ATLAS ESTATES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Atlas Estates Limited
Martello Court
Admiral Park
St Peter Port
Guernsey GY1 3HB
Company number: 44284

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Introduction

Atlas Estates Limited ("Atlas" or the "Company") is a Guernsey incorporated closed-ended investment company investing in real estate in Central and Eastern European countries ("CEE"). Atlas shares were admitted to trading on the Alternative Investment Market ("AIM") on 1 March 2006 and on 12 February 2008 the Company was admitted to the Warsaw Stock Exchange (WSE). On 15 October 2010 the Board of Directors announced that the Special Resolution to cancel admission of the Company's ordinary shares to trading on the AIM market of the London Stock Exchange was passed at an Extraordinary General Meeting of shareholders.

The Company and its subsidiary undertakings (the "Group") invest mainly in real estate assets in Poland. The Group also currently operates in the Hungarian, Romanian and Bulgarian real estate markets.

The Company's assets are managed by Atlas Management Company Limited ("AMC"), a company whose sole purpose is to manage the Group's property portfolio. AMC provides the Group with a management team with vast experience and knowledge of real estate investment and development. In particular AMC can demonstrate a good track record of investment, development and management of property in CEE markets.

The Company does not have any significant operating transactions and such the commentary and the key numbers presented in the Chairman's Statement and the Review of the Property Manager represent those of the Group.

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Financial Highlights

Selected Financial Items	Year ended 31 December 2011 €'000	Year ended 31 December 2010 €'000
Administrative expenses	(2,242)	(2,722)
Other operating income	3,102	3,695
Other operating expenses	(40,791)	(1,081)
Loss from operations	(39,931)	(108)
Finance income	282	259
(Loss)/ Profit before tax	(39,669)	134
(Loss)/ Profit for the year	(39,669)	134
Net cash outflow from operating activities	(3,740)	(2,886)
Net cash from/ (used) in investing activities	3,681	(699)
Net cash from/ (used) in financing activities	-	-
Net decrease in cash and cash equivalents in the year	(59)	(3,585)
Non-current assets	97,237	138,028
Current assets	174	242
Total assets	97,411	138,270
Non-current liabilities	(364)	(50)
Current liabilities	(1,137)	(2,641)
Total liabilities	(1,501)	(2,691)
Net assets	95,910	135,579
Number of shares outstanding	46,852,014	46,852,014
Profit/ (Loss) per €0.01 ordinary share – basic (eurocents)	(84.7)	0.3

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Chairman's Statement

Dear Shareholders,

I am pleased to report the consolidated financial results for Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings ("the Group") for the year ended 31 December 2011.

In the current financial market conditions, gaining access to capital has become more difficult and enhancing liquidity and the retention of cash are key priorities. Both of these objectives are vital for operations as they will underpin our drive to progress the projects we currently have under development through to completion, whilst at the same time supporting growth.

In this challenging environment we are focusing on carefully picking our future investments and developments, as well as our disposals from non-core assets. Alongside this we pay very close attention to maintaining our relationships with financial institutions and tight cost control.

Against a backdrop of challenging ongoing conditions in the global markets, the Company has been able to achieve certain key objectives:

- renegotiation in June 2011 and completion in July 2011 of the agreement for the sale of Slovakian subsidiary for the total price of €6.2 million (as presented on page 6);

- the completion of financing for *Concept House* residential project located in Warsaw (as presented in the Property Manager's Report on page 13);

- the completion of financing for *Apartamenty przy Krasińskiego* residential project located in Warsaw (as presented in the Property Manager's Report on page 13).

Reported Results

The Company incurred a loss of €39.7 million (compared to profit of €0.1 million). This has arisen principally from the impairment of the carrying value of investments in subsidiaries in amount of €40.7 million. Last year the Company recorded reversal of impairment of the carrying value of investments in subsidiaries of €3.6 million. The method applied by the Company regarding impairment review is further described in the financial statements on page 49.

As of 31 December 2011 the Group has reported basic net assets of €77.4 million.

The decrease of basic net asset value by €28.8 million from €106.2 million as at 31 December 2010 is mainly due to €16.4 million increase of the liabilities denominated in the currencies other than the functional currency of the subsidiaries as well as decrease in the investment property balance by €15 million due to exchange movements. In the second half of 2011 the functional currencies (i.e. PLN, HUF, RON) of the subsidiaries significantly weakened against EURO (as presented on page 16).

