.

Midas will also receive a performance fee which will be calculated at the year end from the audited accounts and will be based on the net assets of the Group (including all expenses except the performance fee for the relevant period). The performance fee will be 20 per cent of the amount by which the adjusted net assets exceed a benchmark set at 9 per cent per annum adjusting for all further share issues, redemptions and capital and income distributions. The benchmark sets a continually increasing “high water mark” on which the performance fee for any subsequent period will be based and if such benchmark is not exceeded in a period, no performance fee will be payable for that period. If a performance fee is due in respect of a period, it will be satisfied by the Company partly in cash (40 per cent.) and partly by the issue of Ordinary Shares (60 per cent.) at a price as set out in paragraph 10.9 of Part VI, in each case within 30 days of the audit of the accounts for the period and agreement of the performance fee by the Board.

7. DIRECTORS OF THE COMPANY

Christopher Heal Bennett, BA (Hons), FRICS (aged 60) – Non-executive Chairman

Chris left the College of Estate Management, University of London in 1966 and joined the Inland Revenue District Valuer and Valuation Office. He subsequently joined Montagu Evans before joining Richard Ellis in 1972 where he spent 17 years as a partner in charge of the Industrial Property business, leaving the partnership in 1988.

After a brief spell as a developer of commercial property in the London area, Chris joined Price Waterhouse in Budapest as the head of the Real Estate Group in Central & Eastern Europe with offices in Berlin, Warsaw, Prague and Moscow. In 1994, Chris joined DTZ as Chairman of their Central & Eastern Europe operations, covering Vienna, Budapest, Prague, Warsaw, Bucharest, Moscow, St Petersburg and Kiev before leaving in April 2005 to join the Stumpf group. Chris is currently managing director of Stumpf CEE kft, a wholly owned subsidiary of the Austrian Stumpf group (a privately owned Austrian development and investment company). In his current role with Stumpf his objective is to invest in commercial real estate outside Austria.

Chris has extensive experience of all aspects of real estate throughout the former Soviet Union and Central and Eastern Europe.

Brett Lance Miller, BA, LL.B. (aged 38) – Non-executive Director

Brett graduated from the University of the Witwatersrand (South Africa) with a Bachelors degree majoring in Law and Economics and additionally holds a Law degree from the London School of Economics (after having relocated to the United Kingdom in 1988). He joined Nabarro Nathanson, a London-based law firm, in September 1993 where he did his articles and practiced until December 1997.

Brett has specialised in mergers and acquisitions and corporate finance in the energy and natural resources and smaller companies sectors. He is currently managing director and a key shareholder of Ruegg & Co Limited, a London based corporate finance boutique which is an active sponsor of new issues on the AIM and OFEX markets. He has considerable experience in raising equity capital for smaller companies, having been the driving force behind numerous small company flotations in a variety of sectors. He also has considerable experience in corporate finance, corporate governance issues, corporate restructurings and optimising financial capital structures.

Christina Lillian Rawlinson (aged 35) – Non-executive Director

Tina qualified as a Chartered Certified Accountant in 1995 and has thirteen years' experience in the offshore arena gained with PriceWaterhouseCoopers (now Abacus Trust Company Limited) and since 1998 Anglo Irish Trust Company Limited (formerly Ernst & Young Trust Company Limited).

Stephen Dillon Gray (aged 36) – Non-executive Director

Steve has sixteen years' experience in UK and offshore corporate and trustee administration, including five years with Anglo Irish Trust Company Limited (formerly Ernst & Young Trust Company Limited).

Barry Curtis Smith (aged 52) – Non-executive Director

Barry is the Legal Counsel for Anglo Irish Trust Company Limited and has 26 years' experience in the legal profession as an Attorney, Notary Public and conveyancer (South Africa), Solicitor (England) and Advocate (Isle of Man).

Katherine Sarah Ellis (aged 27) – Non-executive Director

Katherine qualified as a Chartered Certified Accountant in 2002 and has eight years' experience in the offshore arena with Anglo Irish Trust Company Limited (formerly Ernst & Young Trust Company Limited).

Sarah Joanne Ingrassia (aged 35) – Non-executive Director

Sarah is a Member of the Society of Trust & Estate Practitioners and has over 15 years' experience in the offshore trust & company arena.

8. THE PLACING

The Company is proposing to raise up to £9.5 million (before expenses) by the issue of up to 15,833,333 new Ordinary Shares at the Placing Price. The Placing Shares will represent approximately 74.2 per cent. of the Enlarged Issued Share Capital of the Company at Admission (assuming full subscription under the Placing). The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the rights to all dividends and other distributions declared, made or paid following Admission, and will be issued credited as fully paid. The Placing has not been underwritten.

Application has been made for the Enlarged Issued Share Capital to be admitted to AIM.

The Placing is conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring no later than 23 March 2006 (or such later date as Hichens and the Company may agree, being not later than 23 April 2006).

Further details of the Placing Agreement are set out in paragraph 10.12 of Part VI of this document.

Midas has agreed to convert an amount equal to £250,000 owed to it by the Group into Ordinary Shares by subscribing for 416,666 Placing Shares at the Placing Price. £100,000 worth of these Placing Shares at the Placing Price (being 166,666 Placing Shares) will be transferred to Nicholas Leigh-Wood. In addition Midas Nominees Limited (a company controlled by Mark Sheppard) has agreed to subscribe for 110,000 Placing Shares pursuant to the Placing.

Brett Miller has agreed to subscribe for 41,666 Placing Shares pursuant to the Placing.

9. DIVIDEND POLICY

Whilst the Company might grow faster if no dividends were paid, the Directors feel it is important that Shareholders receive a return on their invested capital by way of a dividend. The Company will only pay a dividend if its financial circumstances permit it and if the Directors believe it is prudent and strategically correct to do so. The actual level of dividends will depend on the rental and other income (including realized gains) generated by the Group

The Company is proposing to pay dividends representing a yield on the Placing Price of 3.5 per cent. for the years 2006 and 2007 and the Directors expect this yield to increase in later years. The Directors currently propose to re-invest the remaining Group's earnings to finance the growth of the business.

10. CASH MANAGEMENT

The Group's investments will be made in Euros or Hungarian Forint because the Hungarian Forint is pegged to the Euro, the proceeds from the issue of the Placing Shares will be converted into Euros shortly after Admission. Any distributions made to holders of Shares will be made in Sterling, having been converted at the exchange rate prevailing at the time of such conversion, net of costs. The base currency of the Group for accounting purposes will be the Euro, but the reports and accounts presented to Shareholders will be in Euros and may be converted to Sterling in accordance with International Financial Reporting Standards for information purposes only. The Company will not hedge the exchange rate risk between Euros and Sterling but may at its discretion hedge any exchange risk between HUF and the Euro.

Any cash held by the Group may be held in Euro denominated government bonds with a maximum maturity of two years or invested in AAA rated liquid funds.

11. SHARE REPURCHASE FACILITY

The Directors are empowered to repurchase up to 10 per cent. of the Company's issued share capital during the period expiring on the date of the Company's first annual general meeting. The Directors will consider repurchasing Shares if they believe it to be in Shareholders' best interests, in particular as a means of correcting any imbalance between supply and demand for shares.

Shares can only be purchased by the Company out of distributable reserves or the proceeds of a fresh issue of Shares made for the purpose. Subject to confirmation by the court in the Isle of Man, it is currently intended that the Company's share premium account arising on the issue of Shares under the Placing will be cancelled, creating a distributable reserve which will be available for the redemption or repurchase of Shares.

12. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the entire issued share capital of the Company to be admitted to trading on AIM. It is expected that Admission will be effective and that dealings in the Ordinary Shares will commence on 23 March 2006.

The Ordinary Shares will be admitted to CREST, the computerised share transfer and settlement system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. The system allows shares and other securities to be held in electronic form rather than paper form, although a Shareholder can continue dealing based on share certificates and stock transfer forms.

With effect from Admission, it will be possible for CREST members to hold and transfer Ordinary Shares within CREST. For more information concerning CREST, Shareholders should contact their broker or, alternatively, CRESTCo Limited at 33 Cannon Street, London EC4M 5SB.

13. REASON FOR ADMISSION AND USE OF PROCEEDS

The Directors believe that opportunities exist for the Group's growth to continue at a significant rate and that the Group's ability to take advantage of market opportunities has been constrained by its restricted capital base. The Directors believe that the profile and status of the Company will be enhanced by the success of the Placing and Admission, particularly when negotiating with the Hungarian government.

Assuming full subscription under the Placing the proceeds of the Placing to be paid to the Company are approximately £9.5 million and it is anticipated that these proceeds will be used as follows:

- approximately £750,000 (including VAT) to pay for the costs of the Placing and Admission to AIM; and
- approximately £8.75 million for future property investments and general working capital purposes.

14. LOCK-INS AND ORDERLY MARKET AGREEMENTS

At Admission, the Directors and persons connected with them will together own 61,666 Ordinary Shares, representing 0.29 per cent. of the Enlarged Issued Share Capital (assuming full subscription under the Placing). In addition the Directors will have options over 41,666 new Ordinary Shares. Midas and the Lock-In Persons will together own 1,082,892 Ordinary Shares at Admission, representing approximately 5.1 per cent of the Enlarged Issued Share Capital (assuming full subscription under the Placing).

The Directors, Midas and the Lock-in Persons have undertaken to the Company, CFA and to Hichens that they will not sell or dispose of, except in certain circumstances (as permitted by the AIM Rules), any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission.

Further details of these arrangements are set out in paragraphs 10.12 and 10.13 of Part VI of this document.

15. CONFLICTS OF INTEREST

The Asset Manager and the Property Adviser may provide investment management, advisory and other services to other clients (including investment companies). In the event of a conflict of interest arising, the Asset Manager and Property Adviser will ensure that investment opportunities are primarily offered to the Group. Furthermore, the activities of the Asset Manager are subject to the overall direction and review of the Directors.

Nicholas Leigh-Wood, Midas and Mark Sheppard have agreed not to purchase or invest in any property assets in Hungary without prior permission from the Directors which cannot be unreasonably withheld unless the Directors believe the purchase or investment would be suitable for the Group.

16. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and intend that the Company will comply with the main 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.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. Following Admission, the Directors intend to hold Board meetings quarterly and at other times as and when required.

The Company has established an audit committee with formally delegated duties and responsibilities.

The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring the financial performance of the Company is properly measured and reported. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The audit committee will meet not less than twice in each financial year and will have access to the Company's auditors. The members of the audit committee are Brett Miller and Chris Bennett.

The Company does not, consider it necessary to establish remuneration and nomination committees as it has no executive directors.

The Company has adopted and will operate a share dealing code governing the share dealings of the Directors and any applicable employees. Midas, Mark Sheppard, Gall & Eke and Nicholas Leigh-Wood have also agreed to abide by the Company's share dealing code.

The Company will take all reasonable steps to ensure that the Directors and any applicable employees will comply with all provisions of the AIM Rules relating to the dealing in securities.

17. THE ADMINISTRATOR

The Company has engaged Anglo Irish as its administrator and registrar pursuant to the Administration and Registrar's Agreements.

The main terms of the Administration and Registrar's Agreements are that the Administrator will undertake day-to-day administration of the Company, including the preparation of accounts, maintenance of its books and records (in particular, its register of members).

Further details of the Administration and Registrar's Agreements are set out in paragraphs 10.5, 10.6 and 10.14 of Part VI of this document.

18. VALUATIONS

The Property Portfolio will be valued in Euros as at the close of business at each financial year end for properties which have not already been revalued in the last twelve months. For properties recently purchased, renovated and let to a tenant these will be revalued at each half year being either the financial year end or the interim period year end.

All valuations will be undertaken by the Property Valuer who will supply the Administrator, the Company's auditor and the Directors with the value of the Property Portfolio. The auditor will audit or review the value of any property holding subsidiaries and provide this value to the Administrator. Investment properties in respect of which the Group has not completed the purchase will be valued in accordance with International Financial Reporting Standards ("IFRS") guidelines approved by the Directors. Investment properties in respect of which the Group has completed the purchase will be valued on an open market basis. Pre-contract negotiations to buy or sell property will be disregarded for valuation purposes.

The Net Asset Value will be calculated on a half yearly basis on the half yearly or yearly valuation of the Property Portfolio. These half yearly Net Asset Values will be announced to the London Market through a Regulatory Information Service.

The Group's non-property assets and liabilities will be reviewed by the Company's auditor and reported to the Administrator in Euros and may be converted into Sterling for reporting purposes.

The Asset Manager may also, at its discretion, arrange for additional valuations from time to time, if market conditions warrant it. The Directors may replace the Property Valuer at their discretion.

19. TAXATION

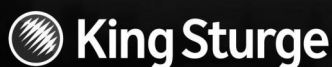
General information regarding Hungarian, Isle of Man and UK taxation in relation to Admission and the Placing is set out in paragraph 13 of Part VI of this document. **If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.**

20. ADDITIONAL INFORMATION

Your attention is drawn to the information included in the rest of this document. In particular, you are advised to consider carefully the risk factors contained in Part III of this document.

PART II

KING STURGE'S VALUATION REPORT ON THE GROUP'S PROPERTY PORTFOLIO



www.kingsturge.com

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VALUATION OF RESIDENTIAL PROPERTY PORTFOLIO IN BUDAPEST

7 February 2006

Dear Sirs,

1. INTRODUCTION

In accordance with the engagement letter dated 22 December 2005 with Pactolus Hungarian Property plc ("The Company"), we King Sturge Kft, Chartered Surveyors, have considered the properties referred to in the attached schedule ("the Schedule"), in order to advise you of our opinion of the Market Value as at 7 February 2006 of the freehold interests in each of the properties ("Properties"). This report is dated 7 February 2006.

2. COMPLIANCE WITH APPRAISAL AND VALUATION STANDARDS

We confirm that the valuations have been made in accordance with the appropriate sections of both the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within The RICS Appraisal and Valuation Standards, 5th Edition (The "Red Book"). This is an internationally accepted basis of valuation.

3. STATUS OF VALUER AND CONFLICTS OF INTEREST

We confirm that we have undertaken the valuations acting as External Valuers as defined in The Red Book, qualified for the purpose of the valuation.

4. PURPOSE OF THE VALUATION REPORT

We understand that this valuation report and Schedule (The "Valuation Report") are required firstly, to confirm to the directors of the Company the current Market Value of the Properties and secondly, for inclusion in an AIM admission document which investors will rely on in making their decision to invest in the Company.

We also understand that this Valuation Report will be relied upon by City Financial Associates Limited.

