GRAPHISOFT PARK SE ANNUAL REPORT 2009






GRAPHISOFTPARK

Financial highlights

	IFRS 2008 thousand EUR	IFRS 2009 thousand EUR
Revenue	**6,503**	**6,840**
Operating expense	(968)	(1,040)
Other income (expense)	16	72
EBITDA	**5,551**	**5,872**
Depreciation and amortization	(2,566)	(3,268)
Operating profit	**2,985**	**2,604**
Net interest expense	(985)	(1,940)
Operating profit and net interest*	**2,000**	**664**
Exchange rate differences	(1,261)	(662)
Profit before tax	**739**	**2**
Income taxes	(208)	(90)
Profit (loss) for the year	**531**	**(88)**
EBITDA margin (%)	**85.4**	**85.8**
Operating profit margin (%)	**45.9**	**38.1**
Assets total	**85,066**	**79,913**
Investment property at historical cost	**64,061**	**68,444**
Investment property at fair value**	**134,269**	**126,182**
Net debt	**41,043**	**45,662**
Number of employees (closing)	**14**	**12**
EUR/HUF (opening)	253.35	264.78
EUR/HUF (closing)	264.78	270.84
EUR/HUF (average)	251.25	280.58

* In view of the substantial (35 million EUR) increase in its EUR-based loan liability in 2008, and the fact that nearly all of its revenues are tied to the EUR, Graphisoft Park Kft's functional currency has been changed from the HUF to the EUR starting in the financial year 2009. This change has considerably reduced the effect of the exchange rate fluctuation, because no exchange rate differences arise with respect to our EUR-based financial assets and liabilities. However, the Group is exposed to exchange rate risk on its HUF-based financial assets, and its liabilities. In order to better reflect the actual performance and to enhance comparability with other periods, we present profit before tax without the effect of exchange rate fluctuation.

** Fair value of investment property is disclosed in the Consolidated Financial Statements, Note 11.

Dear Shareholders,

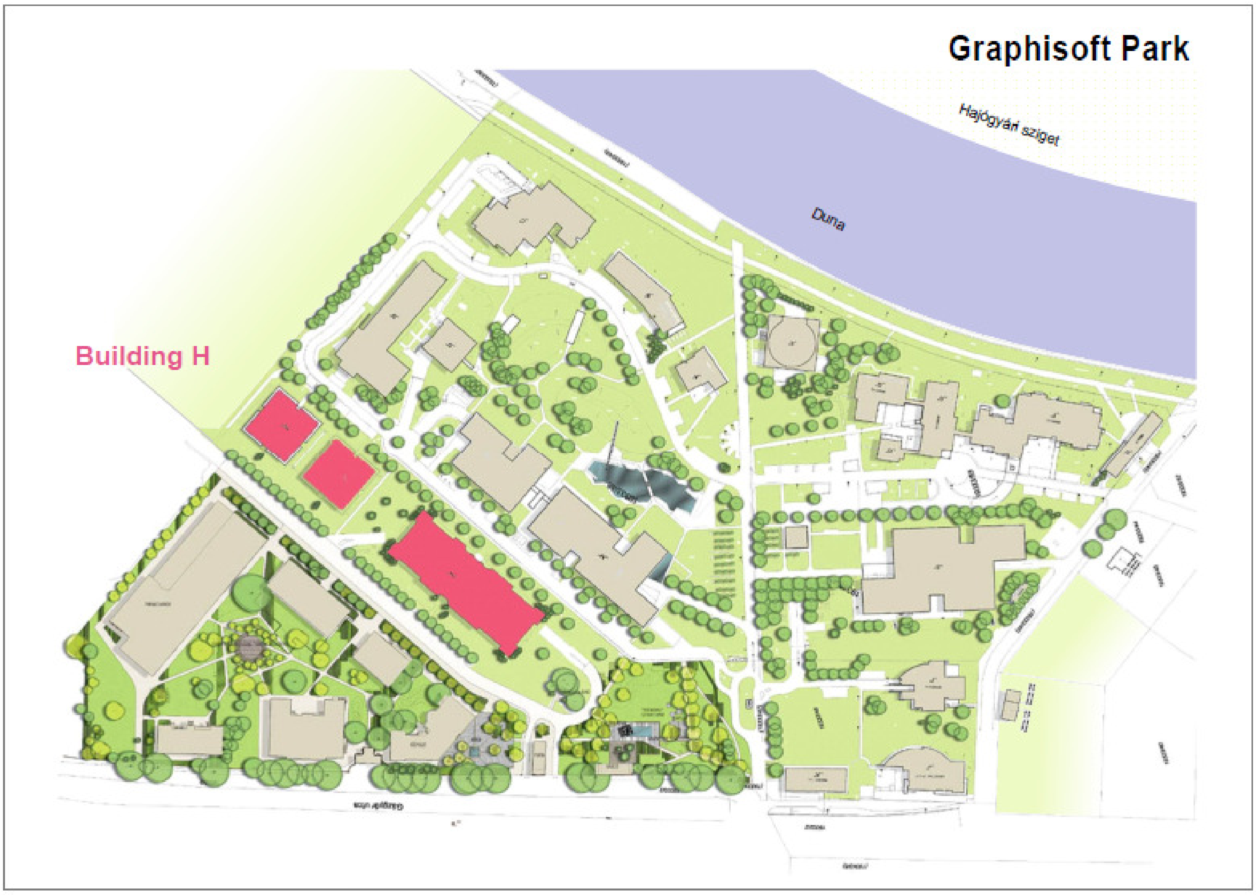
In this business report, Graphisoft Park presents the progress made toward its goals in four areas:

- Development activities,
- Rental results,
- Financial results,
- Other key issues.

Development Activities

Building H and other developments

The core of the Park's recent development activities has focused on the construction of office and laboratory facilities of Building H. Construction on this building began in December 2007 and was completed in April 2009. The building's gross area is approximately 33,000 m2, which is composed of 12,800 m2 rentable office and laboratory space, 2,400 m2 storage space, and a three-level underground garage providing parking spaces for 440 cars.



The first wing of the building (Hx, with 6,500 m2) is office space, while the other two wings (Hy and Hz, totalling 6,300 m2) function as office and laboratory.

Two of our existing tenants, the US based biotech company AMRI and the Hungarian nanotechnology company Thales required substantial expansion of their laboratories. From the beginning, the Hz building was designed according to AMRI's specifications. We turned the Hz building over to AMRI in April of 2009. After AMRI vacated its earlier premises in Building D, we renovated Building D according to the specification of Thales, who moved in in August of 2009.

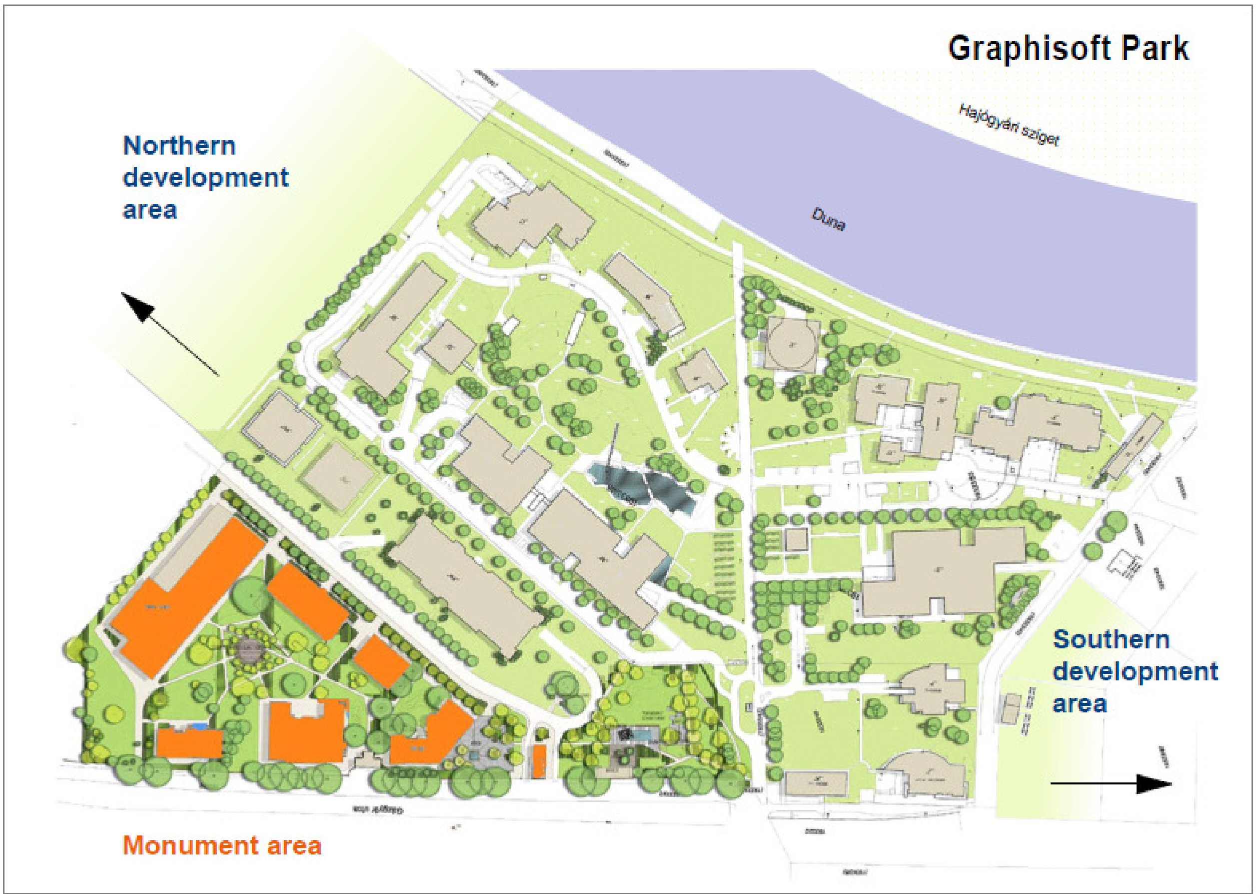
Parallel with the new developments, we continued upgrading the existing buildings. These tasks serve both to maintain the buildings and to improve their attractiveness for leasing in the future. In particular, we renovated and modernized the central restaurant and two other restaurants, leading to a significant increase in their capacity, and installed sun shades on the exterior of Building GD.

