Fotex Holding SE
75, Parc d'activités
L-8308 Capellen

R.C.S. Luxembourg B 146.938

Consolidated financial statements as at 31 December 2009, and Management report, and Independent Auditor's report

Fotex Holding SE and Subsidiaries
Consolidated Balance Sheet
Figures in EUR

	Notes	At 31 December 2009	2008
		EUR	EUR
Assets			(restated - Note 26)
Current Assets:			
Cash and short-term deposits	5	12,997,087	18,130,262
Other current financial assets	6	957,318	741,005
Accounts receivable and prepayments	7	5,426,818	4,552,749
Income tax receivable	17	1,116,079	273,503
Inventories	8	7,669,126	8,882,884
Total current assets		28,166,428	32,580,403
Non Current Assets:			
Property, plant & equipment	9	10,193,661	11,060,881
Investment properties	10	88,429,705	55,509,060
Deferred tax asset	17	419,236	318,140
Intangible assets	11	2,844,347	3,976,717
Other non-current financial assets	6	7,066,520	6,566,598
Goodwill arising on acquisition	12	10,361,520	10,598,663
Total non current assets		119,314,989	88,030,059
Total assets	18	147,481,417	120,610,462
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans, borrowings and overdrafts	16	426,994	–
Provisions		474,542	394,365
Accounts payable and other liabilities (restated Note 26)	13	8,931,819	6,905,821
Total current liabilities		9,833,355	7,300,186
Non-current Liabilities:			
Interest-bearing loans and borrowings	16	24,881,480	–
Other long-term liabilities	13	2,040,474	2,197,507
Deferred tax liability	17	688,133	762,410
Total non-current liabilities		27,610,087	2,959,917
Shareholders' Equity:			
Issued capital	14	30,543,933	27,465,688
Additional paid-in capital		32,895,729	32,895,729
Goodwill write-off reserve	14	(1,856,818)	(2,179,511)
Retained earnings	14	67,493,126	70,745,443
Treasury shares, at cost (restated Note 26)	14	(19,121,608)	(18,612,487)
Equity attributable to equity holders of the parent company		109,954,362	110,314,862
Minority interests in consolidated subsidiaries		83,613	35,497
Total shareholders' equity		110,037,975	110,350,359
Total liabilities and shareholders' equity		147,481,417	120,610,462

See accompanying notes to consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Income Statement
Figures in EUR

	Notes	For the year ending 31 December 2009	2008
		EUR	EUR
Revenue	20	37,270,569	44,374,272
Cost of sales		(8,866,593)	(13,158,036)
Gross income		28,403,976	31,216,236
Selling, general and administration expenses	15	(25,797,229)	(26,664,131)
Interest income		1,337,042	1,075,568
Interest expense		(608,355)	(4,831)
Income before income taxes	20	3,335,434	5,622,842
Income tax expense	17	(1,028,073)	(2,429,524)
Net income		2,307,361	3,193,318
Attributable to:			
Equity holders of the parent company		2,224,780	3,154,769
Minority interests		82,581	38,549
Net income		2,307,361	3,193,318
Earnings per share	24	0.04	0.05
Diluted earnings per share	24	0.04	0.05

See accompanying notes to consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Statement of Comprehensive Income
Figures in EUR

	Notes	For the year ending 31 December 2009 EUR	2008 EUR
Net income		2,307,361	3,193,318
Other comprehensive income:			
Exchange differences on translation of foreign operations	19	(2,064,279)	(4,818,320)
Total comprehensive income		243,082	(1,625,002)
Attributable to:			
Equity holders of the parent company		148,621	(1,660,157)
Minority interests		94,461	35,155
		243,082	(1,625,002)

See accompanying notes to consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Statements of Changes in Equity (restated Note 26**)**

	Issued Capital EUR	Additional Paid-in Capital EUR	Goodwill Write-off Reserve EUR	Retained Earnings EUR	Treasury Shares EUR (restated - Note 26)	Total EUR	Minority Interests EUR	Total Equity EUR
1 January 2008	28,704,815	34,379,834	(2,618,745)	71,065,802	(1,822,092)	129,709,614	57,707	129,767,321
Profit for 2008	–	–	–	3,154,769	–	3,154,769	38,549	3,193,318
Other comprehensive income*	(1,239,127)	(1,484,105)	95,481	(3,131,375)	944,200	(4,814,926)	(3,394)	(4,818,320)
Total comprehensive income	(1,239,127)	(1,484,105)	95,481	23,394	944,200	(1,660,157)	35,155	(1,625,002)
Redeemed treasury shares (note 14)	–	–	–	–	(17,734,595)	(17,734,595)	–	(17,734,595)
Minority dividends	–	–	–	–	–	–	(56,967)	(56,967)
Purchased minority shareholding	–	–	–	–	–	–	(398)	(398)
Reversed written off goodwill reserve (note14)	–	–	343,753	(343,753)	–	–	–	–
31 Dec 2008	27,465,688	32,895,729	(2,179,511)	70,745,443	(18,612,487)	110,314,862	35,497	110,350,359
1 Jan 2009	27,465,688	32,895,729	(2,179,511)	70,745,443	(18,612,487)	110,314,862	35,497	110,350,359
Profit for 2009	–	–	–	2,224,780	–	2,224,780	82,581	2,307,361
Other comprehensive income*	–	–	–	(2,076,159)	–	(2,076,159)	11,880	(2,064,279)
Total comprehensive income	–	–	–	148,621	–	148,621	94,461	243,082
Redeemed treasury shares (note 14)	–	–	–	–	(509,121)	(509,121)	–	(509,121)
Minority dividends	–	–	–	–	–	–	(46,345)	(46,345)
Reversed written off goodwill reserve (note14)	–	–	322,693	(322,693)	–	–	–	–
Share conversion**	3,078,245	–	–	(3,078,245)	–	–	–	–
31 Dec 2009	30,543,933	32,895,729	(1,856,818)	67,493,126	(19,121,608)	109,954,362	83,613	110,037,975

*According to the Group's accounting policies, equity components carried in HUF functional currency are translated at the period-end 270.84 HUF/EUR (2008: 264.78 HUF/EUR) exchange rate. As of 1 January 2009 FOTEX has changed its functional currency to EUR and thus no similar FX gains or losses will incur on equity components of FOTEX in the future. See Note 2 Foreign currency translation.
**Further to the transformation of Fotex, the Company's issued capital was translated into EUR on 1 January 2009 at the rate 264.78 HUF /EUR. The difference between the opening rate in 2009 and the rate in the articles of association has been shown as a correction to the share capital.

See accompanying notes to consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Cash Flow Statement

	For the year ending 31 December	
	2009	2008
	EUR	EUR (restated - Note 26)
Cash flows from operating activities:		
Income / (Loss) before minority interests and income taxes	3,335,434	5,622,842
Depreciation and amortisation	4,094,204	4,210,060
Provisions used and reversed	89,001	321,195
Impairment of intangible assets	1,118,324	733,503
Scrapped tangible and intangible assets	23,985	175,093
Scrapped inventories, impairment loss of debtors and investments, reversed impairment loss	1,330,542	1,004,393
Gain on disposals of fixed assets	(28,537)	(175,558)
Gain on disposal of other investments	(55,777)	(199)
Interest income	(1,337,042)	(1,075,568)
Interest expense	608,355	4,831
Changes in assets and liabilities:		
Accounts receivable and prepayments	(1,736,606)	2,976,067
Inventories	603,581	283,220
Accounts payable and other liabilities	2,595,350	(667,289)
Cash generated from operations	10,640,814	13,412,590
Income tax paid	(1,425,080)	(1,137,181)
Net cash flow from operating activities	9,215,734	12,275,409
Cash flows from investing activities:		
Acquisition of tangible and intangible assets	(36,504,437)	(4,602,010)
Sale of tangible and intangible assets	53,525	217,696
Net purchase and sales of bonds	(1,330,091)	(4,935,418)
Interest received	788,599	1,001,401
Net cash flow (used in) investing activities	(36,992,404)	(8,318,331)
Cash flows from financing activities:		
Loans granted	115,754	(319,541)
Loan received	25,308,474	–
Dividends paid	(46,345)	(56,967)
Interest paid	(587,130)	(4,724)
Purchased treasury shares	(509,121)	(17,734,595)
Net cash flow from/(used in) financing activities	24,281,632	(18,115,827)
Change in cash and cash equivalents	(3,495,038)	(14,158,749)
Cash and cash equivalents at beginning of the year	18,130,262	33,003,248
Effect of foreign currency translation	(1,638,137)	(714,237)
Cash and cash equivalents at end of the year	12,997,087	18,130,262

See accompanying notes to consolidated financial statements.

1. General

At their meetings held on 26 September 2008 and 9 December 2008, the shareholders of Fotex Nyrt., Fotex Group's holding company, decided to transform Fotex Nyrt. into a European public limited company. Further to the decision of the shareholders, as of 31 December 2008, the Court of Registration cancelled Fotex Nyrt. from the companies register on the grounds of transformation and, according to the Court's decision dated 9 January 2009, registered FOTEX HOLDING SE Nyilvánosan Működő Európai Részvénytársaság (FOTEX HOLDING SE European public limited company) as of 1 January 2009. Following the transformation into a European public limited company, the Company's extraordinary general meeting held on 4 June 2009 decided to move the Company's registered office to Luxembourg. The Company has been registered in the Luxembourg companies register under the number R.C. B 146.938. The Company's new registered address is at 75, Parc d'activités, L-8308 Capellen, Luxembourg. The Metropolitan Court of Budapest, as the competent authority, struck the Company off the Hungarian companies register on 28 August 2009.