5. BASIS OF VALUATION AND NET ANNUAL RENT

5.1 Market Value

The value of each of the Properties has been assessed in accordance with relevant parts of the current international RICS Appraisal and Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term “Market Value” means the estimated amount for which a property should exchange on the date of valuation between a willing seller in an arm’s-lengths transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

In undertaking our valuation on the basis of Market Value we have applied the interpretive commentary which has been settled by The International Valuation Standards Committee and which is included in PS 3.2 The RICS considers that the application of the Market Value definition provides the same result as Open Market Value, a basis of value supported by previous editions of The Red Book.

5.2 Net annual rent

The net annual rent for each of the Properties is referred to in the Schedule. Net annual rent is defined for the purposes of this transaction as ‘the current income or income estimated by the valuer’:

- (i) Ignoring any special receipt or deductions arising from the property;
- (ii) Excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (iii) After making deductions for superior rents (but not for amortisation), and any allowances to maintain it in a condition to command its rent.

The Schedule also includes the estimated net annual rent of each of the Properties. The estimated net annual rent is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.

5.3 Taxation and costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise on disposals.

We have not made deductions to reflect purchasers’ acquisition costs.

6. VAT

The capital valuations are gross of tax and rentals included in this Valuation Report are net of any relevant Value Added Tax at the prevailing rate, currently 20 per cent.

7. ASSUMPTIONS AND SOURCES OF INFORMATION

An assumption is stated in the Glossary to the Red Book to be a “supposition taken to be true” (assumption). Assumptions are facts, conditions or situations affecting the subject of, or approach to a valuation that, by agreement, need not be verified by a valuer as part of the valuation process.

In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, the Company’s advisors have confirmed that our assumptions are correct so far as they are aware. In the event any of these assumptions prove to be incorrect then our valuations should be reviewed. The assumptions we have made for the purposes of our valuations are referred to below:

7.1 Title

We have had access to the title deeds of the Properties which are included in the valuation, we have made an assumption that the Properties have good and marketable freehold title in each case and that the Properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also seen that the Properties are free from mortgages, charges or other encumbrances.

7.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

We have not been provided with copies of condition surveys however we have made an assumption that the Properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not arranged for investigation to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations of any of the Properties. For the purposes of these valuations, unless otherwise informed by the Company's advisors, we have made an assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the sites of the Properties are free from any defect as to foundations. We have made an assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed thereon. We have also made an assumption that there are no abnormal ground conditions, nor archeological remains present, which might adversely affect the present or future occupation, development or value of any of the Properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services, nor have the drains been tested. We have made an assumption that all services to the Properties are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the Properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants businesses. We have also excluded furniture and furnishing, fixtures, fittings, vehicles, stock and loose tools. Further, no account has been taken in our valuations of any goodwill that may arise from the present occupation of any of the Properties.

It is a condition of King Sturge Kft, or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

7.3 Environmental matters

We have not received any Environmental Reports relating to the properties. We have not done any investigation nor have we any reports in relation to the presence or potential presence of contamination in land or buildings, and to assume that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value. We have not carried out any investigation into past uses, either of the properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites, and have therefore assumed that none exists.

We have no basis upon which to assess the reasonableness of this assumption. If it were to prove invalid then the value would fall by an unspecified amount.

Commensurate with our assumptions set out above we have not made any allowance in the valuation for any effect in respect of actual or potential contamination of land or buildings.

7.4 Areas

We have not measured the properties but have relied on the areas supplied by the Company and Land Registry extracts.

7.5 Statutory requirements and planning

We have made an assumption that the buildings have been constructed in full compliance with valid local planning and building regulations approvals, that where necessary the Properties comply with the legal requirements and standards and have all necessary certification and is not subject to any outstanding statutory notices as to their construction, use or occupation. We have made a further assumption that the existing uses of the Properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

7.6 Leasing

We have read copies of the leases but not other related documents and have relied on the tenancy summaries provided by the Company for the purposes of our valuation.

We have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary we have made an assumption that the tenants are financially in a position to meet their obligations. Unless otherwise informed by the Company's advisors we have also made an assumption that there are no material arrears of rent or service charges, breaches of covenants, or current or anticipated tenant disputes.

However, our valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

7.7 Information

We have made an assumption that the information the Company and its professional advisors have supplied to us in respect of the Properties is both full and correct.

It follows that we have made an assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

8. VALUATION

We are of the opinion that the aggregate of the Market Values as at the effective date of this report, 7 February 2006, of the freehold interests in the Properties described in the Schedule, subject to the assumptions and comments in this Valuation Report was as follows:

€ 5,400,000 (Five Million Four Hundred Thousand Euros)

9. DECLARATION

For the purpose of Paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the AIM admission document, of which this document forms part, and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule 2 of the AIM Rules.

10. CONFIDENTIALITY AND DISCLOSURE

The contents of this Valuation Report and Schedule may be used only for the purpose of this Valuation Report, which is to form part of the AIM admission document for the Company. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any other document, circular or statement and before its contents, or any part thereof, are otherwise disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt, such approval is required whether or not Bradmore King Sturge Kft, are referred to by name and whether or not the contents of our Valuation Report are combined with others.

Yours faithfully,

James Kinnell BSc (Hons) MPhil. MRICS
Group Managing Director
King Sturge Kft

The Schedule

<i>Property</i>	<i>Description, age tenure</i>	<i>Net annual rent 07/02/06</i>	<i>Market value 07/02/06</i>
Apartment V District, Henszlmann Imre u. 7.IV./27. Budapest, 1050	The property is located in the downtown (Central Business District) of Budapest, fronting the nicely landscaped Károlyi Park. The property was built at the end of the 19th century. The 77m ² apartment has 3 rooms, it was refurbished in 2005.	€16,000	€267,426
Apartment V District, Henszlmann Imre u. 5.II./10. Budapest, 1050	The property is located in the downtown (Central Business District) of Budapest, fronting the nicely landscaped Károlyi Park. The property was built at the end of the 19th century. The 158m ² apartment has 5 rooms, it was refurbished in 2005.	€30,000	€528,563
Apartment V District, Vörösmarty tér. 2.IV./1. Budapest, 1051	The property is located in the real downtown of Budapest, fronting the elegant Vörösmarty tér. The property was built at the end of the 19th century. The 66m ² apartment has 2 rooms, it was refurbished in 2005.	€14,400*	€250,260
Apartment V District, Arany János u. 29.III./8. Budapest, 1051	The property is located in the downtown (Central Business District) of Budapest, near to Szabadság tér. The property was built at the end of the 19th century. The 85m ² apartment has 2 rooms, it was refurbished in 2005.	€12,000	€215,085
Apartment VI District, Nagymező u. 49.III./8. Budapest, 1060	The property is located in the downtown of Budapest, called 'Tereztváros' in the VIth District. Nagymező utca is called as 'Broadway of Pest'. The property was built at the end of the 19th century. The 89m ² apartment has 3 rooms, it was refurbished in 2005.	€13,200	€229,873
Apartment V District, Október 6 u. 19.II./2. Budapest, 1051	The property is located in the very downtown (Central Business District) of Budapest, near to Szabadság tér. The house was built at the end of the 19th century. The 244m ² apartment has 5 rooms, it was refurbished in 2005.	€33,600	€610,249
Apartment V District, Október 6 u. 19.II./2. Budapest, 1051	The property is located in the very downtown (Central Business District) of Budapest, near to Szabadság tér. The property was built at the end of the 19th century. The 138m ² apartment has 5 rooms, it was refurbished in 2005.	€24,000	€413,570
Apartment V District, Szalay u. 2. IV./2. Budapest, 1055	The property is located in the historic Kossuth tér overlooking directly to the Parliament. The property was built at the end of the 19th century. The 69m ² apartment has 2 rooms, it was refurbished in 2005.	€18,000	€275,345
Apartment V District, Veres Pálné u. 25.II./8. Budapest, 1050	The property is located in the traditional downtown of Budapest, near to river Danube. The property was built at the end of the 19th century. The 148m ² apartment has 3 full size and 2 half size rooms, it was refurbished in 2005.	€36,000	€455,822
Apartment V District, József Nádor tér 10. III./6. Budapest, 1051	The property is located in the real downtown of Budapest, the property directly faces the busy Erzsébet tér. The property was built at the end of the 19th century. The 104m ² apartment has 3 rooms, it was refurbished in 2005.	€16,800	€283,170
Apartment V District, Ferenczy István u. 18.II./1. Budapest, 1053	The property is located in the downtown (Central Business District) of Budapest, fronting the nicely landscaped Károlyi Square. The property was built at the end of the 19th century. The 123m ² apartment has 3 rooms, it was refurbished in 2005.	€16,800	€314,399
Apartment V District, Ferenczy István u. 12.I./2. Budapest, 1053	The property is located in the downtown (Central Business District) of Budapest, fronting the nicely landscaped Károlyi Park. The property was built at the end of the 19th century. The 212m ² apartment has 3 rooms, it is being refurbished at present.	€37,200*	€664,251
Apartment V District, Bajnok u. 14. II./12. Budapest, 1060	The property is located in the downtown of Budapest, called 'Teréztváros' in the VIth District. Bajnok u. is between Andrassy and Polmanicky u. The house is to be refurbished, was built at the end of the 19th century. The 99m ² apartment has 3 rooms, it was refurbished in 2005.	€10,800	€165,863
Apartment V District, Hercegprimás u. 10.I./3. Budapest, 1051	The property is located in the very downtown (Central Business District) of Budapest, directly overlooking Szent István tér with Szent István Basilika. The property was built at the end of the 19th century. The 92m ² apartment has 3 rooms, it was refurbished in 2005.	€17,400	€307,147
Apartment V District, Veres Pálné u. 30.II./8. Budapest, 1050	The property is located in the traditional downtown of Budapest, near to river Danube. The property was built at the end of the 19th century. The 132m ² apartment has 4 rooms, it was refurbished in 2005.	€26,400*	€421,424
Total		*estimation	€5,402,448

PART III

RISK FACTORS

The Ordinary Shares should be regarded as a speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. In addition to the usual risks associated with an investment in a business at an early stage of development, the Directors believe that the following risks should be considered carefully by investors before acquiring Ordinary Shares. Prospective investors are advised to consult an independent adviser authorised under the FSMA. If any of the risks described in this document actually occur, the Group may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost. No inference ought to be drawn as to the order in which the following risk factors are presented as to their relative importance or potential effect.

Suitability

An investment in Ordinary Shares may not be suitable for all readers of this document. Investors are accordingly advised to consult an appropriate person authorised under the FSMA before making their decision.

Maintaining and expanding existing portfolio

In order for the Group to implement its strategy, it will need to maintain and increase its properties throughout Hungary. There can be no guarantee that the Group will identify suitable properties or be able to sell these at a profit or lease them at attractive yields.

Reliance on management

The future development of the Group is dependent upon its present and prospective management team and the personnel provided by the Asset Manager and Property Adviser. Neither the Group, the Asset Manager nor the Property Adviser have “key person” life insurance policies covering any of their respective directors or employees. The loss of any key management for whatsoever reason may have an adverse effect on the future of the Group. Future success depends on the Group’s ability to attract and retain qualified key management and employees.

Property Valuation Adviser

Investors should note that the Property Valuer holds professional indemnity insurance which does not exceed £100,000. This may not be sufficient to cover any losses to the Property Portfolio and the potential exposure of the Group and there is no guarantee that the Property Valuer will be able to obtain this insurance cover.

Competition

The sector in which the Group operates may become more competitive in which case there would be no certainty that the Group will be able to achieve the investment returns it seeks.

Additional capital and dilution

The Group may require additional capital in the future for expansion and/or business development which may significantly dilute the interests of existing Shareholders. If the Group fails to generate sufficient cash through the returns from investments, then the Group may need to raise additional capital from equity or debt sources to fund any such expansion or development. If the Group is unable to obtain financing on terms acceptable to it then it may be forced to curtail its planned developments. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of each Shareholder may be reduced, Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares. There can be no guarantee that any further capital raisings will be successful.

Dividends

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends, to the discretion of the Directors, and will depend upon, among other things, the Company’s earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

The level of dividend to be paid on the Ordinary Shares is not guaranteed and may fluctuate. Any dividend growth on the Ordinary Shares will depend on, *inter alia*, rental and capital value growth in the underlying assets.

If under Hungarian or Isle of Man law there were to be a change to the basis on which dividends can be paid or taxed, or if there were to be changes to accounting standards or the interpretation of accounting standards, this could have a negative effect on the Company's ability to pay dividends.

Gearing

The Directors intend to secure borrowing facilities in the future. It is not certain that such facilities will be able to be secured at levels or on terms acceptable to the Directors. Any amounts that are secured under a bank facility are likely to rank ahead of Shareholders' entitlements and, accordingly, should the Group's assets not grow at a sufficient rate to cover the costs of establishing and operating the Group's debt, Shareholders may not recover their initial investment.

Prospective investors should be aware that, whilst the use of borrowings should enhance the Net Asset Value when the value of the Group's underlying assets are rising, it will have the opposite effect when the underlying asset values are falling. In addition, in the event that the rental income of the Property Portfolio falls, including as a result of defaults by tenants pursuant to their leases with the Group, the use of borrowings will increase the impact of such falls on the net revenue of the Group and, accordingly, will have an adverse effect on the Company's ability to pay dividends to Shareholders.

Should any fall in the underlying asset value or revenues result in the Group breaching financial covenants given to any lender, the Group may be required to repay such borrowings in whole or in part together with any related costs. If the Group is required to repay all or part of its borrowings, it may be required to sell assets at less than their market value.

Future expectations

This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Group's plans, goals and prospects. These statements and the assumptions that underlie them are based on the current expectations of the Directors and/or the Asset Manager and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual performance of the Group will not differ materially from the matters described in this document.

Possible adverse economic conditions and emerging market risk

The financial operations of the Group may be adversely affected by general economic conditions, by conditions within the Hungarian property market or by the particular financial condition of the property vendors, tenants and other parties doing business with the Group. In the event of a default by a tenant or the expiry of a lease, the Group may suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property.

The returns that are likely to be achieved on an investment in a group which has its assets invested solely in Hungary will be materially affected by the political and economic climate in Hungary. In particular, changes in Hungarian rates of inflation and interest may affect the Group's income and capital value or the value of investment property.