In the fourth quarter, based on agreements with six new tenants, approximately 1,000 m2 of office space was designed in accordance with the tenants' specifications.

New Development Areas

Following the purchase in 2008 of nearly 7.5 hectares of land, which includes monument buildings that served as the management headquarters of the Gas Works, we purchased an additional 2 hectares adjoining the Park. New development areas are categorized as follows:

- Monument area: 2.38 hectares of land and 14,000 m2 of monument buildings,
- Northern development area: 3.20 hectares of free development land,
- Southern development area: 3.76 hectares of free development land.



The three areas provide the opportunity to renovate and use 14,000 m2 of monument buildings and to develop usable office space of 65,000 m2.

Due to the poor condition of the monument buildings, after the purchase, we immediately began maintenance activities to protect their condition, and continued these throughout the year. We surveyed the condition of the utilities and performed the hook-ups needed to ensure utilities services for the buildings.

In addition, on this development land, we have begun archaeological excavation work, the dismantling of the old and outdated utility systems, the design of detailed schematic plans for the area, and the planning of the new utilities network, in consultation with the public utilities companies.

Together with the experts of the Budapest Historical Museum, we made significant archaeological excavations on the Southern development area. By the time winter weather set in, approximately 40% of the territory had been excavated. The project will continue in Spring.

Our goal is to ensure that as soon as a new development need arises, we will be able to quote the shortest possible deadline to our potential tenants.

The main risk factors and limitations associated with these areas are as follows:

- no valid zoning plan is in effect,
- significant risk of environmental pollution,
- regulations protecting landmark buildings (e.g. the 'Generator House') limit the land's usability.

The moratorium on modifications was lifted in February, 2010.

Rental Activities

Despite unfavorable market conditions, the occupancy rate of the office space available as of the beginning of 2009 (that is, 33,000 m2 of office and laboratory space that existed prior to the completion of Building H) rose from 92% to 94%, thanks to the following rental activites:

- Thales moved into the part of Building D earlier occupied by AMRI, which moved into Building H,
- we signed new rental agreements with six new tenants to occupy approximately 1,000 m2 of office space

In another positive development, one of our major clients extended its lease for an additional five years, under the existing conditions.

With the completion of Building H in April, the available office and laboratory space increased from 33,000 m2 to 45,000 m2. Despite our efforts to lease Building H, we were able to rent out only 25% of the building during 2009, given that:

- we completed Building Hz for AMRI in April,
- we have not yet signed any lease agreements for Buildings Hx and Hy.

In light of the above results, the total occupancy rate at the end of 2009 stood at 77%. Although some analysts are forecasting an end to the general financial crisis, the situation of the Budapest real estate market deteriorated further during the fourth quarter; the vacancy rate for office space reached 22%. In light of this situation, we do not expect any near-term or significant improvement in the occupancy rate.

Financial Results

Results for the year 2009

With revenue of 6,840 thousand EUR and EBIDTA of 5,872 thousand EUR, we closed the year with an operating profit of 2,604 thousand EUR. Net financial expense amounted to 2,602 thousand EUR, composed of the following: net interest expense of 1,940 thousand EUR (interest expense of 2,745 thousand EUR, and interest income of 805 thousand EUR), and exchange rate losses of 662 thousand EUR.

Profit before tax calculated without exchange rate differences (operating profit and net interest) is 664 thousand EUR. This amount represents a decrease in comparison with the previous year's results of 2,000 thousand EUR, due to the following factors:

- rental revenue increase from Building Hz: + 0.4 million EUR,
- additional depreciation of Building H: – 0.7 million EUR,
- increased interest expense of bank loans: – 0.4 million EUR,
- decreasing interest income on cash reserves: – 0.6 million EUR.

Beginning in 2009, with the change of the functional currency of Graphisoft Park Kft. from the HUF to the EUR, no exchange rate difference arises on the Company's EUR-based financial assets and liabilities, particularly its bank loans (55,4 million EUR). At the same time, the Company continues to be exposed (though to a much lesser extent than before this change) to exchange rate risk arising on HUF-based financial assets, particularly its cash reserves, and liabilities.

In view of the highly volatile EUR/HUF exchange rate developments over the year, the management decided, as a way to further reduce its exposure, to transfer its cash reserves (held for the purposes of future developments) into EUR. Since this transaction used an EUR/HUF exchange rate that was higher (that is, a weaker HUF) than the book rate, we incurred a significant one-off exchange rate loss and also forfeited the higher interest income earned on HUF reserves. However, this step has significantly reduced the Company's exposure to exchange rate fluctuations for the future.

Forecast for the year 2010

Our forecast for the results in 2010, given the current occupancy rate of 77% (data for 2009 in parentheses):

- 7.1 (6.84) million EUR rental revenue,
- 6.1 (5.87) million EUR EBITDA,
- 3.7 (3.27) million EUR depreciation and amortization,
- 2.1 (1.94) million EUR net interest expense,
- 0.3 (0.66) million EUR operating profit and net interest,
- 0.2 (0.09) million EUR income tax expense,
- 0.1 (- 0.09) million EUR net profit for the year.

In view of the steps taken to reduce the Company's exposure to exchange rate fluctuations, it is likely that we will be able to prevent net profits from becoming negative. However, if the 77% occupancy rate seen at the end of 2009 does not improve, then the expected 0.3 million EUR increase in income will not be able to offset the continued depreciation of Building H over the course of the year, nor will it offset the increased interest expenses of the new developments; moreover, interest income is expected to decrease in future.

We emphasize that the actual results may differ significantly from this forecast, especially if the occupancy rate should change. Other factors that can significantly affect the results are: rental rates for office space, the EUR/HUF exchange rate, EURIBOR and BUBOR interest rate levels, and the legal/regulatory environment.

Other Key Issues

In accordance with our project to develop a part of the property for educational purposes, we signed a cooperation agreement with AIT-Budapest Aquincum Institute of Technology Kft. According to this agreement, development of the educational infrastructure is the responsibility of Graphisoft Park, while organizing the educational program and operating the institute are the responsibility of AIT. Once the educational program begins, AIT will pay a market-rate rent for its use of the real estate. The cooperation also covers the issue of the parties' coordinated appearance on the market and joint marketing activities.

In April 2009, we acquired a 10% share in AIT. The value of this share is 30 million HUF (100 thousand EUR at the exchange rate on the date of the transaction).

Forward-looking statements *- This Annual Report contains forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.*

Statement of responsibility *- To the best of our knowledge, the Annual Report gives a true and fair view of the financial position and performance of Graphisoft Park SE and its controlled undertakings, and contains an explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of Graphisoft Park SE and its controlled undertakings.*

Budapest, March 30, 2010

Kocsány János

Kocsány János
Chief Executive Officer

Bojár Gábor
Chairman of Board of Directors

GRAPHISOFTPARK

GRAPHISOFT PARK SE

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2009

in accordance with International Financial Reporting Standards (IFRS)

(audited)

Budapest, March 30, 2010

Kocsány János
Chief Executive Officer

Bojár Gábor
Chairman of Board of Directors

GRAPHISOFT PARK SE
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

CONTENTS:

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Cg. 01-09-267553

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság

1.) We have audited the accompanying 2009 consolidated annual financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság ("the Company"), which comprises the consolidated balance sheet as at 31 December 2009 - showing a balance sheet total of EUR 79,913 thousands and a loss for the year of EUR 88 thousands -, the related consolidated profit and loss account for the year then ended, changes in shareholder's equity, consolidated cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's consolidated annual financial statements prepared in accordance with the International Financial Reporting Standards as adopted by EU as at 31 December 2008 on 30 March 2009.