Fotex Holding SE ("Fotex" or the "Company") is a European public limited company regulated under the laws of the Grand Duchy of Luxembourg. The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Hungary, Luxembourg and The Netherlands and engaged in a variety of property management, manufacturing, retailing and other activities. Except for Upington Investments S.à r.l., Downington Holding S.à r.l. and Fotex Netherlands B.V. which are registered in Luxembourg and in The Netherlands, respectively, all subsidiaries of the Group are registered and operate in Hungary. The ownership of principal consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiary:	Principal Activities:	2009	2008
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer	100.0	100.0
Balaton Glas Hotel Kft.	Property management	100.0	100.0
Domus Zrt.	Property management and furniture retailer (Note 22)	–	99.4
Downington Holding S.à r.l.	Investment holding	100.0	100.0
Europrizma Kft.	Advertising	100.0	100.0
Europtic Kft.	Advertising (Note 22)	–	100.0
Fotex Cosmetics Kft.	Cosmetics retailer	100.0	100.0
Fotexnet Kft.	Internet retail and other services	98.6	98.6
Hungaroton Music Zrt.	Music archive	99.2	99.2
Hungaroton Records Kft.	Music publishing and music retailing	99.8	99.8
Keringatlan Kft.	Property management	100.0	100.0
Fotex Netherlands B.V.	Property management (Note 22)	100.0	–
KONT-VESZ Kft.	Property management (Note 22)	–	100.0
Kontúr Zrt.	Property management (Note 22)	–	99.9
Primo Zrt.	Clothing retailing and wholesaling	100.0	100.0
Sigma Kft.	Property services	75.1	75.1
Székhely 2007 Kft.	Property management	99.1	99.1
Upington Investments S.à r.l.	Investment holding	100.0	100.0

The consolidated financial statements of the Group for the year ended 31 December 2009 were formally approved by the Board of Directors on 9 April 2010 and will be presented to the annual general meeting of shareholders for approval on 26 April 2010

2. Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except as explained in the Change in accounting policies section of this note.

Statement of compliance

The subsidiaries of the Group maintain their official accounting records and prepare their individual financial statements in accordance with the accounting regulations of their country of registration. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS that have been adopted by the EU. At 31 December 2009, due to the endorsement process of the EU, and the activities of the Group, there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

As a result of Fotex's transformation to an SE (Societas Europaea) from 1 January 2009, Fotex Holding SE became a European Company that is regulated under the laws of the Grand Duchy of Luxembourg. The reporting currency of the consolidated financial statements changed to EUR – please see accounting policy change Note 2 for more detail.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as Fotex, using consistent accounting policies.

All intra-group balances, revenues and expenses and gains and losses resulting from intra-group transactions are eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of income or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within shareholders' equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted under the entity concept method. The entire difference between the cost of the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of the acquisition of the minority interest is reflected as being a transaction between owners.

2. Significant Accounting Policies (continued)

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Initial application of new or revised Standards and Interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2009. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise in some cases to additional disclosures, including in some cases, revisions to accounting policies. The changes in accounting policies result from the adoption of the following new or revised Standards:

- IFRIC 9 - Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 15 - Agreement for the Construction of Real Estate
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
- IAS 1 - Presentation of Financial Statements (Revised)
- IAS 23 - Borrowing Costs
- IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation
- IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations
- IFRS 7 - Financial Instruments: Disclosures
- IFRS 8 - Operating Segments

The principal effects of these changes are as follows:

IFRIC 9 - Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
These amendments to IFRIC 9 and IAS 39 were issued in March 2009 and are effective for annual periods ending on or after 30 June 2009. The amendments require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This Interpretation has no impact on the Group.

IFRIC 13 – Customer Loyalty Programmes
The IFRIC issued IFRIC 13 in June 2007. This Interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed. It is effective for annual periods beginning on or after 1 July 2008. No member of the Group operates a customer loyalty program and hence this Interpretation has no impact on the Group.

2. Significant Accounting Policies (continued)

Changes in accounting policies (continued)

IFRIC 15 Agreement for the Construction of Real Estate
IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the consolidated financial statements because the Group does not conduct such activity.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
The IFRIC issued IFRIC 16 in July 2008. This Interpretation provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This Interpretation is effective prospectively for annual periods beginning on or after 1 October 2008. As the Group did not dispose of any net investment, it had no impact on the financial position or result of the Group.

IAS 1 - Presentation of Financial Statements (Revised)
The IASB issued revised IAS 1 Presentation of Financial Statements in September 2007 which is effective for annual periods beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. Therefore, the statement of changes in equity will include only details of transactions of owners, with all non-owner changes in equity presented as a single column. In addition, the Standard introduces a statement of comprehensive income presenting all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 23 - Borrowing Costs
IAS 23 was revised and issued in April 2007 and is effective for annual periods beginning on or after 1 January 2009. The revised Standard requires that all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized. The Group has amended its accounting policy accordingly effectively from 1 January 2009.

IAS 32 – Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation
These amendments to IAS 32 and IAS 1 were issued in February 2008 and are effective for annual periods beginning on or after 1 January 2009. The amendments allow a limited scope expectation for puttable financial instruments to be classified as equity if they fulfil a number of specified features. The adoption of these amendments did not have any impact on the financial position or performance of the Group as the Group has not issued such instruments.

2. Significant Accounting Policies (continued)

Changes in accounting policies (continued)

IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations
This amendment to IFRS 2 was issued in January 2008 and is effective for annual periods beginning on or after 1 January 2009. The amendment clarifies the definition of a vesting condition and prescribes the treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The Group adopted this amendment as of 1 January 2009. The adoption of this amendment did not have any impact on the financial position or performance of the Group as the Group did not have such scheme.

IFRS 7 - Financial Instruments: Disclosures
These amendments were issued in March 2009 and are applicable to annual periods beginning on or after 1 January 2009. The amendments outline additional disclosure requirements for fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instrument recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transaction and asset used for liquidity management. The Group has adopted this amendment from 1 January 2009 (see Note 21).

IFRS 8 - Operating Segments
IFRS 8 was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009. It replaced IAS 14 Segment Reporting upon its effective date. This Standard requires disclosures of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 18, including revised comparative data.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued omnibus amendments to its Standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each Standard. The Group has adopted the following amendments to Standards:

- IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment did not result in any change in the presentation of the statement of cash flows.

- IAS 16 Property, Plant and Equipment: Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

2. Significant Accounting Policies (continued)

Improvement to IFRS (continued)

- IAS 18 Revenue: The Board has added guidance to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - Has primary responsibility for providing the goods and services
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

  The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group as no government assistance was received.
- IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.
- IAS 36 Impairment of Assets: When discounted cash flows are used to estimate ‘fair value less cost to sell’ additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’. This amendment had no impact on the consolidated financial statements of the Group.
- IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirement of other IFRS’s only apply if specifically required for such non-current assets or discontinued operations. The amendment has no effect on the Group.
- IFRS 8 Operating Segment Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group’s chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information.

2. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Foreign currency translation

With Fotex's transformation to an SE (Societas Europaea) from 1 January 2009, Fotex became a European Company registered in Luxembourg that is regulated under the laws of the Grand Duchy of Luxembourg. As a consequence of the change of its registered office to Luxembourg, Fotex changed its major contracts to EUR and changed its functional currency from HUF to EUR. The reporting currency of the consolidated financial statements changed also from HUF to EUR.

In view of the reporting currency change as of 1 January 2009, the Group has translated and has disclosed all relevant comparative financial information according to the translation rules set by IAS 21.

As the change in IAS 21 regarding the presentation currency is similar to a change in the accounting policies, when an entity changes its presentation currency, it is appropriate to follow the approach in IAS 8 which requires retrospective application, except where it is impracticable.

After considering the costs and benefits of retrospective application of translation to EUR, Fotex decided to apply the translation until the opening balance of the first comparative period presented in the consolidated financial statements. In accordance with the above, in the case of subsidiaries whose functional currency is HUF, the Group has applied the opening exchange rates of the first comparative period (1 January 2008) to translate assets and liabilities in the consolidated financial statements. First comparative period and subsequent year-end balance sheet figures were translated at the exchange rates given below. The Group has used the average exchange rate for the current and the comparative periods for the translation of the income statements.

	HUF/EUR
1 January 2008	253.35
31 December 2008	264.78
31 December 2009	270.84

IAS 21 does not specify the method to be applied to translate equity items, including retained earnings from a functional currency which is different from the reporting currency. Therefore the Fotex Group decided to use the "remeasurement" method, i.e. to measure equity items (except profit and loss for the period) at the current year-end rate and record the exchange rate gain or loss in other comprehensive income.

2. Significant Accounting Policies (continued)

Foreign currency translation (continued)

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Inventory

Inventory is stated at the lower of cost or net realisable value on a weighted average basis after making allowance for any obsolete or slow-moving items. The value of work in progress and finished goods includes cost of direct materials and labour and a proportion of overheads in manufacturing subsidiaries, but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at purchase price or production cost less accumulated depreciation and any impairment in value. Production costs for self-constructed assets include the cost of materials, direct labour and an appropriate proportion of production overheads.

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalised. Maintenance and repairs are recognised as an expense in the period in which they are incurred.

Freehold land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Buildings	50
Plant and equipment	7-12.5
Vehicles	5
Computer equipment	3

The cost of properties retired or otherwise disposed of, together with the accumulated depreciation provided thereon, is eliminated from the accounts. The net gain or loss is recognised as other operating income or expense.

2. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists and where the carrying value exceeds the recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the income statement in the selling, general and administration expenses line item.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate, at each financial year-end.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee:
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor:
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Significant Accounting Policies (continued)

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and held-to-maturity investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in the fair value recognised in the income statement. The Group has not designated any financial assets as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Group has no derivative embedded contract as of 31 December 2009 and 31 December 2008.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2. Significant Accounting Policies (continued)

Financial assets (continued)

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Group has held-to-maturity investments during the year ended 31 December 2009 and 31 December 2008.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement. The Group has no available-for-sale financial assets as of 31 December 2009 and 31 December 2008.