Risks of property ownership

The Shares will be subject to the general risks incidental to the ownership of real or heritable property, including changes in the supply of or demand for competing investment properties in an area, changes in interest rates, changes in property income yields and the availability of mortgage funds, changes in property tax rates and landlord/tenant or planning laws, credit risks of tenants and borrowers and environmental factors. The marketability and value of any investment properties owned by the Group will, therefore, depend on many factors beyond the control of the Group and there is no assurance that there will be either a ready market for any investment properties of the Group or that such investment properties will be sold at a profit or will yield a positive cash flow. Although none are publicly planned, changes in Hungarian law relating to foreign ownership of property might have an adverse effect on the net returns from the Property Portfolio.

Currency exchange risks

As a consequence of the international nature of the Group's business, the Group is exposed to the risk of changes in foreign currency exchange rates. The Shares are denominated in Sterling however the assets of the Group will be invested in investments which are denominated in other currencies, largely the Hungarian Forint which is pegged to the Euro. However, any dividends paid by the Company will be denominated in Sterling, having been converted at the exchange rate prevailing at the time of such conversion, and net of costs. The base currency of the Company for accounting purposes will be the Euro, and the reports and accounts presented to Shareholders will be in Euros. The Company will not hedge the exchange rate risk between Euros and Sterling.

Accordingly, movements in exchange rates may have a material effect on Shareholders and may also cause fluctuations in reported financial information that are not necessarily related to the Company's operating results.

Should Hungary cancel the Forint's current peg to the Euro, then increased fluctuation in exchange rates would be expected.

Taxation

There can be no certainty that the current taxation regime in the IOM, UK or overseas jurisdictions in which the Group operates will remain in force or that the current levels of corporation taxation will remain unchanged. There can be no assurance that there will be no amendment to the existing taxation laws applicable to the Group's operations, which may have a material adverse effect on the financial position of the Group.

There can be no guarantee regarding the tax treatment of transactions with other Group companies and in particular the Group reorganization that took place in January 2006. There can be no guarantee that the tax authorities will not seek to recover additional tax, or deny relief, in respect of such transactions.

There can be no guarantee that any transfer of Ordinary Shares will be exempt from UK Stamp Duty and Stamp Duty Reserve Tax. **If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.**

The City Code on Takeovers and Mergers

The Company is incorporated in the Isle of Man, has its place of effective management in the Isle of Man and has a business branch in Hungary. Accordingly, transactions in Shares are, at present, subject to the provisions of the UK City Code on Takeover and Mergers. At present the City Code applies to the Company, but it may not when the EU Take-Over Directive comes into force: it is still to be decided by the Isle of Man government as to whether it will legislate in this regard.

Areas of Investment Risk

Investments in property are relatively illiquid and more difficult to realise than equities or bonds.

The prices of publicly quoted securities can be volatile. The price of securities is dependent upon a number of factors, some of which are general, market, sector or company specific.

The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in Ordinary Shares may be difficult to realise and the price of Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for Ordinary Shares cannot be guaranteed. Investors should be aware that the value of Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of Ordinary Shares may not reflect the underlying value of the Company's Net Asset Value. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others which are extraneous. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

The risks noted above do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority.

The investment described in this document is speculative and may not be suitable for all recipients of this document. Potential investors are accordingly advised to consult a person authorised under the FSMA who specialises in advising in investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his personal circumstances and the financial resources available to him.

PART IV

ACCOUNTANTS' REPORT ON THE GROUP

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:

CLB LITTLEJOHN FRAZER
Chartered Accountants

The Directors
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The Directors
Hichens, Harrison & Co plc
Bell Court House
11 Blomfield Street
London
EC2M 1LB

17 March 2006

Dear Sirs

PACTOLUS HUNGARIAN PROPERTY PLC

Introduction

We report on the financial information set out below relating to Pactolus Hungarian Property plc (the "Company") and its subsidiary undertakings (together "the Group"). This information has been prepared for inclusion in the AIM admission document dated 17 March 2006 (the "Admission Document") relating to proposed admission to AIM of Pactolus Hungarian Property plc and is given for the purpose of complying with Schedule Two of the AIM Rules and for no other purpose.

Responsibility

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with the financial reporting framework.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Group, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud, other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2004, 31 December 2005 and 7 February 2006, and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 and in accordance with the applicable financial reporting framework as described in note 3.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**CLB Littlejohn Frazer
Reporting Accountants**

CONSOLIDATED INCOME STATEMENT

		<i>Period to</i>	<i>Year ended</i>	<i>Period from</i>
	<i>Notes</i>	<i>7 February</i>	<i>31 December</i>	<i>31 December</i>
		<i>2006</i>	<i>2005</i>	<i>2004</i>
		€	€	€
Revenue	5	24,148	53,932	–
Interest income		96	51,375	12
Other operating expenses		(334,612)	(290,260)	(3,171)
Fair value change on investment properties		<u>1,776,322</u>	<u>(38,476)</u>	<u>–</u>
Profit/(loss) from operations	7	1,465,954	(223,429)	(3,159)
Finance costs	8	<u>–</u>	<u>(1,926)</u>	<u>–</u>
		1,465,954	(225,355)	(3,159)
Taxation	11	<u>(386,537)</u>	<u>–</u>	<u>–</u>
Profit/(loss) for the year		<u>1,079,417</u>	<u>(225,355)</u>	<u>(3,159)</u>
Attributable to:				
Equity holders of Company		1,079,417	(225,355)	(3,065)
Minority interest		<u>–</u>	<u>–</u>	<u>(94)</u>
		<u>1,079,417</u>	<u>(225,355)</u>	<u>(3,159)</u>
Earnings per share – basic and diluted	13	<u>0.20</u>	<u>(0.04)</u>	<u>0.00</u>

CONSOLIDATED BALANCE SHEET

		<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>Notes</i>	<i>7 February</i>	<i>31 December</i>	<i>31 December</i>
		<i>2006</i>	<i>2005</i>	<i>2004</i>
		€	€	€
ASSETS				
Non-current assets				
Investment properties	14	5,402,448	2,910,000	–
Property, plant & equipment	15	12,789	616,787	255,865
Goodwill	16	22,678	22,678	1,014
		<u>5,437,915</u>	<u>3,549,465</u>	<u>256,879</u>
Current assets				
Trade receivables	17	83,384	60,587	–
Other receivables	18	10,430	19,137	11,675
Cash and cash equivalents		121,603	292,561	13,102
		<u>215,417</u>	<u>372,285</u>	<u>24,777</u>
Total assets		<u>5,653,332</u>	<u>3,921,750</u>	<u>281,656</u>
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	19	80,373	80,373	80,373
Share premium		3,631,581	3,631,581	3,631,581
Translation reserve		49,139	90,230	–
Merger reserve		(107,107)	138,281	(3,427,504)
Minority interest		–	–	271
Retained earnings		1,079,417	(228,514)	(3,065)
Total equity		<u>4,733,403</u>	<u>3,711,951</u>	<u>281,656</u>
LIABILITIES				
Current liabilities				
Trade and other payables	20	533,392	209,799	–
Taxation		50,000	–	–
		<u>583,392</u>	<u>209,799</u>	<u>–</u>
Non current liabilities				
Provision for deferred tax	22	336,537	–	–
Total liabilities		<u>919,929</u>	<u>209,799</u>	<u>–</u>
Total equity and liabilities		<u>5,653,332</u>	<u>3,921,750</u>	<u>281,656</u>

STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i> €	<i>Share Premium</i> €	<i>Translation Reserve</i> €	<i>Merger Reserve</i> €	<i>Minority Interest</i> €	<i>Retained Earnings</i> €	<i>Total</i> €
Loss for the period	–	–	–	(3,159)	–	–	(3,159)
Total recognised expenses	–	–	–	(3,159)	–	–	(3,159)
Subsidiary investment	–	–	–	–	365	–	365
Merger reserve	–	–	–	(3,427,504)	–	–	(3,427,504)
Share issues	80,373	3,631,581	–	–	–	–	3,711,954
As at 31 December 2004	80,373	3,631,581	–	(3,430,663)	365	–	281,656
As at 1 January 2005	80,373	3,631,581	–	(3,430,663)	365	–	281,656
Currency translation	–	–	90,230	–	–	–	90,230
Loss for the period	–	–	–	(225,355)	–	–	(225,355)
Total recognised expenses	–	–	90,230	(225,355)	–	–	(135,125)
Subsidiary investment	–	–	–	–	(365)	–	(365)
Merger reserve	–	–	–	3,565,785	–	–	3,565,692
	–	–	90,230	(90,233)	–	–	3,711,951
As at 31 December 2005	80,373	3,631,581	90,230	(90,233)	–	–	3,711,951
As at 1 January 2006	80,373	3,631,581	90,230	(90,233)	–	–	3,711,951
Profit for the period	–	–	–	–	–	1,079,417	1,079,417
Currency translation	–	–	(41,091)	–	–	–	(41,091)
Total recognised expenses	–	–	(41,091)	–	–	1,079,417	1,038,321
Merger reserve	–	–	–	(16,874)	–	–	(16,874)
As at 7 February 2006	80,373	3,631,581	49,139	(107,107)	–	1,079,417	4,733,403

CASH FLOW STATEMENT

	<i>Notes</i>	<i>Period to 7 February 2006 €</i>	<i>Year ended 31 December 2005 €</i>	<i>Period from incorpora- tion to 31 December 2004 €</i>
Cash outflow from operating activities				
Cash outflow from operations	21	(59,464)	(78,514)	(3,415)
Net cash outflow from operations		<u>(59,464)</u>	<u>(78,514)</u>	<u>(3,415)</u>
Cash flows from investing activities				
Purchase of investment properties		(104,126)	–	(255,865)
Purchase of property, plant & equipment		(8,042)	(3,237,034)	–
Interest received		96	39,726	12
Net cash used in investing activities		<u>(112,072)</u>	<u>(3,197,308)</u>	<u>(255,853)</u>
Cash flows from financing activities				
Issue of share capital		3	3,555,281	272,370
Net cash flow from financing		<u>3</u>	<u>3,555,281</u>	<u>272,370</u>
Net (decrease)/increase in cash and cash equivalents		(171,533)	279,459	13,102
Cash balance at the beginning of the period		292,561	13,102	–
Translation gain on cash balances		575	–	–
Cash balance at the end of the period		<u>121,603</u>	<u>292,561</u>	<u>13,102</u>

NOTES TO THE FINANCIAL INFORMATION

1. General Information

The consolidated financial information presented here is for the reporting entity Pactolus Hungarian Property plc (the “Holding Company”) and its subsidiaries (together the “Group”). The Company was incorporated and is domiciled in the Isle of Man.

The Company acts as an investment holding company. The principal subsidiaries are property investors and developers.

The consolidated financial information is for the period to 7 February 2006 with comparatives figures for year ended 31 December 2005 and period from incorporation to 31 December 2004.

2. Basis of preparation

The financial information is presented in Euros (€).

The consolidated financial information is prepared under the historical cost convention as modified by the revaluation of investment properties and is in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

The consolidated financial information has been prepared in accordance with the IFRS’s issued by the IASB as at 31 December 2005.

The Group was formed on 16 January 2006 when Pactolus Hungarian Property plc acquired the entire share capital of Pactolus Eastern European Property Limited by way of a share or share exchange. To show the effect of this Group reorganisation consolidated financial information has been presented for the period 1 January to 7 February 2006.

3. Significant accounting policies

The principal accounting policies adopted are as follows:

Basis of consolidation

The Group financial information consolidates the financial statements of subsidiaries using the purchase method. The results of any subsidiaries that become or cease to be part of the Group during the year are consolidated from the date that control commenced or until the date that control ceased.

The Holding Company acquired Pactolus Eastern European Property Limited by way of a share for share exchange on 16 January 2006. As IFRS does not specify the accounting for business combinations under common control, the Group has elected to apply principles of uniting of interests (merger accounting) in respect of the consolidated financial information under IFRS up to that date.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Holding Company. All material transactions and balances between subsidiaries or between the Holding Company and subsidiaries are eliminated on consolidation. Significant subsidiaries and their place of incorporation are:

Pactolus Eastern European Property Limited	England and Wales
Pactolus UK Limited	England and Wales
Pactolus (IOM) Limited	Isle of Man
Midász Property Ingatlanfejlesztő Kft	Hungary

Revenue recognition

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Investment properties

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

Investment properties are stated at their open market value at the balance sheet date. They are valued annually by independent professionally qualified valuers. Any surplus or deficit arising on the revaluation of investment properties is recognised directly in the income statement in the period in which it arises.

Property, plant and equipment

All property, plant and equipment is 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.

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 useful economic lives as follows;

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 disposal are determined by comparing proceeds with carrying amount. These are included in the income statement.

Properties intended for sale

Properties under development intended for investment are classified under property, plant and equipment and are stated at cost less any identified impairment loss.

Properties under development intended for sale are classified under current assets and are stated at the lower of cost and net realisable value.

Cost comprises land cost and development costs including attributable borrowing costs and charges capitalised during the development period.

Impairment

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.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of

taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 date of the balance sheet 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 dates of the transactions) and all resulting exchange differences are recognised as a separate component of equity.

Translation differences on non- monetary items are taken to reserves.

Presentational currency

The functional currency of the Holding Company and subsidiary companies is United Kingdom pound sterling except for Midász Property Ingatlanfejlesztő Kft which is the Hungarian Forint. The presentational currency of the Group is the Euro due to the European exposure of the business.

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.

Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of shares or options are shown in equity as deduction, net of tax, from proceeds.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Statement of Cash Flows

Definitions of the terms used in the statement of cash flows:

Cash includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes all call borrowings such as bank overdrafts used by the holding company as part of its day-to-day cash management.

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the holding company and those activities relating to the cost of servicing the company's equity capital.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4. Financial risk factors

The Group'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 Group'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, inter-rate risk, credit risk, use of financial instruments, and investing excess liquidity.

Market risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to 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 Group is exposed to property price and market rental risks.

Credit risk

The Group 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 Group 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 Group aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow and fair value interest rate risk

The Group 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.

5. Revenue

	<i>Period to 7 February 2006</i>	<i>Year ended 31 December 2005</i>	<i>Period from incorpora- tion to 31 December 2004</i>
	€	€	€
Rental income	24,148	53,932	—

6. Geographical and Business Segments

Geographical segments

The Group operates in Hungary only.

Business segments

The Group operates in the property investment and development segment.