Management's Responsibility for the Consolidated Financial Statements

3.) Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

4.) Our responsibility is to express an opinion on these consolidated financial statements based on the audit and to assess whether the consolidated business report is consistent with the consolidated financial statements. We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

5.) 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 auditor's judgment, 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 auditor 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 management, as well as evaluating the overall presentation of the consolidated financial statements. Our work regarding the consolidated business report is restricted to assessing whether the consolidated business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

Ernst & Young

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

Opinion

7.) We have audited the elements of and disclosures in the consolidated annual financial statements, along with underlying records and supporting documentation, of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by EU. In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság as at 31 December 2009 and of the results of its operations for the year then ended. The consolidated business report corresponds to the disclosures in the consolidated financial statements.

Budapest, 30 March 2010

Ernst & Young Kft.
Registration No. 001165

Szarvas Hajnalka
Registered Auditor
Chamber membership No.: 005105

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2009
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2008	December 31, 2009
Cash and cash equivalents	4	18,528	1,688
Securities	5	-	8,022
Trade receivables	6	394	444
Inventories	7	989	7
Current tax receivable	15	303	558
Other current assets	8	530	287
Current assets		**20,744**	**11,006**
Investment property	9, 11	64,061	68,444
Other tangible assets	9	141	178
Intangible assets	10	37	23
Investments	12	-	100
Deferred tax asset	22	83	162
Non-current assets		**64,322**	**68,907**
TOTAL ASSETS		**85,066**	**79,913**
Short-term loans	13	1,265	1,600
Trade payables	14	1,218	473
Current tax liability	15	55	174
Other short-term liabilities	16	3,709	742
Current liabilities		**6,247**	**2,989**
Long-term loans	13	55,623	53,841
Non-current liabilities		**55,623**	**53,841**
TOTAL LIABILITIES		**58,001**	**56,830**
Share capital	1.3	213	213
Retained earnings		23,613	23,527
Accumulated translation difference		(630)	(657)
Shareholders' equity		**23,196**	**23,083**
TOTAL LIABILITIES & EQUITY		**85,066**	**79,913**

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2008	December 31, 2009
Property rental revenue	17	6,503	6,840
Revenue		**6,503**	**6,840**
Property related expense	18	(74)	(133)
Employee related expense	18	(391)	(460)
Other operating expense	18	(503)	(447)
Depreciation and amortization	9, 10	(2,566)	(3,268)
Operating expense		**(3,534)**	**(4,308)**
Other income (expense)	19	16	72
OPERATING PROFIT		**2,985**	**2,604**
Interest income	20	1,148	805
Interest expense	20	(2,133)	(2,745)
Exchange rate difference	21	(1,261)	(662)
Financial expense		**(2,246)**	**(2,602)**
PROFIT BEFORE TAX		**739**	**2**
Income tax expense	22	(208)	(90)
PROFIT (LOSS) FOR THE YEAR		**531**	**(88)**
Attributable to equity holders of the parent		531	(88)
Basic earnings (loss) per share (EUR)	24	0.05	(0.01)
Diluted earnings (loss) per share (EUR)	24	0.05	(0.01)

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2008	December 31, 2009
Profit (loss) for the year		**531**	**(88)**
Translation difference		(881)	(27)
Other comprehensive income		**(881)**	**(27)**
COMPREHENSIVE INCOME		**(350)**	**(115)**

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009
(all amounts in thousands EUR unless otherwise stated)

	Share capital	**Treasury shares Note 23**	**Retained earnings**	**Accumulated translation difference**	**Total equity**
January 1, 2008	**213**	**-**	**23,082**	**251**	**23,546**
Profit for the year	-	-	531	-	**531**
Other compr. income	-	-	-	(881)	**(881)**
Share-based payment	-	-	-	-	**-**
December 31, 2008	**213**	**-**	**23,613**	**(630)**	**23,196**
Loss for the year	-	-	(88)	-	**(88)**
Other compr. income	-	-	-	(27)	**(27)**
Share-based payment*	-	-	2	-	**2**
December 31, 2009	**213**	**-**	**23,527**	**(657)**	**23,083**

* Note 23

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(all amounts in thousands EUR unless otherwise stated)

	December 31, 2008	December 31, 2009
OPERATING ACTIVITIES		
Income before tax	739	2
Depreciation and amortization	2,566	3,268
(Gain) on sale of other tangible assets	(2)	-
Interest expense	2,133	2,745
Interest income	(1,148)	(805)
Write-off of receivables	-	10
Unrealized foreign exchange losses	1,224	75
Changes in working capital:		
(Increase) / decrease in receivables and other current assets	(87)	75
(Increase) / decrease in inventory	(989)	982
Increase / (decrease) in payables and accruals	1,495	(1,631)
Corporate income tax paid	(553)	(287)
Net cash from operating activities	**5,378**	**4,434**
INVESTING ACTIVITES		
Purchase of investment property, other tangible assets and intangibles	(20,988)	(9,713)
Interest paid (capitalized)	(215)	(56)
Proceeds on disposal of other tangible assets	5	-
Purchase of investment	-	(100)
Purchase of securities	-	(8,022)
Interest received	1,082	776
Net cash used in investing activities	**(20,116)**	**(17,115)**
FINANCING ACTIVITIES		
Proceeds from receipt of loans	35,000	-
Loan repayments	(836)	(1,447)
Interest paid	(2,017)	(2,688)
Net cash from (used in) financing activities	**32,147**	**(4,135)**
Increase (decrease) in cash and cash equivalents	17,409	(16,816)
Cash and cash equivalents at beginning of year	994	18,528
Exchange differences on cash and cash equivalents	125	(24)
Cash and cash equivalents at end of year	**18,528**	**1,688**

The accompanying notes form an integral part of the consolidated financial statements.

(all amounts in thousands EUR unless otherwise stated)

1. General information

1.1. Graphisoft Park Group

Graphisoft Park SE was established through a demerger from Graphisoft SE on August 21, 2006. The purpose of the restructuring was to spin off a new company, dedicated to real estate development and management. Graphisoft Park SE operates as a holding and provides management and administrative services to its subsidiaries. The real estate development is performed by Graphisoft Park SE's main subsidiary, Graphisoft Park Kft. and its two subsidiaries, Graphisoft Park Universitas Kft. and GP3 Kft. Graphisoft Park Kft's third subsidiary, Graphisoft Park Services Kft. is responsible for property operation tasks from January 1, 2009.

Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. Court registration number of Graphisoft Park SE is CG 01-20-000002. Registered address of the Group is H-1031 Budapest, Záhony utca 7., Hungary. Headcount was 12 on December 31, 2009 (14 on December 31, 2008).

The table below contains details on business activities and properties of the Group.

Company	Business activities	Property details
Graphisoft Park SE	Holding activities, services for subsidiaries	-
Graphisoft Park Kft.	Real estate development and management	Modern business park spreading over 8,26 hectares, comprising 9 office buildings with over 45 thousand m2 office and laboratory space, 1 storage warehouse with supporting office space, 2 restaurant buildings and 1 service building ('Park')
Graphisoft Park Universitas Kft.	Real estate development and management	2.38 hectares of development land with old monument buildings ('Monument area')*, and 1.2 hectares ('Northern development area')* and 3.76 hectares ('Southern development area')* of free development land
GP3 Kft.	Real estate development and management	2.0 hectares of free development land ('Northern development area')*
Graphisoft Park Services Kft.	Operation of real estate, services to tenants	-

* For management and reporting purposes, new development areas are categorized as follows:

- Monument area - 2.38 hectares of land including 14 thousand m2 of monument buildings,
- Northern development area - 3.20 hectares of free development land,
- Southern development area - 3.76 hectares of free development land.

The three areas provide the opportunity to renovate and use 14 thousand m2 of monument buildings and to develop usable office space of 65 thousand m2.

Property book values and fair values are disclosed in Notes 9 and 11.

(all amounts in thousands EUR unless otherwise stated)

1.2. Governance

The governing body of Graphisoft Park SE, Board of Directors (single-tier system) is composed of the following: :

Name	Position	From	Until
Bojár Gábor	Chairman	August 21, 2006	May 31, 2011
Hornung Péter	Member	August 21, 2006	May 31, 2011
Moskovits Péter	Member	April 30, 2008	May 31, 2011
Vásárhelyi István	Member	August 21, 2006	May 31, 2011
Dr. Kálmán János	Member	August 21, 2006	May 31, 2011

The Audit Committee comprises of 3 independent members of the Board: Dr. Kálmán János (chairman), Moskovits Péter and Vásárhelyi István. The Chief Executive Officer of Graphisoft Park SE is Kocsány János.

