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

R.C.S. Luxembourg B 146.938

Consolidated financial statements as at 31 December 2011, and
Management report, and
Independent Auditor's report

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Management Report

General

Fotex Holding SE (the "Company") is an European public limited company registered in the Luxembourg companies register under the number R.C.S.B 146.938 and regulated under the laws of the Grand Duchy of Luxembourg. The Company's registered address is at 75, Parc d'activités, L-8308 Capellen, 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., which is registered in Luxembourg, and Fotex Netherlands B.V. and FN2 B.V., which are registered in The Netherlands, 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:	2011	2010
		%	%
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
Downington Holding S.à r.l.	Investment holding	-	100,0
FN 2 B.V.	Property management	100,0	-
Plaza Park Kft.	Property management	100,0	-
Europrizma Kft.	Advertising	-	100,0
Fotex Cosmetics Kft.	Cosmetics retailer	100,0	100,0
Fotexnet Kft.	Internet retail and other services	87,9	100,0
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	100,0	100,0
Proprimo Kft.	Intercompany advisory services	100,0	-
Primo Zrt.	Clothing retailing and wholesaling	-	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

During 2011, Fotex Group entered into the following transactions and mergers that affect the Group structure:

- At 8 August 2011, the Group disposed of 100% of Europrizma Ügyviteli Kft. As a result Europrizma Ügyviteli Kft. has not been a Fotex Group member since 8 August 2011.
- At 1 July 2011, the Group purchased 100% of Plaza Park Kft. a company located in Hungary. As a result Plaza Park Kft. has been a 100% subsidiary of the Group since 1 July 2011.
- At 24 June 2011, Fotex Netherlands B.V. established a subsidiary in The Netherlands, FN 2 B.V. to enhance and manage the Group's property portfolio in The Netherlands.
- The assets and operations of Downington S.à r.l. were taken over by its former sole owner, Upington S.à r.l. in the second quarter of 2011 Downington S.à r.l. was struck off the Luxembourg companies register at 7 April 2011.
- Proprimo Kft. had been demerged from Primo Zrt, Proprimo Kft's core operations are intercompany advisory services. The demerger was registered by the Companies Court on 17 October 2011. Following the demerge, Primo Zrt's operations have been limited to the retail and wholesale of men's clothing.
- The Group sold its share in Primo Zrt. to third parties at 12 December 2011. Accordingly, Primo Zrt. has no longer been a Fotex Group member as of that date.
- At 1 September 2011 the share capital of Fotexnet Kft was increased, Fotex Ingatlan Kft, a related party company took part in the capital increase which resulted, that the Group's share in Fotexnet Kft has decreased in comparison to prior year.

Financial overview

The Group has operations in The Netherlands, Luxembourg and in Hungary. From management point of view the Group divided 3 business lines, which are the followings:

- Investment property holding and management
- Crystal and glass manufacturing
- Other – administration and holding activities

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The following tables below summarize the Group's revenues and profit before tax for 2011 and 2010 by business lines:

Net sales:	2011 Net sales EUR	2010 Net sales EUR
Investment property	25,026,239	24,462,300
Crystal and glass	7,198,821	7,291,841
Other	9,643,162	10,302,358
Inter-segment elimination	(2,740,782)	(3,060,821)
Net sales	39,127,440	38,995,678

Profit before income taxes:	2011	2010
	EUR	EUR
Investment property	6,170,311	7,618,141
Crystal and glass	902,021	661,378
Other	1,337,218	(1,228,749)
Profit before income taxes	8,409,550	7,050,770

The operating results of the Fotex Group varies from year to year due to changes in exchanges rates, government tax rates, discontinuation of lines of business, as well as general European and global economic trends. The Fotex Group tries to counterbalance such changes as best as possible by reorganizing and rationalizing business segments which the Fotex Group feels are no longer sustainable or have no viable future.

The management also monitors the activities which generate the Group's revenues. The table below summarizes the main activities from which the Group generates its revenues:

Sales revenue	2011	2010
	EUR	EUR
Sale of goods	11,683,893	12,785,293
Provision of services	2,255,390	2,108,706
Rental income revenue	18,764,250	17,559,170
Revenue from service charges to tenants	4,998,909	4,627,680
Royalty revenue	289,552	309,351
Other sales revenue	1,135,446	1,605,478
Total sales revenue:	39,127,440	38,995,678

The structure of the activities hasn't changed significantly in 2011 in comparison to 2010. It can be seen that revenue from the real estate management is the most significant, which is further improved mainly due to the new investment property acquisitions in 2011. The revenue from selling of goods is generated mainly by selling crystal and glass products and other consumer products; the decrease in the year is explained by the worsening of the performance of other consumer products performance.

The table below summarizes the Group's key financial indicators, which are monitored by the Group's management:

Selected financial information

(EUR)

	31.12.2009	**31.12.2010**	**31.12.2011**
Sales	37,270,569	38,995,678	39,127,440
Gross profit	28,403,976	30,008,607	30,822,651
Operating profit	2,606,747	6,910,565	10,492,984
Pre tax profit	3,335,434	7,050,770	8,409,550
Net profit*	2,224,780	6,375,028	6,638,657
Owner's equity**	109,954,362	114,276,069	109,835,692
Total assets	147,481,417	164,837,561	191,203,042
Number of issued shares	72,723,650	72,723,650	72,723,650
Earnings per share	0.04	0.11	0.11
Return on equity	2.02%	5.69%	5.92%
Return on assets	1.66%	4.08%	3.73%

* *net profit attributable to equity holders of the Company*
** *equity attributable to equity holders of the Company*

Risks and Risk management of the Group

The Group's business, financial condition or results can be affected by the risks and uncertainties. The management has identified the following risks:

- Change in laws and regulations governing the operations of the Company and its subsidiaries may affect their business, investments and results of operations.
- Foreign currency risk
- Credit risk
- Interest rate risk
- Liquidity risk

Management monitors these risks and applies the following risk management procedures:

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include debtors in foreign currency, creditors in foreign currency and deposits in foreign currency other than in EUR. 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.

In addition the Group entered into a small number of derivative contracts during the year, mainly FX forwards to manage FX risks related to the Group's operations.

Credit 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 debtors in the market.

Interest risk

In order to mitigate the interest rate risk the Group tries to use mainly fixed rate loans. In parallel with this in case of variable interest rate loans the Group limits the increase of interest rate by applying cap.
The loan interests vary between one to three month EURO-LIBOR + 2.2-2.7% and are at fixed rates varying between 4.26% and 7.25%. The interest risk of the variable interest mortgage loans, except for the smaller loan of EUR 3.75m is limited between 3.3 to 3.64%.

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
- The Group monitors its long-term cash flows in order to match the maturity patterns of its assets and liabilities

Research and development

The Company directly has no activity in relation to research and development and the research and development activity carried out through its subsidiaries is not significant.

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with face value of EUR 0.42 each. At 31 December 2011, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2010: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" (2011: EUR 840,000; 2010: EUR 840,000) are also shown in "Treasury shares". As at 31 December 2011 1,550,000 (31 December 2010: 1,550,000 shares) dividend preference shares are held by certain employees. These shares are shown within "Treasury shares" and as a liability (preference shares incentive scheme liability).

The "dividend-bearing preferred shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined by the General Meeting, but do not carry voting 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.

Holders of dividend-bearing preferred shares are not entitled to any rights or dividends other than those granted to them by the General Meeting. They are paid once a year. Interim dividends may only be paid if the conditions required for such a distribution are met.
If the Company is unable to pay these dividends in a given year or if it only pays part of the minimum due in a given year and fails to pay the balance at the time of payment of the dividends for the following year, holders of dividend-bearing preferred shares shall be granted identical voting rights to those reserved for Ordinary Shares. This voting right shall remain valid until such time as the Company has paid all the minimum dividends due in respect of the dividend-bearing preferred shares.

As at 31 December 2011, the Company held 13,449,525 treasury shares (including dividend preference shares) at a historic cost of EUR 20,205,074 (31 December 2010: 12,632,549 shares at a historic cost of EUR 19,266,955). During 2011, the Company purchased 816,976 of its ordinary shares (2010: 52,770 shares) on an arm's length basis. No dividend preference shares from senior officers were redeemed either in 2011 or in 2010.

The extraordinary general meeting held as of December 14, 2011 has decided to authorise the management body to carry out share buybacks for a further five years at a price set between the nominal value and the market value on the transaction date. The only restriction is that such transactions should not cause the net assets to fall below the share capital and non-distributable reserves combined.

Suggestions for Dividends to be paid to Dividend Preference Shares

At their meeting of 6 April 2012, the Board of Directors approved to pay dividends on the preference shares equal to 75% of 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 488,250 is presented among payments to personnel in the consolidated financial statements in 2011.
The Board of Directors suggests to the Annual General Meeting that the Company pay EUR 0.02 dividend per ordinary shares eligible to receive dividends for the year 2011. The Company does not pay dividend on ordinary shares which are held by the Company and its subsidiaries.
The annual general meeting of the shareholders of the Company decides on the amount of dividends to be paid on the ordinary shares for the year 2011.

Significant Events After the end of the financial year

After the end of the financial year the following significant events have happened:

- Owing to changes in Hungarian legislation, as of 1 January 2012, all rights related to a Club's address, logo and name will be reverted to the original association which owned such rights and previous owners shall be compensated based on the current market value of said rights. It is the company's position that the wording of the legislation is such that it has no bearing on the FTC rights currently owned by the company. In this respect the parties (the FTC association and Fotex) are currently discussing whether these rights are in fact affected by the current changes in legislation however should the parties be unable to reach an agreement, the Company will take the appropriate legal actions to settle any dispute which arises due to these legislative changes.
- The shares of the Company have been admitted to the official list of the Luxembourg Stock Exchange at a first price of EUR 1.06/piece as of 23 February, 2012.
- The Board of Directors of the Company at the meeting held as of 14 March 2012 has decided on the full transfer of the Company's shares listed on the Budapest Stock Exchange to the Luxembourg Stock Exchange. The date of transfer was 30 March 2012. After transferring the shares from the Budapest Stock Exchange the shares are traded only on the Luxembourg Stock Exchange.

Significant direct and indirect Shareholders

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 S.à.r.l. ("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"). As at 31 December 2011, Blackburn controlled 16.9 % (2010: 16.9%), Zurich controlled 0% (2010: 14.1%), Fotex Ingatlan controlled 17.6 % (2010: 17.6%) Blackburn Luxembourg controlled 15.8% (2010: 0%) and Plaza Park Kft. controlled 0% (2010: 1.6%) of the Company's share capital. These companies are considered to be related parties. At 1 July 2011, the Group purchased 100% of the quota of Plaza Park Kft. Therefore, Plaza Park Kft. had been recognised as a related party up to 30 June 2011 and has been a Fotex Group members since 1 July 2011.

Corporate governance

The Company is committed to adopt best practice corporate governance standards, including to comply with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

The Board

The Company is managed by a board of directors (the "Board") composed of a minimum of five and a maximum of eleven members (the "Directors", each a "Director").

The Directors shall be appointed by the general meeting of shareholders of the Company for a maximum period which will end at the annual general meeting of the Company to take place during the third year following their appointments. They shall remain in office until their successors are elected. They may be re-elected and they may be dismissed at any time by the general meeting, with or without cause.