7. Profit/Loss from operations

	<i>Period to</i>	<i>Year ended</i>	<i>Period from</i>
	<i>7 February</i>	<i>31 December</i>	<i>incorpora-</i>
	<i>2006</i>	<i>2005</i>	<i>tion to</i>
			<i>31 December</i>
	€	€	<i>2004</i>
			€
Profit from operations has been arrived at after charging			
Auditors' remuneration and crediting:	10,000	26,500	–
Gross rental income from investment properties	24,148	53,932	–
	<u> </u>	<u> </u>	<u> </u>
Less: Outgoings	(1,782)	(3,936)	–
	<u> </u>	<u> </u>	<u> </u>
Net rental income from investment properties	22,366	49,996	–
	<u> </u>	<u> </u>	<u> </u>
Interest earned on bank deposits	96	39,726	12
	<u> </u>	<u> </u>	<u> </u>

8. Finance Costs

	<i>Period to</i>	<i>Year ended</i>	<i>Period from</i>
	<i>7 February</i>	<i>31 December</i>	<i>incorpora-</i>
	<i>2006</i>	<i>2005</i>	<i>tion to</i>
			<i>31 December</i>
	€	€	<i>2004</i>
			€
Net foreign exchange transaction gains	–	(1,926)	–
	<u> </u>	<u> </u>	<u> </u>

9. Directors Emoluments

The Company made no payments to directors.

10. Employee Emoluments

The Group has no employees.

11. Taxation

	<i>Period to</i>	<i>Year ended</i>	<i>Period from</i>
	<i>7 February</i>	<i>31 December</i>	<i>incorpora-</i>
	<i>2006</i>	<i>2005</i>	<i>tion to</i>
			<i>31 December</i>
	€	€	<i>2004</i>
			€
Current tax	50,000	–	–
Deferred tax	336,537	–	–
	<u> </u>	<u> </u>	<u> </u>
Taxation attributable to Group	386,537	–	–
	<u> </u>	<u> </u>	<u> </u>

(a) Factors affecting the tax charge for the period

The reasons for the difference between the actual tax charge for the period and applicable rate of corporation tax in the principal country of business applied to profits are as follows

	<i>Period to 7 February 2006</i>	<i>Year ended 31 December 2005</i>	<i>Period to 31 December 2004</i>
	€	€	€
Profit/(losses) before tax	<u>1,465,954</u>	<u>(225,355)</u>	<u>(3,159)</u>
Expected tax charge based on the applicable rate of corporation tax of 19%	278,531	42,817	600
Income not taxable	(337,501)	–	–
Expenses not deductible for tax purposes	119	10,062	–
Gains on disposal of investments	51,594	–	–
Different tax rates applied on overseas jurisdictions	567	5,172	95
Utilisation of tax losses	(5,188)	–	–
Excess of allowable losses over taxable income	61,878	27,583	505
Losses carried forward	–	–	–
Current tax charge	<u>50,000</u>	<u>–</u>	<u>–</u>

(b) Deferred taxation

The potential tax asset of the Group arising from tax losses carried forward are set out below. As the utilisation of these losses cannot be foreseen with reasonable certainty the potential deferred tax assets have not been recognised.

	<i>Period to 7 February 2006</i>	<i>Year ended 31 December 2005</i>	<i>Period from incorpora- tion to 31 December 2004</i>
	€	€	€
Tax losses carried forward	<u>61,878</u>	<u>28,088</u>	<u>505</u>

The deferred tax position is set out in note 22.

12. Dividends

No dividends have been paid.

13. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to shareholders during the years/period and assuming 5,519,732 shares are in issue and issuable throughout the period to 31 December 2004, 2005 and the period to 7 February 2006. For the period ended 31 December 2004 a weighted average number of shares has been used.

14. Investment Properties

	<i>Period to 7 February 2006</i>	<i>Year ended 31 December 2005</i>	<i>Period to 31 December 2004</i>
	€	€	€
Opening balance	2,910,000	–	–
Transfer from property, plant and equipment	1,392,822	2,948,476	–
Net profit/(loss) on fair value adjustment on property	<u>1,099,626</u>	<u>(38,476)</u>	<u>–</u>
Closing balance	<u>5,402,448</u>	<u>2,910,000</u>	<u>–</u>

The Company's investment properties were revalued at 31 December 2005 by Barning Kft and at 7 February 2006 by King Sturge Kft, both independent professionally qualified valuers. Valuations were based on an open market basis for all properties.

15. Property, plant and equipment

	<i>Buildings</i>	<i>Furniture & Fittings</i>	<i>Total</i>
	€	€	€
As at 3 December 2004			
Additions	255,865	–	255,865
Transfers	–	–	–
Depreciation charge	–	–	–
As at 31 December 2004	<u>255,865</u>	<u>–</u>	<u>255,865</u>
As at 1 January 2005	255,865	–	255,865
Additions	3,304,611	4,986	3,309,597
Transfers	(2,948,476)	–	(2,948,476)
Depreciation charge	–	(199)	(199)
As at 31 December 2005	<u>612,000</u>	<u>4,787</u>	<u>616,787</u>
As at 1 January 2006	612,000	4,787	616,787
Additions	104,126	8,042	112,168
Net profit on fair value adjustment	676,696	–	676,696
Transfer	(1,392,822)	–	(1,392,822)
Depreciation charge	–	(40)	(40)
As at 7 February 2006	<u>–</u>	<u>12,789</u>	<u>12,789</u>

There have been no impairment charges

16. Goodwill

	<i>Period to</i>	<i>Year ended</i>	<i>Period from</i>
	<i>7 February</i>	<i>31 December</i>	<i>incorpora- tion to</i>
	<i>2006</i>	<i>2005</i>	<i>31 December</i>
	€	€	<i>2004</i>
	€	€	€
Opening net book value	22,678	1,014	–
Goodwill on acquisition	–	21,664	1,014
At the end of the period	<u>22,678</u>	<u>22,678</u>	<u>1,014</u>

On 8 December 2004 Pactolus Eastern European Property Limited acquired 97 per cent. of the issued share capital of Midász Property Ingatlanfejlesztő Kft., a company registered in Hungary. The consideration paid was €12,847, the net assets of the Company were €8,768 at that date. A further €24,610 was paid in excess of the property cost within Midász Property Ingatlanfejlesztő Kft.

On 22 March 2005 Pactolus Eastern European Property Limited through its subsidiary Pactolus UK Limited, acquired the remaining 3 per cent. of Midász Property Ingatlanfejlesztő Kft. Resulting in negative goodwill of €270.

17. Trade receivables

	<i>Period to</i>	<i>Year ended</i>	<i>Period from</i>
	<i>7 February</i>	<i>31 December</i>	<i>incorpora- tion to</i>
	<i>2006</i>	<i>2005</i>	<i>31 December</i>
	€	€	<i>2004</i>
	€	€	€
Trade receivables gross	<u>83,384</u>	<u>60,587</u>	<u>–</u>

18. Other receivables

	<i>Period to 7 February 2006</i>	<i>Year ended 31 December 2005</i>	<i>Period from incorpora- tion to 31 December 2004</i>
	€	€	€
Unpaid share capital	–	–	11,431
Deposit held at non financial organisation	10,430	19,137	244
	<u>10,430</u>	<u>19,137</u>	<u>11,675</u>

19. Share Capital

	<i>As at 7 February 2006</i>	<i>As at 31 December 2005</i>	<i>As at 31 December 2004</i>
	No. €	No. €	No. €
Authorised:			
Ordinary shares of 1 pence each	<u>70,000,000</u> <u>1,019,200</u>	<u>70,000,000</u> <u>1,019,200</u>	<u>70,000,000</u> <u>1,019,200</u>
Allotted, called up and fully paid:			
Ordinary shares of 1 pence each	<u>5,519,732</u> <u>80,373</u>	<u>5,519,732</u> <u>80,373</u>	<u>5,519,732</u> <u>80,373</u>

20. Trade and other payables

	<i>Period to 7 February 2006</i>	<i>Year ended 31 December 2005</i>	<i>Period from incorpora- tion to 31 December 2004</i>
	€	€	€
Trade payables	457,247	153,054	–
Trade payables (capital expenses)	–	1,320	–
Other creditors	60,804	40,084	–
Accrued income	15,341	15,341	–
	<u>533,392</u>	<u>209,799</u>	<u>–</u>

All trade payables and accrued expenses/income are expected to be settled within one year of the balance sheet date.

21. Reconciliation of results before tax with net cashflows from/(used in) operating activities.

	<i>Period to 7 February 2006</i>	<i>Year ended 31 December 2005</i>	<i>Period from incorpora- tion to 31 December 2004</i>
	€	€	€
Profit/(loss) from operations	1,465,954	(225,355)	(3,065)
Adjustments for:			
Loss attributable to minority interest	–	–	(94)
Non cash movement in translation	(41,666)	–	–
Depreciation of property, furniture and fittings	40	199	–
Accrued income	–	15,341	–
Interest income	(96)	(39,726)	(12)
Valuation adjustment on investment property	(1,776,322)	38,476	–
Changes in working capital			
Trade and other receivables	(14,091)	(60,587)	(244)
Trade and other payables	306,717	193,138	–
Cash (used in) operating activities	<u>(59,464)</u>	<u>(78,514)</u>	<u>(3,415)</u>

22. Deferred Taxation

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	<i>Property Revaluation €</i>
At 1 January 2006	–
Charge for the year	336,537
At 31 January 2006	<u>336,537</u>

23. Capital Commitments

	<i>Period to 7 February 2006</i>	<i>Year ended 31 December 2005</i>	<i>Period from incorpora- tion to 31 December 2004</i>
	€	€	€
Contracted for but not provided	<u>70,913</u>	<u>142,779</u>	<u>–</u>

24. Related Parties

The Group is managed under a contract of service by Midas Investment Management Limited. Throughout the period the total charges including performance fees paid to Midas Investment Management Limited amount to €273,461. Midas Investment Management Limited is controlled by Mark Sheppard a director of Pactolus Eastern European Property Limited and Pactolus UK Limited. The amount due to Midas Investment Management Limited as at 7 February 2006 is €372,248 (31 December 2005 - €91,676, 31 December 2004 €Nil)

Pactolus Eastern European Property Limited acquired Midász Property Ingatlanfejlesztő Kft. on 8 December 2004 from Gall & Eke Limited including the transfer of an inter company loan at fair value of €282,531. Gall & Eke Limited is controlled by Mark Sheppard, a director of Pactolus Eastern European Property Limited.

25. Auditors

The Holding Company and Pactolus (IOM) Limited have not yet passed their first period end and no audited financial statements have been presented to the members.

The other subsidiaries have been audited by PKF (UK) LLP, Sovereign House, Queen Street, Manchester, M2 5HR, members of the Institute of Chartered Accountants in England and Wales, for the period ending 31 December 2004 and the year ended 31 December 2005. The audit of Midász Property Ingatlanfejlesztő Kft. was not required by laws and regulations of its country of incorporation or by its constitution.

PART V

PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:

CLB LITTLEJOHN FRAZER
Chartered Accountants

The Directors
Pactolus Hungarian Property plc
2nd Floor
Jubilee Buildings
Victoria Street
Douglas
Isle of Man
IM1 2SH

The Directors
City Financial Associates Limited
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

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

17 March 2006

Dear Sirs

Report on the pro-forma net assets statement of Pactolus Hungarian Property plc

We report on the pro-forma financial information (the 'Pro-forma financial information') set out in Part V of the Admission Document, which has been prepared on the basis described in notes 1 to 4, for illustrative purposes only, to provide information about how the Placing and Admission might have affected the financial information presented on the basis of the accounting policies adopted by Pactolus Hungarian Property plc.

Responsibilities

It is the responsibility solely of the Directors of Pactolus Hungarian Property plc to prepare the pro-forma financial information.

It is our responsibility to form an opinion on the pro-forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purposes of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source document, considering evidence supporting the adjustments and discussing the Pro-forma financial information with the directors of Pactolus Hungarian Property plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro-forma financial information has been properly compiled on the basis stated.

Opinion

In our opinion:

- (a) The pro-forma financial information has been properly compiled on the basis set out therein;
- (b) Such bases are consistent with the accounting policies of Pactolus Hungarian Property plc; and
- (c) The adjustments are appropriate for the purposes of the pro-forma financial information as disclosed.

Yours faithfully

CLB Littlejohn Frazer

PRO FORMA STATEMENT OF NET ASSETS

Set out below is an unaudited pro-forma consolidated statement of net assets of the Group which has been prepared for illustrative purposes only to show the effect of the issue of ordinary shares and Admission had the issue of ordinary shares and Admission occurred on 7 February 2006. The pro-forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, it may not give a true reflection of the Group's financial position or results.

	<i>Net asset of the Group as at 7 February 2006 (Note 1) €</i>	<i>Adjustment in respect of the issue of the Placing Shares (Note 2) €</i>	<i>Unaudited Pro-forma adjusted net assets of the Group on admission to AIM €</i>
Non current assets			
Investment properties	5,402,448	–	5,402,448
Property, plant and equipment	12,789	–	12,789
Goodwill	22,678	–	22,678
	<u>5,437,915</u>	<u>–</u>	<u>5,437,915</u>
Current assets			
Trade receivables	83,384	–	83,384
Other receivables	10,430	–	10,430
Cash and cash equivalents	121,603	12,687,500	12,809,103
	<u>215,417</u>	<u>12,687,500</u>	<u>12,902,917</u>
Current liabilities	583,392	–	583,392
Net current liabilities	<u>(367,975)</u>	<u>12,687,500</u>	<u>12,319,525</u>
Total assets less current liabilities	5,069,940	12,687,500	17,757,440
Non current liabilities	<u>(336,537)</u>	<u>–</u>	<u>(336,537)</u>
Net assets	<u>4,733,403</u>	<u>12,687,500</u>	<u>17,420,903</u>

Notes

The pro-forma statement of net assets has been prepared on the following bases:

1. The consolidated net assets of Pactolus Hungarian Property plc Group as at 7 February 2006 have been extracted without adjustment from the audited Financial Information included in Part IV of this document.
2. An adjustment has been made to reflect the maximum placing of 15,833,333 Ordinary Shares. The net proceeds of the placing being €12,687,500 (net of €1,087,500 (£750,000) estimated issue costs in cash including any irrecoverable VAT). Issue costs have been assumed to be deducted from equity.
3. The proceeds of the placing have been converted into Euros at 0.689 Pounds Sterling to One Euro, being the mid market exchange rate at the close of business on 15 March 2006.
4. No adjustment has been made for trading or any other movements in the net assets (other than that described within note 2) of the Group since 7 February 2006.
5. The pro-forma statement of net assets does not constitute financial statements within the meaning of section 240 of the Act.