Financial liabilities

Initial recognition
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, include directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the income statement. The Group has not designated any financial liabilities as at fair value through profit or loss.

2. Significant Accounting Policies (continued)

Financial liabilities (continued)

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Due from loans and advances to customers
For amounts due from loans and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

2. Significant Accounting Policies (continued)

Impairment of financial assets (continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Derecognition of financial instruments

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2. Significant Accounting Policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Pensions

All pensions are either funded privately by employees or the Hungarian state via certain social security charges included in the gross cost of the employees wage.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition under the cost model assets are recognised at cost and depreciated systematically over this useful life.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Buildings	20

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

2. Significant Accounting Policies (continued)

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than the Group's segments determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the consolidated income statement.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

2. Significant Accounting Policies (continued)

Intangible assets (continued)

Intangible assets with finite lives such as shop rental rights, production know-how and franchise fees are amortised using the straight-line method over the useful economic lifes that range from 5 to 23 years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives such as merchandising and media rights are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Investment in associates

The Group's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group's income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in shareholder's equity. The Group had no such investments in either 2008 or 2009.

2. Significant Accounting Policies (continued)

Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Subsidiaries of the Group - domiciled in Hungary - pay local business tax to local municipalities at percentages based on the physical location of their operations in Hungary. The base of the local business tax is the revenue as decreased by the cost of goods sold, raw material expenses and certain other expense items. Local business tax is classified as an income tax expense.

2. Significant Accounting Policies (continued)

Treasury shares

Fotex ordinary shares repurchased are included in shareholders' equity and are classified as treasury shares. Gains and losses on sale of treasury shares, and differences on repurchase, are credited or debited to retained earnings.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Interest income
Revenue is recognised as the interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends
Revenue is recognised when the shareholders' right to receive the payment is established.

Rental income
Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

Subsequent Events

Material events occurring after the year-end that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

3. Significant accounting judgments, estimates and assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3. Significant accounting judgments, estimates and assumptions (continued)

Operating Lease Commitments-Group as Lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2009 is EUR 10,361,520 (2008: EUR 10,598,663). Further details are given in Note 12.

Impairment of Intangibles
The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of such intangible assets as at 31 December 2009 is EUR 2,658,396 (2008: EUR 3,776,720). Further details are given in Note 11.

Deferred Tax Assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income together with future tax planning strategies. There was no recognised tax loss at 31 December 2009 (2008: EUR 1,744,018) and unrecognised tax losses at 31 December 2009 were 7,057,122 (2008: EUR 2,699,471). Further details are given in Note 17.

Fair Value of Investment Properties
The Group has determined and presented in the notes the fair value of investment property as the present value of the estimated future cash flows generated from leasing such assets. Future cash flows were determined separately for the following categories of investment property: retail outlets, offices, warehouses and other real estate property using average rental fees currently realisable by the Group; present values were calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets. Further details are given in Note 10.

4. Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective for December 2009 year-end.

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions
The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The amendment is effective for annual periods beginning on or after 1 January 2010, with earlier application permitted. The Group does not anticipate any significant impact on its consolidated financial statements.

IFRS 3 Business Combinations (revised Standard issued 10 January 2008) and IAS 27 Consolidated and Separate Financial Statements (revised Standard issued 10 January 2008)
The revised Standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3 and IAS 27 will affect future acquisitions or loss of control and transactions with minority interests. The Standards may be early applied, however, the Group does not intend to apply this possibility.

IFRS 9 Financial Instruments: is the first step in a three part project by the IASB to replace IAS 39 Financial Instruments. This first part, dealing with the classification and measurement of financial assets, simplifies the recognition of financial assets by requiring such assets to be measured at either amortised cost or fair value, depending on certain criteria. The standard is effective for financial years beginning on or after 1 January 2013, although it may be early adopted. The Group is in the process of analysing the impact of this Standard on their consolidated operations as well as the date at which they plan to adopt the Standard.

IAS 24 Related Party Disclosures (Revised)
The IASB issued a revised version of IAS 24 Related Party Disclosures that simplifies the disclosure requirements for government related entities and clarifies the definition of a related party. The revised Standard is effective for annual periods beginning on or after 1 January 2011, with early application permitted. The Group has concluded that the amendment will have no impact on the consolidated financial position or performance of the Group.

4. Standards issued but not yet effective (continued)

IAS 32 Financial Instruments: Presentation, Classification of Right Issues
The amendment provides that when an entity issues rights denominated in a currency other than the entity's functional currency, and those rights are issued pro rata to the entity's existing shareholders for a fixed amount of cash, they should be classified as equity even if their exercise price is denominated in a currency other than the issuer's functional currency. The amendment is effective for annual periods beginning on or after 1 February 2010, with earlier application permitted. The amendment is to be applied retrospectively. The Group plans to adopt this interpretation at its effective date, and does not anticipate any significant impacts on its consolidated financial statements.

IFRIC 17 Distribution of Non-Cash Assets to Owner
This Interpretation becomes effective for financial years beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distribution to owners. The Interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

IFRIC 18 Transfers of Assets from Customers
This Interpretation becomes effective for financial years beginning on or after 1 July 2009. This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The Group has no such agreements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The Interpretation clarifies that when equity instruments are issued to a creditor, the financial liability is extinguished and the equity instruments are treated as consideration paid to extinguish the liability. The equity instruments are measured at either the fair value of the liability extinguished or the fair value of the equity instruments issued, whichever is more reliable. Any difference between the carrying amount of the financial liability and the fair value of the equity instruments issued is recognised immediately in profit or loss. The Interpretation has an effective date for financial year beginning on or after 1 July 2010. The Group has concluded that the interpretation will have no impact on the consolidated financial position or performance of the Group.

4. Standards issued but not yet effective (continued)

Improvements to IFRSs
As stated in Note 2, the Group has early adopted some of the amendments to Standards following the 2007 'Improvement to IFRSs' project. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the consolidated financial statements.

- IFRS 7 Financial Instruments: Disclosures: Removal of the reference to 'total interest income' as a component of finance costs.
- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors: Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- IAS 10 Events after the Reporting Period: Clarification that dividends declared after the end of the reporting period are not obligations.
- IAS 19 Employee Benefits: Revised the definition of 'past service costs', 'return on plan assets' and 'short-term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.
- IAS 27 Consolidated and Separate Financial Statements: When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held-for-sale.
- IAS 34 Interim Financial Reporting: Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.
- IAS 39 Financial Instruments: Recognition and Measurement: Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Required the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- IAS 40 Investment Property: Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

5. Cash and cash equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in view of the prompt liquidity needs of the Group. Such deposits yield interest according to the applicable short-term rates. The fair value of cash and short-term deposits is EUR 12,997,087 (2008: EUR 18,130,262).

Cash includes fixed deposits of EUR 7,964,063 (31 December 2008: EUR 9,505,079) at rates ranging from 2% to 9% (2008: 2% to 8%). The Company has EUR, USD and HUF deposits.

The lower rates are on foreign currencies while the higher ones are on HUF.

6. Other financial assets

Current	2009 EUR	2008 EUR
Cash deposit connected to rented properties	228,840	246,451
Government bonds held-to-maturity	–	1,243
Current part of long-term loans to other companies	571,219	491,986
Other short-term investment held-to-maturity – less impairment loss	157,259	1,325
Other short-term investments, total	957,318	741,005

Non-current	2009 EUR	2008 EUR
Cash deposit connected to rented properties	2,040,474	2,197,507
Investments held-to-maturity	4,356,649	2,594,988
Loans to senior officers	265,755	290,807
Current part of long-term loans to other companies – less impairment loss	403,642	1,483,296
Other long-term investments, total	7,066,520	6,566,598

Cash deposit connected to rented properties

The Group has received 2 to 3 months deposits from its tenants which are held at a bank. Deposits are only repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified of the deposits which are expected to be repayable in more than one year to the long-term, and the deposits which are expected to be repayable within 3 months and a year were classified as short-term.

Investments held-to-maturity

Long-term securities held-to-maturity include OTP Bank Nyrt. (“OTP”) bonds purchased by the Group’s subsidiary in Luxembourg. The Group has 7,100 subordinated OTP bonds of EUR 1,000 face value each purchased by the Group on 1 and 2 December 2008 and on 27 January 2009 for EUR 3,509,853. The bonds were issued at 19 September 2006 as value date maturing on 19 September 2016 at a rate of 100% of the face value. The bonds bear 5.27% interest and interest is paid on 19 September each year. The cost of the investment, which the Group intends to hold to maturity, less the effective interest at 31 December 2009 is EUR 3,734,520. The applied average effective interest rate is 18%. The fair value of OTP bonds at the year-end is EUR 5,456,606.

The Group has 1,000 MOL Nyrt (“MOL”) bonds of EUR 1,000 face value each purchased on 12 March 2009 for EUR 524,380. The MOL bonds mature on 5 October 2015 and bear an interest of 3.88% payable on 5 October each year. The cost of the investment, which the Group intends to hold to maturity, less the effective interest at 31 December 2009 is EUR 517,812. The applied average effective interest rate is 16%. The fair value of MOL bonds at the year-end is EUR 822,870.

6. Other financial assets (continued)

Loans to senior officers:
Arm's length loans granted by Fotex are to senior officers to purchase dividend preference shares totalling EUR 265,755 at 31 December 2009 (Note 14).

Most other long-term loans represent loans that were granted to companies that had taken over the discontinued operations of Domus Lánc Kft. by Domus Zrt. until its merger into Keringatlan.