In the event that one or several positions on the Board become vacant due to death, resignation or any other cause, the remaining Directors shall select a replacement in accordance with the applicable legal provisions, in which case this appointment shall be ratified at the next general meeting of the shareholders of the Company.
The Board of Directors has been authorized by the shareholders to manage the day-to-day operations of the Company, as well as to make administrative decisions at the Company. All rights which have not been conferred to the shareholders by the articles of association or by the laws remain of the competence of the Board of Directors. The Board may decide paying interim dividends as prescribed by law. All long-term pay schemes, plans, or incentive programs relating to the employees of the Company and its subsidiaries, which the Board would like to implement have to be first brought before and approved by the shareholders and the General Meeting of the Shareholders.

The remuneration of members of the Board of Directors shall be fixed by the General Meeting.

The Board shall elect a chairman from among its members.

According to the Articles, persons with no legal or financial link to the Company other than their mandate as Director are considered "independent persons".

"Independent persons" does not include persons who:

a) are employed or were employed by the Company or its subsidiaries during the five years preceding their appointment as Director;

b) carry out remunerated activities for the benefit of the Company or exercise technical, legal or financial duties within the Company;

c) are shareholders of the Company and directly or indirectly hold at least 30% of the voting rights, or are related to such a person;

d) receive financial benefits linked to the Company's activities or profit;

e) have a legal relationship with a non-independent member of the Company in another company in which the non-independent member has management and supervisory powers.

The Board is composed as follows:

Name:	Position:
Mr. Gábor VÁRSZEGI	Chairman of the Board
Mr. Dávid VÁRSZEGI	Member of the Board
Mr. Wiggert KARREMAN	Member of the Board
Mr. Jan Thomas LADENIUS	Member of the Board
Mr. Bob DOLE	Member of the Board
Mrs. Anna RAMMER	Member of the Board
TITAN S.á.r.l	Member of the Board

With the exception of TITAN S.à.r.l. the members of the Board of Directors were appointed at the extraordinary general meeting of the Company held on 1 October 2009. The members were appointed for a period of 3 years until the 2012 Annual General Meeting of the Shareholders.

The extraordinary general meeting held on14 December 2011 acknowledged the resignation with immediate effect of the company SEREN S.à.r.l. from its mandate of director following the resignation letter received on 30 November 2011 and gave it full discharge from the exercise of its mandate.

The extraordinary general meeting decided then to appoint TITAN S.à.r.l., with a registered address at 75, parc d'Activités L-8308 Capellen, registered with trade and companies register of Luxembourg under number B-164838 with immediate effect as director until the general meeting to be held in 2012.

Each member of the Board of Directors is high-qualified, acclaimed specialist.

Audit Committee

The audit committee of the Company (the "Audit Committee") shall be composed of a minimum of three and a maximum of five people.

The members of the Audit Committee shall be appointed by the general meeting of shareholders of the Company among the members of the Board deemed to be "independent persons" for a period not exceeding their respective mandates.

The Audit Committee shall elect a chairman from among its members. The quorum shall be met at Audit Committee meetings when the members have been validly called to attend and when a minimum of two-thirds or three of its members are present. All of the Committee's decisions shall be taken by a simple majority vote. In the event of a tied vote, the person presiding over the meeting shall have the casting vote. They may be re-elected and they may be dismissed at any time by the general meeting, with or without cause.

The Audit Committee opines the annual report of the Company, controls and evaluates the operation of the financial system, provides its tasks in connection with the Auditor of the Company.

Composition of the Audit Committee

The Audit Committee is composed as follows:

- Mr. Wiggert Karreman (Member of the Audit Committee)
- Mr. Jan Thomas Ladenius (Member of the Audit Committee)
- TITAN S.à.r.l. (Member of the Audit Committee)

With the exception of TITAN S.à.r.l. the members of the Audit Committee were appointed at the extraordinary general meeting of the Company held on 1 October 2009. The members were appointed for a period of 3 years until the 2012 Annual General Meeting of the Shareholders.

Mr. Jan Thomas LADENIUS has been appointed as chairman of the Audit Committee through a decision of the Audit Committee taken on 14 December 2011.

The extraordinary general meeting held as of 14 December 2011 acknowledged the resignation with immediate effect of the company SEREN S.à.r.l. from its mandate as member of the audit committee following the resignation letter received on 30 November 2011 and gives it full discharge from the exercise of its mandate.

The extraordinary general meeting decided to appoint TITAN S.à.r.l., with a registered address at 75, parc d'Activités L-8308 Capellen, registered with trade and companies register of Luxembourg under number B-164838 with immediate effect as member of the audit committee until the general meeting to be held in 2012.

No specific remuneration is attributed to the members of the Audit Committee.

Rules Governing Amendments to the Articles of Incorporation

Amendments to the Articles of Incorporation are approved by resolution at an Extraordinary General Meeting of Shareholders under the conditions of the law.

Branches of the Company

The Company has no branches.

Other Disclosures

There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of the 2004/109/EC (transparency directive).

There are no restrictions on the transfer of securities in the Articles of Incorporation of the Company.

There are no securities granting special control right to their holders and there are no restrictions on voting rights of the ordinary shares.

There are no significant agreements to which the Company is party to and which would take effect, alter or terminate upon a change of control following a public offering or takeover bid.

There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

There is no system of control of employee share scheme where the control rights are not exercised directly by the employees

The Board of Directors shall be vested with the most extensive powers to manage the affairs of the Company and to carry out all measures and administrative acts falling within the scope of the corporate object. Any powers not expressly reserved for the general meeting by the Articles of Association or by the law shall fall within the remit of the Board of Directors.

A subsequent General Meeting representing at least 50% of the Ordinary Shares may establish the limits and conditions applicable to the authorised capital, within the limits laid down by the Law. In this case, the Board of Directors is authorised and mandated to:

- carry out a capital increase, in one or several stages, by issuing new shares to be paid up either in cash, via contributions in kind, the transformation of debt or, subject to the approval of the Annual General Meeting, via the integration of profits or reserves into the capital;

- set the place and date of the issue or of successive issues, the issue price, and the conditions and procedures for subscribing and paying up the new shares;

- abolish or restrict the preferential subscription rights of shareholders with regard to new shares to be issued as part of the authorised share capital.

This authorisation is valid for a period of five years from the publication date of the authorisation deed and may be renewed by a General Meeting of Shareholders for any shares of the authorised capital which have not been issued by the Board of Directors in the meantime. Following each capital increase carried out and duly recorded according to the legal formalities, the first paragraph of Article of Association shall be amended in such a way as to reflect the increase carried out; this amendment shall be recorded in the notarial deed by the Board of Directors or any other authorised person.

Future Prospects

The financial position and performance of the Group remained stable, despite the difficult market conditions in 2011. The Dutch investments of the Group have increased by 2 new properties due to the utilization of the favorable investment opportunities.

The Group will continue seeking favorable investment opportunities taking into account the market conditions given and the stable cash flow of the Group.

6 April 2012, Capellen

Várszegi Gábor
Fotex Holding SE
Chairman of the Board

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Independent auditor's report

To the Shareholders of
Fotex Holding SE
75, Parc d'Activités
L-8308 Capellen

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Fotex Holding SE, which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fotex Holding SE as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

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Société Anonyme
Cabinet de révision agréé

René ENSCH

Luxembourg, 6 April 2012

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Fotex Holding SE and Subsidiaries
Consolidated Statement of Financial Position
Figures in EUR

	Note	31 December 2011 EUR	31 December 2010 EUR
Assets			
Current Assets:			
Cash and short-term deposits	5	8,199,500	17,480,416
Current portion of other financial assets	6	508,879	280,768
Accounts receivable and prepayments	7	8,409,600	6,483,893
Income tax receivable	17	343,261	440,601
Inventories	8	6,161,415	7,637,998
Total current assets		23,622,655	32,323,676
Non-current Assets:			
Property, plant & equipment	9	6,527,603	9,841,384
Investment properties	10	145,477,492	102,384,809
Deferred tax assets	17	529,837	566,712
Intangible assets	11	2,792,748	2,814,996
Non-current portion of other financial assets	6	1,524,094	6,838,490
Goodwill arising on acquisition	12	10,728,613	10,067,494
Total non-current assets		167,580,387	132,513,885
Total assets		191,203,042	164,837,561
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	16	1,258,801	848,825
Provisions	13	71,398	217,373
Accounts payable and other liabilities	13	15,812,488	8,912,889
Total current liabilities		17,142,687	9,979,087
Non-current Liabilities:			
Interest-bearing loans and borrowings	16	59,822,161	37,852,693
Other long-term liabilities	13	1,443,329	1,939,830
Deferred tax liability	17	2,854,471	698,183
Total non-current liabilities		64,119,961	40,490,706
Shareholders' Equity:			
Issued capital	14	30,543,933	30,543,933
Additional paid-in capital		29,267,019	32,895,729
Goodwill write-off reserve	14	(1,211,432)	(1,534,125)
Retained earnings		71,441,246	71,637,487
Treasury shares, at cost	14	(20,205,074)	(19,266,955)
Equity attributable to equity holders of the parent company		109,835,692	114,276,069
Non-controlling interests in consolidated subsidiaries		104,702	91,699
Total shareholders' equity		109,940,394	114,367,768
Total liabilities and shareholders' equity		191,203,042	164,837,561

The accompanying notes on pages 18 to 78 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Income Statement
Figures in EUR

	Note	for the year ended 31 December 2011 EUR	2010 EUR
Revenue	18	39,127,440	38,995,678
Operating expenses	15	(28,634,456)	(32,085,113)
Interest income		853,515	1,455,905
Interest expenses	16	(2,936,949)	(1,315,700)
Income before income tax	20	8,409,550	7,050,770
Income tax expense	17	(1,739,562)	(663,664)
Net income		6,669,988	6,387,106
Attributable to:			
Equity holders of the parent company		6,638,657	6,375,028
Non-controlling interests		31,331	12,078
Net income		6,669,988	6,387,106
Basic earnings per share	24	0.11	0.11
Diluted earnings per share	24	0.11	0.11

The accompanying notes on pages 18 to 78 form an integral part of these consolidated financial statements.