PART VI

ADDITIONAL INFORMATION

1. Incorporation and status of the Company

- 1.1 The Company was incorporated in the Isle of Man on 21 December 2005 as a public limited company under the Acts, with number 115148C and with the name "Pactolus Hungarian Property plc".
- 1.2 The principal legislation under which the Company operates is the Acts and the regulations made thereunder.
- 1.3 The liability of the members of the Company is limited.
- 1.4 The Company's registered office and principal place of business is First Floor, Jubilee Buildings, Victoria Street, Douglas, Isle of Man, IM1 2SH, telephone number +44 (0) 1624 699000.

2. Subsidiaries

On Admission the Company will be the holding company of the Group and will, directly or indirectly, own the following wholly-owned subsidiaries:

- 2.1 Midász Property Ingatlanfejlesztő KFT, which was incorporated in Hungary on 24 March 2004 with registered number 01-09-726049;
- 2.2 Pactolus (IOM) Limited, which was incorporated in the Isle of Man on 19 December 2005 with registered number 115129C;
- 2.3 Pactolus Eastern European Property Limited, which was incorporated in England and Wales on 3 December 2004 with registered number 5304495; and
- 2.4 Pactolus UK Limited, which was incorporated in England and Wales on 7 March 2005 with registered number 5384368.

3. Share Capital of the Company

- 3.1 The Company was incorporated with an authorised share capital of £2,000 divided into 2,000 Ordinary Shares of £1 each, of which 2 Ordinary Shares were fully subscribed for at par and issued.
- 3.2 At an extraordinary general meeting of the members of the Company held on 12 January 2006 the existing authorised share capital of the Company comprising 2,000 Ordinary shares of £1 each was sub-divided into 200,000 Ordinary shares of £0.01 each and the authorised capital of the Company was increased from £2,000 to £700,000 by the creation of 69,800,000 new Ordinary Shares of £0.01 each.
- 3.3 On 16 January 2006 the Company allotted an aggregate of 5,519,532 new Ordinary Shares to the shareholders of Pactolus Eastern European Property Limited in consideration for the acquisition of the entire issued share capital of Pactolus Eastern European Property Limited.
- 3.4 The authorised and issued fully paid up share capital of the Company as at the date of this document and as it is expected to be immediately following Admission is as follows:

	<i>Authorised share capital</i>		<i>Issued share capital</i>	
	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
As at the date of this document	700,000	70,000,000	55,197.32	5,519,732
Following Admission	700,000	70,000,000	213,530.65*	21,353,065*

*assuming full subscription under the Placing.

- 3.5 At an extraordinary general meeting of the members of the Company held on 16 January 2006 resolutions in the following terms were passed:
 - (a) generally and unconditionally to authorise the Directors, until the conclusion of the annual general meeting of the Company to be held in 2007, pursuant to the Articles to exercise all or any of the powers of the Company to allot new Ordinary Shares in the capital of the Company up to the amount

of the Company's authorised share capital at the time of passing the resolution provided always that following Admission the authority conferred by the resolution be limited to the allotment of new Ordinary Shares up to an aggregate nominal value equal to 100% of the issued ordinary share capital of the Company immediately following Admission; and

- (b) generally and unconditionally to authorise the Directors, until the conclusion of the annual general meeting of the Company to be held in 2007, pursuant to the Articles to allot new Ordinary Shares in the capital of the Company for cash pursuant to the authority referred to in the above sub-paragraph 3.5 (a) above as if the rights of pre-emption conferred by paragraph 5.3 (a) of the Articles did not apply to any such allotment provided always that following Admission the authority conferred by the resolution be limited to the allotment of new Ordinary Shares up to an aggregate nominal value equal to 100% of the issued ordinary share capital of the Company immediately following Admission.
- 3.6 Isle of Man law does not impose obligations on the directors of a company to issue securities pro rata to the existing shareholders of the company, as is the case under sections 80 and 89 of the UK Act. Provisions have been included in the Articles which oblige the Directors to seek authority from shareholders before allotting new Ordinary Shares and confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are paid up in cash. The relevant provisions of the Articles apply to the authorised but unissued share capital of the Company except to the extent disappplied by the resolution referred to in sub-paragraph 3.5 (b) above.
- 3.7 The Placing Shares will rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the ordinary share capital.
- 3.8 Save as disclosed in this document:
- (a) no share or loan capital in the Company or the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option and there is no current intention to issue any of the authorised and unissued Ordinary Shares; and
 - (b) no share or loan capital of the Company or of the Group has been issued for cash or other consideration within the period since incorporation of the Company and the date of this document and no such issue is proposed.
- 3.9 The Ordinary Shares have been created under the Acts.
- 3.10 The Articles permit the Company to issue shares in uncertificated form. The Ordinary Shares are in registered form and may be held in certificated form or in uncertificated form through CREST.
- 3.11 The International Security Identification number for the Ordinary Shares is GB00B0YMRZ51.

4. Memorandum and Articles of Association

- 4.1 The Companies Act 1986 (the "1986 Act") of the Isle of Man removed the need for the objects of a company incorporated in the Isle of Man after 1 June 1988 to be set out in the Memorandum of Association of the company, by providing that the company has, subject to the 1986 Act, the capacity and the rights, powers and privileges of an individual. As the Company is a company which was incorporated in the Isle of Man after 1 June 1988, the objects of the company are not set out in its Memorandum of Association but, pursuant to the 1986 Act, the Company has the capacity and, subject to the 1986 Act, the rights, powers and privileges of an individual. The Memorandum of Association of the Company does not set out any restrictions on the exercise of the rights, powers and privileges of the Company.
- 4.2 The Articles include provisions to the following effect:
- (a) *Voting Rights*
At general meetings of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a member entitled to vote, shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him. On a poll votes may be given either personally or by proxy.

(b) *Variation of rights*

Subject to the provisions of the Acts, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles. This paragraph shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied. Subject to the terms of issue or the rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the Board resolving that a class of shares is to become or cease to be a share or class of shares or a renounceable right of allotment of a share, title to which is permitted to be a class of shares title to which is permitted to be transferred by means of a relevant system in accordance with the Uncertificated Regulations.

(c) *Alteration of capital*

The Company in general meeting may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
 - (ii) consolidate and/or divide, re-designate or convert all or any of its share capital into shares of larger or smaller nominal amount, or into different classes of shares than its existing shares;
 - (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
 - (iv) subject to the provisions of the Acts, sub-divide its shares or any of them into shares of smaller nominal value than is fixed by the Memorandum of Association of the Company and may by such resolution determine that as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.
- (d) Subject to the provisions of the Acts and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any undistributable reserve in any manner.
- (e) Subject to the provisions of the Acts and to any rights for the time being attached to any shares, the Company may enter into any contract for the purchase of any of its own shares of any class (including any redeemable shares) and any contract under which it may, subject to any conditions, become entitled or obliged to purchase all or any of such shares. Any shares to be so purchased may be selected in any manner whatsoever provided that if at the relevant date proposed for approval of the proposed purchase there shall be in issue any shares of a class entitling the holders to convert into equity share capital of the Company then no such purchase shall take place unless it has been sanctioned by a special resolution passed at a separate general meeting (or meetings if there is more than one class) of the holders of the class of convertible shares.

(f) *Transfer of shares*

Each member may transfer all or any of his shares in the case of certificated shares by instrument of transfer in writing in any usual form or in any form approved by the Board or in the case of uncertificated shares with a written instrument in accordance with the Crest Regulations. Any written instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share

which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Company's register of members as the holder of the share.

No transfer of any share shall be made:

- (i) to a minor; or
- (ii) to a bankrupt; or
- (iii) to any person who is, or may be, suffering from mental disorder and either:
 - (1) has been admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 (an Act of Parliament) or any similar statute relating to mental health (whether in the United Kingdom, the Isle of Man or elsewhere); or
 - (2) an order has been made by any court having jurisdiction (whether in the United Kingdom, the Isle of Man or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs

and the Directors shall refuse to register the purported transfer of a share to any such person.

- (g) The Board may in its absolute discretion and without giving any reason refuse to register any transfer of a certificated share unless:
 - (i) it is in respect of a share which is fully paid up;
 - (ii) it is in respect of a share on which the Company has no lien;
 - (iii) it is in respect of only one class of shares;
 - (iv) it is in favour of a single transferee or not more than four joint transferees;
 - (v) it is duly stamped (if so required); and
 - (vi) it is delivered for registration to the registered office of the Company for the time being, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer where a certificate has not been required to be issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so;

provided that the Board's discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.

- (h) The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Board may from time to time determine (subject to the Crest Regulations in the case of any shares of a class which is a Participating Security as defined below). Notice of closure of the register of members of the Company shall be given in accordance with the requirements of the Acts.
- (i) The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a share or class of shares or a renounceable right of allotment of a share ("**Participating Security**"), title to which is permitted to be transferred by means of a relevant uncertificated system in accordance with the Crest Regulations, held in uncertificated form in accordance with the Crest Regulations, except that the Board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the Company are admitted) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the Crest Regulations.

(j) *Dividends*

Subject to the provisions of the Articles, the Company may by ordinary resolution declare that out of profits available for distribution in accordance with Isle of Man law dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board. There is no fixed date on which an entitlement to dividend arises.

(k) *Suspension of rights*

The Board may at any time serve a notice (“**Information Notice**”) upon a member requiring the member to disclose to the Board in writing within such period (being no less than ten days and not more than thirty days) as may be specified in the notice, information relating to any beneficial interest of any third party or any other interest of any kind whatsoever which a third party may have in relation to any or all shares registered in the member’s name. If a member has been issued with an Information Notice and has failed in relation to any shares the subject of the Information Notice (“**relevant shares**”) to furnish any information required by such notice within the time period specified therein, then the Board may at any time following fourteen days from the expiry of the date on which the information required to be furnished pursuant to the relevant Information Notice is due to be received by the Board, serve on the relevant holder a notice (in this paragraph called a “disenfranchisement notice”) whereupon the following sanctions shall apply:

(i) *Voting*

the member shall not with effect from the service of the disenfranchisement notice be entitled in respect of the relevant shares to be present or to vote (either in person or by representative or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(ii) *Dividends and transfers*

where the relevant shares represent at least 0.25 per cent. in nominal value of their class:

(1) any dividend or other money payable in respect of the relevant shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect pursuant to the Articles to receive shares instead of that dividend; and

(2) subject in the case of uncertificated shares to the relevant Crest Regulations, no transfer, other than an approved transfer, of any relevant shares held by the member shall be registered unless the member is not himself in default as regards supplying the information required pursuant to the relevant Information Notice and the member provides to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

(l) *Return of capital*

If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively, subject to the rights attached to any shares which may be issued on special terms or conditions.

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed

pursuant to Section 222 of the Isle of Man Companies Act 1931. The liquidator may with the like sanction vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine but no member shall be compelled to accept any assets on which there is a liability.

A special resolution sanctioning a transfer or sale to another company duly passed pursuant to Section 222 of the Isle of Man Companies Act 1931 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

(m) *Pre-emption rights*

There are no statutory pre-emption rights under Isle of Man law. Rights are therefore embodied in the Articles which confer on Shareholders rights of pre-emption in respect of equity securities which are paid up in cash.

(n) *Borrowing powers*

Subject to the other provisions of the Articles and to the Acts, the Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(o) *General Meetings*

Subject to the provisions of the Acts, annual general meetings shall be held at such time and place as the Board may determine.

All general meetings other than annual general meetings, shall be call extraordinary general meetings.

The board may convene an extraordinary general meeting whenever it thinks fit. At any meeting convened on such requisition (or any meeting requisitioned pursuant to section 113 of the Companies Act 1931) no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the Isle of Man sufficient members of the Board to convene a general meeting, any Director or any member of the Company may call a general meeting.

An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a Director or (save as provided by the Companies Act 1931) a resolution of which special notice has been given to the Company shall be convened by not less than 21 clear days' notice in writing. Other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a Chairman which shall not be treated as part of the business of the meeting. Subject to the provisions of Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be quorum. If within 15 minutes (or such longer interval not exceeding one hour as the Chairman in has absolute discretion thinks fit) from the time appointed for the holding a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such time and place as the Chairman (or, in default, the Board) may determine, being not less than 14 nor more than 28 days thereafter. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting one member present in person or by proxy or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or, if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved. The Company shall given at least 7 clear days' notice of any meeting adjourned through lack of quorum (where such meeting is adjourned to a day being not less than 14 nor more than 28 days thereafter).

(p) *Directors, Directors' Interests, Fees and Indemnity*

At every annual general meeting of the Company as near as possible (but not less than) one third of the Directors for the time being shall retire by rotation and be eligible for re-election. Subject to the provisions of the Acts and to the requirement of the Articles that a majority of the Directors shall at all times be resident outside the United Kingdom, the Directors to retire by rotation shall include (so far as is necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors to retire will be those who have been longest in office or, in the case of those who became or who are re-elected Directors on the same day, shall, unless they otherwise agree, be determined by lot.

A Director who to his knowledge is in any way (directly or indirectly) interested in any contract arrangement, transaction or proposal with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

Except as provided below, a Director shall not vote on or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which he has (directly or indirectly) an interest which is material (other than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company) or a duty which conflicts with the interests of the Company unless his duty or interest arises only because the resolution relates to one of the matters set out in the following sub-paragraphs in which case he shall be entitled to vote and be counted in the quorum:

- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (iii) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- (iv) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 198 to 211 of the Companies Act 1985) representing one per cent or more of either any class of the equity share capital, or the voting rights, in such company;
- (v) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

An interest of a person who is, for any purpose of the Acts (excluding any such modification thereof not in force when the Articles became binding on the Company), connected with a Director shall be treated as an interest of the Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director otherwise has.

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning

the appointment (including fixing or varying the terms of appointment or termination) of 2 or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The Directors (other than alternate directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding £250,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Executive Directors may be paid money in addition to any fee payable to him for his services as a Director. Each Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as a Director.

Subject to the Acts, but without prejudice to any indemnity to which he may otherwise be entitled, every Director, alternate Director, secretary or other officer of the Company (other than an auditor) shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution of his duties.

5. Mandatory bids, squeeze-out and sell-out rules relating to Ordinary Shares

5.1 *Mandatory bid*

The City Code on Takeovers and Mergers presently applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

5.2 *Squeeze-out*

Under the Companies Act 1931, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their Ordinary Shares and then it would execute a transfer of the outstanding Ordinary Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Ordinary Shares are compulsorily acquired under the Companies Act 1931 must, in general, be the same as the consideration that was available under the takeover offer.

