

Pactolus Hungarian Property Plc

**Interim Report
For the six months ended
30th June 2009**

Pactolus Hungarian Property Plc

For the six months ended 30th June 2009

Advisors & Administrators

Directors

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

Company Secretary

Barry Smith

Registered Office

Jubilee Buildings
Victoria Street
Douglas
Isle of Man
IM1 2SH

Asset Manager

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

Administrators

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

Stockbrokers

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

Auditors

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

Tax Advisors

BDO Stoy Hayward LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

Independent Property Valuer

King Sturge
Rakcsi utca 70
1074 Budapest
Hungary

Principal Bankers

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

Raiffeissen Bank Rt.
H-1054 Budapest
Akademia
Hungary

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

Dickenson Cruikshank – Advocates & Notaries
33 Athol Street
Douglas
Isle of Man
IM1 1LB

Rutkai Marczel Ruttkai
Attila utca 133
1012 Budapest
Hungary

Nominated Advisors

Dowgate Capital Advisors Ltd
46 Worship Street
London
EC2 2EA

Pactolus Hungarian Property Plc

For the six months ended 30th June 2009

Pactolus Hungarian Property plc, an AIM listed property company, announces its results for the six months ended 30th June 2009.

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

Key highlights for the period

- Annualised rent roll has reduced by 6.7 per cent to €1.3m after adjusting for the sale of €0.1m of the rental portfolio (€1.5m as at 31st December 2008);
- The Group has not undertaken any further revaluations of the property estate since the year end. Value of property per square metre now valued at €2,430 per square metre (€2,414 per square metre as at 31st December 2008);
- Average rental yield to total cost on let portfolio is 8.5 per cent (8.8 per cent as at 31st December 2008);
- Net asset value per share (pre-deferred tax) of 83 pence, which is an increase of 1.2 per cent since the year end.

Asset Manager's Review

Since our final results were announced on the 3rd April 2009, consensus estimates for 2009 GDP in Hungary have worsened from minus 4.5 to minus 6.5 per cent. The government deficit will be almost HUF350 billion higher than originally planned, representing approximately 3.8 per cent of GDP and unemployment is forecast to be 10.5 per cent by the year end.

It is important to note that analysts have commented that a proportion of this reduction in the labour force has been in the ex-patriot community. So, overall conditions could be described as difficult for us. The result is our annualised rent roll is currently running at €1.3m (€1.5m as at year end 2008).

Due to the purchase and cancellation of a further 4,745,500 of the Company's shares since the 1st January 2009, the unaudited net asset value per shares (before deferred tax) has risen from 82p to 83p. This represents an increase of 1.2 per cent, but it would be hard to argue that declining property prices in this period have not countered or even outweighed this increase.

There have been no further disposals in the period following the three apartments sold in March 2009. Transaction volumes have all but ceased to exist which is making our more medium term liquidation process difficult. However, we continue to show our properties to a range of prospective buyers and we are hopeful of some further results in 2009.

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Chairman's Statement

Since my last announcement dated 13th August 2009, conditions in our market have not improved so we are pleased that we can continue to offer shareholders the continuing option to exit their shareholding should they so wish via the share buy back process that was approved at the EGM held earlier.

For those shareholders with a longer term view, I remain quite confident that our basic business plan is sound and will prove robust enough to see us through to easier times.

As in our previous announcements, I would like to express my continued thanks to the Asset Manager, directors, advisors and the Budapest team for their efforts in the first half of the year.

C.H. Bennett, BA, FRICS,
Chairman,
Budapest.
11th September 2009.

For enquiries:

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Midas Investment Management Ltd (Asset Manager)
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Jo Turner
Dowgate Capital Advisers Ltd (Nominated Advisor)
Tel: 00 44 (0) 20 7492 4777

Notes:

1. Forex Rates (source: xe.com):
Euro to the Pound Sterling rate of 1.1735 as at 30th June 2009.

Pactolus Hungarian Property Plc

For the six months ended 30th June 2009

Consolidated Income Statement

		6 months ended 30 th June 2009 € Unaudited	6 months ended 30 th June 2008 € Unaudited
	Notes		
Continuing operations			
Revenue	2	744,108	653,186
Loss on disposal of investment assets		(43,796)	-
Administrative expenses		(503,637)	(584,689)
Operating profit		196,675	68,497
Finance income		16,416	221,732
Finance costs		(197,999)	(283,806)
Profit before depreciation and amortisation		15,092	6,423
Depreciation and amortisation		(71,993)	(25,618)
Loss before tax		(56,901)	(19,195)
Taxation	3	(23,551)	-
Loss for the period		(80,452)	(19,195)
Earnings per share basic and diluted		(0.43) cent	(0.07) cent
Weighted average number of shares		18,638,751	25,611,415