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

	Note	for the year ended 31 December 2011 EUR	2010 EUR
Net income		6,669,988	6,387,106
Other comprehensive income:			
Exchange differences on translation of foreign operations	19	(10,152,713)	(1,911,966)
Total comprehensive income		(3,482,725)	4,475,140
Attributable to:			
Equity holders of the parent company		(3,502,258)	4,467,054
Non-controlling interests		19,533	8,086
		(3,482,725)	4,475,140

The accompanying notes on pages 18 to 78 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR

	Issued Capital EUR	Additional Paid-in Capital EUR	Goodwill Write-off Reserve EUR	Retained Earnings EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2010	30,543,933	32,895,729	(1,856,818)	67,493,126	(19,121,608)	109,954,362	83,613	110,037,975
Net income 2010	-	-	-	6,375,028	-	6,375,028	12,078	6,387,106
Other comprehensive income	-	-	-	(1,907,974)	-	(1,907,974)	(3,992)	(1,911,966)
Total comprehensive income	-	-	-	4,467,054	-	4,467,054	8,086	4,475,140
Redeemed treasury shares (note 14)	-	-	-	-	(145,347)	(145,347)	-	(145,347)
Reversed written off goodwill reserve (note14)	-	-	322,693	(322,693)	-	-	-	-
31December 2010	30,543,933	32,895,729	(1,534,125)	71,637,487	(19,266,955)	114,276,069	91,699	114,367,768
1 January 2011	30,543,933	32,895,729	(1,534,125)	71,637,487	(19,266,955)	114,276,069	91,699	114,367,768
Net income 2011	-	-	-	6,638,657	-	6,638,657	31,331	6,669,988
Other comprehensive income	-	-	-	(10,140,915)	-	(10,140,915)	(11,798)	(10,152,713)
Total comprehensive income	-	-	-	(3,502,258)	-	(3,502,258)	19,533	(3,482,725)
Redeemed treasury shares (note 14)	-	-	-	-	(938,119)	(938,119)	-	(938,119)
Increase in minority shareholding	-	-	-	-	-	-	4,279	4,279
Minority dividends	-	-	-	-	-	-	(10,809)	(10,809)
Reversed written off goodwill reserve (note14)	-	-	322,693	(322,693)	-	-	-	-
Reclassification from additional paid in capital to retained earnings	-	(3,628,710)	-	3,628,710	-	-	-	-
31 December 2011	30,543,933	29,267,019	(1,211,432)	71,441,246	(20,205,074)	109,835,692	104,702	109,940,394

The accompanying notes on pages 18 to 78 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Cash Flow Statement

Fotex Holding SE and Subsidiaries
Consolidated Cash Flow Statement
Figures in EUR

	Note	for the year ended 31 December 2011 EUR	2010 EUR
Cash flows from operating activities:			
Income before income taxes	20	8,409,550	7,050,770
Depreciation and amortisation	15	6,020,268	5,156,519
Provisions used and reversed	13	(137,456)	(257,169)
Scrapped tangible assets		34,581	131,709
Write off of inventories, impairment loss of debtors and reversals		672,916	816,886
(Gain)/loss on disposals of fixed assets		(688)	574
Gain on disposal of other investments		(2,729,486)	-
Interest income		(853,515)	(1,455,905)
Interest expenses		2,936,949	1,315,700
Changes in working capital:			
Accounts receivable and prepayments		71,887	(1,068,202)
Inventories		928,370	(253,015)
Accounts payable and other liabilities		(349,433)	781,429
Cash generated from operations		15,003,943	12,219,296
Income tax paid	17	(884,745)	(286,956)
Net cash flow from operating activities		14,119,198	11,932,340
Cash flows from investing activities:			
Acquisition of tangible and intangible assets		(29,360,018)	(21,956,568)
Sale proceeds of tangible and intangible assets		2,184	10,806
Acquisition of business combination, net of cash		(891,807)	-
(Purchase)/sale of financial investments		(64,086)	143,915
Repayments of loans granted		95,778	1,078,669
Interest received		397,109	955,021
Net cash flow used in investing activities		(29,820,840)	(19,768,157)
Cash flows from financing activities:			
Loan received		10,315,113	14,068,473
Dividends paid		(10,809)	-
Interest paid		(2,282,186)	(1,438,917)
Purchased treasury shares		(938,119)	(145,347)
Net cash flow from financing activities		7,083,999	12,484,209
Change in cash and cash equivalents		(8,617,643)	4,648,392
Cash and cash equivalents at beginning of the year	5	17,480,416	12,997,087
Effect of foreign currency translation		(663,273)	(165,063)
Cash and cash equivalents at end of the year	5	8,199,500	17,480,416

The accompanying notes on pages 18 to 78 form an integral part of these consolidated financial statements.

1. General

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.S.B 146.938. The Company's 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. Fotex Holding SE is the ultimate parent of the Group. Except for Upington Investments S.à r.l., which is registered in Luxembourg, and Fotex Netherlands B.V. and FN2 B.V., which are registered in The Netherlands, 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:	2011 %	2010 %
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 (Note 22)	-	100.0
Downington Holding S.à r.l.	Investment holding (Note 22)	-	100.0
FN 2 B.V.	Property management (Note 22)	100.0	-
Plaza Park Kft.	Property management (Note 22)	100.0	-
Europrizma Kft.	Advertising (Note 22)	-	100.0
Fotex Cosmetics Kft.	Cosmetics retailer	100.0	100.0
Fotexnet Kft.	Internet retail and other services (Note 22)	87.9	100.0
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	100.0	100.0
Proprimo Kft.	Intercompany advisory services (Note 22)	100.0	-
Primo Zrt.	Clothing retailing and wholesaling (Note 22)	-	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 Fotex Holding SE and its subsidiaries for the year ended 31 December 2011 were formally approved by the Board of Directors on 6 April 2012 and will be presented to the annual general meeting of shareholders for approval on 26 April 2012.

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"), and the EU.

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. At 31 December 2011, 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 public limited company. Fotex moved it's registered office to Luxembourg, it 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 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 and are converted in to the consolidated financial statement by 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.

Non-controlling 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 statement of financial position, 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 statement of financial position at the date of the acquisition of the minority interest is reflected as being a transaction between owners.

2. Significant Accounting Policies (continued)

As a result of its transformation into a European public limited company, the Company's financial records have been kept in EUR since 1 January 2009. Accordingly, Fotex Group's consolidated financial statements are prepared in EURO ("EUR").

The functional currency of the group's subsidiaries included in the consolidation is the Hungarian Forint ("HUF") – except for the subsidiaries outside of Hungary, whose functional currency is EUR. Considering that the reporting currency is EUR, it was necessary to convert the elements of statement of financial position and income statement of subsidiaries from HUF to EUR.

The following foreign currency ("FX") rates have been applied at the conversion from HUF to EUR:

The income statement has been converted to EUR using the quarterly Hungarian National Bank ("MNB") average FX rate:

	2011		2010	
First quarter	272.48	HUF/EUR	268.57	HUF/EUR
Second quarter	266.33	HUF/EUR	274.38	HUF/EUR
Third quarter	274.90	HUF/EUR	282.46	HUF/EUR
Fourth quarter	303.63	HUF/EUR	275.90	HUF/EUR

Assets and liabilities have been converted to EUR using the MNB FX rate as at 31 December 2011: 311.13 HUF/EUR (2010: 278.75 HUF/EUR), this resulted in the significant exchange difference in translation of foreign operations shown in total comprehensive income.

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 2011. 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:

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011
- IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- Improvements to IFRSs (May 2010)

2. Significant Accounting Policies (continued)

The principal effects of these changes are as follows:

IAS 24 *Related Party Transactions* (Amendment)
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party, however, without changing the fundamental approach to related party disclosures. The new definitions emphasis a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel impacts related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The amendment is effective for financial years beginning on or after 1 January 2011. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 *Financial Instruments: Presentation* (Amendment)
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. . The amendment is effective for financial years beginning on or after 1 February 2010. The Group did not enter into any rights issue, options or warrants which would be affected by this amendment, accordingly the adoption of the amendment did not have any impact on the financial position or performance of the Group.

IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group:

- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- IFRS 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

2. Significant Accounting Policies (continued)

Improvements to IFRSs (continued)

- IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in the statement of changes in equity.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position 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 public limited 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.

2. Significant Accounting Policies (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.
Materials and merchandise goods are valued at purchase cost on a weighted average basis. Purchase costs include purchase price, trade discounts, unrecoverable taxes, transport and other cost which are directly attributable to purchase of the raw materials and merchandising goods.
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.

2. Significant Accounting Policies (continued)

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.

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 operating 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.

2. Significant Accounting Policies (continued)

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 basis 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.

Financial Instruments

Management uses judgements during initial recognition, subsequent measurement, amortisation, impairment and derecognition of financial instruments. Management's judgements that have the most significant effect on the financial statements are disclosed below in each sub-section in detail.

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:

2. Significant Accounting Policies (continued)

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 or loss are carried in the statement of financial position 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 2011 and 2010.

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. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.
Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

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 them 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 had held-to-maturity investments as at 31 December 2010 but transferred them at 1 July 2011 to Blackburn International Luxembourg, a related party. As a consequence of these sold held-to-maturity investments and the requirements of IAS 39, Fotex will not classify any financial assets as held to maturity until 1 January 2014.

2. Significant Accounting Policies (continued)

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. As more fully described in this note under "Held-to-maturity investments", in 2011 the Group reclassified its held-to-maturity investments to available-for-sale category.

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.

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 statement of financial position 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.

2. Significant Accounting Policies (continued)

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.

Due from loans and trade receivables and advances to customers
For amounts due from loans and advances to customers carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are 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.

2. Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.
The Group mainly recognised an allowance for doubtful debts of 100% against all receivables over 360 days since historical experience has been that receivables that are past due beyond 360 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 90 days and 360 days based on estimated unrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Net trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable.

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 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.

<u>Available-for-sale financial investments</u>

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.

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.

2. Significant Accounting Policies (continued)

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 by 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 their useful economic life.

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

	Years
Buildings	20-30

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 from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit 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.

2. Significant Accounting Policies (continued)

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences were applied:

Business combinations were 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. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

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 acquiree's identifiable assets, liabilities and contingent liabilities.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

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.

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 lives that range from 5 to 50 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.

2. Significant Accounting Policies (continued)

Intangible assets (continued)

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

Investment in associates 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 statement of financial position 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 2011 or 2010.

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.

2. Significant Accounting Policies (continued)

Income taxes (continued)

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 substantially 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.

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.

2. Significant Accounting Policies (continued)

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.
Revenue is measured at fair value of consideration received or receivable. The revenues represent sales at invoiced amounts net of value added tax and discounts. The revenue from selling of goods is generated mainly by selling crystal and glass products, and other consumer products.

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 receivable from operating leases less the Group's initial direct costs of entering into the leases is recognised on a straight-line basis over the term of the lease. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non –cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.
Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when they arise.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered and at fair value of consideration received or receivable. Service charges and other such receipts are included gross of the related costs in revenue, as the directors consider that the Group acts as principal in this respect.

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 disclosures

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:

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.

Presentation of operating segments
In the Fotex Group financial statements as of 31 December 2010 eight segments were identified for disclosure for segment reporting purposes to comply with IFRS 8. During 2011 Fotex revised the segment reporting disclosure and identified those segments which are neither individually nor in aggregate material and could be presented as one segment in the consolidated financial statements as of 31 December 2011.
Based on this management decision, two segments were identified, 'Investment property management' and 'Crystal and glass production and sales'; other activities are disclosed in aggregate as 'other category' in the 31 December 2011 consolidated financial statements. The change of this estimate was disclosed in the comparative information for 31 December 2010.

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 2011 is EUR 10,728,613 (2010: EUR 10,067,494). 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 2011 is EUR 2,658,396 (2010: EUR 2,658,396). Further details are given in Note 11.

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

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. The recognised tax loss as at 31 December 2011 is EUR 1,119,152 (2010: EUR 1,136,887). 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

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment)
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and hence has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets (Amendment)
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.The Group is currently analysing the potential effect of this amendment.

IAS 19 Employee Benefits (Amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The Group has concluded that this amendment will not have any impact on its consolidated financial statements.