6. Directors' and Other Interests

6.1 The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of section 346 of the UK Act in the issued share capital of the Company which would require to have been notified to the Company pursuant to Section 324 and 328 of the UK Act if the Company had been subject to the UK Act (or would have been required to have been disclosed in the Register of Directors' interests pursuant to Section 325 of the UK Act if the Company had been subject to the UK Act) as at the date of this document and as expected to be immediately following Admission are as follows:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares immediately following Admission</i>	<i>Percentage of Enlarged Issued Share Capital (assuming full subscription under the Placing)</i>
C Bennett	0	0	0	0
B Miller	20,000	0.36	61,666	0.29
C Rawlinson	0	0	0	0
S Gray	0	0	0	0
B Smith	0	0	0	0
K Ellis	0	0	0	0
S Ingrassia	0	0	0	0

- 6.2 The Directors are aware of the following interests (within the meaning of Part VI of the UK Act) in the Ordinary Shares which, immediately following Admission, will amount to 3 per cent. or more of the Enlarged Issued Share Capital:

<i>Name</i>	<i>Number of Ordinary Shares immediately following Admission</i>	<i>Percentage of Enlarged Issued Share Capital (assuming full subscription under the Placing)</i>
Alfred Sutton	1,000,000	4.68
Pershing Keen Nominees	672,000	3.15
Mark Sheppard	916,226*	4.29

*This includes Ordinary Shares held by Gall & Eke Limited, Midas Nominees Limited and Midas Investment Management Limited, all of which are companies controlled by Mark Sheppard, and excludes 166,666 Ordinary Shares to be transferred to Nicholas Leigh-Wood.

- 6.3 So far as the Directors are aware, save as disclosed in paragraphs 6.1 and 6.2 above, there are no persons who, immediately following the Placing, will, directly or indirectly, be interested in 3 per cent. or more of the capital of the Company or who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

7. Options

- 7.1 The Directors have been granted the following options over Ordinary Shares:

<i>Name</i>	<i>Number of Ordinary Shares under option</i>
C. Bennett	16,666
B Miller	25,000

The options were granted to the relevant Directors pursuant to individual option agreements dated 16 March 2006. The options are exercisable at a price equal to the Placing Price. The options expire on the fifth anniversary of Admission.

- 7.2 Pursuant to an option agreement dated 16 March 2006, Hichens has been granted an option to acquire 124,236 Ordinary Shares at the Placing Price at any time until the fifth anniversary of Admission.

8. Directors' Agreements and Letters of Appointment

- 8.1 Chris Bennett has agreed to act as a Non-executive Chairman of the Company pursuant to a letter of appointment dated 16 March 2006. Mr. Bennett will receive an annual salary of £15,000. The appointment may be terminated by either party giving three months' written notice. Mr Bennett's letter of appointment provides for no benefits upon termination of his employment.

- 8.2 Brett Miller has agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 16 March 2006. Mr. Miller will receive an annual salary of £10,000. The appointment may be terminated by either party giving three months' written notice. Mr. Miller's letter of appointment provides for no benefits upon termination of his employment.
- 8.3 Christina Rawlinson has agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 16 February 2006. Ms. Rawlinson will not receive a salary. The appointment may be terminated by the mutual consent of the parties. Continuation of the appointment is contingent on satisfactory performance, continued employment by Anglo Irish and re-election at the forthcoming annual general meetings. Ms. Rawlinson's letter of appointment provides for no benefits upon termination of her employment.
- 8.4 Stephen Gray has agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 16 February 2006. Mr. Gray will not receive a salary. The appointment may be terminated by the mutual consent of the parties. Continuation of the appointment is contingent on satisfactory performance, continued employment by Anglo Irish and re-election at the forthcoming annual general meetings. Mr. Gray's letter of appointment provides for no benefits upon termination of his employment.
- 8.5 Barry Smith has agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 16 February 2006. Mr. Smith will not receive a salary. The appointment may be terminated by the mutual consent of the parties. Continuation of the appointment is contingent on satisfactory performance, continued employment by Anglo Irish and re-election at the forthcoming annual general meetings. Mr. Smith's letter of appointment provides for no benefits upon termination of his employment.
- 8.6 Katherine Ellis has agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 16 February 2006. Ms. Ellis will not receive a salary. The appointment may be terminated by the mutual consent of the parties. Continuation of the appointment is contingent on satisfactory performance, continued employment by Anglo Irish and re-election at the forthcoming annual general meetings. Ms. Ellis' letter of appointment provides for no benefits upon termination of her employment.
- 8.7 Sarah Ingrassia has agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 16 February 2006. Ms. Ingrassia will not receive a salary. The appointment may be terminated by the mutual consent of the parties. Continuation of the appointment is contingent on satisfactory performance, continued employment by Anglo Irish and re-election at the forthcoming annual general meetings. Ms. Ingrassia's letter of appointment provides for no benefits upon termination of her employment.
- 8.8 Save as disclosed above, there are no service contracts in existence between any Director and the Company which cannot be determined by the relevant Company without payment of compensation (other than statutory compensation) within one year and none of the service contracts referred to in this paragraph have been amended in the last six months.

9. Additional Information on the Directors

- 9.1. In addition to directorships of the Company and its subsidiaries, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Directors</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
C Bennett	Maddox Estates Limited Stumpf Central & Eastern Europe Kft	DTZ Austria GmbH DTZ Polska Management Sp zoo DTZ Polska Sp zoo
B Miller	Ruegg & Co Limited Gledhow Investments plc	17 Gledhow Gardens Management Company Limited
C Rawlinson	142 Canary Central Limited A I Nominees Limited Academy Limited Acresfield Limited Agents Transecon (Axiom) Limited AGW Investments No. 3 Limited	Alexia Limited Bandler Limited Beulah Limited Brookman Limited Crewkerne Limited Dead4

Directors

C Rawlinson (continued)

Current Directorships

Ahmed Investment Limited
Ailsa Solihull Limited
Albion Yard Limited
Alderbrook Limited
Alexan Limited
Alfano Limited
Almark Limited
Alpha Consulting Services Limited
Alsina Limited
Alstone Partners Limited
Anglo Irish Corporate Services Limited
Anglo Irish Nominees (Trusts) Limited
Antelope Limited
Apollonia Limited
ARA Technology Limited
Ariel Enterprises Limited
Arner Limited
Arta Group Limited
Artane Limited
Artilleries E45 Limited
Arvan Limited
Ashbourne Cedar Property Limited
Ashbourne No.1 Limited
Ashbourne Property Limited
Asia-pacific Link Limited
Aston Partners Limited
Autoria LLC
Avantier Enterprises Limited
Aztec Limited
Aztech Information Systems Limited
Balcombe Limited
Barella Limited
Baros Enterprises Limited
Baymist Limited
Baytown Limited
Baytown Properties Limited
Beckdale Limited
Betpoint Limited
Bisley Partners Limited
Bismillah Limited
Bonvista Limited
Borneal Limited
Bretford Birmingham Limited
Brimpsfield Partners Limited
Brunskill Limited
BSP Keyboards Limited
Buckland Partners Limited
Bugnano Condominium Company Limited
Building Progress Limited
Callbury Gatwick Limited
Cambridge Place (Rebillac) Limited
Cambridge Place CDO (Isle of Man) Limited
Cansas Investments Limited
Carenza Limited
Charnock Limited
Chedworth Partners Limited

Past Directorships

Diamond Lady Limited
Edenderry Limited
Edengrange Limited
Freecom Limited
Greenscroft Limited
Harcott Limited
Harston Limited
Highford Limited
Kildon Limited
Kilone Limited
Mariella Limited
Multisell (IOM) Limited
Naka Limited
Netletter Limited
Parker Moore (Warrington) Limited
Rosemount Enterprises Limited
Tailwind Shipping Limited
Vanberg Limited
Vollers Payor Limited
Whites Creamery (Isle of Man) Limited

Directors

C Rawlinson (continued)

Current Directorships

Clearmount Investments Limited
Commander Shipping Limited
Computer Associates Limited
Confidence & Commander Limited
Confidence Shipping Limited
Coralmar Limited
Crystal Horizon Limited
Davlyn Limited
Dazar Unlimited
DB System Trade Limited
Denbigh Developments Limited
Dill Limited
Dino Limited
Dodman Limited
Dorset London West Limited
Driscoll Limited
Dumford Limited
Dunnrich Limited
E.H. Holdings Limited
Eagle Welwyn City LLC
Ebttikar Limited
Edmonton Properties Limited
Electrotechnology Systems Limited
Endorsed Investment Limited
Energy (C.G.) Limited
Energy Holdings Plc
Erado Technology Limited
Ernst & Whinney Mediterranean Limited
Ernst & Young Holdings Limited
Ernst & Young Services Limited
Ernst & Young Southeast Europe Holdings Limited
Eversden Limited
Exeter Shipping Limited
Fanorder Limited
Fantasy & Fidelity Limited
Fellstar Limited
Fenlay Limited
Fidget Limited
Finca Santa Maria de Mijas, Societe Anonyme
Force Majeure Consulting Limited
Fortino Limited
Fortuna Technology Limited
Futurian Limited
Ganges Investments Limited
Gannon Farnham Guilford Limited
GBM Limited
General Support Management Limited
Gladwell Limited
Glass of Beer Limited
Gleniffer Limited
Glenthorn Limited
Global Consulting Services (IOM) Limited
Goldhill Limited
Grangewick Limited
Grayson Limited
Green Marine Offshore Limited
Gretton Partners Limited
GSM Project Services Limited
Haber Holdings Limited

Past Directorships

Directors

C Rawlinson (continued)

Current Directorships

Hadrian limited
Hadstock Limited
Hanso Limited
Hashamach Limited
Haslington Technologies Limited
Hawridge Limited
Highberry Investments Limited
Hooka Limited
Inchcape Investments Limited
Incisor Limited
Ingleton Limited
Instrument warehouse Limited
Jarwood Limited
Jimzola Limited
Jubilee Limited
Karolina Investments Limited
Keiko Limited
Kenton Investments Limited
Kerneski Limited
Kiel Limited
KMC (EC) Limited
Koban limited
Krypton Enterprises Limited
Kyvis International Limited
Ladyland Limited
Lambley Park Limited
Lanmire Properties Limited
Lansley Limited
Laurel Dawn Limited
Leixlip Limited
Lemarate Properties Limited
Luxton Limited
Marine & Fuel Marketing (IOM) Limited
Marisco Limited
Martlet Company Limited
Maximillian Limited
Maya Hyde Park Limited
Maypark Limited
Maypark One Limited
Mellor Limited
Mitic Limited
Morane Enterprises Limited
Moreton Limited
Mossoro Limited
Moyville Enterprises Limited
Nedvale Services Limited
Neptune Products Limited
Oakby Limited
Oakford Property Company Limited
OTR Global Research Limited
Oxford Circle Limited
P.K. Enterprises Limited
Padlock Limited
Pan Properties Limited
Parik Limited
PDC Agencies Limited
Pelman Investments Limited
Philadelphia Limited
Platinum Enterprises Limited

Past Directorships

Directors

C Rawlinson (continued)

Current Directorships

Pollard Limited
Porini Limited
Portwall One Limited
Premier Advisory Services Limited
Premier Advisory Services Nominees Limited
Q Technologies Limited
Quill Hemel Hempstead Limited
R.P.V. Limited
R.S. & B.S. Limited
Rail Road Consultants Limited
Rebillac Limited
Rebilac Management Limited
Redcastle Capital Limited
Rise Hatfield Limited
Rosina Limited
Rotcher Limited
Rushington Limited
Rutilus Investments Limited
Saba Services Limited
Sable Limited
Sabler Enterprises limited
Salado Enterprises Limited
Sarando Limited
Sartor Limited
Seafire Limited
Seaford Limited
Sheps (PHFL) Limited
Shiraz Investments Limited
Shiu Kwong Limited
Shiu Wing Limited
Southam Partners Limited
Sponsor Shipping Limited
Stanford Services Limited
Sunam Limited
Supporter Shipping Limited
Sussex Estates Limited
Tailored Solutions Limited
Tailwind Car Carriers Limited
Tailwind Parcel Tankers Limited
Tailwind Tankers Limited
Tajka Limited
Talca Enterprises Limited
Talent Investment Limited
Tanami Limited
Tango Investments Limited
Tasman Limited
Tasman UK Limited
Taunton Limited
Telefonica Finance Limited
Telori Limited
Tenza Guildford Leatherhead Limited
Test Company Limited
Thoas Ventures Limited
Thrupp Partners Limited
Tinas Investments Limited
Triangle Limited
Turiminola Limited
Value Management Limited
Varadan Limited

Past Directorships

<i>Directors</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
C Rawlinson (continued)	Vehicle Imports Direct Limited Wargrave Partners Limited Wherewell Limited Wincroft Limited Wootton Investments Limited Yarkford Properties Limited Yarmouth Limited Yoconaya Limited Zenden Enterprises Limited Zeradigm Lindustries Limited Zoneff Limited	
S Gray	Ahmed Investment Limited Albion Yard Limited Almark Limited Alpha Consulting Services Limited Alsina Limited Angelsands Limited Antelope Limited Asia-pacific Link Limited Belland Limited Cambridge Place (Rebilac) Limited Cansas Investments Limited Davlyn Limited Denbigh Developments Limited E.H. Holdings Limited Eagle Welwyn City LLC Energy (C.G.) Limited Energy Holdings Plc Eversden Limited Global Consulting Services (IOM) Limited Haslington Technologies Limited Karolina Investments Limited Kenton Investments Limited OTR Global Research Limited Pan Properties Limited Porini Limited Portwall One Limited Q Technologies Limited R.S. & B.S. Limited Rebilac Limited Rebilac Management Limited Rotcher Limited Rutilus Investments Limited Seaford Limited Shiraz Investments Limited Stanford Services Limited Taunton Limited Tinas Investments Limited Wincroft Limited	Alstone Partners Limited Brimpsfield Partners Limited Netletter Limited Southam Partners Limited
B Smith	Adanto Limited Advantech Company Limited Ailsa Solihull Limited Alfano Limited Amorite Venture Limited Anglo Irish Nominees (Trusts) Limited	Artane Limited Brookman Limited Dulson Unlimited Edengrange Limited Fanorder Limited Fortino Limited Goldhill Limited

Directors

B Smith (continued)