1.3. Stock information

Graphisoft Park SE shares are publicly traded at Budapest Stock Exchange ('BSE') from August 28, 2006. The share capital (authorized and fully paid) of the Company is 212,633 EUR comprising 10,631,674 Series "A" stocks of 0.02 EUR face value each. The ownership structure is the following according to the Company's shareholding records:

		December 31, 2008		December 31, 2009	
Name	Title	Shares (pcs)	Share (%)	Shares (pcs)	Share (%)
Directors and management		**3,897,964**	**36.68**	**3,899,114**	**36.69**
Bojár Gábor	BD Chairman	3,185,125	29.96	3,185,125	29.96
Hornung Péter	BD Member	530,426	5.00	530,426	5.00
Dr. Kálmán János	BD Member	13,500	0.13	13,500	0.13
Kocsány János	CEO	168,913	1.59	168,913	1.59
Hajba Róbert	CFO	-	0.00	1,000	0.01
Szűcs Tibor	MD*	-	0.00	150	0.00
Shareholders over 5% share		**1,980,003**	**18.62**	**1,992,122**	**18.73**
Tari István Gábor		1,074,329	10.10	1,074,329	10.10
Concorde Alapkezelő Zrt.		905,674	8.52	917,793	8.63
Other shareholders		**4,526,193**	**42.56**	**4,513,924**	**42.45**
Treasury shares**		**227,514**	**2.14**	**226,514**	**2.13**
Total		**10,631,674**	**100.00**	**10,631,674**	**100.00**

* Graphisoft Park Services Kft.

** Treasury share details are disclosed in Note 23.

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements of Graphisoft Park Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). All standards and interpretations issued by the International Accounting Standards Board (IASB) effective at the time of preparing the consolidated financial statements and applicable to Graphisoft Park Group have been adopted by the EU. Therefore the consolidated financial statements currently also comply with IFRS as issued by the IASB and also comply with the Hungarian Accounting Law on consolidated financial statements, which refers to the IFRS as adopted by the EU.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed at Note 3.

2.2. Changes in accounting policies

In 2009, the Group 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 effective for accounting periods beginning on January 1, 2009. Where the transition provisions of a standard allow a preparer to determine the date the standard is effective from the Group has elected to apply the standard prospectively from January 1, 2009, except for IAS 16 Property, Plant and Equipment, IAS 23 Borrowing Costs and IAS 38 Intangible Assets, were amendments and revisions were early adopted as of January 1, 2008. 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 1 – Presentation of Financial Statements
- IAS 16 – Property, Plant and Equipment
- IAS 19 – Employee Benefits
- IAS 20 – Accounting for Government Grants and Disclosures of Government Assistance
- IAS 23 – Borrowing costs
- IAS 27 – Consolidated and Separate Financial Statements
- IAS 28 – Investments in Associates
- IAS 31 – Interests in Joint Ventures
- IAS 32 – Financial Instruments: Presentation
- IAS 36 – Impairment of Assets
- IAS 38 – Intangible Assets
- IAS 39 – Financial Instruments: Recognition and Measurement
- IAS 40 – Investment Property
- IFRS1 – First-time Adoption of International Financial Reporting Standards
- IFRS 2 – Share-based Payment
- IFRS 3 – Business Combinations
- IFRS 7 – Financial Instruments: Disclosures
- IFRS 8 – Operating Segments
- IFRIC 15 – Agreements for the Construction of Real Estate

The principal effects of these changes are as follows:

IAS 1 Presentation of Financial Statements: The revised standard separates owner and non-owner changes in equity. The statement of changes in equity does include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduced the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group presents the statement of comprehensive income in two linked statements.

IAS 16 Property, Plant and Equipment: The term "net selling price" was replaced with "fair values less costs to sell". Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 19 Employee Benefits: Definitions of 'past service costs', 'return on plan assets' and 'short-term' and 'other long–term' employee benefits have been revised. Amendments to plans that result in a reduction in benefits related to future services should be accounted for as curtailment. The reference to the recognition of contingent liabilities has been deleted in order to ensure consistency with IAS 37.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: According to the amendment improvement loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount has to be accounted for as government grant. Also various terms had been changed in order to be consistent with other IFRS.

IAS 23 Borrowing Costs: The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

IAS 27R Consolidated and Separate Financial Statements: The revised standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

IAS 28 Investments in Associates: If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

IAS 31 Interests in Joint Ventures: If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation: These amendments to IAS 32 and IAS 1 provided a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features.

IAS 36 Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosures required when the discounted cash flows are used to estimate 'value in use'.

IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service. Additionally, the revised standard requires that in a business combination an intangible asset must be recognized separately from goodwill even, if it is separable together with a related contract. Intangible assets with similar useful lives or intangible assets which are only separable together with another intangible asset can be recognized together as a single asset.

IAS 39 Financial Instruments: Recognition and Measurement: Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the ‘fair value through profit or loss’ classification after the initial recognition. The reference in IAS 39 to a ‘segment’ has been removed, when determining whether an instrument qualifies as a hedge. The use of the revised effective interest rate also is required when re-measuring a debt instrument on the cessation of fair value hedge accounting.

IAS 40 Investment Property: This amendment revised the scope as property under construction or development for future use as an investment property is now classified as investment property. If fair value cannot be reliably determined then the investment under construction should be measured at cost until that time when fair value can be determined or the construction is complete. The amendment also revised the conditions for voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.

IFRS 1R First-time Adoption of International Financial Reporting Standards: the new standard retained the substance of the previous version, but with a changed structure. It replaced the previous version of IFRS 1.

IFRS 2 Share-based Payment: the amendment clarified the definition of a vesting condition and prescribed the treatment for an award that is effectively cancelled.

IFRS 7 Financial Instruments: Disclosures: The amendments enhance disclosures about fair value measurements and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy. Also reconciliation between the beginning and ending balance for level 3 fair value measurements is required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IFRS 8 Operating Segments: This new standard requires disclosure of information about the company’s operating segment and replaced the requirement to determine primary (business) and secondary (geographical) reporting segment of the company.

IFRIC 15 Agreements for the Construction of Real Estate: The interpretation describes when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

At the date of authorization of these financial statements the following new and revised Standards and Interpretations were issued but not effective for the year ended December 31, 2009:

IAS 27R Consolidated and Separate Financial Statements: The revised standard becomes effective for financial years beginning on or after July 1, 2009. The revised standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

IFRS 1R First-time Adoption of International Financial Reporting Standards: The amendment is effective from January 1, 2010 and states that an entity is exempt from having to apply IFRIC 4 Determining whether an Arrangement Contains a Lease when it adopts IFRSs, if the entity made the same type of determination of whether an arrangement contains a lease in accordance with its previous GAAP as that required by IFRIC 4.

IFRS 2 Share-based Payment – Cash-settled Share-based Payment Transactions: The amendments become effective for financial years beginning on or after January 1, 2010 and should be applied retrospectively. They clarify how an individual subsidiary in a group should account for share-based payment arrangements in its own financial statements.

The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 Group and Treasury Share Transactions. As a result IFRIC 8 and IFRIC 11 have been withdrawn.

IFRS 3R Business Combinations: The revised standard becomes effective for financial years beginning on or after July 1, 2009. The revised standard introduced a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

IFRS 9 Financial Instruments – Classification and measurement: The standard will replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets that has to be applied starting January 1, 2013. According to IFRS 9 all financial assets are initially recognized at fair value plus transaction costs. The standard also eliminates the currently existing available-for-sale and held-to-maturity categories in IAS 39.

IFRIC 17 Distributions of Non-cash Assets to Owners: The interpretation becomes effective for financial years beginning on or after July 1, 2009. This interpretation provides guidance on the accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

IFRIC 18 Transfers of Assets from Customers: The interpretation becomes effective for financial years beginning on or after July 1, 2009. This interpretation provides guidance on when and how an entity should recognize assets which are received from their customers or cash received to acquire or construct specific assets and then these assets are used to connect customers to a network or provide them with ongoing access to a supply of goods or services.

The Group has not early adopted any standards where adoption was not yet mandatory. The management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Improvements to IFRS’s:

In April 2009 the Board issued its first collection of amendments to its standards, primarily in order to remove inconsistencies and clarify wording. These amendments will be effective from January 1, 2010, except for IAS 32 Financial Instruments: Presentation, where the amendment is effective for annual periods beginning on or after February 1, 2010.

IAS 1 Presentation of Financial Statements: The amendment clarifies the classification between current and non-current convertible instruments.

IAS 7 Statement of Cash Flows: The amendment states that only expenditure that results in asset recognition can be classified as “investing” in the statement of cash flows.

IAS 17 Leases: The amendment determines that for those land leases for which retrospective information is available, a classification reassessment of unexpired leases based on conditions at inception date should be carried out. Additionally, an entity should retrospectively recognize land leases that are currently finance leases based on their fair values at the inception date of the lease.

IAS 32 Financial Instruments: Presentation: The amendment requires that rights, options and warrants to acquire a fixed number of an entity’s own equity instruments for a fixed price of any currency are equity instruments.