4. Standards issued but not yet effective (continued)

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment will not have any effect on the Group.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets.
The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation —Special Purpose Entities.
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

4. Standards issued but not yet effective (continued)

This standard becomes effective for annual periods beginning on or after 1 January 2013. The Group does not anticipate any significant impact on its consolidated financial statements.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
This standard becomes effective for annual periods beginning on or after 1 January 2013. The Group has concluded that the amendment will have no effect on the consolidated financial position or performance of the Group.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013. The Group has concluded that the amendment will have no effect on the consolidated financial position or performance of the Group.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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 anticipation of the 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 8,199,500 EUR (2010: EUR 17,480,416).

Money market investment units held at 31 December 2010 have been reclassified from investments to liquid assets as these investments were used by the Group in its normal cash flows in 2011. Therefore, the opening balance of liquid assets increased from EUR 17,245,883 to EUR 17,480,416.

Cash includes fixed deposits of EUR 2,013,641 (2010: EUR 2,740,413) at rates ranging from 3.74% to 5.3% (2010: 3.5% to 7.1%). 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	2011 EUR	2010 EUR
Cash deposits connected to rented properties	507,749	279,509
Other short-term investments	1,130	1,259
Other current financial assets, total	508,879	280,768

Non-current	2011 EUR	2010 EUR
Cash deposits connected to rented properties	1,438,100	1,933,037
Investments held-to-maturity	-	4,804,608
Unquoted equity instruments available for sale	80,925	-
Loans to senior officers	-	92,393
Long-term loans to other companies	5,069	8,452
Other non-current financial assets, total	1,524,094	6,838,490

Cash deposits 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 the deposits which are expected to be repayable in more than one year to long-term, and the deposits which are expected to be repayable within one year were classified as short-term.

Other current financial assets:

Money market investment units held at 31 December 2010 have been reclassified from investments to liquid assets as these investments were used by the Group in its normal cash flows in 2011 (see Note 5).

Investments held-to-maturity:

As at 31 December 2010, OTP Bank Nyrt. ("OTP") (EUR 4,093,865) and MOL Nyrt. ("MOL") (EUR 608,801) bonds were shown among long-term investments held-to-maturity. As the Group's intention concerning these bonds changed, on 15 June 2011, these assets were reclassified to financial assets available-for-sale that are carried by the Group among short-term investments.

At 1 July 2011, the OTP and MOL bonds were disposed of and the cumulated fair value difference was recognised in the income statement. The Group realized a gain of EUR 2,376,463 on the bonds disposals; the gain was recorded into the operating expense (Note 15).

6. Other financial assets (continued)

Other non-current investments:

In 2010 held-to-maturity investments contained holdings in OTP and MOL bonds and other unquoted equity investments. The Group transferred them at 1 July 2011 to Blackburn International Luxembourg, a related party. As a consequence of these sold held-to-maturity investments and the requirements of IAS 39, Fotex is not able to classify any financial assets as held to maturity until 1 January 2014. The entire remaining portfolio of such investments is reclassified as available-for-sale and remeasured to fair value.

Loans to senior officers:

Arm's length loans granted by Fotex to senior officers to purchase dividend preference shares totalling EUR 92,393 at 31 December 2010 were fully repaid in 2011 (Note 25).

Non-current part of other long-term loans:

Non-current part of other long-term loans include employee loans totalling EUR 5,069 (2010: EUR 8,452).

7. Accounts receivable and prepayments

	2011 EUR	2010 EUR
Accounts receivable (debtors)	5,839,530	5,770,937
Impairment loss on accounts receivable (debtors)	(1,136,190)	(1,185,631)
Tax assets	379,328	498,766
Other receivables and prepayments/accrued income	3,458,420	1,825,949
Impairment loss on other receivables	(131,488)	(426,128)
Total	8,409,600	6,483,893

The terms applicable to related parties are set out in Note 25.

Debtors typically pay between 0 and 60 days, during this period no late payment interest is charged.
Tax assets are typically received within three months.

Impairment loss on debtors and on other receivables at 31 December 2011: EUR 1,267,678 (2010: EUR 1,611,759).

Movements in impairment loss:

	EUR
1 January 2010	765,862
Charge for the year	656,965
Utilised	(62,942)
Unused amount reversed	(52,115)
Other increases	325,722
Currency gain arising on retranslation	(21,733)
31 December 2010	1,611,759
Charge for the year	327,397
Utilised	(266,896)
Unused amount reversed	(271,257)
Currency gain arising on retranslation	(133,325)
31 December 2011	1,267,678

7. Accounts receivable and prepayments (continued)

Aged debtors less impairment loss 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
2011	3,664,252	678,799	243,552	62,545	30,061	24,131	4,703,340
2010	3,851,292	397,094	157,769	43,233	53,309	82,609	4,585,306

Aged tax assets less impairment loss, other receivables and prepayments 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
2011	3,401,474	51,532	179,934	129	22,444	50,747	3,706,260
2010	1,591,637	19,852	2,762	140,258	50,370	93,708	1,898,587

8. Inventories

	2011	2010
	EUR	EUR
Merchandise and finished products	6,751,404	8,361,764
Materials	782,531	1,124,639
Work in progress	1,832,855	2,121,892
Inventories, gross	9,366,790	11,608,295
Impairment of merchandise and finished products	(2,716,272)	(3,409,006)
Impairment of materials	(35,902)	(46,450)
Impairment of work in progress	(453,201)	(514,841)
Impairment of inventories	(3,205,375)	(3,970,297)
Total inventories, net	6,161,415	7,637,998

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 3,205,375 provision made for the impairment of inventories (2010: EUR 3,970,297) is adequate, from this the current year charge is EUR 485,627 (2010: EUR 41,386) which is disclosed as other operating expense (Note 15). In addition to the impairment, in 2011 EUR 8,704,625 of inventories was recognised as an expense (2010: EUR 9,163,875).

9. Property, plant and equipment

Movements in tangible assets during 2011 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2011	7,804,090	18,843,351	436,957	27,084,398
Additions and acquisition arising on business combination	99,491	1,602,009	-	1,701,500
Disposals and write downs	(152,379)	(750,625)	(292,464)	(1,195,468)
Transfer to investment properties	(2,416,361)	-	-	(2,416,361)
Currency loss arising on retranslation	(771,501)	(2,034,111)	(15,463)	(2,821,075)
31 December 2011	4,563,340	17,660,624	129,030	22,352,994
Accumulated depreciation:				
1 January 2011	(1,716,524)	(15,526,490)		(17,243,014)
Depreciation expense	(156,612)	(929,165)	-	(1,085,777)
Disposals and write downs	175,863	482,516	-	658,379
Accumulated depreciation arising on business combination	(3,641)	(508,748)	-	(512,389)
Transfer to investment properties	463,262	-	-	463,262
Currency gain arising on retranslation	185,955	1,708,193	-	1,894,148
31 December 2011	(1,051,697)	(14,773,694)	-	(15,825,391)
Net book value				
31 December 2011	3,511,643	2,886,930	129,030	6,527,603
31 December 2010	6,087,566	3,316,861	436,957	9,841,384

At 31 December 2011, the cost of tangible assets fully written off (due to ordinary or extraordinary depreciation) was EUR 6,656,823 (2010: EUR 5,606,963). The cost of tangible assets temporarily out of use is EUR 0 (2010: EUR 16,951).

9. Property, plant and equipment (continued)

Movements in tangible assets during 2010 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2010	7,379,174	20,205,460	1,115,426	28,700,060
Additions	853,793	946,258	-	1,800,051
Disposals and write downs	(218,866)	(1,728,509)	(654,668)	(2,602,043)
Currency loss arising from retranslation	(210,011)	(579,858)	(23,801)	(813,670)
31 December 2010	7,804,090	18,843,351	436,957	27,084,398
Accumulated depreciation:				
1 January 2010	(1,637,449)	(16,868,950)	-	(18,506,399)
Depreciation expense	(201,457)	(838,697)	-	(1,040,154)
Disposals and write downs	64,764	1,692,875	-	1,757,639
Currency gain arising from retranslation	57,618	488,282	-	545,900
31 December 2010	(1,716,524)	(15,526,490)	-	(17,243,014)
Net book value				
31 December 2010	6,087,566	3,316,861	436,957	9,841,384
31 December 2009	5,741,725	3,336,510	1,115,426	10,193,661

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 consolidated statement of financial position at historic cost less accumulated depreciation. The Group has made an internal valuation of all its investment properties as of 31 December 2011. The key valuation methodology and major assumptions used in the valuation are set out below in this note.

Movements in investment properties in 2011 were as follows:

	Investment properties
Cost:	EUR
1 January 2011	124,198,423
Additions and acquisition arising on business combination	54,041,294
Disposal	(1,900,481)
Transfer from tangible assets	2,416,361
Currency loss arising from retranslation	(9,223,564)
31 December 2011	169,532,033
Accumulated depreciation:	
1 January 2011	(21,813,614)
Depreciation expense	(4,904,822)
Accumulated depreciation arising on business combination	(505,040)
Disposal	1,430,899
Transfer from tangible assets	(463,262)
Currency gain arising from retranslation	2,201,298
31 December 2011	(24,054,541)
Net book value:	
31 December 2011	145,477,492
31 December 2010	102,384,809

10. Investment properties (continued)

The fair values of investment properties at 31 December 2011 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,554	28,450,115	161,247,924
Offices	65,262	91,699,364	103,611,851
Warehouses	83,780	3,486,640	14,375,903
Other structures	43,522	3,924,863	7,689,074
Plots of land	787,038	17,916,510	32,321,580
Total investment properties	1,125,156	145,477,492	319,246,332

Movements in investment properties in 2010 were as follows:

	Investment properties
	EUR
Cost:	
1 January 2010	106,662,915
Additions	19,381,054
Currency loss arising from retranslation	(1,845,546)
31 December 2010	124,198,423
Accumulated depreciation:	
1 January 2010	(18,233,210)
Depreciation expense	(4,096,516)
Currency gain arising from retranslation	516,112
31 December 2010	(21,813,614)
Net book value:	
31 December 2010	102,384,809
31 December 2009	88,429,705

10. Investment properties (continued)

The fair values of investment properties at 31 December 2010 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,716	33,883,648	163,121,683
Offices	39,008	47,879,633	65,063,516
Warehouses	97,111	3,141,146	15,138,744
Other structures	38,830	3,239,595	5,263,805
Plots of land	677,670	14,240,787	23,430,835
Total investment properties	998,335	102,384,809	272,018,583

The fair value of investment property is determined based on internal real estate valuation experts using recognised valuation techniques.
These techniques comprise both the Yield Method and the Discounted Cash Flow Method. Present values of the future cash flows are determined separately for each presented property category based on the currently realised rental rates. Unbuilt plots of land were valued based on the comparable market prices method. The valuers have used their market knowledge and professional judgement and have not only relied on historical transactional comparables.
The valuations were performed by an internal valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

Key valuation assumptions for 2011

The present values have been calculated based on a market yield rate which is suitable to measure properties in the relevant markets and is based on the following assumptions:

- Fall in demand for rentable properties in the relevant markets has stopped and a gradual increase in demand is expected. Rents are not expected to fall further.
- Let investment properties have been calculated based on actual earnings in the reporting period and on actual earnings in the basis period.
- The used yield rate per property item located in Hungary is between 9% and 13% depending on the type and location of the property (2010: 9-14%). For the Dutch properties, the calculated yield rate is between 6.5% and 8.7%. The market values identified based on these rates do not depart significantly from the costs of new properties acquired in 2009 through 2011.
- The yield rate on presently vacant retail units is based on a 70-80% let-out rate. With respect to the unrecoverable costs of the properties that cannot be re-charged to the tenants by the owner a 70-80% let-out rate was also considered. This rate reflects market trends and the applicable yield rate has not increased.
- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 280 HUF/EUR exchange rate (2010: 275 HUF/EUR).