EUR 1,496,235 (2008: EUR 1,474,692) was granted to Domus VIVA Kft. at 12-month EURO-LIBOR interest rate. The loan is secured by a mortgage on Domus VIVA Kft.'s assets and prompt collection orders on the company's bank accounts. The loan matures on 31 August 2012. In 2009, the loan was impaired by EUR 606,616 (2008: EUR 0), thus its value less impairment loss at the end of 2009 is EUR 889,619. The related interest revenue recognised in the income statement by the year-end is EUR 55,778 (2008: EUR 60,446). Of the total loan, EUR 550,304 (2008: EUR 210,288) being the current part was reclassified to other short-term investments.

EUR 104,342 (2008: EUR 187,261) was granted to Modusz Alba Kft. at 12-month EURO-LIBOR interest rate. The loan is secured by a mortgage on Modusz Alba Kft.'s assets and prompt collection orders on the company's bank accounts. The loan was to mature on 31 August 2012. The loan agreement was cancelled with immediate effect on 7 September 2009 as the debtor had failed to meet its timely instalment paying obligations. The total loan was written off.

EUR 112,833 (2008: EUR 128,952) was granted to Domus Store Kft. at 12-month EURO-LIBOR interest rate. The loan is secured by a mortgage on Domus Store Kft.'s assets and prompt collection orders on the company's bank accounts. The loan would have initially matured on 31 October 2010 but was rescheduled during 2009 to 31 October 2012. EUR 40,721 impairment loss (2008: EUR 0) was recognised on the loan, thus its value less impairment loss at the end of 2009 is EUR 72,112. The related interest revenue recognised on the total loan in the income statement by the year-end is EUR 1,952 (2008: EUR 2,384). Of the total loan, EUR 20,915 (2008: EUR 64,476) being the current part was reclassified to other short-term investments.

The costs of these loans less any impairment loss approximate their fair values.

7. Accounts receivable and prepayments

	2009	2008
	EUR	EUR
Debtors	5,112,572	4,072,660
Impairment loss on debtors	(697,161)	(791,529)
Tax assets	364,800	361,655
Other receivables and prepayments/accrued income	715,308	978,669
Impairment loss on other receivables	(68,701)	(68,706)
Total	5,426,818	4,552,749

The terms applicable to related parties are set out in Note 23.
Debtors typically pay between 0 and 60 days, during this period no late payment interest is charged.
Tax assets are typically received in three months.

Impairment loss on debtors and on other receivables at 31 December 2009: EUR 765,862 (2008: EUR 860,235).

Movements in the impairment loss:

	EUR
1 January 2008	810,799
Charge for the year	192,428
Utilised	(3,943)
FX loss	(29,397)
Written off	(109,652)
31 December 2008	860,235
Charge for the year	390,164
Utilised	(223,224)
Unused amount reversed	(233,662)
FX loss	(27,651)
31 December 2009	765,862

7. Accounts receivable and prepayments (continued)

Aged debtors less impairment losses at 31 December:

	Not overdue and not impaired	Overdue but not impaired					
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
2009	3,583,526	393,302	207,207	81,790	23,139	126,447	4,415,411
2008	2,285,758	543,693	244,116	88,526	25,965	93,073	3,281,131

8. Inventories

	2009 EUR	2008 EUR
Merchandise and finished products	8,645,798	9,401,684
Materials	1,399,812	1,578,205
Work in progress	1,826,318	1,781,566
Inventories, gross	11,871,928	12,761,455
Impairment of merchandise and finished products	3,648,431	3,214,019
Impairment of materials	207,263	400,181
Impairment of work in progress	347,108	264,371
Impairment of inventories	4,202,802	3,878,571
Total inventories, net	7,669,126	8,882,884

Management has identified a number of Group companies that have slow moving inventories. Management considers the recognised impairment loss of EUR 4,202,802 as adequate (31 December 2008: EUR 3,878,571).

9. Property, plant and equipment

Movements in tangible assets during 2009 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2009	7,512,511	21,039,798	1,466,541	30,018,850
Additions	205,804	822,576	(373,172)	655,208
Disposals and write downs	(336,306)	(1,232,483)	–	(1,568,789)
Currency (loss)/gain arising from retranslation	(39,244)	(424,431)	22,057	(441,618)
Transfer to/from investment properties (Note 10)	36,409	–	–	36,409
31 December 2009	7,379,174	20,205,460	1,115,426	28,700,060
Accumulated depreciation:				
1 January 2009	(1,754,411)	(17,203,558)	–	(18,957,969)
Depreciation expense	(266,465)	(775,282)	(3,552)	(1,045,299)
Disposals and write downs	328,954	756,395	–	1,085,349
Currency (loss)/gain arising from retranslation	54,473	357,047	–	411,520
Transfer to/from investment properties (Note 10)	–	–	–	–
31 December 2009	(1,637,449)	(16,865,398)	(3,552)	(18,506,399)
Net book value				
31 December 2009	5,741,725	3,340,062	1,111,874	10,193,661
31 December 2008	5,758,100	3,836,240	1,466,541	11,060,881

At 31 December 2009, the cost of tangible assets fully written off (due to ordinary or extraordinary depreciation) but still in use was EUR 6,763,885 (31 December 2008: EUR 8,429,092). The cost of tangible assets temporarily out of use is EUR 17,040 (2008: EUR 74,156).

At the end of 2006, management reassessed its property portfolio and decided that, in-line with its business strategy, it will present such real estate that is leased and is available for lease to third parties as investment property. See details under Note 10. The properties shown in the above schedule among land, buildings and improvements are presented at cost less accumulated depreciation.

9. Property, plant and equipment (continued)

Movements in tangible assets during 2008 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2008	5,475,725	22,666,679	1,439,396	29,581,800
Additions	189,962	936,478	100,943	1,227,383
Disposals and write downs	–	(1,619,805)	(6,854)	(1,626,659)
Transfer to/from investment properties (Note 10)	2,092,907	–	–	2,092,907
Currency loss arising from retranslation	(246,083)	(943,554)	(66,944)	(1,256,581)
31 December 2008	7,512,511	21,039,798	1,466,541	30,018,850
Accumulated depreciation:				
1 January 2008	(1,591,060)	(18,156,432)	–	(19,747,492)
Depreciation expense	(217,795)	(1,190,316)	–	(1,408,111)
Disposals and write downs	–	1,368,521	–	1,368,521
Transfer to/from investment properties (Note 10)	(25,368)	–	–	(25,368)
Currency gain arising from retranslation	79,812	774,669	–	854,481
31 December 2008	(1,754,411)	(17,203,558)	–	(18,957,969)
Net book value				
31 December 2008	5,758,100	3,836,240	1,466,541	11,060,881
1 January 2008	3,884,665	4,510,247	1,439,396	9,834,308

10. Investment properties

The Group controls a significant property portfolio. In prior years, a significant proportion of this portfolio was utilized by the Group companies as retail outlets and for other operating activity purposes. The Group gradually abandoned its retail activity and has become an investment property company by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the balance sheet at historic cost less accumulated depreciation, while its fair value is determined and disclosed in the notes to the consolidated financial statements.

Movements in investment properties in 2009 were as follows:

	Investment properties EUR
Cost:	
1 January 2009	70,981,135
Additions	37,285,200
Transfer to/from tangible assets	(36,409)
Disposals	–
Currency loss arising from retranslation	(1,567,011)
31 December 2009	106,662,915
Accumulated depreciation:	
1 January 2009	(15,472,075)
Depreciation expense	(3,006,514)
Disposals	–
Transfer to/from tangible assets	–
Currency gain arising from retranslation	245,379
31 December 2009	(18,233,210)
Net book value:	
31 December 2009	88,429,705
31 December 2008	55,509,060

10. Investment properties (continued)

The fair values of investment properties at 31 December 2009 are set out below:

Category	Area	Book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,670	36,410,975	165,757,256
Offices	26,831	36,827,685	40,692,869
Warehouses	97,723	3,572,252	13,552,392
Other structures	38,660	3,382,039	5,182,875
Plots of land	671,816	8,236,754	22,409,604
Total investment properties	980,700	88,429,705	247,594,996

Movements in investment properties in 2008 were as follows:

	Investment properties EUR
Cost:	
1 January 2008	73,226,173
Additions	3,457,333
Disposals	(286,412)
Transfer to/from tangible assets	(2,092,907)
Currency loss arising from retranslation	(3,323,052)
31 December 2008	70,981,135
Accumulated depreciation:	
1 January 2008	(13,604,812)
Depreciation expense	(2,685,814)
Disposals	73,313
Transfer to/from tangible assets	25,368
Currency gain arising from retranslation	719,870
31 December 2008	(15,472,075)
Net book value:	
31 December 2008	55,509,060
1 January 2008	59,621,361

10. Investment properties (continued)

The fair values of properties classified as investment properties at 31 December 2008 are set out below:

Category	Area	Book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,701	38,946,827	205,614,027
Offices	6,552	733,099	3,271,361
Warehouses	97,677	3,777,143	34,597,099
Other structures	38,992	3,750,837	7,794,444
Plots of land	658,763	8,301,154	32,784,176
Total investment properties	947,685	55,509,060	284,061,107

The fair value of investment properties was determined by management based on the present values of the future cash flows, determined separately for each presented property category based on the currently realised rental rates.

Key valuation assumptions

The present values have been calculated based on a standard 9% basic yield rate (in 2008 7.9%) which is suitable to measure properties in the relevant markets and is based on the following assumptions:

- demand for rentable properties in the relevant markets is expected to fall with rental fees likely to drop below current levels;
- let investment properties have been calculated based on actual earnings in the reporting period and on calculated earnings in the basis period;
- the used yield rate per property item is 9% to 14% depending on the type and location of the property (2008: 7.9% to 8.7%);
- the yield rate on presently vacant retail units is further increased by 2% (2008: 3%) to reflect the additional risk;
- the increase in yield rates in 2009, which reflects changes in the property market in the past 12 months, resulted in significant decreases in the estimated fair values of the properties.

Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 270 HUF/EUR exchange rate.

In the case of warehouses and other structures, rental fees fell significantly in response to changes in the property market and the estimated fair values of these properties fell accordingly.

The value of land is typically estimated based on publicly available benchmarks as adjusted for individual circumstances (date of sale, property characteristics, selling terms etc.).

10. Investment properties (continued)

The value of land is significantly lower than in the comparative period owing to the financial and credit crisis. Some plots, for which comparative information was not available, were valued based on a residual value method in view of the planned development costs and the estimated sales price of the planned property. The land beneath existing buildings of a total area of 103,718 m^2 (2008: 90,665 m^2) and the unused land portion of warehouses and similar properties have not been included in the fair value assessment. This is a similarly accepted albeit more prudent valuation approach that causes a decrease in the calculated values of plots compared to the previous year.

11. Intangible assets

Movements in intangible assets at 31 December 2009 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2009	6,667,194	1,490,680	8,157,874
Additions	–	26,574	26,574
Disposals and write downs	–	(514,945)	(514,945)
Currency loss arising from retranslation	–	(59,222)	(59,222)
31 December 2009	6,667,194	943,087	7,610,281
Amortisation:			
1 January 2009	(2,890,474)	(1,290,683)	(4,181,157)
Amortisation expense	–	(42,391)	(42,391)
Impairment	(1,118,324)	–	(1,118,324)
Disposals and write downs	–	480,005	480,005
Currency gain arising from retranslation	–	95,933	95,933
31 December 2009	(4,008,798)	(757,136)	(4,765,934)
Net book value:			
31 December 2009	2,658,396	185,951	2,844,347
31 December 2008	3,776,720	199,997	3,976,717

The column ’Other’ reflects rental rights associated with trading companies. As part of discontinuing its ownership of FTC acquired in 2001 (at a cost of HUF 1.9 billion – ca. EUR 7 million), Fotex acquired certain merchandising rights in FTC (media and brand merchandise, distribution and promotion rights [billboards]) in 2003 for an unlimited period. By 31

December 2005, there was no indication of any impairment. In view of the cash inflows in the near future and estimated potential inflows, management calculated the fair value of these rights based on the expected cash flows discounted at 9%. Based on management's estimation, an impairment loss of EUR 3,149,785 was made in previous years with an additional EUR 1,118,324 impairment loss recognised in 2009 (2008 no impairment loss was recognised).

11. Intangible assets (continued)

Movements in intangible assets at 31 December 2008 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2008	7,241,050	1,195,382	8,436,432
Additions	–	175,944	175,944
Disposals and write downs	–	(85,707)	(85,707)
Currency loss/gain arising from retranslation	(573,856)	205,061	(368,795)
31 December 2008	6,667,194	1,490,680	8,157,874
Amortisation:			
1 January 2008	(3,293,941)	(265,123)	(3,559,064)
Amortisation expense	–	(116,135)	(116,135)
Impairment	–	(733,503)	(733,503)
Disposals and write downs	–	71,634	71,634
Currency loss/gain arising from retranslation	403,467	(247,556)	155,911
31 December 2008	(2,890,474)	(1,290,683)	(4,181,157)
Net book value:			
31 December 2008	3,776,720	199,997	3,976,717
1 January 2008	3,947,109	930,259	4,877,368

12. Goodwill arising on acquisition

Movements in goodwill on business combinations in previous years at 31 December 2009 and 2008 were as follows:

	2009	2008
	EUR	EUR
Cost:		
1 January	21,025,848	21,974,439
Addition	–	–
Disposal	–	–
FX loss	(470,450)	(948,591)
31 December	20,555,398	21,025,848
Impairment:		
1 January	(10,427,185)	(10,897,612)
Increase in impairment loss	–	–
FX gain	233,307	470,427
31 December	(10,193,878)	(10,427,185)
Net book value:		
1 January	10,598,663	11,076,827
31 December	10,361,520	10,598,663

At the year-end, the Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of cash generating units attributable to goodwill based on operating profits in both the reporting period and the basis period discounted at 10% interest rate. Based on this calculation, no impairment loss was recognised on goodwill.

The goodwill is allocated to the following entities:

	2009	2008
	EUR	EUR
Keringatlan Kft.	10,234,083	10,155,389
Domus Zrt.*	–	135,078
Balaton Glas Hotel Kft.	127,437	130,354
Kontúr Zrt.*	–	177,842
Net book value	10,361,520	10,598,663

Management estimates that goodwill is not impaired despite any potential changes in the underlying valuation model since the fair value of the investment properties, to which the goodwill relates, are significantly higher than the book value of the properties.

* Domus Zrt. and Kontúr Zrt. have merged into Keringatlan Kft. as of 30 September 2009.

13. Accounts payable and other liabilities

	2009	2008
	EUR	EUR
		(restated Note 26)
Trade payables	2,194,122	2,285,139
Taxes payable (excluding income taxes)	858,399	903,516
Advances from customer	27,053	27,952
Accrued expenses	877,577	1,002,840
Deferred rental income	2,110,016	649,596
Remuneration approved for executive incentive scheme – dividend preference shares	651,001	175,617
Amounts payable to employees	145,791	229,711
Deposits from tenants (i)	255,971	308,895
Preference shares incentive scheme liability	634,938	796,020
Other liabilities	1,176,951	526,535
Total	8,931,819	6,905,821

Terms and conditions of the above financial liabilities:
Trade payables are non-interest bearing and are typically settled on a 20 to 30-day term. Other payables are non-interest bearing and have an average term of 1 to 3 months. Payables to employees are non-interest bearing and represent one monthly salary with contributions.
Rental deposits are payable typically within 30 days of the end date of the underlying rental contract.

(i) The Group has received 2 to 3 months deposits of EUR 2,296,445 (2008: EUR 2,506,402) from its tenants which are repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified that part of the deposit liabilities as other long-term liabilities EUR 2,040,474 (2008: EUR 2,197,507) which are expected to be repayable in more than one year, and those parts which are expected within a year were classified as short-term tenant deposit liabilities EUR 255,971 (2008: EUR 308,895).

Dividend preference shares in incentive scheme

The general meeting of the Company on 31 August 2007 authorised the Board of Directors to increase the equity capital by a maximum amount of EUR 3,093,041 (HUF 785,818,000), by issuing dividend preference shares (shares with dividend rights only, without voting right) against monetary contribution within 5 years from the date of the general meeting.

These dividend preference shares are to be used as a remuneration and long-term incentive system for executive officers, as well as senior employees. The dividend preference shares are intended to encourage good stewardship in members of management by directly connecting remuneration entitlement of preference shareholders to enhanced performance and stock exchange rates thereby contributing to increasing shareholder value for all. Fotex has an optional redemption right on dividend preference shares which is valid up to five years. Unless Fotex exercises its redemption right within five years of the end of employment of a member of management, the holder of such preference shares may retain its shareholder rights. The dividend rate on the preference shares shall not exceed 50% of the given year's average stock exchange price of Fotex shares, but shall not be less than an amount equivalent to double of the European central bank twelve months base interest rate relevant for the year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS profit after taxes minus minority interests. The total preference dividend payable is subject to approval of the general meeting of the Company. Given the nature of the employee preference shares, the amount of shares in issue are treated as a short-term liability and any dividend payable will be treated as employee expense.

In November 2007, Fotex issued 2,000,000 preference shares with a face value of EUR 840,000 (HUF 200 million). These preference shares were presented in the balance sheet as treasury shares. Group management purchased the dividend preference shares on 28 April 2008. On that date this part of the dividend preference shares were shown as a liability (preference shares incentive scheme liability). Fotex granted arm's length loans to members of management to buy these shares. The shareholders' meeting in 2008 decided to distribute a dividend of EUR 0.34 (HUF 85) per preference share. The amount of preference dividend of EUR 676,455 (THUF 170,000) is presented among payments to personnel in the consolidated financial statements.

On 13 May 2009, the Company's CEO exercised his redemption right under the approved incentive scheme and redeemed the preference shares of the managers of certain subsidiaries where annual profits fell short of their budget. The shares were redeemed at the rates set out in the underlying sale-purchase contracts (120% of the face value). Fotex set off the redemption price payable against the loans and interest receivable from the affected persons under the loan agreements for the purchase of the preference shares. No dividend was paid on the redeemed shares.

The shareholders' meeting of 28 April 2009, upon approval of the consolidated financial statements for 2008, decided to pay a dividend of EUR 0.11 (HUF 30) per preference share. The total amount of preference dividends due to members of management of EUR 185,075 (THUF 46,500) is presented among payments to personnel in the consolidated financial statements in 2008.

The Board of Directors has approved on 9 April 2010 to pay dividends on the dividend preference shares equal to their face value. This dividend payment is subject to formal approval by the shareholders' meeting. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2009.

14. Share capital and reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares of EUR 0.42 each. At 31 December 2009, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2008: 70,723,650 ordinary shares and 2,000,000 dividend preference shares). The dividend preference shares were issued by Fotex in November 2007.

The movement in share capital refers to an adjustment of the EUR value of the opening balance, as the rate used to convert the opening balance from HUF to EUR was different than the rate used in the statutes of incorporation of the Company. The difference was recorded directly in retained earnings.

14. Share capital and reserves (continued)

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of “Issued Capital” (EUR 840,000; 2008 EUR 840,000) are also shown in “Treasury Shares”. As of 31 December 2009, the Company has sold 1,550,000 (2008 2,000,000) dividend preference shares to some of its employees. These shares are still shown within “Treasury Shares” but also as liability (preference shares incentive scheme liability) as further disclosed in Note 13.