IAS 36 Impairment of Assets: The amendment determines that the unit of allocation of goodwill when testing for impairment should not be larger than an operating segment as defined in IFRS 8.

IAS 39 Financial Instruments: Recognition and Measurement: The amendment clarifies when gains or losses on hedging instruments should be reclassified from equity to profit or loss. In addition, forward contracts entered into as part of a business combination are exempt from the scope of IFRS 39.

(all amounts in thousands EUR unless otherwise stated)

IFRS 2 Share-based Payment: The amendment excludes from its scope transactions that meet the definition of a business combination under IFRS 3 Business Combinations.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: The amendment specifies the disclosures required in connection with non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other IFRSs do not apply to such assets unless the particular standard requires such a disclosure.

IFRS 8 Operating Segments: The amendment states that a measurement of total assets shall be reported, if such a measurement is reported to the management of the entity.

The Group has not yet adopted these amendments but management anticipates that these changes will have no material effect on the financial statements.

Changes in accounting policies in 2009:

The accounting policies adopted are consistent with those of the previous financial year, with the difference that as of January 1, 2009, Graphisoft Park Kft's functional currency has been changed from the Hungarian Forint (HUF) to the Euro (EUR).

2.3. Consolidated financial statements

The consolidated financial statements include the accounts of Graphisoft Park SE ('the Company') and its subsidiaries. Subsidiaries in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies as to obtain benefit from its activities, are consolidated.

The table below shows subsidiary details:

Subsidiary	**Date of foundation**	**Registered capital December 31, 2008 thousand HUF**	**Registered capital December 31, 2009 thousand HUF**
Graphisoft Park Kft.	November, 2005	64,000	500,000
Graphisoft Park Universitas Kft.	October, 2007	1,000,000	3,400,000
Graphisoft Park Services Kft.	October, 2008	10,000	10,000
GP3 Kft.	April, 2008	1,000	700,000

Graphisoft Park SE is the 100% owner of Graphisoft Park Kft., while Graphisoft Park Kft. is the 100% owner of other subsidiaries. All subsidiaries are incorporated in Hungary.

The consolidated financial statements are prepared in accordance with the measurement and presentation basis applied in IFRS.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company transactions, balances and unrealized gains on transactions between Graphisoft Park companies are eliminated. Accounting policies of subsidiaries are adjusted to ensure consistency with the policies adopted by the Group.

The consolidated financial statements are prepared under the historical cost convention.

2.4. Foreign currency translations

Functional and presentation currency:

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), as follows:

	December 31, 2008	December 31, 2009
Graphisoft Park SE	EUR	EUR
Graphisoft Park Kft.	HUF	EUR
Graphisoft Park Universitas Kft.	HUF	HUF
Graphisoft Park Services Kft.	HUF	HUF
GP3 Kft.	HUF	HUF

In view of the substantial (35 million EUR) increase in its EUR-based loan liability in 2008, and the fact that nearly all of its revenues are tied to the EUR, Graphisoft Park Kft's functional currency has been changed from the HUF to the EUR starting in the financial year 2009, applied prospectively from January 1, 2009.

The consolidated financial statements are shown in thousands of EUR, which is the Group's presentation currency.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities are recognized in the income statement.

Group companies:

The results and financial position of all of the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income statements are translated at average exchange rates;
(c) all resulting exchange differences are recognized directly in the consolidated equity (accumulated translation difference).

Balance sheet exchange rates used were 270,84 EUR/HUF on December 31, 2009, and 264,78 EUR/HUF on December 31, 2008. The average exchange rate was 280,58 EUR/HUF and 251,25 EUR/HUF for 2009 and 2008.

2.5. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank, short term interest bearing bank deposits with less than three months to maturity and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.6. Securities (available-for-sale financial assets)

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are included in current or non current financial assets depending on the forecasted date of the disposal.

Available-for-sale financial assets are initially recognized at fair value and also subsequently carried at fair value. The unrealized changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognized in equity (revaluation reserve for available-for-sale financial assets). When securities classified as available-for-sale are sold, therefore derecognized, the fair value adjustments accumulated in equity are recognized in the income statement (finance income). Interest on available-for-sale debt securities calculated using the effective interest method is recognized in the income statement (finance income). Dividends on available-for-sale equity instruments are recognized in the income statement (finance income) when the Group's right to receive payments is established.

2.7. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the underlying arrangement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments as well as historical collections are considered indicators that the trade receivable may have been impaired.

2.8. Inventories

Inventories are valued at the lower of cost and net realizable value, after provision for obsolete items. Net realizable value is the selling price in the ordinary course of business, less the costs of completion. Unrealizable inventory is fully written off.

2.9. Investment property and other tangible assets

Investment properties and other tangible assets are stated at historical cost less accumulated depreciation and impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated income statement.

The initial cost of assets comprises its purchase price, including duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs.

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

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. General depreciation rules are stated as follows:

Type of asset	Depreciation
Assets in course of construction	not depreciated
Land	not depreciated
Park infrastructure	50 years
Buildings - rented	20 years
Machinery and equipment	3-7 years
Office equipment	3-7 years
Vehicles	5 years - 20% residual value

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of investment property and other tangible assets.

Fair value of investment property is disclosed in Note 11.

2.10. Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will accrue; and the cost of the asset can be measured reliably. Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end. Amortization is provided on a straight line basis over the 3-7 year estimated useful lives of these assets.

2.11. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. Borrowing costs include interest and other costs that the Group incurs in connection with the borrowing of funds. The borrowing costs eligible for capitalization are capitalized applying the weighted average of the borrowing costs applicable to the general borrowings during the period. A qualifying asset is an asset that necessarily takes a substantial period of time, in general over 6 months, to get ready for its intended use.

2.12. Impairment of assets

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash-flows (cash-generating units). Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

2.13. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the 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. A reassessment after inception of the lease is possible only if one of the following applies:

(a) there is a change in contractual terms, other than renewal of extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in determination of whether fulfilment is dependant on a specific asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (d).

Group as a lessee:

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor:

Finance lease is where the Group transfers substantially all the risks and benefits of ownership of the asset. Assets held under a finance lease are presented in the balance sheet as a receivable at an amount equal to the net investment in the lease. Finance incomes are recognized in the income statement.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial indirect cost incurred while concluding an operating lease agreement are added to the carrying amount of the leases asset and recognized over the lease term on the same basis as rental income.

2.14. Loans and other borrowings

Borrowings are recognized initially at fair value less transaction costs, and subsequently measured at amortized costs using the effective interest rate method. The effective interest is recognized in the income statement (finance expenses) over the period of the borrowings.

2.15. Trade and other payables

Trade and other payables (including accruals) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The carrying values of trade and other payables approximate their fair values due to their short maturity.

2.16. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will occur in order to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured and recorded as the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

2.17. Pensions

The Group, in the normal course of business, makes fixed contributions into the Hungarian State and private pension funds on behalf of its employees. The Group does not operate any other pension scheme or post retirement benefit plan, and consequently, has no legal or constructive obligation to make further contributions if the funds do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

2.18. Treasury shares

Treasury stock represents the cost of shares repurchased and is displayed as a reduction of shareholder's equity. Premiums and discounts on repurchase and subsequent disposal are credited and debited respectively directly to retained earnings.

2.19. Earnings per share

Basic earnings per share is calculated by dividing profit attributable to the equity holders of the Company for the period by the weighted average number of common stocks outstanding. Diluted earnings per share is calculated considering the weighted average number of diluting share options in addition to the number of common stocks outstanding.

2.20. Income taxes

Current taxes:

Corporate income taxes are payable to the Hungarian central tax authority. The basis of the tax is the taxable entities' accounting profit adjusted for non-deductible and non-taxable items.

Other income taxes include certain central (solidarity tax) and local (business tax) taxes levied in Hungary on the companies' net margins.

Deferred taxes:

Deferred tax is recognized applying the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized.

Deferred tax is also provided on taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21. Dividends

Dividends payable to the Company's shareholders are recorded as a liability and debited against equity in the period in which the dividends are approved by the shareholders.

2.22. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized.

Rental revenue:

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

Sale of goods:

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income:

Revenue is recognized as interest accrues (using the effective interest method). Interest income is included in financial income / (expense) in the income statement.

Dividends:

Revenue is recognized when the Group's right to receive the payment is established.

Other income (expense):

Incomes from agency agreements, where the Group plays a mediator role, are shown in the financial statements not as revenues, but rather as other income (expense) in the income statement together with directly related expenditures (net).

2.23. Operating profit

Operating profit is defined as revenues less operating expenses and other income (expense).

2.24. Segment information

For management purposes the Group comprises a single operational (business and geographical) segment. For this reason, the consolidated financial statetments contain no segment information.

2.25. Reclassification of comparative information

Comparative figures are reclassified to conform with changes in presentation in the current period, where necessary.