10. Investment properties (continued)

The correlation between the most probable change in the key assumptions and the fair value of the property portfolio is illustrated by the sensitivity analysis below:

	2011 EUR	2010 EUR
Yield rate drops by 50 bps	13,243,418	13,249,896
Rent rate drops by 5%	(2,889,153)	(2,561,137)

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.).

The land beneath existing buildings of a total area of 357,735 m^2 (2010: 350,995 m^2) and the unused land portion of warehouses and similar properties have not been included in the fair value assessment.

The following table discloses the income from the rental of investment properties net of unrecoverable costs:

	2011 EUR	2010 EUR
Revenues from the rent of investment properties	18,249,310	16,319,697
Unrecoverable net operating costs	(97,822)	(28,412)
Costs that do not generate direct sales revenues	(6,549)	(7,942)
Net income from the rent of investment properties	18,144,939	16,283,343

11. Intangible assets

Movements in intangible assets during 2011 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2011	6,667,194	956,371	7,623,565
Additions	-	27,516	27,516
Other increase	-	5,777	5,777
Disposals and write downs	-	(44,712)	(44,712)
Currency gain arising from retranslation	-	178,463	178,463
31 December 2011	6,667,194	1,123,415	7,790,609
Accumulated amortisation:			
1 January 2011	(4,008,798)	(799,771)	(4,808,569)
Amortisation expense	-	(29,669)	(29,669)
Other increase	-	(5,602)	(5,602)
Impairment	-	-	-
Disposals and write downs	-	39,928	39,928
Currency loss arising from retranslation	-	(193,949)	(193,949)
31 December 2011	(4,008,798)	(989,063)	(4,997,861)
Net book value:			
31 December 2011	2,658,396	134,352	2,792,748
31 December 2010	2,658,396	156,600	2,814,996

11. Intangible assets (continued)

Movements in intangible assets during 2010 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2010	6,667,194	943,087	7,610,281
Additions	-	37,434	37,434
Disposals and write downs	-	(75,354)	(75,354)
Currency gain arising from retranslation	-	51,204	51,204
31 December 2010	6,667,194	956,371	7,623,565
Accumulated amortisation:			
1 January 2010	(4,008,798)	(757,136)	(4,765,934)
Amortisation expense	-	(19,849)	(19,849)
Impairment	-	-	-
Disposals and write downs	-	31,322	31,322
Currency loss arising from retranslation	-	(54,108)	(54,108)
31 December 2010	(4,008,798)	(799,771)	(4,808,569)
Net book value:			
31 December 2010	2,658,396	156,600	2,814,996
31 December 2009	2,658,396	185,951	2,844,347

The column 'Other' reflects property rental rights associated with subsidiaries.

As part of discontinuing its ownership of FTC Labdarúgó Zrt. (a company that operates and manages the football club „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. 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 8.5%. An impairment loss of EUR 4,008,798 was recorded in previous years. Based on management's estimates, no additional impairment loss was required in December 2011. Owing to changes in Hungarian legislation, as of 1 January 2012, all rights related to a Club's address, logo and name will be reverted to the original association which owned such rights and previous owners shall be compensated based on the current market value of said rights. It is the company's position that the wording of the legislation is such that it has no bearing on the FTC rights currently owned by the company. In this respect the parties (the FTC association and Fotex) are currently discussing whether these rights are in fact affected by the current changes in legislation however should the parties be unable to reach an agreement, the Company will take the appropriate legal actions to settle any dispute which arises due to these legislative changes.

12. Goodwill arising on acquisition

Movements in goodwill on business combinations were as follows during 2010 and 2011

	2011	2010
	EUR	EUR
Cost:		
1 January	19,972,104	20,555,398
Increase (i)	2,009,370	-
Disposal of fully written off goodwill (ii)	(1,658,501)	-
Currency loss arising from retranslation	(2,208,894)	(583,294)
31 December	18,114,079	19,972,104
Impairment:		
1 January	(9,904,610)	(10,193,878)
Disposal of fully written off goodwill (ii)	1,658,501	-
Currency gain arising from retranslation	860,643	289,268
31 December	(7,385,466)	(9,904,610)
Net book value		
1 January	10,067,494	10,361,520
31 December	10,728,613	10,067,494

(i) Goodwill of EUR 2,009,370 (HUF 531,679) was recorded at 1 July 2011, upon the acquisition of the 100% shares in Plaza Park Kft. (Note 26).

(ii) As both Europrizma Kft. and Primo Zrt. were sold in 2011, both the gross amount of goodwill and the impairment losses related to these entities were derecognised in the reporting year.

Goodwill is tested for impairment at least annually. Goodwill may be created by the recognition of deferred taxation in excess of its fair value. Therefore, in performing an impairment test, the amount of such deferred tax is offset against the goodwill and the net amount tested to determine whether that goodwill is impaired.
Goodwill is therefore tested as follows:

	2011	2010
	EUR	EUR
Total goodwill	10,728,613	10,067,494
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,725,712)	-
Goodwill tested for impairment	9,002,901	10,067,494

12. Goodwill arising on acquisition (continued)

The goodwill tested for impairment is allocated to the group of cash generating units that constitute Plaza Park Kft. and the property portfolio of the most significant investment property group company. 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 the cash generating units attributable to goodwill. Based on this calculation no impairment loss was recognised on goodwill in 2011. Management estimates that goodwill is not impaired even in case of the potential changes in the assumptions of the underlying valuation model, since the fair values of the investment properties, to which the goodwill relates, are significantly higher than the book values of the properties.

Goodwill is allocated to the following entities:

	2011	2010
	EUR	EUR
Keringatlan Kft.	9,019,747	9,943,673
Balaton Glas Hotel Kft.*	-	123,821
Plaza Park Kft.**	1,708,866	-
Net book value	10,728,613	10,067,494

* At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft. effective as of 1 January 2011, hence the goodwill that used to relate to Balaton Glas Hotel Kft. became goodwill related to Keringatlan Kft. as of 1 January 2011.

** At 1 July 2011, the Group acquired 100% of Plaza Park Kft. from Blackburn International Luxembourg.

13. Accounts payable, other liabilities and provision

	2011	2010
	EUR	EUR
Trade payables	1,484,985	2,235,663
Taxes payable (excluding income taxes)	1,084,526	948,680
Advances from customers	17,369	30,676
Accrued expenses	660,916	863,738
Deferred rental income	3,053,581	2,147,166
Remuneration approved for executive incentive scheme – dividend preference shares (see Note 14)	488,250	651,000
Amounts payable to employees	169,663	182,881
Deposits from tenants (i)	507,749	279,509
Preference shares incentive scheme liability	498,184	556,054
Price of purchased property yet unpaid at the year-end	7,000,000	-
Other liabilities	847,265	1,017,522
Total accounts payable and other current liabilities	15,812,488	8,912,889
Other long term liabilities (i)	1,443,329	1,939,830

13. Accounts payable, other liabilities and provision (continued)

Terms and conditions of the above liabilities:

Trade payables are non-interest bearing and are typically settled on a 20 to 30-days 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.

In 2011, the Group's Dutch subsidiary, FN 2 B.V. purchased a property in Hoofddorp, but EUR 7,000,000 of the purchase price was still outstanding at 31 December 2011. This amount is payable by 31 March 2012.

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 1,945,849 (2010: EUR 2,212,546) 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 as other long-term liabilities those deposit liabilities which are expected to be repayable in more than one year (EUR 1,438,100 (2010: EUR 1,933,037)), and the part which is expected within a year was classified as short-term tenant deposit liabilities (EUR 507,749 (2010: EUR 279,509)).

Dividend preference shares incentive scheme

The general meeting of the Company on 31 August 2007 authorised the Board of Directors to increase the 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 dividend 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 is treated as a short-term liability and any dividend payable will be treated as employee expense.

13. Accounts payable, other liabilities and provision (continued)

In November 2007, Fotex issued 2,000,000 dividend preference shares with a face value of EUR 840,000 (HUF 200 million). These dividend preference shares were presented in the consolidated statement of financial position as treasury shares. Group management purchased the dividend preference shares on 28 April 2008. On that date 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.

On 13 May 2009, the Company's CEO exercised his redemption right under the approved incentive scheme and redeemed the dividend 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 dividend preference shares. No dividend was paid on the redeemed shares. No dividend preference shares were redeemed either in 2010 or in 2011; the change in dividend preference shares is due to the year-end foreign exchange revaluation.

The shareholders' meeting of 26 April 2011, upon approval of the consolidated financial statements for 2010, decided to pay a dividend of EUR 0.42 per preference share. 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 2010.

At their meeting of 6 April 2012, the Board of Directors approved to pay dividends on the preference shares equal to 75% of 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 488,250 is presented among payments to personnel in the consolidated financial statements in 2011.

The following table summarizes the movement in provision in 2011:

	Legal*	Other	Total
	EUR	EUR	EUR
1 January	132,822	84,551	217,373
Arising during the year	-	-	-
Utilised	(53,043)	(84,413)	(137,456)
Unused amounts reversed	-	-	-
Currency gain arising from retranslation	(8,381)	(138)	(8,519)
31 December	71,398	-	71,398

*a subsidiary of the Group received state subsidy in prior years. The requirements of the subsidy were not fully met and consequently the subsidy became repayable. The Group made provision for this liability. The provision is released in line with the repayment of the subsidy.

14. Share capital and reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 31 December 2011, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2010: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

The "dividend-bearing preferred shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined – detailed at Note 13 - by the General Meeting, but do not carry voting rights.
Holders of dividend-bearing preferred shares are not entitled to any rights or dividends other than those granted to them by the General Meeting. They are paid once a year. Interim dividends may only be paid if the conditions required for such a distribution are met.

If the Company is unable to pay these dividends in a given year or if it only pays part of the minimum due in a given year and fails to pay the balance at the time of payment of the dividends for the following year, holders of dividend-bearing preferred shares shall be granted identical voting rights to those reserved for Ordinary Shares. This voting right shall remain valid until such time as the Company has paid all the minimum dividends due in respect of the dividend-bearing preferred shares.

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" (2011: EUR 840,000; 2010: EUR 840,000) are also shown in "Treasury shares". As at 31 December 2011, 1,550,000 (2010: 1,550,000 shares) dividend preference shares are held by certain employees. These shares are shown within "Treasury shares" and as a liability (preference shares incentive scheme liability) as further disclosed in Note 13.

As at 31 December 2011, the Company held 13,449,525 treasury shares (including dividend preference shares) at a historic cost of EUR 20,205,074 (2010: 12,632,549 shares at a historic cost of EUR 19,266,955). During 2011, the Company purchased 816,976 of its ordinary shares (2010: 52,770 shares) on an arm's length basis. No dividend preference shares from senior officers were redeemed either in 2011 or in 2010.

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 appraiser at approximately EUR 7.7 million. 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 shown as a deduction from shareholders' equity in these consolidated financial statements of EUR 1,211,432 (2010: EUR 1,534,125).