The Company’s treasury shares (including dividend preference shares) are 12,579,779, totalling EUR 19,121,608 at 31 December 2009 (31 December 2008: 12,113,269 shares at a cost of EUR 18,612,487). During 2009, the Company purchased 466,510 shares on an arm’s length basis and 450,000 dividend preference shares from senior officers totalling EUR 509,121 and EUR 161,082, which amount decreased the preference shares incentive scheme liability, shown in note 13 above.

Goodwill write-off reserve

In 1990, in connection with the transformation of the Company to an Rt. (public limited company) and associated increase in share capital, certain intangible assets of Fotex (principally the “Fotex” name) were valued by an independent appraisal at approximately EUR 8.3 million (HUF 2.2 billion). This amount is shown as an intangible asset in the Company’s local statutory financial statements and is amortised over 24 years. This amount is not shown as an asset, rather as a deduction from shareholders’ equity in these consolidated financial statements.

15. Selling, General and Administration Expenses

	2009	2008
	EUR	EUR
Payments to personnel	(7,813,445)	(10,144,630)
Material-type expenses	(8,404,506)	(8,967,403)
Other expenses	(5,485,074)	(3,342,038)
Depreciation charges	(4,094,204)	(4,210,060)
Total selling, general and administration expenses	(25,797,229)	(26,664,131)

Other expenses include the following:

	2009	2008
	EUR	EUR
Impairment of intangibles (Note 11)	(1,118,324)	(733,503)
Impairment of loan given (Note 6)	(751,679)	–
Impairment of inventories (Note 8)	(278,238)	(803,256)
Impairment of debtors (Note 7)	(166,940)	(188,485)
Realised FX gain/loss (net)	(84,782)	212,119
Unrealised FX gain/loss (net)	(227,825)	328,892
Taxes payable (mostly property tax)	(964,948)	(1,077,290)
Donations	(738,423)	–
Other expenses	(1,153,915)	(1,080,515)
Other expenses, total	(5,485,074)	(3,342,038)

16. Interest-bearing loans

Mortgage loans taken by the Group's new Dutch subsidiary, Fotex Netherlands B.V., from FGH Bank N.V. in 2009 for property purchase purposes are as follows:

Item	Start date	End date	Loan	Interest	Value at 31 Dec 2009	Short-term part
I. mortgage	16/4/2009	1/5/2016	18 400 000 EUR	One month Euribor + 2.7% (rounding +0.05) on two working days prior to the start date of the interest period	EUR 17,744,477	EUR 276,000
II. mortgage	1/11/2009	1/11/2016	3.800.000 EUR	Three-month Euribor + 2.26% (rounding +0.05) on two working days prior to the start date of the interest period	EUR 3,516,159	EUR 75,994
III. mortgage	18/12/2009	1/1/2015	3.750.000 EUR	Three-month Euribor + 2.20% (rounding +0.05) on two working days prior to the start date of the interest period	EUR 3,620,844	EUR 75,000
Total					**EUR 24,881,480**	**EUR 426,994**

The above loans are secured by mortgage rights on the related properties of Fotex. The properties and their year-end book values are as follows:

2719 EP Zoetermeer, Einsteinlaan 20	EUR 10,627,466
Gorichem, Stadhuisplein 1a, 70 and 70a	EUR 14,044,052
Haarlem, Schipholpoort 20	EUR 5,438,698
3012 BL Rotterdam, Witte de Withstraat 25	EUR 6,020,275

The scheduled maturity of long-term debts at 31 December 2009 is set out in Euro in the table below:

Due in	2010	2011	2012	After 2012	Total
	426,994	426,994	426,994	24,027,492	25,308,474

17. Corporate tax

Corporate income tax receivables:	2009	2008
	EUR	EUR
Opening income tax receivables	273,503	742,352
Income tax expenditure	(1,193,503)	(2,117,468)
Settlement of income tax	2,036,079	1,648,619
Closing income tax receivables	1,116,079	273,503

Corporate tax expenditures:	2009	2008
	EUR	EUR
Tax expense	1,193,503	2,117,468
Deferred tax	(165,430)	312,056
Corporate tax	1,028,073	2,429,524

The actual corporate tax rate departs from the rate specified in the tax law due to the following:

	2009	2008
	EUR	EUR
Income / (Loss) before minority interests and income taxes	3,335,434	5,622,842
Tax at statutory rate of 20%	667,087	1,124,568
Effect of tax losses for which no corresponding deferred tax asset recognized	973,682	1,144,474
Effect of tax rate changes	(98,573)	–
Differences arising from Cyprus, Dutch and Luxembourg tax rates	(86,863)	(215,753)
Effect of one-off tax relief	(668,291)	–
Effect of permanent differences	(347,687)	(413,963)
Effect of tax adjustment for previous years	21,411	77,072
Local business tax	553,728	638,925
Innovation contribution	13,579	74,201
Corporate tax	1,028,073	2,429,524

The Group has used the enacted Hungarian corporate tax rate as the basis in tax reconciliation as the majority of the Group operates and is subject to corporate taxation in Hungary.

The Group is subject to periodic audit by the Hungarian, Dutch and Luxembourg Tax Authorities. As the application of tax laws and regulations for many types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the relevant Tax Authority.

17. Corporate tax (continued)

The corporate income tax rate is 16% in Hungary, however, effective from 1 September 2006 the Hungarian government introduced an additional, so called solidarity tax of 4% payable on statutory accounting profits made in the period from 1 September 2006.

As of 1 January 2010, the corporate tax rate increased to 19% in Hungary and the above solidarity tax was abandoned as of the same date. Deferred tax assets and liabilities have been calculated at the effective tax rate of 19%.

Owing to the move of Fotex's and Upington's registered offices during 2009, the effective income tax rate in Luxembourg is 22% plus municipal tax.

Deferred tax assets and deferred tax liabilities as at 31 December 2009 and 2008 are attributable to the items detailed in the tables below:

	Consolidated Balance Sheet		Consolidated Income Statement	
	2009	2008	2009	2008
	EUR	EUR	EUR	EUR
Deferred tax liability				
Accumulated depreciation for tax purposes	(518,111)	(514,222)	(15,392)	(24,811)
Offset related party transactions	(28,047)	(101,398)	71,082	17,779
Capitalisations of small value assets	(141,975)	(146,790)	1,526	(33,185)
Fair value adjustments on acquisition	–	–	–	130,754
Gross deferred income tax liabilities	(688,133)	(762,410)	57,216	90,537
Deferred income tax assets				
Provisions	90,164	39,097	51,940	27,391
Deferred tax of FTC rights impairment	241,471	–	241,471	–
Impairment of debtors	87,601	–	87,601	–
Tax losses carried forward	–	279,043	(272,798)	(429,984)
Gross deferred income tax assets	419,236	318,140	108,214	(402,593)
Deferred income tax			165,430	(312,056)
Net deferred income tax liability	(268,897)	(444,270)		

The Group has no carried forward losses which could be written off from taxable income of the Group members as such losses have arisen in subsidiaries that have been loss-making for some time and, in view of the current economic trends, are not expected to generate profits in the foreseeable future against which any such carried forward loss could be written off. As a result of the above, carried forward losses of EUR 7,057,122 were not considered in the consolidated financial statements of which EUR 6,994,945 can be rolled forward for an indefinite period.

18. Discontinuing operations

The Group had no discontinuing operations in either 2008 or in 2009.

19. Other comprehensive income components

Foreign exchange differences arising on the translation of the functional currencies to EUR of subsidiaries whose functional currency is other than EUR are presented through other comprehensive income. Such foreign exchange differences arise from the fluctuations between EUR and the functional currency of the subsidiaries during the year.

20. Segment information

For management purposes, the Group is divided into 8 business lines:

Furniture production and sales
Investment property management
Household goods and cosmetics
Crystal and glass
Music records production and distribution
Clothing
Advertising
Other – administration and holding activities

Management separately evaluates the performance of its operating segments in order to make decisions regarding resource allocation and other decisions related to operations management. The performance of each segment is based primarily on the pre-tax profit or loss of each segment as identified based on the principles pertaining to the operating profit or loss presented in the financial statements.
Decisions regarding financing (including financial revenues and expenses) and taxation are made at Group level and not at segment level.

The profit or loss of each business segment contains revenues and expenses directly attributable to the segment and revenues and expenses that can be reasonably allocated to the segment from the Group's total profit or loss attributable to transactions with third parties or with other Group segments. The transfer prices applied in inter-segment transactions are based on the cost of the transaction as increased by the margins set out in the underlying Group policies. Profit is distributed among the segments before adjustment for minority interests.

The Group has operations in Hungary, in Cyprus and in Luxembourg. As more than 97% of the Group's operations are carried out in Hungary, geographical segments are not presented in the consolidated financial statements.

20. Segment information (continued)

Segment assets and liabilities reflect operating assets and liabilities directly or reasonably attributable to each segment. Assets attributable to each segment are presented at cost less any impairment loss in the Group consolidated financial statements.

Corporate and other items include primarily general overhead and administrative costs that relate to the Group as a whole and assets that are not directly attributable to any of the segments, for example short-term and long-term investments and liabilities that serve financing rather than operating purposes.

Capital expenditures in the reporting year reflect the total cost of segment assets that are expected to be used for more than one period (properties, equipment, fittings).