Current Directorships

Anglo Irish Trust Company Limited
Ariel Enterprises Limited
Arner Limited
Aroll Petroleum International Limited
Asgiom Limited
Avantler Enterprises Limited
Avistine Limited
Balderton Properties Limited
Baleen Properties Limited
Betpoint Limited
Biano Limited
Bolzano Limited
Bondone Limited
Bretford Birmingham Limited
Brionnais Shipping and Transport Consultancy Limited
Callbury Gatwick Limited
Callisto Limited
Calyx Limited
Celia Limited
Chemical Plant Manufacturing Limited
Cholmondeley Limited
Churchill Ventures Limited
Cigars International Limited
Clairemont Investment Corporation Limited
Collington Limited
Commercial Property Investments Limited
Craftchange Limited
Crystal Enterprises Limited
Dallington Limited
Damron Limited
David Star Trading Limited
Deonbur Limited
Dorset London West Limited
E.C. 91 Limited
Effra Properties Limited
Elias Investments Limited
Emeritus Limited
Endorsed Investment Limited
Energy (C.G.) Limited
Esterel Limited
Ferguson Limited
Finisklin Limited
First Choice Administration (IOM) Limited
Florenca Properties Limited
Fox Ventures Limited
Freecom Limited
Gannon Farnham Guildford Limited
Geeta Enterprises Limited
Glass of Beer Limited
Glenside Limited
Goydos Limited
Grangewick Limited
Hanso Limited

Past Directorships

Hadstock Limited
Kernes Limited
Kildon Limited
Kirdale Enterprises Limited
Laurel Dawn Limited
Salado Enterprises Limited
Thermal & Chemical Soil Remediation Limited

Directors

B Smith (continued)

Current Directorships

Hashamach Limited
Highberry Investments Limited
Holford Limited
Hove Limited
Instrument Warehouse Limited
Jimzola Limited
JLA Investments Limited
Kapiri Limited
Kendrum Limited
Kilone Limited
Kyvis International Limited
Lamego Limited
Langford Enterprises Limited
Lemarate Properties Limited
Malini Enterprises Limited
Mallow Limited
Manvest Limited
Mariella Limited
Maximillian Limited
Maya Hyde Park Limited
Megarta Limited
Mellor Limited
Morane Enterprises Limited
Moretra Limited
Morolea Limited
Morrison Enterprises Limited
Mossoro Limited
Moyville Enterprises Limited
Nani Investments Limited
Netletter Limited
Nobilo Limited
Old Bawn Limited
Oxford Circle Limited
P.K. Enterprises Limited
Padlock Limited
Panna Limited
Paradise Trading Company Limited
PDC Agencies
Penwell Construction Limited
Philadelphia Limited
PKY Limited
Platinum Enterprises Limited
Poundtwo Limited
Pressac Limited
Punt 360 Limited
Quill Hemel Hempstead Limited
Red Cedar Limited
Richbell Limited
Rise Hatfield Limited
Roundstone Group Limited
Royal Trading Limited
Rurik IOM Limited
Rutilus Investments Limited
Seagrove Limited
Shegilla Limited
Sidedale Limited
Slate Investments Limited
Slattery Limited
Snowybank Limited

Past Directorships

Directors

B Smith (continued)

Current Directorships

Southlodge Limited
 Sunam Limited
 Sunfish limited
 Tailwind Parcel Tankers Limited
 Tajka Limited
 Talca Enterprises Limited
 Tanami Limited
 Tapatch Limited
 Telori Limited
 Tenza Guildford Leatherhead Limited
 Teodora Limited
 Terry Properties Limited
 The Marathon Foundation Limited
 Thoas Ventures Limited
 Tilai Limited
 Tobias Shipping and Transport
 Consultancy Limited
 Topsec Security Systems Limited
 Touchwood Limited
 United Invest Limited
 Valona Limited
 Vanberg Limited
 Varadan Limited
 Vehicle Imports Direct Limited
 Verillion Limited
 Wallridge (Isle of Man) Unlimited
 Wetstone Trading Limited
 Willett Ireland Limited
 Willett Limited
 Wolfrun Investments Limited
 Yarkford Properties Limited
 Yarmouth Limited
 Yoconaya Limited
 Zanzara Limited
 Zenden Enterprises Limited

Past Directorships

K Ellis

Allenwood Limited
 Armstrong Yachts Limited
 Castlewood Charters Limited
 Compton Limited
 Diamond Lady Limited
 Frambury Limited
 Harcott Limited
 Indo Yacht Charterers Limited
 Is A Rose Yachting Services Limited
 Kilbarron Limited
 Morstock Limited
 Naka Limited
 POS Limited
 Saturn Marine Limited
 Talisman Sea Limited
 Vadine Limited
 Virgil Yachts Limited
 West End Limited
 Wild Tigris Charter Limited

Canita Limited

S Ingrassia

Alexia Limited
 Apollonia Limited
 Archoff Limited

Grange Enterprises Limited
 Partridge Enterprises Limited

Directors

S Ingrassia (continued)

Current Directorships

Ashford Developments Limited
Balbriggan Limited
Baresto Limited
Baros Enterprises Limited
Beamer Enterprises Limited
Biano Limited
Borneal Limited
Braila Limited
Cabbaleva Limited
Carlson Referral Services Limited
Carsley Limited
Castlebay Limited
Castor Properties Limited
Cloverway Limited
Culleenamore Limited
Delap Developments Limited
Delap Limited
Delap Properties Limited
D H Limited
Ebtikar Limited
eTel Central Europe Limited
Glenthorn Limited
Globix Communications Limited
Green Turtle Enterprises Limited
Grondana Limited
Hanso Limited
Kailas Communications Limited
Kerelem Limited
LaSalle Limited
Lehman Limited
Mendel Ventures Limited
New Frontier Limited
Pantani Limited
Quaker Enterprises Limited
River Court Holdings Limited
River Court Properties Limited
Sabler Enterprises Limited
Samira Enterprises Limited
Sharples Properties Limited
Shelley Bay Limited
Steel Transporter Limited
Stoney Burn Limited
Terranova Associates Limited
Tillyard Limited
Tipperary Limited
Topsec Security Systems Limited
Torres Limited
Trusham Limited
Vienne Balleares Limited
Vollers Payor Limited
Wallridge (Isle of Man) Unlimited
Whitgift One Limited
Whitgift Two Limited
Zeist Enterprises Limited

Past Directorships

9.2 None of the Directors has:

- (a) any unspent convictions in relation to indictable offences;

- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
 - (c) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
 - (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
 - (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 9.3 Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.
- 9.4 No loans made or guarantees granted or provided by the Company to or for the benefit of any Director are outstanding.

10. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the period of two years immediately preceding the date of this document and are or may be material.

- 10.1 A share and loan sale and purchase agreement dated 8 December 2004 between Pactolus Eastern European Property Limited (“PEEP”), Gall & Eke Limited and Midász whereby Gall & Eke Limited agreed to sell 2,900,000 shares in Midász to PEEP in consideration for the issue of 390,236 shares in PEEP. The agreement includes an acknowledgment that Gall & Eke Limited had made loans totalling HUF 60,859,674. Pursuant to the agreement Gall & Eke Limited assigned the benefit of these loans to PEEP.
- 10.2 An agreement dated 8 December 2004 between PEEP and Midas whereby Midas agreed to source investors and manage a private placing of shares in PEEP which took place in January 2005. PEEP agreed to pay a fee equal to 3 per cent. of the funds received under the private placing plus any other costs directly attributable to the private placing.
- 10.3 A share sale agreement dated 22 March 2005 between Nicholas Leigh-Wood and Pactolus UK Limited whereby Nicholas Leigh-Wood agreed to sell 100,000 shares in Midász to Pactolus UK Limited in consideration for 100,000 HUF.
- 10.4 The offering circular dated 22 December 2005 issued by the Company to the shareholders of PEEP whereby Ordinary Shares were offered in exchange for shares in PEEP on the basis of one Ordinary Share for each share held in PEEP. The acquisition of the entire issued share capital of PEEP was completed on 17 January 2006.
- 10.5 A letter of engagement dated 22 December 2005 between Anglo Irish Trust and the Company whereby Anglo Irish Trust agreed to provide administration services to the Company. The services to be provided include the provision of directors and providing secretarial, accounting and tax administration. The engagement may be terminated by either party on 60 days’ written notice. The engagement letter includes indemnities granted by the Company in favour of Anglo Irish Trust and its officers, employees and agents against any liabilities, costs or claims arising in connection with the provision of services pursuant to the engagement.

- 10.6 A letter of engagement dated 22 December 2005 between Anglo Irish Trust, the Company and Pactolus (IOM) Limited whereby Anglo Irish Trust agreed to provide administration services to Pactolus (IOM) Limited. The services to be provided include the provision of directors and providing secretarial, accounting and tax administration. The engagement may be terminated by either party on 60 days' written notice. The engagement letter includes indemnities granted by Pactolus (IOM) Limited and the Company in favour of Anglo Irish Trust and its officers, employees and agents against any liabilities, costs or claims arising in connection with the provision of services pursuant to the engagement.
- 10.7 An agreement dated 17 January 2006 between PEEP and the Company whereby the Company agreed to acquire 2,900,000 shares in Midász from PEEP in consideration for the payment of €49,289.13. The consideration payable pursuant to the agreement is subject to adjustment by reference to the audited accounts of Midász for the year ended 31 December 2005.
- 10.8 An agreement dated 17 January 2006 between Pactolus UK Limited and Pactolus (IOM) Limited whereby Pactolus (IOM) Limited agreed to acquire 100,000 shares in Midász from Pactolus UK Limited in consideration for €1,697.87. The consideration payable pursuant to the agreement is subject to adjustment by reference to the audited accounts of Midász for the year ended 31 December 2005.
- 10.9 The Asset Management Agreement dated 17 March 2006 between the Company and Midas pursuant to which Midas provides certain advisory and management services to the Company in respect of the properties and investments held by the Group. Midas can delegate to third parties any of its duties under the Asset Management Agreement as it has already done in respect of certain property management services the provision of which it has subcontracted to MEP.

Midas is entitled to a quarterly management fee based on the net asset value of the Group at the end of each quarter period adjusted to exclude any provision for the management fee or performance fee in such period. The quarterly fee is an amount equal to 0.5% of such adjusted net asset value payable in cash one month after the quarter end.

The amount of management fee payable on cash deposits will be restricted to £100,000 per annum and once £15m worth of assets are invested in property there will be no management fee payable on cash deposits.

The fees of the Property Adviser will be met by the Asset Manager. However, for the avoidance of doubt, the following costs will not be met by the Asset Manager:

- (i) the costs relating to property development and investment;
- (ii) the remuneration and expenses of non-executive Directors;
- (iii) the Property Valuer's fees;
- (iv) the costs attributable to the Company's formation, Admission to AIM and the Placing;
- (v) bank charges and interest;
- (vi) legal, professional, auditing, travelling, shareholder reporting expenses; and
- (vii) other company specific costs such as administration of the Company in the Isle of Man.

In addition to the quarterly management fee and depending on the performance of the Group, Midas may be entitled to an annual performance fee calculated at the year end from the audited accounts.

In the initial period to 31 December 2006, if the adjusted net asset value for that period ("NAVa") (the Net Asset Value for the period end after management fees and taxation but before the performance fee for the period and other capital and income distributions declared in the period) exceeds a net asset value benchmark figure ("NAVb") the performance fee for the period will be an amount equal to 20 per cent. of this excess. NAVb is calculated by taking the commencement net asset value on Admission (as determined by the Group's auditors or reporting accountants assuming receipt of all funds from the Placing and including all costs of Admission and Placing) ("NAVc") and multiplying this by a hurdle rate for the initial period (9 per cent. per annum) and then adjusting this figure to take account of non-performance related changes in the net assets of the Group caused by changes in the issued share capital of the Company (rights issues, buybacks, capital reductions etc).

In subsequent periods, a performance fee will only be payable in respect of a period if the NAVa at the period end (the Net Asset Value at the period end adjusted for all past capital and income distributions and before the performance fee for the period) exceeds the aggregate NAVb applicable to the period end in which case the performance fee for the period shall be an amount equal to 20 per cent. of this excess. The aggregate NAVb is calculated by multiplying the NAVc by the hurdle rate for the total period since Admission (9 per cent. per annum cumulative) and then adjusting this figure to take account of non-performance related changes in the net assets of the Group caused by changes in the issued share capital of the Company since Admission (rights issues, buybacks, capital reductions etc).

If the aggregate NAVb at a period end is not exceeded, no performance fee will be payable for that period.

If a performance fee is due in respect of a period, it will be satisfied by the Company partly in cash (40 per cent.) and partly by the issue of Ordinary Shares (60 per cent.) in each case within 30 days of the audit of the consolidated accounts of the Company for the period and agreement of the performance fee by the Board. As the accounts are reported in Euros and the Ordinary Shares are quoted in Sterling, to determine the number of Ordinary Shares to be issued in satisfaction of 60 per cent. of a performance fee (calculated in Euros) an average Euro price per Ordinary Share is calculated by taking the average closing mid market price of the Ordinary Shares in the 20 trading days prior to the end of the period to which the performance fee relates and converting such amount to Euros in a manner consistent with the currency conversion policies adopted in the Company's accounts using the relevant exchange rate prevailing on the final day of the relevant period to which the performance fee relates. Midas has agreed not to transfer, grant or otherwise dispose of any legal, beneficial or any other interest in any Ordinary Shares issued to it in part satisfaction of a performance fee in the period ending two years from the date of issue of such shares.

Either party can terminate the agreement at any time with immediate effect in the event of an unremedied material breach and in addition the Company can terminate the agreement at any time immediately on the occurrence of an insolvency event in respect to Midas. Otherwise, the Company can terminate the asset management agreement on 12 months' written notice and Midas can terminate on 6 months' written notice in each case such notice to expire no earlier than the end of the initial term of 24 months.

The key personnel of Midas is currently Mark Sheppard. The Asset Management Agreement provides that any replacement in the event of a change of key personnel is subject to the approval of the Company.