15. Operating expenses

	2011 EUR	2010 EUR
Payments to personnel	(6,833,361)	(7,135,067)
Material-type expenses	(15,451,907)	(16,796,410)
Other expenses, net	(328,920)	(2,997,117)
Depreciation charge	(6,020,268)	(5,156,519)
Total operating expenses	(28,634,456)	(32,085,113)

In 2011 the audit fee of auditor of the Company's Consolidated Financial Statements for year ending 31 December 2011 is EUR 112,500, which is included in the material-type expenses.

Other expenses include the following:

	2011 EUR	2010 EUR
Impairment of loans granted (Note 6)	-	(156,345)
Impairment of inventories (Note 8)	(485,627)	(41,386)
Impairment of debtors (Note 7)	(60,501)	(583,117)
Realised FX gain (net)	569,416	127,698
Unrealised FX gain (net)	108,520	184,440
Taxes other than income tax	(1,404,474)	(1,238,278)
Donations	(1,198,543)	(647,196)
Gain on sale of bonds	2,376,463	-
Other expenses	(234,174)	(642,933)
Total other expenses, net	(328,920)	(2,997,117)

16. Interest-bearing loans and borrowings

The Group's Dutch subsidiary, Fotex Netherlands B.V. obtained three mortgage loans from FGH Bank N.V. in 2009 (Loan I.-III.) and a further loan in 2010 (Loan IV.) to fund the purchase of properties. In 2011, FN 2 B.V. a subsidiary of Fotex Netherlands B.V., took out another loan (Loan V.) for property purchase purposes from Berlin-Hannoversche Hypothekenbank AG.

In 2011, when the Fotex Group acquired its ownership in Plaza Park Kft., the compensation included the transfer of four intra-group loans; as a result these loans are now classified as third party loans. These four loans (Loan VI.-IX.) are owed by Fotex Group to Zürich Investments Inc.

16. Interest-bearing loans and borrowings (continued)

The details of the loans are as follows:

Item	Start date	End date	Loan EUR	Interest	Long-term portion at 31 Dec 2011 EUR	Current portion at 31 Dec 2011 EUR	Long-term portion at 31 Dec 2010 EUR	Current portion at 31 Dec 2010 EUR
I. mortgage	16/4/2009	1/5/2016	18,400,000	One month Euribor + 2.7% (rounding +0.05)	17,363,743	348,947	17,425,958	346,158
II. mortgage	1/11/2009	1/11/2016	3,800,000	Three-month Euribor + 2.26% (rounding +0.05)	3,437,320	88,620	3,460,587	87,412
III. mortgage	18/12/2009	1/1/2015	3,750,000	Three-month Euribor + 2.20% (rounding +0.05)	3,501,585	87,000	3,550,054	85,443
IV. mortgage	21/5/2010	1/5/2015	14,000,000	fixed 4.32 % p.a.	13,168,039	328,804	13,416,094	329,812
V. mortgage	1/7/2011	30/6/2016	11,300,000	fixed 4.26 % p.a.	10,815,432	226,000	-	-
VI. loan	1/7/2011	13/4/2018	6,896,624	fixed 7.25 % p.a.	5,502,515	84,932	-	-
VII. loan	1/7/2011	3/11/2018	1,500,000	fixed 7.25 % p.a.	1,193,245	18,473	-	-
VIII. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	1,886,825	29,228	-	-
IX. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	2,953,457	46,797	-	-
Total			**65,819,951**		**59,822,161**	**1,258,801**	**37,852,693**	**848,825**

16. Interest-bearing loans and borrowings (continued)

The above loans marked I to V are secured by mortgage rights on the Fotex properties in The Netherlands and secured by pledge on rental income from the real estates and other assets of Fotex Neterlands B.V. and FN 2 B.V.

The book values of these properties at 31 December 2011 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	9,975,910 EUR
Gorichem, Stadhuisplein 1a, 70 and 70a	13,183,391 EUR
Haarlem, Schipholpoort 20	5,110,700 EUR
3012 BL Rotterdam, Witte de Withstraat 25	5,698,888 EUR
8017 JV Zwolle, Zuiderzeelaan 43-51	17,801,795 EUR
3528 BJ Utrecht, Papendorpseweg 65	15,681,601 EUR

The loans marked VI to IX taken out for the purchase of the participation in the new subsidiary are uncovered.

The scheduled maturity of long-term loans at 31 December 2011 and 2010 is set out in Euros in the table below:

Due in	between 1-2 years	between 2-3 years	between 3-4 years	over 4 years	Total
2011	932,996	4,307,996	13,294,663	41,286,506	59,822,161
2010	706,996	706,996	4,081,996	32,356,705	37,852,693

Loans having a variable market interest rate approximated their fair values. Loans VI.-IX. were initially recognized in 2011 on their fair value related to the Plaza Park transaction and until year end there was no significant change in their fair value. In case of other fixed rate interest loans, there was no significant change in the interest rate until year-end, the book value also approximates its fair value.

Including in the Group's total interest expense of EUR 2,936,949 (2010: 1,315,700), interest expense in relation to the loans I-IX above EUR 2,927,397 in 2011 (2010: EUR 1,307,621).

17. Income tax

Income tax receivable:	2011 EUR	2010 EUR
Opening income tax receivable	440,601	1,116,079
Income tax payable	(982,085)	(794,803)
Settlement of income tax	884,745	119,325
Closing income tax receivable	343,261	440,601

Income tax expense:	2011 EUR	2010 EUR
Tax expense	982,085	794,803
Deferred tax expense / (income)	757,477	(131,139)
Income tax expense	1,739,562	663,664

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

	2011 EUR	2010 EUR
Income before minority interests and income taxes	8,409,550	7,050,770
Tax at statutory rate*	1,373,991	1,198,781
Effect of tax losses for which no corresponding deferred tax asset recognized	1,227,972	1,195,545
Effect of tax rate changes	(66,188)	1,440
Differences arising from Dutch and Luxembourg tax rates	(427,985)	(851,935)
Effect of one-off tax relief	(855,999)	(485,683)
Effect of permanent differences	(35,492)	(456,636)
Effect of tax adjustment for previous years	4,193	(25,362)
Local business tax and innovation contribution	578,019	550,924
Tax losses used during the year on unrecognised deferred tax assets	(58,949)	(463,410)
Income tax	1,739,562	663,664

17. Income tax (continued)

*During 2010, the Hungarian tax authority (APEH) enacted certain changes to the corporate income tax rate for 2010 and future years. Prior to the change the corporate income tax rate was 20%. From 1 January 2010, the tax rate for the first half of the year was 19%, the rate for the second half of the year was 10% on the first HUF 250 million of taxable profit and was 19% above this amount. From 1 January 2011, the tax rate on the first HUF 500 million of taxable profit is 10% and above this amount 19%. For the purposes of the tax rate reconciliation, Fotex has used a blended tax rate of 16.34% (2010: 17%) based on the tax rates used in Keringatlan.

The income tax rate applicable to Fotex Holding SE's and Upington Investments S.à.r.l.'s income earned in Luxembourg is 22.05%, which results in a total tax of 31.05% (2010: 30.84%) as increased by Capellen's municipal business tax; the income tax rate for Fotex Netherlands B.V. and FN2 B.V. is on the first EUR 200,000 of taxable profit 20%, above this amount 25% (in 2010 for Fotex Netherlands B.V.: 20% rate was applied due to the taxable losses).

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.

Deferred tax assets and liabilities for 2011 were calculated as follows:

The tax rates used in the deferred tax calculation differ from company to company based on its expected tax position. For Keringatlan a tax rate of 16.34% (2010: 15%) has been applied whilst for the remaining Hungarian companies a rate of 10% (2010: 10%) has been used based on expected profitability.

For the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 23.45%, and in the case of FN 2 B.V. a 20% tax rate was applied.

Deferred tax assets and deferred tax liabilities as at 31 December 2011 and 2010 are attributable to the items detailed in the tables below. In the below schedule, consolidated statement of financial position items denominated in currencies other than the presentation currency were revalued at the applicable year-end foreign exchange rates; the income statement items were determined based on average foreign exchange rates for Q4 2011. In 2011 a deferred tax liability of EUR 1,725,712 was recognized against goodwill (Note 26).

17. Income tax (continued)

	Consolidated statement of financial position		Consolidated income statement	
	2011	2010	2011	2010
	EUR	EUR	EUR	EUR
Deferred income tax liability				
Accumulated depreciation for tax purposes	(118,693)	(175,397)	39,397	331,401
Revaluation difference on related party transactions	(1,579,087)	(154,771)	27,884	46,606
Capitalisations of small value assets	(84,342)	(103,461)	8,558	34,842
Difference from loan transaction charges	(101,244)	(126,530)	12,418	(127,837)
Deferred tax related to rental discount	(288,968)	(138,024)	(169,392)	(139,450)
Fair value difference of loans	(682,137)	-	(698,987)	-
Gross deferred income tax liabilities	(2,854,471)	(698,183)	(780,122)	145,562
Deferred income tax assets				
Provisions	7,140	21,415	(12,344)	(66,874)
Deferred tax of FTC rights impairment	-	-	-	(237,042)
Impairment of debtors	174,860	195,335	(149)	111,359
Tax losses carried forward	221,450	198,545	44,643	200,596
Difference from capitalised foundation /restructuring costs	-	4,215	(3,869)	4,258
Revaluation difference on related party transactions	126,387	147,202	(5,636)	(26,720)
Gross deferred income tax assets	529,837	566,712	22,645	(14,423)
Deferred income tax income / (expense)			(757,477)	131,139
Net deferred income tax liability	(2,324,634)	(131,471)		

The Group has carried forward losses of EUR 1,119,152 (2010: EUR 1,136,887) which can be written off from taxable income of the Group members. Furthermore the Group carries forward losses of EUR 16,315,631 (2010: EUR 13,994,153) which have arisen at 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 16,315,631 (2010: EUR 13,994,153) were not considered in the consolidated financial statements as basis for deferred tax assets of which EUR 16,315,631 (2010: EUR 13,994,153) can be rolled forward for an indefinite period.

18. Revenue

Sales revenue	2011	2010
	EUR	EUR
Sale of goods	11,683,893	12,785,293
Provision of services	2,255,390	2,108,706
Rental income revenue	18,764,250	17,559,170
Revenue from service charges to tenants	4,998,909	4,627,680
Royalty revenue	289,552	309,351
Other sales revenue	1,135,446	1,605,478
Total sales revenue:	39,127,440	38,995,678

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

In 2011, the Group revised the operating segments based on IFRS 8. As the volume of some segments decreased, the Group is divided in 3 business lines from 2011:

Investment property holding and management
Crystal and glass manufacturing
Other – administration and holding activities

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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 transactions as increased by the margins set out in the underlying Group policies. Profit is distributed among the segments before adjustment for non-controlling interests.

The Group has operations in The Netherlands, in Luxembourg and in Hungary. Geographical segments are not presented in the consolidated financial statements as the costs of producing such information would exceed its merits.

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 statement of financial position.

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).