	2009	2009	2009	2008	2008	2008
Net sales:	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR
Furniture	3,398,571	112,478	3,511,049	4,765,140	200,167	4,965,307
Investment property	22,889,976	1,432,431	24,322,407	21,502,891	1,494,902	22,997,793
Electrical, household goods and cosmetics	1,042,531	424	1,042,955	2,007,781	1,911	2,009,692
Crystal and glass	4,250,165	10,981	4,261,146	7,307,036	21,410	7,328,446
Music	2,310,324	160,990	2,471,314	3,478,384	152,630	3,631,014
Clothing	879,959	57	880,016	1,500,924	–	1,500,924
Advertising	3,091	260,388	263,479	137,566	506,703	644,269
Other	2,495,952	1,581,065	4,077,017	3,674,550	1,525,193	5,199,743
Inter-segment elimination	–	(3,558,814)	(3,558,814)	–	(3,902,916)	(3,902,916)
Net sales	37,270,569	–	37,270,569	44,374,272	–	44,374,272

20. Segment information (continued)

Crystal and glass sales mainly reflect export sales realised in foreign currencies. Nearly half of net own produced furniture sales is from export. Other sales mainly reflect domestic sales realised in HUF.

Pre-tax profit:	2009 EUR	2008 EUR
Furniture	(189,762)	(671,574)
Investment property	8,761,116	10,378,712
Electrical, household goods and cosmetics	(6,641)	(97,686)
Crystal and glass	(1,901,166)	(2,008,672)
Music	251,850	(563,832)
Clothing	53,128	166,642
Advertising	(189,424)	32,889
Other	(3,443,667)	(1,613,637)
Pre-tax profit:	3,335,434	5,622,842

Assets:	2009 Consolidated assets EUR	2009 Intra-business line assets EUR	2009 Total assets EUR	2008 Consolidated assets EUR	2008 Intra-business line assets EUR	2008 Total assets EUR
Furniture	3,779,498	56,565	3,836,063	3,889,090	62,478	3,951,568
Investment property	121,911,947	675,238	122,587,185	78,584,685	642,482	79,227,167
Electrical, household goods and cosmetics	2,309,278	103,977	2,413,255	2,427,953	7,582	2,435,535
Crystal and glass	6,391,881	2,944,620	9,336,501	9,950,400	337	9,950,737
Music	1,387,029	48,524	1,435,553	2,081,305	575	2,081,880
Clothing	1,764,776	12,661	1,777,437	2,004,637	573,000	2,577,637
Advertising	163,792	517	164,309	432,714	14,419	447,133
Other	9,773,216	778,043	10,551,259	21,239,678	5,663,587	26,903,265
Balances among business lines set off	–	(4,620,145)	(4,620,145)	–	(6,964,460)	(6,964,460)
Total assets	147,481,417	–	147,481,417	120,610,462	–	120,610,462

20. Segment information (continued)

Liabilities and accruals (restated - Noted 26)	2009 Consolidated liabilities EUR	2009 Intra-business line payables EUR	2009 Total liabilities EUR	2008 Consolidated liabilities EUR (restated-note 26)	2008 Intra-business line payables EUR	2008 Total liabilities EUR (restated-note 26)
Furniture	320,473	56,760	377,233	439,259	30,512	469,771
Investment property	31,710,526	11,512,361	43,222,887	3,604,488	1,249,546	4,854,034
Electrical, household goods and cosmetics	200,855	104,237	305,092	411,644	71,618	483,262
Crystal and glass	2,386,778	6,233,581	8,620,359	1,378,812	5,380,086	6,758,898
Music	239,925	15,334	255,259	345,932	62,503	408,435
Clothing	55,405	12,738	68,143	139,395	11,761	151,156
Advertising	30	517	547	226,453	59,606	286,059
Other	2,529,450	615,022	3,144,472	3,714,120	599,887	4,314,007
Balances among business lines set off	–	(18,550,550)	(18,550,550)	–	(7,465,519)	(7,465,519)
Liabilities and accruals	37,443,442	–	37,443,442	10,260,103	–	10,260,103

Tangible asset additions:	2009 EUR	2008 EUR
Furniture	895	144,402
Investment property	37,704,336	4,073,118
Electrical, household goods and cosmetics	11,731	185,930
Crystal and glass	144,922	202,891
Music	13,238	17,394
Clothing	7,217	1,703
Advertising	–	5,470
Other	84,643	229,752
Tangible asset additions:	37,966,982	4,860,660

Depreciation:	2009 EUR	2008 EUR
Furniture	(69,907)	(165,839)
Investment property	(3,456,272)	(3,088,293)
Electrical, household goods and cosmetics	(50,388)	(111,009)
Crystal and glass	(279,702)	(468,252)
Music	(39,579)	(59,488)
Clothing	(10,558)	(17,197)
Advertising	–	(4,739)
Other	(187,798)	(295,243)
Depreciation:	(4,094,204)	(4,210,060)

21. Financial risk management objectives and policies

The Group's primary financial liabilities, other than derivatives, include creditors, operating lease contracts and loans taken to purchase properties. The Group's various financial receivables include debtors, cash and short-term deposits and loan receivables. The Group's liquid assets are held in larger banks in Hungary, Cyprus and Luxembourg. Financial liabilities and receivables are directly attributable to the Group's operations.

The Group entered into a few derivative contracts in 2009, mainly FX forwards to manage FX risks related to the Group's operations. The Group had no open derivatives at 31 December 2009.

The highest risks related to the Group's financial instruments are FX risk, lending risk and interest risk. Management monitors the management of all these risks and applies the following risk management procedures.

Risks associated with assets

In view of its losses on its subsidiaries in Ajka and Balaton furniture factory, management has been revising its strategy related to its operation at Ajka and Balaton Bútor Kft. Irrespective of the final strategy of the Group, management believes that the value of the currently used production facilities will be recovered.

Interest risk

The Group entered into EUR loans to buy properties in the Netherlands for the period between 2009 and 2016. The loan interests vary between one month EURO-LIBOR + 2.2-2.7%. The interest risk of these loans has been kept at the % of the applicable EURO-LIBOR % (3.3 to 3.64%) except for a smaller loan of EUR 3.75m. In order to reduce interest risk, the lending banks charge a 0.7% interest guarantee with respect to 70% of all loans taken.

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include FX debtors other than in EUR, FX creditors and FX deposits. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating any FX risk associated with non-EUR revenues. Many EUR-based rental contracts are billed in HUF based on the applicable daily spot rate. In order to mitigate the risk of FX losses from any potential unbeneficial EUR/HUF rate fluctuations, the Group normally sets out a minimum EUR/HUF rate in its rental contracts.

The Group also has FX risks on transactions – which occurs when the Group buys or sells in a currency other than its functional currency. Nearly 48% of the Group's revenues (2008: 50 %) and 87% of costs (2008: 89 %) are from transactions made in other than the functional currency of the Company.

21. Financial risk management objectives and policies (continued)

The effect of EUR rate fluctuations with respect to other currencies on the Group's pre-tax profit in terms of unrealised revenues and expenses are as follows (all other changeable are considered constant):

		Increase (stronger EUR)/decrease (weaker EUR) in EUR rate	Impact on the pre-tax profit EUR
2009	revenues	+10%	-2.000.085
		-10%	+2.000.085
	costs and expenses	+10%	+3.115.543
		-10%	-3.115.543
2008	revenues	+10%	-2.500.417
		-10%	+2.500.417
	costs and expenses	+10%	+3.544.288
		-10%	-3.544.288

According to management, beyond the Group's FX risks, the risk associated with the actual profit or loss position stems from the volume or orders and market demand which depends on global market trends rather than on FX rate fluctuations.

Some of the Group's liquid assets are denominated in other than the presentation currency and are affected by EUR rate fluctuations as follows:

	Increase/decrease in EUR rate	Impact on the book value of liquid assets (EUR)
2009	+10%	-1.403.826
	-10%	+1.403.826
2008	+10%	-1.320.526
	-10%	+1.320.526

Lending risk

The Group aims to mitigate lending risk by its careful and continuous debtor portfolio monitoring process and by requiring bank guarantees and collateral. In addition, the Group regularly follows up information about the main creditors in the market.

Liquidity risk

Liquidity risk is monitored as follows:

- Monitoring daily available deposited and free cash by entity
- Monitoring weekly cash flows by entity

- As part of the management information system, the Group monitors the operations of each entity on a monthly basis.

21. Financial risk management objectives and policies (continued)

The Group's liabilities based on contracted not discounted payments at 31 December 2009 and 2008 are presented below according to maturity.

31 December 2009	Payable EUR	within 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	>5 year EUR	Total EUR
Trade payables	654,785	961,442	25,244	552,651	–	2,194,122
Taxes payable (excluding income taxes)	2,720	690,216	80,752	84,711	–	858,399
Advances from customer	–	27,053	–	–	–	27,053
Accrued expenses	94,399	708,525	36,863	37,790	–	877,577
Deferred rental revenues	–	2,110,016	–	–	–	2,110,016
Dividends approved for executive incentive scheme – dividend preference shares (Note 14)	–	651,001	–	–	–	651,001
Amounts payable to employees	–	145,791	–	–	–	145,791
Deposits from tenants	–	27,131	228,840	–	–	255,971
Other liabilities	–	427,332	1,152,546	232,011	–	1,811,889
Total short-term liabilities	751,904	5,748,507	1,524,245	907,163	–	8,931,819
Loan received	–	106,749	320,245	1,707,976	23,173,504	25,308,474
Other long-term liabilities	–	–	–	2,040,474	–	2,040,474
Total	751,904	5,855,256	1,844,490	4,655,613	23,173,504	36,280,767

31 December 2008	Payable EUR	within 3 months EUR	3 - 12 months EUR (restated Note 26)	1 - 5 years EUR	>5 year EUR	Total EUR
Trade payables	683,692	1,517,245	37,850	46,352	–	2,285,139
Taxes payable (excluding income taxes)	251,118	644,369	8,029	–	–	903,516
Advances from customer		27,952	–	–	–	27,952
Accrued expenses	50,940	858,411	58,554	34,935	–	1,002,840
Deferred rental revenues	–	649,596	–	–	–	649,596
Dividends approved for executive incentive scheme – dividend preference shares (Note 14)	–	175,617	–	–	–	175,617
Amounts payable to employees	611	229,100	–	–	–	229,711
Deposits from tenants	–	27,600	246,451	–	–	274,051
Other liabilities	3,346	117,769	1,182,076	19,503	34,705	1,357,399
Total	989,707	4,247,659	1,532,960	100,790	34,705	6,905,821
Other long-term liabilities	–	–	–	2,197,507	–	2,197,507
Total	989,707	4,247,659	1,532,960	2,298,297	34,705	9,103,328

21. Financial risk management objectives and policies (continued)

Included in the balance of liabilities aged 1-5 years are amounts of EUR 895,070 (31 December 2008 EUR 100,790) in that relate to Ajka which whilst current, may be settled at any time up to 30 June 2012 being the end of the creditors protection period connected to the bankruptcy of Ajka.