- 10.10 A nominated adviser agreement dated 17 March 2006 between the Company, the Directors and City Financial Associates pursuant to which the Company has appointed CFA to act as nominated adviser to the Company for the purposes of the AIM Rules. The Company has agreed to pay CFA a fee of £17,500 per annum for its services as nominated adviser under the agreement, together with all reasonable expenses and VAT. The agreement contains certain undertakings and indemnities given by the Company in respect of, inter alia, compliance with all applicable laws and regulations. The agreement is subject to termination on the giving of three months' notice not to expire earlier than the first anniversary of Admission.
- 10.11 A broker agreement dated 17 March 2006 between the Company, Brett Miller, Christopher Bennett and Hichens, Harrison & Co. pursuant to which the Company has appointed Hichens to act as broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Hichens a fee of £15,000 per annum for its services as broker under the agreement together with all reasonable expenses and VAT. The agreement contains certain undertakings and indemnities given by the Company in respect of, inter alia, compliance with all applicable laws and regulations. The agreement is subject to termination on the giving of three months' notice not to expire earlier than the first anniversary of Admission.
- 10.12 The Placing Agreement dated 17 March 2006 between the Company, certain of the Directors, CFA, Hichens and Midas Investment Management pursuant to which, conditional upon, inter alia, Admission taking place on or before 8.00 a.m. on 23 March 2006 (or such later time or date as the Company, CFA and Hichens may agree being not later than 23 April 2006) Hichens has agreed to use reasonable endeavours to procure subscribers for the Placing Shares.

The agreement contains representations and warranties from the Company, certain of the Directors and Midas Investment Management and an indemnity from the Company in favour of Hichens together with provisions which enable Hichens to terminate the agreement in certain circumstances prior to Admission including in the event of a material breach of any of the warranties and force majeure. Under the agreement the Company has agreed to pay Hichens a fee of £20,000, a commission of four per cent. on the aggregate

value at the Placing Price of the Placing Shares in respect of which Hichens has procured placees and a commission, not to exceed £25,000, of 0.5 per cent. on the aggregate value at the Placing Price of the Placing Shares in respect of which third parties have procured placees. In addition, commissions of 3.5 per cent. will be payable to intermediaries who have procured placees. The Company has also agreed to pay CFA a fee of £50,000.

Pursuant to the Placing Agreement each of Chris Bennett, Brett Miller and Midas has undertaken not to dispose of any interest in Ordinary Shares for a period of 12 months following Admission. These undertakings do not apply to a disposal of Ordinary Shares relating to an intervening court order, the death of a party giving the undertaking or acceptance of a takeover offer for the Company which is open to all Shareholders.

- 10.13 The Lock-In Agreements dated 16 March 2006 between the Company, CFA, Hichens and each of Mark Sheppard, Midas Nominees Limited, Gall & Eke and Nicholas Leigh-Wood pursuant to which each of Mark Sheppard, Midas Nominees Limited, Gall & Eke and Nicholas Leigh-Wood have undertaken not to dispose of or otherwise deal in Ordinary Shares for the period of 12 months following Admission. These undertakings do not apply to a disposal of Ordinary Shares relating to an intervening court order, the death of a party giving the undertaking or acceptance of a takeover offer for the Company which is open to all Shareholders.
- 10.14 The agreement dated 9 February 2006 between Anglo Irish and the Company pursuant to which Anglo Irish agreed to provide its services as a registrar to the Company. The agreement may be terminated by either party on 60 days notice in writing.

11. Litigation

Neither the Company nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Company or any member of the Group of which the Company or any member of the Group is aware) which have, may have or have had during the 12 months preceding the date of this document a significant effect on the Company's financial position or profitability.

12. Working capital

The Directors are of the opinion, having made due and careful enquiry, that following Admission, the Group will have sufficient working capital for its present requirements, that is for at least the 12 month period following Admission.

13. Taxation

The information below, which is of a general nature only and which relates only to UK, Isle of Man and Hungarian taxation, is applicable to the Company, to Midász as set out in paragraph 13.8, and to persons who are resident or ordinarily resident in the UK (except where indicated) and who hold Ordinary Shares as an investment and not as an asset of a financial or other trade. It is based on existing law and practice and is subject to subsequent changes therein. Any change in the Company's tax status or in taxation legislation in the Isle of Man or the UK or any other tax jurisdiction affecting Shareholders could affect the value of the investment held by the Company or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post-tax returns to Shareholders. Any Shareholders who are in any doubt as to their tax position should consult their own professional advisor without delay.

No statements are made with respect to the ownership of or disposal of ordinary shares in any other jurisdiction and shareholders who are citizens of, or resident or ordinarily resident in, countries other than the UK are strongly encouraged to seek independent professional advice in connection with the local tax consequences of investing in Ordinary Shares.

13.1 The Company

Exempt Status

It is the intention of the Directors to conduct the affairs of the Company so that the management and control of the Company are not exercised elsewhere other than the Isle of Man, and it is not resident in the UK or elsewhere for taxation purposes, and so that it does not carry on any trade in the UK or elsewhere (whether or not through a permanent establishment situated there). Accordingly, the Company should not be liable for the taxation by the UK or any other jurisdiction on its profits or gains, other than taxation sourced on certain income deriving from sources within that jurisdiction.

The Company will apply on an annual basis for tax exempt status on the Isle of Man pursuant to the Isle of Man Income Tax (Exempt Companies) Act 1984 (as amended). The fee is currently £475 payable on an annual basis in respect of the Company's exempt status. As a tax exempt company, the Company will not be subject to Isle of Man income tax. There is no capital gains tax, inheritance tax or stamp duty in the Isle of Man.

The granting of exemption does not affect the liability of a company to deduct and account for income tax under the Income Tax (Instalment Payments) Act 1974.

Whilst the Company remains tax exempt, at the date of this document no persons treated as resident in the Isle of Man for Isle of Man taxation purposes may hold shares in the Company except for persons who are exempt from the Isle of Man income tax under the Income Tax (Exempt Companies) Act 1984. Also, in practice, companies who are exempt from Isle of Man income tax under the Income Tax (Exempt Insurance Companies) Act 1981 or the Limited Liabilities Companies Act 1996 and persons who are assessed in accordance with the International Business Act 1994 are permitted to hold shares in a tax exempt company.

The Isle of Man Government has announced its intention to tax all Isle of Man resident companies (except licenced banks) at a zero rate with effect from 6 April 2006. New legislation will be introduced to replace the current tax exempt company legislation.

Capital duty in the Isle of Man is calculated at the rate of 1.5 per cent. and is payable on incorporation or on any increase in the nominal value of the authorised share capital of the Company, ranging from a minimum of £125 for capital up to £2,000, up to a maximum amount of duty of £5,000 for each company.

Investors

13.2 Taxation of Dividends on Ordinary Shares

Holders of Ordinary Shares who are not tax resident in the Isle of Man will receive dividends without deduction of Isle of Man income tax. UK resident individual holders of Ordinary Shares will be liable to UK income tax on the dividends received. No UK tax credit will be attached to dividends received by holders of Ordinary Shares. UK resident corporate holders of Ordinary Shares will be liable to corporation tax on dividends received from the Company.

The income tax charge in respect of dividends for UK resident individual holders of Ordinary Shares, other than higher rate taxpayers, will be at the rate of 10 per cent. A higher rate taxpayer will be liable to income tax on dividends received from the Company (to the extent that, taking the dividend as the top slice of his income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent.

13.3 Individual Savings Accounts ("ISAs") and Personal Equity Plans (PEPs)

Shares will not be eligible to be held in the stocks and shares component of an ISA or an existing PEP.

13.4 Self-Invested Personal Pension Schemes (SIPPS)

The Personal Pension Scheme (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 provide that investments which may be held directly or indirectly for the purposes of a SIPP include shares which are dealt in on AIM.

HMRC issued a Pre-Budget technical note in December 2005 which included proposals to restrict investment by self-directed pension schemes in residential property. Legislation has still to be introduced but currently this should not impact on genuine commercial public companies such as this.

13.5 Taxation of Capital Gains

The Company, as a closed-ended investment company, should not as at the date of this document be treated as an "offshore fund" for the purposes of UK taxation. Accordingly, the provisions of Chapter V of Part XVII of the UK Income and Corporation Taxes Act 1988 (the "Taxes Act") should not apply. Any gains on disposals by UK resident or ordinarily resident holders of Ordinary Shares may, depending on their individual circumstances, give rise to a liability to UK taxation on capital gains. Likewise, the provisions of Section 98 and paragraph 7 of Schedule 10 to the Finance Act 1996, and paragraphs 36 and 37 of Schedule 26 to the UK Finance Act 2002 should not apply to corporate shareholders.

The Group is carrying on investment activities, so that taper relief will apply only at the non business rate for UK resident individuals and Trustees.

13.6 *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

The following comments are intended as a guide to the general stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply. UK stamp duty (at the rate of 0.5 per cent. of the amount of the value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of the Ordinary Shares executed within, or in certain cases brought into, the UK. Provided that the Ordinary Shares are not registered in any register of the Company kept in the UK any agreement to transfer the Ordinary Shares will not be subject to UK SDRT. In the event of the death of a sole holder of Ordinary Shares, an Isle of Man grant of probate or administration may be required in respect of which certain fees will be payable to the Isle of Man Government.

13.7 *Other United Kingdom Tax Considerations*

The attention of individuals ordinarily resident in the UK is drawn to the provisions of sections 739-745 of the Taxes Act under which the income accruing to the Company may be attributed to such a shareholder and may (in certain circumstances) be liable to UK income tax in the hands of the shareholder. However, the provisions do not apply if such a shareholder can satisfy the UK Inland Revenue that, either: –

- (a) the purpose of avoiding liability to UK taxation was not the purpose or one of the purposes of his investment in the Company, or
- (b) the investment was a bona fide commercial transaction and was not designed for the purpose of avoiding UK taxation.

As it is possible that the Company will be owned by a majority of persons resident in the UK, legislation applying to controlled foreign companies may apply to any corporate holders of Ordinary Shares who are resident in the UK. Under these rules, part of any undistributed income accruing to the company may be attributed to such a shareholder, and may in certain circumstances be chargeable to UK corporation tax in the hands of the shareholder. However, this will only apply if the apportionment to that shareholder (when aggregated with persons connected or associated with them) is at least 25 per cent. of the Company’s relevant profits.

This paragraph applies only to holders of Ordinary Shares who are resident or ordinarily resident in the UK and whose interest (when aggregated with persons connected with them) in the chargeable gains of the Company exceeds one-tenth. In the event that the Company would be treated as “close” if it were resident in the UK, then part of any chargeable gain accruing to the Company may be attributed to such a shareholder and may (in certain circumstances) be liable to UK tax on capital gains in the hands of the shareholder (section 13 UK Taxation of Chargeable Gains Act 1992). The part attributed to the shareholder corresponds to the shareholder’s proportionate interest in the Company.

13.8 *Taxation in Hungary*

Midász is a limited liability company resident in Hungary, and owns the Group’s Hungarian property portfolio.

It is currently liable to a corporate rate of 16% on profits in Hungary. Interest charged by the Company is deductible against these profits subject to ‘thin capitalisation’ rules, which prevent a deduction if the debt equity ratio is more than three times.

Midász may be subject to transfer pricing legislation in respect of any charges which are made to it by other Group companies. This legislation restricts the tax deduction in Hungary to an arm’s length amount.

Capital gains on the sale of property are taxable in the same way as income.

There is now no withholding tax on dividend or interest payments from Hungary.

14. **CREST**

The Ordinary Shares will be admitted to CREST, the computerised share transfer and settlement system. CREST is a paperless settlement system allowing securities to be transferred from one persons’ CREST account to another without the need to use share certificates or written instruments of transfer. The system allows shares and other securities to be held in electronic form rather than paper form, although a Shareholder can continue dealing based on share certificates and stock transfer forms. For private investors who do not trade frequently, this latter course is likely to be more cost effective.

With effect from Admission, it will be possible for CREST members to hold and transfer the Ordinary Shares within CREST. For more information concerning CREST, shareholders should contact their broker or, alternatively, CRESTCo Limited at 33 Cannon Street, London EC4M 5SB.

15. General

- 15.1 The total costs and expenses relating to the Placing payable by the Company are estimated to be £750,000 (including VAT).
- 15.2 The accountants' report which appears in Part IV of this document is included, in the form and context in which it is included, with the consent of CLB Littlejohn Frazer which has authorised the contents of its report for the purposes of the AIM Rules. CLB Littlejohn Frazer have also given and not withdrawn their written consent to the inclusion of references to them herein in the form and context in which they appear.
- 15.3 The valuation report which appears in Part II of this document is included, with the consent of King Sturge Kft, which has authorised the contents of that part of the document. King Sturge Kft has given and not withdrawn its written consent to the inclusion of references to it herein in the form and context in which they appear and to the inclusion of its report in this document.
- 15.4 Where information has been sourced from a third party, the information has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 15.5 City Financial Associates Limited has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 15.6 Hichens, Harrison & Co. plc has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 15.7 Midas Investment Management Limited has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 15.8 The accounting reference date of the Company is 31 December.
- 15.9 There are no arrangements under which future dividends are waived or agreed to be waived.
- 15.10 It is expected that definitive share certificates will be despatched by hand or first class post by 30 March 2006. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 23 March 2006.
- 15.11 Save as disclosed in Part I, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 15.12 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 15.13 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Group since 7 February 2006, being the date to which the financial information contained in Part IV of this document was prepared.
- 15.14 The financial statements of the Group will be made up in Euros.
- 15.15 No person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

- 15.16 The arrangements for payment of the Placing Shares are set out in the placing letters referred to in the Placing Agreement. All monies received from applicants will be held by Hichens prior to delivery of the Placing Shares. If any application is unsuccessful or scaled down, any monies returned will be sent by cheque crossed "A/C Payee" in favour of the first named applicant. Any monies returned will be sent by first class post at the risk of the addressee within 3 days of the completion of the Placing. Share certificates will be sent to successful applicants by first class post at the risk of the applicant within 14 days of the completion of the Placing.
- 15.17 The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 15.18 The Company's major Shareholders do not have different voting rights to the Company's other Shareholders.
- 15.19 The Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.
- 15.20 The Directors are unaware of any patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are or may be material to the Company's business or profitability.
- 15.21 To the extent known by the Company, at Admission the Company will not be owned or controlled by any specific party or group of parties.
- 15.22 Save as set out in this document the Company had no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.
- 15.23 There are no provisions in the Company's Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 15.24 Save as disclosed in this document, so far as the Directors are aware there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.
- 15.25 There are no mandatory takeover bids outstanding in respect of the Company and none has been made either in the last financial year or the current financial year of the Company.
- 15.26 No public takeover bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year.
- 15.27 The Placing Shares represent 286.8% of the Existing Ordinary Shares and their issue will result in a corresponding level of dilution.

16. Availability of Document

Copies of this document will be available to the public free of charge from the date of this document until the date which is one month after Admission, from the offices of City Financial Associates at Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL during normal business hours (Saturdays, Sundays and bank holidays excepted).

Dated: 17 March 2006