	2011	2011	2011	2010	2010	2010
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
Investment property management	24,253,670	772,569	25,026,239	23,111,138	1,351,162	24,462,300
Crystal and glass manufacturing	7,198,721	100	7,198,821	7,291,681	160	7,291,841
Other	7,675,049	1,968,113	9,643,162	8,592,859	1,709,499	10,302,358
Inter-segment elimination	-	(2,740,782)	(2,740,782)	-	(3,060,821)	(3,060,821)
Net sales	39,127,440	-	39,127,440	38,995,678	-	38,995,678

Crystal and glass sales mainly reflect export sales realised in foreign currencies. Other sales mainly reflect domestic sales realised in HUF.

Profit before income taxes:	2011 EUR	2010 EUR
Investment property management	6,170,311	7,618,141
Crystal and glass manufacturing	902,021	661,378
Other	1,337,218	(1,228,749)
Profit before income taxes	8,409,550	7,050,770

	2011	2011	2011	2010	2010	2010
Assets:	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR
Investment property management	167,303,676	2,018,617	169,322,293	134,961,026	1,481,723	136,442,749
Crystal and glass manufacturing	8,074,775	-	8,074,775	9,768,298	-	9,768,298
Other	15,824,591	18,885,569	34,710,160	20,108,237	18,986,832	39,095,069
Inter-segment elimination	-	(20,904,186)	(20,904,186)	-	(20,468,555)	(20,468,555)
Net assets	191,203,042	-	191,203,042	164,837,561*	-	164,837,561*

* The change of the value of assets is due to the grossing up of deferred tax.

20. Segment information (continued)

Liabilities and accruals:	2011 Consolidated liabilities EUR	2011 Intra-business line payables EUR	2011 Total liabilities EUR	2010 Consolidated liabilities EUR	2010 Intra-business line payables EUR	2010 Total liabilities EUR
Investment property management	77,643,870	14,220,971	91,864,841	44,722,545	11,088,046	55,810,591
Crystal and glass manufacturing	1,279,546	4,763,809	6,043,355	2,228,255	6,930,572	9,158,827
Other	2,339,232	2,226,708	4,565,940	3,518,993	2,435,793	5,954,786
Inter-segment elimination	-	(21,211,488)	(21,211,488)	-	(20,454,411)	(20,454,411)
Liabilities and accruals:	81,262,648	-	81,262,648	50,469,793*	-	50,469,793*

* The change of the value of liabilities is due to the grossing up of deferred tax.

Tangible and intangible asset additions:	2011 EUR	2010 EUR
Investment property management	54,995,548	20,659,443
Crystal and glass manufacturing	570,047	36,366
Other	204,715	522,730
Tangible asset additions:	55,770,310	21,218,539

Depreciation and amortisation:	2011 EUR	2010 EUR
Investment property management	(5,108,917)	(4,479,428)
Crystal and glass manufacturing	(285,645)	(246,295)
Other	(625,706)	(430,796)
Depreciation and amortisation:	(6,020,268)	(5,156,519)

21. Financial risks, 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, The Netherlands and Luxembourg. Financial liabilities and receivables are directly attributable to the Group's operations.

The Group entered into a small number of derivative contracts during the year, mainly FX forwards to manage FX risks related to the Group's operations.

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

21. Financial risks, management objectives and policies (continued)

Interest risk

The Group entered into EUR loans to buy properties in The Netherlands for the period between 2009 and 2016. The loan interests either vary between one to three month EURIBOR + 2.2-2.7% or are at fixed rates varying between 4.26% and 4.32%. The interest risk of the variable interest mortgage loans, except for the smaller loan of EUR 3.75m is limited between 3.3% to 3.64%. In order to reduce interest risk, the lending banks charge a 0.7% interest guarantee with respect to mortgage loans I and II. A fixed amount was paid to reduce the interest risk associated with mortgage loan II. The Fotex Group transferred four formerly intra-group loans as part of the compensation for acquiring its 100% participation in Plaza Park Kft. Accordingly, as of 1 July 2011, the transferred loans qualify as related party loans from the Group's perspective. These loans bear a fixed interest rate of 7.25% per annum.

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include debtors in foreign currency, creditors in foreign currency and deposits in foreign currency other than in EUR. 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 a FX risk on transactions – which occurs when the Group buys or sells in a currency other than its presentation currency. Nearly 34% of the Group's revenues (2010: 33%) and 99.81% of costs (2010: 70%) are from transactions made in other than the presentation currency of the Group.

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 variables are considered constant):

		Increase (stronger EUR)/decrease (weaker EUR) in HUF/EUR rate	Impact on the pre-tax profit
			EUR
2011	revenues	+10%	-1,321,292
		-10%	1,321,292
	costs and expenses	+10%	2,837,823
		-10%	-2,837,823
2010	revenues	+10%	-1,299,721
		-10%	+1,299,721
	costs and expenses	+10%	+2,255,545
		-10%	-2,255,545

According to management, beyond the Group's FX risk, 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.

21. Financial risks, management objectives and policies (continued)

Certain of the Group's financial assets and liabilities are denominated in currencies other than the functional currency of Fotex Holding SE and are affected by EUR rate fluctuations as follows:

	Increase/decrease in HUF/EUR rate	Impact on the book value of financial assets and liabilities
		EUR
2011	+10%	-409,082
	-10%	409,082
2010	+10%	-912,153
	-10%	+912,153

The financial instruments that potentially subject to currency risk consist principally of foreign currency trade receivables and payables denominated in foreign currency other than EUR:

	2011	2010
	EUR	EUR
Financial liabilities	4,619,378	1,980,979
Financial assets	8,710,199	11,102,513

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions.

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 debtors in the market.

Concentrations of credit risk, with respect to trade accounts receivable, are limited due to the large number of customers and due to the dispersion across geographical areas.

Receivable balances are monitored on an ongoing basis.

Credit risk related to receivables resulting from the sale of inventory is managed by requiring customers to pay advances before transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.
With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 31 December 2011 the Group's maximum exposure to credit risk is EUR 18,262,745 (31 December 2010: 30,590,599).

Investments of surplus funds are made only with reliable counterparties and are allocated between more banks and financial institutions in order to mitigate financial loss through potential counterparty failure.

21. Financial risks, management objectives and policies (continued)

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.
- The Group monitors its long-term cash flows in order to match the maturity pattern of its assets and liabilities

21. Financial risks, management objectives and policies (continued)

The Group's liabilities based on contracted not discounted payments at 31 December 2011 and 2010 are presented below according to maturity.

31 December 2011	Due EUR	within 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	>5 years EUR	Total EUR
Trade payables	617,973	867,012	–	–	–	1,484,985
Taxes payable (excluding income taxes)	19,159	232,209	480,401	352,757	–	1,084,526
Advances from customers	–	17,369	–	–	–	17,369
Accrued expenses	–	504,550	156,366	–	–	660,916
Dividends approved for executive incentive scheme – dividend preference shares (Note 14)	–	–	488,250	–	–	488,250
Amounts payable to employees	–	169,663	–	–	–	169,663
Deposits from tenants	–	386	507,363	–	–	507,749
Other liabilities	6	7,360,612	984,831	–	–	8,345,449
Total current liabilities	637,138	9,151,801	2,617,211	352,757	–	12,758,907
Loans received	–	953,910	3,080,918	59,405,248	17,251,436	80,691,512
Other long-term liabilities	–	–	–	1,443,329	–	1,443,329
Total	637,138	10,105,711	5,698,129	61,201,334	17,251,436	94,893,748

31 December 2010	Due EUR	within 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	>5 years EUR	Total EUR
Trade payables	728,061	1,019,160	59,042	429,400	–	2,235,663
Taxes payable (excluding income taxes)	10,371	816,926	23,320	98,063	–	948,680
Advances from customers	–	30,676	–	–	–	30,676
Accrued expenses	–	630,500	156,689	–	–	787,189
Dividends approved for executive incentive scheme – dividend preference shares (Note 14)	–	–	651,000	–	–	651,000
Amounts payable to employees	–	182,881	–	–	–	182,881
Deposits from tenants	–	–	279,509	–	–	279,509
Other liabilities	74	227,541	1,184,670	161,291	–	1,573,576
Total current liabilities	738,506	2,907,684	2,354,230	688,754	–	6,689,174
Loans received	–	562,796	1,625,070	23,753,661	20,319,752	46,261,279
Other long-term liabilities	–	–	–	1,939,830	–	1,939,830
Total	738,506	3,470,480	3,979,300	26,382,245	20,319,752	54,890,283

Included in the balance of liabilities classified as payable within 1-5 years at 31 December 2011 is the net wealth tax liability of EUR 335,394 that relates to the Luxembourg entities and is expected to be paid within one to five years.

Included in the balance of liabilities classified as payable within 1-5 years at 31 December 2010 are amounts of EUR 688,499 that relate to Ajka which whilst current, may be settled at

21. Financial risks, management objectives and policies (continued)

any time up to 30 June 2012 being the end of the creditors protection period connected to the former bankruptcy procedure of Ajka.

Including in other liability as at 31 December 2011 EUR 7 million deferred payment, which is payable until 31 March 2012 and related to the acquisition of one real estate purchased by FN 2 B.V.

Capital management

The main objective of the Company's capital management activities is to continuously ensure an equity structure that supports the Company's business operations, maintains its creditworthiness and maximises shareholder value. Changes in the Company's business environment are also reflected in the equity structure. The Company's equity structure is supervised by management by monitoring the Company's indebtedness ratio and decisions are made accordingly.
The indebtedness ratio is calculated by the Company in view of its net debt and the equity attributable to the Company. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities. To calculate the indebtedness ratio, the net debt is divided with the aggregate of equity and net debt. The Company's indebtedness ratio calculations at 31 December 2010 and 2011 are presented below:

	2011	2010
	EUR	EUR
Short-term and long-term borrowings (Note 16):	61,080,962	38,701,518
Trade payables and other current liabilities (Note 13):	15,812,488	8,912,889
Cash and cash equivalents (Note 5):	(8,199,500)	(17,480,416)
Net debt:	68,693,950	30,133,991
Equity attributable to the Company:	109,835,692	114,276,069
Total:	178,529,642	144,410,060
Indebtedness ratio:	38.48%	20.87%

The Company's indebtedness ratio increased from 20.87% at 31 December 2010 to 38.48% by 31 December 2011, primarily due to the two property acquisitions by the Company's Dutch subsidiary and to the acquisition of a new Group subsidiary in 2011 and due to the significant change in foreign currency translation adjustment due to the change in Hungarian National Bank HUF/EUR rates. Despite the increased indebtedness ratio, the Company's management considers the Company's capital structure adequate, as property management is the Group's key activity and the Company's indebtedness ratio reflects the nature of this industry.

21. Financial risks, management objectives and policies (continued)

Fair value

At 31 December 2011 and 2010, the carrying values of liquid assets, short-term investments, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful debts. Bank loans having a variable market interest rate approximated their fair values.