3. Critical accounting estimates and judgements

The Group makes estimates and assumptions regarding future events. The resulting accounting estimates will rarely correspond exactly to the related actual results.. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

3.1. Functional and presentation currency

The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. Once the functional currency is determined, it can be changed only if there is a change to those underlying transactions, events and conditions. IAS 21 – 'The Effects of Changes in Foreign Exchange Rates' determines factors to be considered in determining functional currency. When the indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

3.2. Impairment of investment property, other tangibles and intangibles

We assess the impairment of investment property, other tangibles and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment in value is anticipated. The calculations of recoverable amounts are primarily determined by value in use calculations, which use a broad range of estimates and factors affecting those. Among others, we typically consider future revenues and expenses, discontinuance of services and other changes in circumstances that may indicate impairment. If impairment is identified, we also determine the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged. As this exercise is highly judgmental, the amount of potential impairment may be significantly different from that of the result of these calculations.

3.3. Fair value of investment property

We determine the fair values of investment properties on the basis of internal valuations or valuations performed by professional independent property valuers at least once in three years. Valuations are carried out using the income approach (discounted cash-flow method). Investment property fair values are disclosed in Note 11.

Fair value estimations involve high risks and uncertainties as underlying terms, conditions and assumptions used are judgemental and changes in the terms, conditions and assumptions effect significant variations in fair values. Current fair value estimations involve specifically high inherent risks and uncertainties as future effects of the general economic crisis on the business are not clearly foreseeable at present.

3.4. Provisions

Provisions in general are highly judgmental, especially in the cases of legal disputes. We assess the probability of an adverse event as a result of a past event and if the probability is more than fifty percent, the we provide for the total amount of the estimated liability.

(all amounts in thousands EUR unless otherwise stated)

4. Cash and cash equivalents

	December 31, 2008	December 31, 2009
Cash in hand	3	8
Cash at banks	18,525	1,680
Cash and bank	**18,528**	**1,688**

5. Securities

	December 31, 2008	December 31, 2009
Bonds	-	8,022
Securities	**-**	**8,022**

The securities statement consists solely of EUR-based bank bonds. The bonds are classified as available-for-sale financial assets. The bonds were purchased in one transaction in September, 2009. Fair value of the bonds equals their book value as of December 31, 2009. The bonds are of fixed interest (4.25 effective interest rate), and will expire in August 2011.

6. Trade receivables

	December 31, 2008	December 31, 2009
Trade receivables	397	444
Provision for doubtful debts	(3)	-
Trade receivables	**394**	**444**

Trade receivables are generally on 8-15 day payment terms.

(all amounts in thousands EUR unless otherwise stated)

Trade receivables' aging is as follows:

	December 31, 2008	December 31, 2009
Not due	238	228
Due less than 3 months	123	131
Due between 3 and 12 months	30	70
Due over 12 months	3	15
Trade receivables	**394**	**444**

7. Inventories

	December 31, 2008	December 31, 2009
Expenses not yet recharged	989	7
Inventories	**989**	**7**

The value of inventories as of December 31, 2009, consists solely of expenses to be billed to subcontractors.

8. Other current assets

	December 31, 2008	December 31, 2009
Accrued income	123	272
Prepaid expense	137	7
Other receivables	270	8
Other current assets	**530**	**287**

(all amounts in thousands EUR unless otherwise stated)

9. Investment property and other tangible assets

The table shows movements of investment property and other tangible assets:

	Land and buildings	Constr. in progress	**Inv. properties**	Machinery and equipment	Vehicles	Constr. in progress	**Other tangible total**	**Tangible assets**
Net value:								
January 1, 2008	42,724	3,377	**46,101**	141	76	-	**217**	**46,318**
Gross value:								
January 1, 2008	50,257	3,377	**53,634**	538	88	-	**626**	**54,260**
Reclassifications	520	-	**520**	(520)	-	-	**(520)**	**-**
Additions	-	23,388	**23,388**	-	-	127	**127**	**23,515**
Capitalizations	1,533	(1,533)	**-**	113	14	(127)	**-**	**-**
Disposals	-	-	**-**	-	(12)	-	**(12)**	**(12)**
Translation diff.	(2,270)	(1,263)	**(3,533)**	(8)	(2)	-	**(10)**	**(3,543)**
December 31, 2008	50,040	23,969	**74,009**	123	88	-	**211**	**74,220**
Depreciation:								
January 1, 2008	7,533	-	**7,533**	397	12	-	**409**	**7,942**
Reclassifications	389	-	**389**	(389)	-	-	**(389)**	**-**
Additions	2,498	-	**2,498**	54	8	-	**62**	**2,560**
Disposals	-	-	**-**	-	(9)	-	**(9)**	**(9)**
Translation diff.	(472)	-	**(472)**	-	(3)	-	**(3)**	**(475)**
December 31, 2008	9,948	-	**9,948**	62	8	-	**70**	**10,018**
Net value:								
December 31, 2008	40,092	23,969	**64,061**	61	80	-	**141**	**64,202**
Gross value:								
January 1, 2009	50,040	23,969	**74,009**	123	88	-	**211**	**74,220**
Reclassifications	-	-	**-**	36	(36)	-	**-**	**-**
Additions	-	7,692	**7,692**	-	-	84	**84**	**7,776**
Capitalizations	16,820	(16,820)	**-**	23	61	(84)	**-**	**-**
Disposals	-	-	**-**	-	-	-	**-**	**-**
Translation diff.	-	(97)	**(97)**	-	(1)	-	**(1)**	**(98)**
December 31, 2009	66,860	14,744	**81,604**	182	112	-	**294**	**81,898**
Depreciation:								
January 1, 2009	9,948	-	**9,948**	62	8	-	**70**	**10,018**
Reclassifications	-	-	**-**	-	-	-	**-**	**-**
Additions	3,208	-	**3,208**	30	16	-	**46**	**3,254**
Disposals	-	-	**-**	-	-	-	**-**	**-**
Translation diff.	4	-	**4**	-	-	-	**-**	**4**
December 31, 2009	13,160	-	**13,160**	92	24	-	**116**	**13,276**
Net value:								
December 31, 2009	53,700	14,744	**68,444**	90	88	-	**178**	**68,622**

(all amounts in thousands EUR unless otherwise stated)

The gross value of investment property grew by 7,595 thousand EUR over the course of the year, due to the following: the completion of Building H and other real estate developments in the Park (3,616 thousand EUR), purchase of 2 hectares of land on the Northern development area (2,331 thousand EUR), archeological and preparatory work on the development areas (1,648 thousand EUR).

During the year, property in the value of 16,280 thousand EUR was capitalized. This amount includes the completion of Building H (completion date: April 2009) and development projects carried out on the Park's existing buildings.

The value of construction in progress is 14,744 thousand EUR, which consists solely of the cost of the development properties.

In 2009, we capitalized 56 thousand EUR borrowing cost for the construction in progress, as follows:

- 35 thousand EUR (2008: 28 thousand EUR) for properties under development, and
- 21 thousand EUR (2008: 187 thousand EUR) for Building H until the time of its capitalization.

10. Intangible assets

The table shows movements of intangible assets:

	Software	**Intangible assets**		Software	**Intangible assets**
Net value:			***Net value:***		
January 1, 2008	4	**4**	**January 1, 2009**	37	**37**
Gross value:			***Gross value:***		
January 1, 2008	5	**5**	January 1, 2009	44	**44**
Additions	39	**39**	Additions	-	**-**
Disposals	-	**-**	Disposals	-	**-**
Translation diff.	-	**-**	Translation diff.	-	**-**
December 31, 2008	44	**44**	**December 31, 2009**	44	**44**
Depreciation:			***Depreciation:***		
January 1, 2008	1	**1**	January 1, 2009	7	**7**
Additions	6	**6**	Additions	14	**14**
Disposals	-	**-**	Disposals	-	**-**
Translation diff.	-	**-**	Translation diff.	-	**-**
December 31, 2008	7	**7**	**December 31, 2009**	21	**21**
Net value:			***Net value:***		
December 31, 2008	37	**37**	**December 31, 2009**	23	**23**

(all amounts in thousands EUR unless otherwise stated)

11. Investment property - fair values

The table shows investment property book values and fair value estimates:

	December 31, 2008	December 31, 2009
Book value	**64,061**	**68,444**
Properties leased	110,300	111,438
Properties in the course of development	23,969	14,744
Fair value*	**134,269**	**126,182**

* Management judgements on fair value determination are disclosed in Note 3 (Critical accounting estimates and judgements). Data on the properties are presented in Note 1 (General information).

Valuation principles

- leased (ready to use) properties' fair value is determined based on their future income generating potential,
- properties under development are shown at amortized cost until they are ready for their intended use; their development potential is not taken into account.

Valuation – December 31, 2009

Leased properties include the office buildings of Graphisoft Park, including Building H, which was completed in April 2009 (45 thousand m2 of office and laboratory space in total). Properties in the course of development include the Northern (3.2 hectares of land) and Southern (3.76 hectares of land) development areas, as well as the Monument area (14 thousand m2 of buildings, on 2.38 hectares of land).