Pactolus Hungarian Property Plc

For the six months ended 30th June 2009

Consolidated Balance Sheet

As at 30th June 2009

	30 th June 2009	30 th June 2008
	€	€
	Unaudited	Unaudited
Non-current assets		
Investment properties	22,738,486	27,071,383
Plant and equipment	513,579	96,876
Intangible	22,678	22,678
	<hr/>	<hr/>
	23,274,743	27,190,937
	<hr/>	<hr/>
Current assets		
Trade and other receivables	277,396	276,407
Cash and short term deposits	1,453,198	6,903,996
	<hr/>	<hr/>
	1,730,594	7,180,403
	<hr/>	<hr/>
Total assets	<u>25,005,337</u>	<u>34,371,340</u>
Equity		
Share capital	266,545	372,941
Capital redemption reserve	106,396	-
Share premium account	1,740,965	4,203,816
Distributable reserve	-	15,412,576
Merger reserve	(109,195)	(109,195)
Translation reserve	(925,392)	(578,952)
Retained earnings	16,251,201	4,444,076
	<hr/>	<hr/>
	17,330,520	23,745,262
	<hr/>	<hr/>
Current liabilities		
Bank loan due within one year	350,000	350,000
Trade and other payables	540,627	531,929
	<hr/>	<hr/>
	890,627	881,929
	<hr/>	<hr/>
Non-current liabilities		
Bank loan due after one year	6,216,010	8,675,000
Provision for deferred taxation	568,180	1,069,149
	<hr/>	<hr/>
	6,784,190	9,744,149
	<hr/>	<hr/>
Total liabilities	<u>7,674,817</u>	<u>10,626,078</u>
Total equity and liability	<u>17,330,520</u>	<u>34,371,340</u>

Pactolus Hungarian Property Plc

For the six months ended 30th June 2009

Consolidated Statement of Changes in Equity

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

	Share Capital € Unaudited	Share Premium € Unaudited	Distributable Reserve € Unaudited	Merger Reserve € Unaudited	Translation Reserve € Unaudited	Retained Earnings € Unaudited	Total € Unaudited
Balances as at 1st January 2008	372,291	4,203,816	15,412,576	(109,195)	(318,899)	4,463,271	24,024,510
Loss for the period	-	-	-	-	-	(19,195)	(19,195)
Reserve restructure	-	-	-	-	-	-	-
Exchange difference arising on translation of overseas operations	-	-	-	-	(260,053)	-	(260,053)
Ordinary share issue	-	-	-	-	-	-	-
Cost of share issue	-	-	-	-	-	-	-
As at 30th June 2008	372,941	4,203,816	15,412,576	(109,195)	(578,952)	4,444,076	23,745,262

Pactolus Hungarian Property Plc

For the six months ended 30th June 2009

Consolidated Cash Flow Statement

		6 months ended 30 th June 2009	6 months ended 30 th June 2008
		€	€
	Notes	Unaudited	Unaudited
Cash flow from operating activities			
Cash received from lessees		731,217	697,357
Cash paid to suppliers and employees		(503,350)	(743,559)
Cash inflow/(outflow) from operations		227,867	(46,202)
Bank interest paid		(199,824)	(288,523)
Corporation tax paid		(3,859)	(3,855)
Net cash inflow/(outflow) from operating activities	4	24,184	(338,580)
Cash flow from Investing activities			
Purchase of properties under development		(147,193)	(2,995,253)
Net receipt from sale of investment properties		1,293,570	-
Purchase of fixed assets		(102,069)	(42,486)
Bank interest received		16,416	238,076
Net cash inflow/(outflow) from investing activities		1,060,724	(2,799,663)
Cash flow from financing activities			
Purchase of own shares		(1,599,667)	-
Net cash outflow from financing activities		(1,599,667)	-
Net movement in cash and short term deposits		(514,759)	(3,138,243)
Effect of exchange movement		(13,668)	-
Cash and short term deposit as at 1 st January		1,981,625	10,042,239
Cash and short term deposits as at 30th June		1,453,198	6,903,996

Pactolus Hungarian Property Plc

For the six months ended 30th June 2009

Notes to the Interim Report

1. General Information

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

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

These consolidated interim financial statements have been approved for issue by the Board of Directors on 11th September 2009. The financial information contained in this report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information contained in this report has been prepared based on the accounting policies described in the Group financial statement for the year ended 31st December 2008. It is intended that these policies will be adopted by the Group in preparation of the accounts.

2. Revenue

Revenue consists of rental income and related charges for the period net of value added tax. There has been no profit on sale of disposal on investment properties for the reporting period.

3. Tax on profit on ordinary activities

	6 months ended 30 th June 2009 € Unaudited	6 months ended 30 th June 2008 € Unaudited
UK corporation tax	-	-
Deferred tax on property revaluation	(23,551)	-
	<u>(23,551)</u>	<u>-</u>

Pactolus Hungarian Property Plc

For the six months ended 30th June 2009

Notes to the Interim Report (continued)

4. Reconciliation of net loss to net cash inflow

	6 months ended 30 th June 2009 € Unaudited	6 months ended 30 th June 2008 € Unaudited
Loss before taxation	(56,901)	(19,195)
Realised loss on sale of investment properties	43,796	-
Bank interest received	(16,416)	(238,076)
Corporation tax paid	(3,859)	(3,855)
Adjustments for:		
Depreciation and amortisation	71,993	25,618
Decrease/(Increase) in debtors	48,152	66,352
Decrease in creditors	(43,934)	(169,424)
Realised currency gains	(18,647)	-
Net cash inflow/(outflow) from operating activities	24,184	(338,580)

5. Interim Report

The Interim Report and Accounts will be posted to shareholders and will be available from the Company's registered address at Jubilee Building, Victoria Street, Douglas, Isle of Man, IM1 2SH.

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