22. Investments in subsidiaries

During 2011, Fotex Group entered into the following transactions and mergers that affect the Group structure:

- On 8 August 2011, the Group disposed of 100% of Europrizma Ügyviteli Kft. As a result Europrizma Ügyviteli Kft. has not been a Fotex Group member since 8 August 2011.
- On 1 July 2011, the Group purchased 100% of Plaza Park Kft., a company located in Hungary. As a result Plaza Park Kft. has been a 100% subsidiary of the Group since 1 July 2011.
- On 24 June 2011, Fotex Netherlands B.V. established a subsidiary in The Netherlands, FN 2 B.V., to enhance and manage the Group's property portfolio in The Netherlands.
- The assets and operations of Downington S.à.r.l. were taken over by its former sole owner, Upington S.à.r.l. In the second quarter of 2011. Downington S.à.r.l. was struck off the Luxembourg companies register on 7 April 2011.
- Proprimo Kft. has been demerged from Primo Zrt, Proprimo Kft.'s core operations are intercompany advisory services. The demerger was registered by the Companies Court on 17 October 2011. Following the demerge, Primo Zrt.'s operations have been limited to the retail and wholesale of men's clothing.
- The Group sold its share in Primo Zrt. to third parties on 12 December 2011. Accordingly, Primo Zrt. has no longer been a Fotex Group member since that date.
- At 1 September 2011 the share capital of Fotexnet Kft was increased, Fotex Ingatlan Kft, a related party company took part in the capital increase which resulted, that the Group's share in Fotexnet Kft has decreased in comparison to prior year.

During 2010, Fotex Group entered into the following transactions and mergers:

- On 31 December 2010, the Companies Court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft. effective as of 1 January 2011.

23. Operating Leases

Group as lessee

The Group leases retail sites within the shopping centre "MOM Park" located in Budapest and at four other locations in Budapest and six in Győr based on non-cancellable operating lease agreements.

Since September 2001, the Group has been leasing retail sites within "MOM Park"; the relating contract had a term of 7 years, in March 2007, the Group announced its intention to use its option on the outlets rented in "MOM Park", whereby the rental contracts were extended for further five years until 19 September 2013. At 31 December 2011, the leased area in MOM Park totalled 3,120 m^2 (2010: 3,586 m^2).

The rental contract on retail outlets in the shopping centre "Csepel Plaza" expired on 2 December 2010 and was not prolonged. The contracts on the four retail outlets in Budapest classified as other centres and shops expired in September 2010, respectively expire in mid-November 2013, December 2013, and in February 2016. The rents of the six outlets in Győr expired in December 2010 respectively expire in December 2022 and in December 2023. The expired rental contracts were not prolonged.

The leasing fees are denominated in Euro and are increased by the customer price index reported by the European Union's Statistical Office commencing from 1 January 2002 in the case of "MOM Park". In the case of the outlets in Győr, the rents are specified in HUF. Accordingly, increases are affected based on the official CPI published by the Hungarian Central Statistical Office. The Group also leases office space in Fotex Plaza. At 1 July 2011, the Group purchased Plaza Park Kft., which owns the Fotex Plaza offices, therefore the lease of this building is no longer presented among operating leasing liabilities as from the same date (see Note 25). At 31 December 2011, the Group had the following minimum leasing fee commitments:

	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR
2012	621,575	195,459	817,034
2013	497,464	190,108	687,572
2014	-	190,150	190,150
Thereafter	-	844,676	844,676
Total	1,119,039	1,420,393	2,539,432

23. Operating Leases (continued)

At 31 December 2010, the Group was committed to pay the following minimum leasing fees:

	Fotex Plaza	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR	EUR
2011	592,990	738,482	101,970	1,433,442
2012	-	755,399	106,668	862,067
2013	-	563,147	111,590	674,737
Thereafter	-	-	1,241,905	1,241,905
Total	592,990	2,057,028	1,562,133	4,212,151

In 2011, operating lease payments in relation to a non-cancellable rental contract with MOM Park for January to December totalled EUR 633,238 (2010 Jan-Dec: EUR 704,160), and EUR 192,899 (2010 Jan-Dec: EUR 262,752) for January to December in relation to other shops and outlets.

Some of the 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 468 m^2 (2010: 303 m^2) at a rental cost of EUR 36,237 for January to December 2011 (2010: EUR 24,977).

Under certain circumstances the Group has the right to acquire the premises at a value mutually agreed with the relevant municipality. As in 2010, the Group did not exercise any such right in 2011.

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. The rental agreements give the opportunity to cancel the contract in 2 to 3 months by either party.

The Group acquired four office buildings in 2009, one in 2010 and two in 2011 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 as of 31 December 2011 (EUR):

Due in	2012	2013	2014	After 2014	Total
	7,261,552	7,459,988	7,453,141	32,083,133	54,257,814

The Group's fixed rental fee revenue as of 31 December 2010 (EUR):

Due in	2011	2012	2013	After 2013	Total
	4,021,945	4,460,146	4,500,174	21,606,936	34,589,201

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, total 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 total 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:

	2011	2010
	EUR	EUR
Net profit attributable to equity holders from continuing operations	6,638,657	6,375,028
Net profit attributable to shareholders	6,638,657	6,375,028
Weighted average number of shares in issue during the year	59,817,807	60,102,089
Basic earnings per share (EUR)	0.11	0.11

The diluted earnings per share agree with basic earnings per share in 2011 and 2010 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 S.à.r.l. ("Blackburn International Luxembourg"), a Luxembourg company, and Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan"). As at 31 December 2011, Blackburn controlled 16.9% (2010: 16.9%), Zürich controlled 0% (2010: 14.1%), Fotex Ingatlan controlled 17.6% (2010: 17.6%), Blackburn Luxembourg controlled 15.8% (2010: 0%) and Plaza Park Kft. controlled 0% (2010: 1.6%) of the Company's share capital. These companies are considered to be related parties. On 1 July 2011, the Group purchased 100% of the shares of Plaza Park Kft. Therefore, Plaza Park had been recognised as a related party up to 30 June 2011 and has been a Fotex Group member since 1 July 2011.

25. Related Party Transactions (continued)

Related party rental transactions

The office rent agreements made with Plaza Park Kft. were modified in December 2000, and were extended until 31 December 2006. Based on their options, Fotex and certain of its subsidiaries renegotiated rental contracts and extended them until 31 December 2016. The rental agreements are for an indefinite period and rental fees are adjusted with the harmonized customer price index (EU27) reported by the European Union's Statistical Office (Eurostat). Transactions with Plaza Park Kft. after 1 July 2011 qualify as intra-group transactions and were fully eliminated upon consolidation.

Rental and other related fees paid to Fotex Ingatlan for 2011 were EUR 376,038 (2010: EUR 367,311) and to Plaza Park Kft. EUR 320,828 (2010: EUR 615,342).

Further to a helicopter rental agreement between Plaza Park Kft. and Keringatlan Kft., the total amount of rent plus related services invoiced by Plaza Park Kft. for 2011 was EUR 2,706 (2010: EUR 15,279).

Further to an airplane rental agreement between Blackburn Inc. and Fotex Holding SE, the total amount of rent plus related services invoiced by Blackburn Inc. for 2011 was EUR 130,899 (2010: EUR 116,620).

During 2010, Fotex Ingatlan granted a loan to Fotex Cosmetics Kft. and charged interest totalling EUR 2,601 for 2011 (2010: EUR 2,914).

Fotex granted arm's length loans to senior officers to purchase dividend preference shares. The loans were fully repaid in the first half of 2011 (2010: EUR 92,393).

On 1 July 2011, the Group purchased 100% of the shares of Plaza Park Kft. from Blackburn International Luxembourg for a total purchase price of EUR 19,951,024.

For the year 2011, Fotex Netherlands B.V. was charged interest of EUR 132,633 (2010: EUR 0) by Blackburn International Luxembourg and EUR 260,987 (2010: EUR 0) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

For the year of 2011, FN 2 B.V. was charged interest of EUR 46,797 (2010: EUR 0) by Blackburn International Luxembourg and EUR 92,085 (2010: EUR 0) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

In 2011, when Fotex Group acquired its 100% participation in Plaza Park Kft., the compensation included the transfer of four intra-group loans to Blackburn International Inc.; therefore these loans are considered related party loans from the Group's perspective. These four loans (Note 16, Loan VI.-IX.) are owed by Fotex Group to Zürich at year end as during the year the loans were transferred from Blackburn International Inc. to Zürich.

At 1 September 2011 the share capital of Fotexnet Kft was increased. Fotex Ingatlan Kft, a related party company, also apported into Fotexnet Kft in amout of EUR 4,321 that's why the Group's share in Fotexnet Kft has decreased in comparison to prior year.

25. Related Party Transactions (continued)

Remuneration of Group management

Management, directors and members of the supervisory board of the Group received a total remuneration of EUR 536,355 in 2011 (2010: EUR 603,391) as increased by dividends of EUR 488,250 (2010: EUR 651,000) upon approval of the annual shareholders' meeting.

26. Business combination

At 1 July 2011, the Group acquired 100% of Plaza Park Kft. from Blackburn International Luxembourg.

The registered seat of Plaza Park Kft. is in Hungary and the company's core activity is the sale and purchase of own properties. Other activities include property management, renting and leasing own or third party properties.

At the time of the acquisition, Plaza Park Kft. had the following identifiable assets and liabilities as detailed below:

Item	Book value	Fair value recognised on acquisition
	EUR	EUR
Investment properties and other Tangible assets	1,133,424	18,390,549
Receivables, prepayments & accrued income	10,757,626	10,757,626
Cash and cash equivalents	157,494	157,494
Assets, total	***12,048,544***	***29,305,669***
Other long-term liabilities	7,531,303	7,531,303
Creditors and other liabilities	2,106,999	2,106,999
Deferred tax liability	-	1,725,712
Liabilities, total	***9,638,302***	***11,364,014***
Fair value of net identifiable assets, total	***2,410,242***	***17,941,654***
Goodwill arising on business combination (Note 12)		2,009,370
Total consideration		**19,951,024**

Relevant Plaza Park Kft. balance sheet figures as at 30 June 2011 were translated from HUF to EUR at the MNB rate prevailed at 1 July 2011 (264,6 HUF/EUR)

The consideration due for the transaction was EUR 19,951,024 and was settled by the transfer of OTP and MOL bonds and loan receivables totalling EUR 18,901,723 and by a cash payment of EUR 1,049,301.

The Group realised gains of EUR 2,376,463 on the derecognition of the bonds transferred to the seller (Note 15) as part of the settlement of the purchase price.

26. Business combination (continued)

Based on a valuation report prepared by an independent valuer, the Group recognised EUR 17,257,125 fair value adjustment on the properties.

Since the date of its acquisition, Plaza Park Kft. has contributed profits totalling EUR 287,045 to the Group's performance.

Had the business combination taken place at 1 January 2011, the Group would have an annual net income of EUR 7,463,733 and net sales of EUR 39,779,073.

The EUR 2,009,370 goodwill that arose on the business combination includes the following items:

1. Deferred tax liability arising on the acquisition:

Fair value difference on Plaza Park Kft's properties	17,257,125 EUR
Corporate income tax rate	10 %
Deferred tax liability	**1,725,712 EUR**

According to IFRS 3 the Group measures identifiable assets and assumed liabilities of Plaza Park transaction at fair value as at the date of acquisition. The fair value adjustments on the assets and liabilities of Plaza Park Kft were EUR 17,257,125, these differences qualify as taxable temporary differences. According to IAS 12 deferred tax liabilities on temporary differences arising on assets and liabilities at business combination affect the amount of goodwill. The Group has recognised accordingly on this taxable temporary difference EUR 1,725,712 deferred tax liability against goodwill.

2. Difference between the purchase price and the fair value of the net identifiable assets:

Purchase price	19,951,024 EUR
(-)Fair value of the net identifiable assets (less deferred tax liability)	19,667,366 EUR
Goodwill	**283,658 EUR**