Fair market values of the leased properties as of December 31, 2009 were determined by a valuation prepared by the Group. The valuation takes into account the market information received by us up to the balance sheet date. The valuation was carried out using the income (discounted cash-flow) approach. Key assumptions used in the model are as follows:

- for contracts in force: rental rates were used as determined in the rental contracts; for planned contracts: rental rates were based on market rents valid at the time of the valuation,
- 90% occupancy rate; for Building H: 2010: 25%; 2011: 50%; 2012: 75%; 2013 and later: 90%,
- 7.1 million (2010) - 8.8 million EUR (starting in 2013) annual rental income,
- 9.7 million EUR estimated annual rental income potential (theoretical maximum, with 100% occupancy rate),
- 7.75% expected yield (discount rate), annual inflation rate of 0.6-2%.

(all amounts in thousands EUR unless otherwise stated)

The fair value of the leased properties varies depending upon the expected yield (discount rate) and the occupancy rate, as follows:

Yield:		**7.50 %**	**7.75 %**	**8.00 %**
Occupancy:	**95 %**	124,188	118,921	114,096
	90 %	116,356	***111,438**	106,934
	85 %	108,523	103,956	99,773

* Value calculated based on assumptions considered to be realistic by the management at the time of the valuation.

Valuation – December 31, 2008

Leased properties include the office buildings of Graphisoft Park, excluding Building H, which was completed in April 2009 (33 thousand m2 of office and laboratory space in total). Properties in the course of development include the Northern (1.2 hectares of land) and Southern (3.76 hectares of land) development areas, as well as the Monument area (14,000 m2 of buildings, on 2.38 hectares of land).

Fair values as of December 31, 2008 are based on valuations made by an independent property valuer as of May 28, 2008. The valuation was carried out using the income approach. Key assumptions used in the model were as follows:

- rental rates were based on market rents valid at the time of the valuation,
- 3.25 years weighted average unexpired lease term, 3-9 month vacancy period,
- 6.1 million EUR annual rental income,
- 6.9 million EUR estimated annual rental income potential (theoretical maximum),
- 6.25% expected yield (discount rate), annual inflation rate of 2%

The effect of the global economic crisis was not reflected in the fair market value estimate dated May 28, 2008. Although the underlying figures of the valuation estimates had not changed materially since the valuation date, we did not have any reliable information about the effect of the crisis on the fair market value estimation methodology at the time of the 2008 valuation.

12. Investments

	December 31, 2008	**December 31, 2009**
AIT-Budapest Kft.	-	100
Investments	**-**	**100**

On April 21, 2009, the Group acquired a 10 % ownership share in AIT-Budapest Aquincum Institute of Technology Kft.

(all amounts in thousands EUR unless otherwise stated)

13. Loans

	December 31, 2008	December 31, 2009
Short-term	1,265	1,600
Long-term	55,623	53,841
Loans	**56,888**	**55,441**

Property developments are financed from bank loans. The total original capital amount of these loans is 58 million EUR. Loans are denominated and due in EUR, are subject to fixed (3-5 years fixed period from start of term) interest rates, except 9 million EUR which is subject to floating rate calculated based on EURIBOR plus margin interest formula. The weighted average interest rate on bank loans was 4.87% in 2009 (5.36% in 2008). Terms and conditions of bank loans are unchanged as of the balance sheet date. The Group had no undrawn borrowing facilities on December 31, 2009. Collaterals provided for the bank are: (1) mortgage on real estate, (2) revenue assignment and (3) bank account pledge.

Capital repayments of the loans are due:

	December 31, 2008	December 31, 2009
Within 1 year	1,265	1,600
1-5 years	5,896	7,151
Over 5 years	49,727	46,690
Loans	**56,888**	**55,441**

14. Trade payables

	December 31, 2008	December 31, 2009
Trade payables – domestic	1,218	473
Trade payables	**1,218**	**473**

The Group settles trade payables within the payment term, and had no overdue payables as of December 31, 2009 and 2008.

(all amounts in thousands EUR unless otherwise stated)

15. Current tax liabilities and receivables

	December 31, 2008	December 31, 2009
Current tax liabilities	55	174
Current tax receivables	(303)	(558)
Current tax	**(248)**	**(384)**

16. Other short-term liabilities

	December 31, 2008	December 31, 2009
Amounts due to employees	17	11
Deposits from tenants	183	215
Advance payments received	1,209	-
Property duty	1,124	-
Other payables and accruals	1,176	516
Other short-term liabilities	**3,709**	**742**

17. Revenue

	December 31, 2008	December 31, 2009
Property rental	6,503	6,840
Revenue	**6,503**	**6,840**

Revenue solely consist of rental fees coming from the lease of real estate of Graphisoft Park.

Rental contracts are treated as operating lease agreements. As of December 31, 2009, total present value of minimum lease payments that can be required from these operating lease agreements over the lease term is 23,920 thousand EUR (2008: 27,159 thousand EUR), of which 6,993 thousand EUR (2008: 6,461 thousand EUR) is due within 1 year, 13,185 thousand EUR (2008: 20,698 thousand EUR) is due later than 1 year but not later than 5 years, and 3,742 thousand EUR is due later than 5 years.

(all amounts in thousands EUR unless otherwise stated)

18. Operating expense

	December 31, 2008	December 31, 2009
Property related expense	74	133
Employee related expense	391	460
Other operating expense	503	447
Depreciation and amortization	2,566	3,268
Operating expense	**3,534**	**4,308**

Average headcount of the Group was 13 in 2009 and 2008.

Other operating expense consists of the following items:

	December 31, 2008	December 31, 2009
Office and telecommunication	15	19
Legal and administration	101	93
Marketing	151	234
Consultancy	179	-
Other	57	101
Other operating expense	**503**	**447**

19. Other income (expense)

	December 31, 2008	December 31, 2009
Income from recharged construction expenses	153	3,325
Recharged construction expenses	(145)	(3,292)
Income from recharged operation expenses	2,503	2,413
Recharged operation expenses	(2,501)	(2,338)
Others	6	(36)
Other income (expense)	**16**	**72**

According to agreements with the tenants, operation and construction expenses are recharged. The Group acts as an agent.

(all amounts in thousands EUR unless otherwise stated)

20. Interests

	December 31, 2008	December 31, 2009
Bank interest received	1,148	805
Interest income	**1,148**	**805**
Interest paid on loans	(2,329)	(2,792)
Other interest paid	(19)	(9)
Borrowing cost capitalized	215	56
Interest expense	**(2,133)**	**(2,745)**
Net interest expense	**(985)**	**(1,940)**

21. Other financial gains and losses

	December 31, 2008	December 31, 2009
Exchange rate differences realized	(37)	(587)
Exchange rate differences not realized	(1,224)	(75)
Other financial gains and losses	**(1,261)**	**(662)**

22. Income taxes

	December 31, 2008	December 31, 2009
Current income tax	355	169
Deferred income tax	(147)	(79)
Income tax expense	**208**	**90**

Companies are subject to income tax of 16%, solidarity tax of 4% and local business tax of 2% rate of taxable income in Hungary (income tax of 19% and local business tax of 2% from 2010). Group tax relief is not allowed under current tax legislation.

(all amounts in thousands EUR unless otherwise stated)

The effective income tax rate varied from the statutory income tax rate due to the following items:

	December 31, 2008	December 31, 2009
IFRS profit before tax	**739**	**2**
Tax at statutory rate (20%)	**148**	**0**
Deferred tax of losses carried forward from previous years	(36)	-
Non-taxable expenses	(25)	(3)
Other non-deductible / assessable items	(10)	(12)
Effect of tax rate changes	-	(64)
Translation difference	(22)	(1)
Corporate and solidarity tax (20%)	**55**	**2**
Local business tax (2%)	**153**	**170**
Tax expense	**208**	**90**
Effective tax rate (%)	**28.1**	**4500.0**

The effective tax rate is largely influenced by the local business tax expense.

Deferred tax changed as follows:

	December 31, 2008	December 31, 2009
Deferred tax liability (asset) opening	**64**	**(83)**
Development reserve	129	47
Foreign exchange revaluation	(243)	285
Depreciation	1	(4)
Loss carried forward	(34)	(407)
Deferred tax liability (asset) closing	**(83)**	**(162)**

(all amounts in thousands EUR unless otherwise stated)

Deferred tax balance consists of the following items:

	December 31, 2008	December 31, 2009
Development reserve	283	330
Foreign exchange revaluation	(286)	(1)
Depreciation	(46)	(50)
Loss carried forward	(34)	(441)
Deferred tax liability (asset)	**(83)**	**(162)**

Losses of previous periods are available for offset against future taxable profits of the companies in which losses arose. Deferred tax assets are recognized in respect of these losses as management believes that they would be used to offset taxable profits.