Capital management

The Group has significant amounts of cash which is used for intra-group financing as necessary. In 2006, the Group switched from bank loans to intra-group financing and financing costs and risks have significantly diminished as a result across the Group.

Fair value

At 31 December 2009 and 2008, the carrying values of liquid assets, short-term investment, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the balance sheet at cost less impairment loss on doubtful debts. Bank loans having variable market interest rate approximated their fair values.

22. Investments in subsidiaries

During 2009, Fotex Group entered into the following transactions and mergers:

- On 5 February 2009, Upington Investment Ltd. moved its headquarters from Cyprus to Luxembourg.
- At 29 February 2009, KONT-VESZ Kft. merged into Kontúr Zrt.
- At 4 March 2009, Keringatlan Kft. established a subsidiary in the Netherlands - Fotex Netherlands B.V., to create, develop and manage a property portfolio in the Netherlands.
- At 30 September 2009, Europtic Kft., Domus Zrt. and Kontúr Zrt. merged into Keringatlan Kft.

During 2008, Fotex Group entered into the following transactions and mergers:

- At 29 February 2008, DVD Rent Kft. merged into Fotexnet Kft.
- At 29 February 2008, Fotex III. Kft., Fotex Kont. Kft. and Norba Kft. merged into Kontúr Zrt. Before the merger, Fotex III. Kft. and Fotex Kont. Kft. were not consolidated subsidiaries of Fotex Nyrt.
- At 31 July 2008, KONT-VESZ Kft. demerged from Székhely 2007. Kft.
- At 15 December 2008, Bebufa Kft. and Balaton Bútorgyár Zrt. merged into a new entity, Balaton Bútor Kft.
- At 1 January 2008 Fotex Records Kft. merged into Hungaroton Records Kft.
- At their meetings held on 26 September 2008 and 9 December 2008, the shareholders of Fotex Nyrt., Fotex Group’s holding company, decided to transform Fotex Nyrt. into a European public limited company. Further to the decision of the shareholders, as of 31 December 2008, the Court of Registration cancelled Fotex Nyrt. from the companies register on the grounds of transformation and, according to the Court’s decision dated 9 January 2009, registered FOTEX HOLDING SE Nyilvánosan Működő Európai Részvénytársaság (FOTEX HOLDING SE European public limited company) as of 31 December 2008. The parent company’s transactions in 2008 are fully presented in Fotex Nyrt’s annual financial statements.

23. Operating Leases

Group as lessee

The Group leases retail sites within shopping centres "Duna Plaza", "MOM Park" and "Csepel Plaza" located in Budapest and at two other locations in Budapest based on non-cancellable operating lease agreements.

The "Duna Plaza" agreement, extended in 1999, allowed and committed the Group to rent the retail outlets until September 2009. In 2008, the size of the rented area was decreased based on mutual agreement from 1,678 m^2 to 1,498 m^2. The Group did not extend its rental contract in Duna Plaza after September 2009.

Since September 2001, the Group has been leasing retail sites within "MOM Park", the relating contract has a term of 7 years. In March 2007, the Group announced its intention to use their option on the outlets rented in "MOM Park", whereby the rental contracts may be extended with a further five years. After 1 January 2008, the Group decreased the rented area by 2,056 m^2 from 5,374 m^2 to a 3,318 m^2 rented area.

The rental contract on retail outlets in shopping centre "Csepel Plaza" was extended until December 2010. The contracts on the two retail outlets classified as other centres and shops expire in September 2010, mid-November 2013, December 2013, and in February 2016.

The leasing fees are denominated in Euros and are increased by the customer price index reported by the European Union's Statistical Office commencing from 1 January 2000 in case of "Duna Plaza", from 1 January 2002 in case of "MOM Park" and from 1 January 2000 or 2001 in the case of other centres. The Group also leases office space in Fotex Plaza as described in Note 25. At present the Group is committed to pay the following minimum leasing fees:

	Fotex Plaza	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR	EUR
2010	665,739	700,337	264,710	1,630,786
2011	672,395	707,340	235,177	1,614,912
2012	–	714,413	245,008	959,421
2013	–	518,920	253,344	772,264
Thereafter	–	-	2,320,074	2,320,074
Total	1,338,134	2,641,010	3,318,313	7,297,457

In 2009, operating lease payments totalled EUR 169,967 for January to September (31 Dec 2008: EUR 234,303) in relation to a definite rental contract with „Duna Plaza"; EUR 693,403 (31 Dec 2008: EUR 672,139) for January to December at MOM Park; and a total of EUR 276,054 (31 Dec 2008: EUR 242,216) for January to December in relation to other shops and outlets.

A portion of retail shop premises are still rented from local municipalities. These rentals may be cancelled by the lessor with a notice period of at least one year. The rent relates to a total area of 466 m^2 at a rental cost of EUR 53,185 in January to December 2009 and will total

EUR 46,491 in 2010.

23. Operating lease (continued)

Under certain circumstances the Group has the right to acquire the premises at a value mutually agreed with the relevant municipality. As in 2008, the Group did not exercise any such rights in 2009.

Group as lessor

The Group leases property to third parties consisting mainly of retail outlets, offices, warehouses and other structures. Rents are predominantly set in EUR in the rental contracts and give the opportunity to cancel the rental contract in 2 to 3 months by either party.

In 2009, the Group acquired four office buildings in the Netherlands which are leased to tenants on fixed long-term rental agreements. Based on these agreements the contracted revenue is as described in the table below.

The Group's fixed rental fee revenue (EUR):

Due in	**2010**	**2011**	**2012**	**After 2012**	**Total**
	2,696,406	2,696,406	2,718,756	21,347,719	29,459,287

24. Earnings Per Share

Basic earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year less treasury shares held by the Company. Similarly, totally diluted earnings per share is also calculated based on the weighted average number of ordinary shares in issue during the year as adjusted by the estimated value of an issue of potentially convertible securities. For the calculation of totally diluted earnings per share, net earnings are adjusted with any gains and expenses that relate to potentially convertible securities.

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares:

	2009	2008
	EUR	EUR
Net profit attributable to equity holders from continuing operations	2,224,780	3,154,769
Net profit / (loss) attributable to shareholders	2,224,780	3,154,769
Weighted average number of shares in issue during the year	60,229,294	65,634,519
Basic earnings/(deficit) per share (EUR)	0.04	0.05

The diluted earnings per share agree with basic earnings per share in 2009 and 2008 as there is no dilution effect in these years.

25. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company and Blackburn International Inc. ("Blackburn Luxembourg"), a Luxembourg company and Zurich Investments Inc. ("Zurich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan") and Plaza Park Kft. ("Plaza Park"). At 31 December 2009, Blackburn controls 16.9% of the Company's share capital (31 December 2008: 16.9%), Zurich controls 14.1% (31 December 2008: 14.1%), Fotex Ingatlan controls 17.6% (31 December 2008: 17.6%), and Plaza Park 1.6% (31 December 2008: 1.6%). These companies are considered to be related parties.

Related party rental transactions

In case of Plaza Park office accommodation agreements were modified in December 2000, and were extended until 31 December 2006. Based on their options, Fotex Nyrt. and its subsidiaries renegotiated rental contracts and extended them until 31 December 2011. The rental fees are adjusted with the harmonized customer price index (EU25) reported by the European Union's Statistical Office (Eurostat). Rental agreements with Fotex Ingatlan Kft. were modified to an indefinite rent period. Rental fees are increased annually by the average of the general CPI announced by the EU's Statistical Office. Rental and other related fees paid to Fotex Ingatlan for 2009 were EUR 343,156 for January to December (2008: 337,555 EUR) and to Plaza Park EUR 685,863 for January to December (2008: EUR 854,867).

Transactions with other related parties

There were no significant related party transactions in either 2008 or in 2009.

Remuneration of Group management

Management, directors and members of the supervisory board of the Group received a total remuneration of EUR 837,101 in 2009 (2008: EUR 1,197,700) as increased by dividends of EUR 651,001 upon approval of the annual shareholders' meeting.

26. Restatement of 2008 consolidated financial statements

The Company has corrected the accounting treatment of that part of the preference shares incentive scheme previously shown as a movement in treasury shares as a liability to management participating in the scheme. This correction resulted in a reclassification of EUR 796,020 from shareholders' equity to liabilities.

The detailed impact of this change on the 2008 balance sheet is shown below:

2008	EUR
Treasury shares as presented	17,816,467
Treasury shares as restated	18,612,487
Preference shares incentive scheme liability as presented	-
Preference shares incentive scheme liability as restated	796,020

This correction resulted in a decrease of the 31 December 2008 shareholder's equity of EUR 796,020 and had no impact on the 2008 net income and on the 2008 cash flow statement. Also, the correction has no impact on years prior to 2008. The Group has determined it is impracticable to disclose the 2007 consolidated balance sheet information as at the time the Group had different functional currency. However, as noted above, this correction has no impact on the 2007 consolidated balance sheet and 2007 consolidated income statement as previously presented.