There is no procedure for final agreement of tax assessments in Hungary. Tax authorities may examine the accounting records for a period of up to five years retrospectively, unless these examinations have been closed officially. Management anticipates that no significant tax reassessments will arise from these reviews.

23. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2008	December 31, 2009
Number of shares	227,514	226,514
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	4,550	4,530
Total book value (EUR)	0	0

The Company obtained treasury shares in pursuance of the demerger from Graphisoft SE. The historical cost (book value) of the shares is 0. Treasury shares are not entitled to dividend.

The number of treasury shares decreased by 1,000 during the year, as a result of a one-off reward.

(all amounts in thousands EUR unless otherwise stated)

24. Earnings per share

Basic and diluted earnings per share amounts are calculated as follows:

	December 31, 2008	December 31, 2009
Net profit (loss) attributable to equity holders of the parent	531	(88)
Weighted average number of ordinary shares	10,404,160	1,405,160
Basic earnings (loss) per share (EUR)	**0.05**	**(0.01)**
Share options	-	-
Weighted average number of ordinary shares	10,404,160	1,405,160
Diluted earnings (loss) per share (EUR)	**0.05**	**(0.01)**

The weighted average number of ordinary shares does not take into account treasury shares.

25. Related party disclosure

Transactions with related parties:

Graphisoft Park SE does not hold interest in other entities other than its subsidiaries (100%) and in AIT-Budapest Kft. (10%).

In view of the fact that Bojár Gábor, chairman of the board of directors of Graphisoft Park SE, is (1) a member of the board of directors of Graphisoft SE, and (2) the Managing Director of AIT-Budapest Kft., Graphisoft SE and its subsidiaries, Graphisoft R&D Zrt. and Graphisoft CAD Stúdió Kft., and also AIT-Budapest Kft., are deemed related parties of the Group.

Total amount of transactions that have been entered into with these parties and year-end balances are as follows::

Item	December 31, 2008	December 31, 2009
Sales to related parties	1,237	1,261
Purchases from related parties	170	21
Amounts owed by related parties	4	6
Amount owed to related parties	132	3

(all amounts in thousands EUR unless otherwise stated)

Transactions with (sales to and purchases from) the related parties of the Group are made at normal market prices. Office lease rent is similar to other tenants in the Park. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. No guarantees were provided or received for any related party receivables or payables. For the years 2009 and 2008, we have not recorded any impairment of receivables relating to amounts owed by related parties.

Remuneration of the board of directors and audit committee, compensation of key management personnel*:

	December 31, 2008	December 31, 2009
Remuneration of the board of directors and audit committee	64	54
Compensation of key management personnel	42	125
Total	**106**	**179**

* Key management personnel: the Chief Executive Officer of Graphisoft Park SE in 2008, while the Chief Executive Officer, the Chief Financial Officer of Graphisoft Park SE, and the Managing Director of Graphisoft Park Services Kft. in 2009.

In 2009, the Company's Chief Financial Officer received a one-off treasury share reward in the amount of 2 thousand EUR.

No loans or advance payments were granted to the members of the board of directors, the audit committee or the key management personnel, and the Group did not undertake guarantees in their names.

Interests of directors and key management personnel in Graphisoft Park SE:

		December 31, 2008		December 31, 2009	
Name	**Title**	**Shares (pcs)**	**Share (%)**	**Shares (pcs)**	**Share (%)**
Bojár Gábor	Chairman of Board	3,185,125	29.96	3,185,125	29.96
Hornung Péter	Member of Board	530,426	5.00	530,426	5.00
Dr. Kálmán János	Member of Board	13,500	0.13	13,500	0.13
Kocsány János	Chief Executive Officer	168,913	1.59	168,913	1.59
Hajba Róbert	Chief Financial Officer	-	0.00	1,000	0.01
Szűcs Tibor	Managing Director*	-	0.00	150	0.00
Total		**3,897,964**	**36.68**	**3,899,114**	**36.69**

* Graphisoft Park Services Kft.

26. Commitments, contingencies

The Group has a contractual commitment to development for education purposes, which shall result in the set-up of an educational campus and the start-up of a program of higher education within 5 years from the final approval of the zoning plan for the area purchased in 2008 (not yet approved).

In accordance with our project to develop a part of the property for educational purposes, we signed a cooperation agreement with AIT-Budapest Aquincum Institute of Technology Kft. According to this agreement, development of the educational infrastructure is the responsibility of Graphisoft Park, while organizing the educational program and operating the institute are the responsibility of AIT. Once the educational program begins, AIT will pay a market-rate rent for its use of the real estate. The cooperation also covers the issue of the parties' coordinated appearance on the market and joint marketing activities.

27. Financial risk management

The Group is exposed to risks from changes in market and financial conditions that affect its results, assets and liabilities. Financial risk management aims to limit these risks through ongoing operational and finance activities.

Market risk:

Market risk comprises three types of risk: office rental price risk, currency risk and interest rate risk.

Office rental price risk:

The Group has been pursuing consistent and calculable rental pricing policies for years. Current rental prices and conditions are confirmed by the market (tenants) to be in line with the unique environment and top quality of the Park. However, considering the current global economic climate and oversupply of Budapest office space market, there is no assurance that current rental prices and conditions can be maintained in the future.

Currency risk:

The Group's net financial assets and liabilities and the vast majority of rental revenues are denominated in EUR. As EUR base revenues cover debt service, we do not run any long-term foreign currency risk. The Group is exposed to foreign currency risk to a certain extent as the major part its operating expenses and development expenditures are incurred in HUF.

Interest rate risk:

As the major part of the debts is of fixed interest rate, the Group is not exposed to notable interest rate fluctuations during the fixed interest rate period (3-5 years from the start of term). In view that we have long-term recurring operative expenses and revenues, management considers that fixed rate financing is appropriate. (Conditions and balances of bank loans are disclosed in Note 13.)

The fair value of the loans on December 31, 2009, was 56,255 thousand EUR, calculated at a 4.5% effective rate of interest during the fixed interest rate period (2008: 56,100 thousand EUR, 6.06% effective rate of interest).

Credit risk:

The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets that are carried in the balance sheet. No significant agreements reducing the maximum exposure to credit risk were concluded as of the reporting date.

Cash and cash equivalents held by the Group were primarily denominated in EUR as of December 31, 2009. Excess EUR cash is used for repayment of the EUR denominated loans; therefore, the credit risk related to EUR cash is very limited. Further, credit risk is limited, since we place our free cash with substantial credit institutions.

Credit risk relating to trade receivables is limited due to the composition of our business customers and the fact that the customers are located in the Graphisoft Park and served by the Group.

Revenue from 3 tenants (SAP Hungary Kft., Microsoft Magyarország Kft., Graphisoft R&D Zrt.) exceeded 10% of the total revenue of the Group in 2009 (separately). Revenue from these 3 tenants represents 52.5 % of the total revenue for the year.

Liquidity risk:

The management believes that no liquidity difficulties will arise, as rental revenues are sufficient to cover debt service and operation.

Property development projects are planned together with their financing needs, and funds required are secured well in advance.

The Group settles its payment obligations within the payment term, and had no overdue payables as of December 31, 2009.

28. Capital risk management

The Management’s objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The management proposes to the Company owners (through the Board) to approve dividend payments or adopt other changes in its equity capital in order to optimize the Company’s capital structure. The management may adjust the amount of dividends paid to shareholders, return capital to shareholders by capital reductions, sell or buy back its own shares.

Consistent with others in the industry, the management monitors capital structure on the basis of the debt service cover ratio (‘DSCR’) and the loan-to-value ratio (‘LTV’). DSCR is calculated as cash available for debt service (rental revenues less operating and other costs) divided by debt service (capital plus interest), while LTV is calculated as the ratio between the sum of the outstanding balances of the loan and the market value of the property. The strategy is to keep DSCR securely above 1.25, and LTV below 0,7 (which are also required by the bank).

29. Approval of financial statements

Following the recommendation of the Board of Directors, the Annual General Meeting of April 28, 2009 approved the consolidated financial statements of Graphisoft Park SE for the year ended December 31, 2008, showing a balance sheet total of 85,066 thousand EUR and a profit for the year of 531 thousand EUR. The Company did not pay dividends out of profits for the year 2008.

The consolidated financial statements of Graphisoft Park SE for the year ended December 31, 2009 are authorized for issue in accordance with a resolution of the Board of Directors on March 30, 2010. Together with the approval of the consolidated financial statements for issue, the Board proposes no dividend distribution to be approved by the Annual General Meeting of Graphisoft Park SE of April 30, 2010. The Annual General Meeting has the power to amend the consolidated financial statements.

30. Declarations

Forward-looking statements - The Consolidated Financial Statements contain forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

Statement of responsibility - To the best of our knowledge, the Consolidated Financial Statements give a true and fair view of the financial position and performance of Graphisoft Park SE and its controlled undertakings, and contains an explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of Graphisoft Park SE and its controlled undertakings.