As of 31 December 2011 the consolidated financial statements present negative working capital of €17.0 million as compared to positive balance of €10.2 million as of 31 December 2010. The deterioration of the working capital is mainly due to €26.4 million reclassification of two bank loans from non-current to current liabilities. The maturity date of these loans is 31 December 2012. The Company is currently in the process of the negotiation with the bank as presented in the Review of Property Manager on page 13.

At the operating level the Group reported an increase in gross profit margin from 20% for 2010 to 32% for 2011, which is mainly the result of the reduction of the Company's activity in the residential segment. Property rental and hotel operation segments realise higher gross margins as compared to the residential segment, as further elaborated on pages 14 and 15.

Loss after tax amounts to €21.2 million for 2011 and is mainly due to €17.9 million foreign exchange losses and €5.3 million impairment on hotel and land bank.

Loss after tax increased by €8.8 million from €12.4 million in 2010 to €21.2 million in 2011. This change is mainly due to significantly higher foreign exchange losses (by €21.6 million), offset by increase in valuation of investment properties.

The net result of foreign exchange losses equalled €17.9 million in the twelve months ended 31 December 2011 compared to a gain of €3.7 million in the twelve month ended 31 December 2010. These results mainly represent the unrealised foreign exchange differences on the bank loans.

In 2011 the Company reported €2.6 million increase in value of investment properties, whereas in 2010 it reported the decrease of €16.2 million. This change indicates a stabilization in the valuation of properties in the twelve months period ended 31 December 2011.

Financing, Liquidity and Forecasts

The Directors consider that the current outlook, while better than in the past couple of years, especially in Poland, still presents operating and financing challenges in terms of the markets in which the Group operates.

The Group's forecasts and projections have been prepared taking into account the economic environment and its challenges and mitigating factors. These forecasts incorporate management's best estimate of future trading performance, potential sales of properties and the future financing requirements of the Group.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial information for the year ended 31 December 2011, as set out in note 1.

Investing Policy

The Company mainly invests in Poland in a portfolio of real estate assets across a range of property types. The Group also operates in the Hungarian, Romanian and Bulgarian real estate markets.

The Company actively targets Poland, which possess attractive investment fundamentals including political and economic stability, strong GDP growth and low inflation.

The Company makes investments both on its own and, where appropriate, with joint venture partners in residential, industrial, retail, office and leisure properties in order to create an appropriately balanced portfolio of income-generating properties and development projects.

The Company may employ leverage to enhance returns on equity although the extent of such leverage will vary on a property by property basis. Wherever possible, the Directors intend to seek financing on a nonrecourse, asset by asset basis. The Company has no set limit on its overall level of gearing. However it is anticipated that the Company shall employ a gearing ratio of up to 75 per cent of the total value of its interest in income-generating properties within its property portfolio.

The Company seeks to provide Shareholders with an attractive overall return through a combination of income and long term appreciation of the Company's assets.

In order for the Company to achieve its long term investing policy, the Board's short term investment strategy is cash focussed with new development activity in relation to parts of its portfolio being selectively deferred but with current active projects displaying good sales being progressed on time and on budget and being brought to a conclusion to achieve intended returns. No dividends are expected to be paid in the short term.

Disposal of interests in Slovakia

Atlas announced on 3 November 2009 that it had signed an agreement for the sale of its entire investment interests throughout Slovakia (the "Slovakian Portfolio"), comprising 3 sites: one in Bratislava and two in Kosice, which were held in a joint venture in which Atlas had a 50 per cent interest. The Group expected to realise €8 million in net proceeds from the sale of the Slovakian Portfolio.

It was expected that the disposal of Atlas' interests in Slovakia would have two stages. The first stage was completed in November 2009 and proceeds of €0.9 million were received during 2009. The second stage was due for completion within 70 days of the signing of the contract, when a further €7.1 million was due to be received.

The Board of Directors of the Company announced in October 2010 that the sale of two of the three investments in the Slovakian portfolio has been completed, however, the sale of Circle Slovakia s.r.o., the company which holds the investment in Bratislava known as Nove Vajnory which forms part of the abovementioned portfolio, had not been completed.

On 21 June 2011 the Board of Directors of the Company announced that the buyer was unable to complete the purchase of the shares as originally contemplated and the parties entered on 20 June 2011 into a new agreement for a discounted price of €6.2 million. On 27 July 2011 all the conditions of the transaction were completed and the Company sold its shares in Circle Slovakia s.r.o. and consequently received the aforementioned €6.2 million.

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Net Asset Value (“NAV”) and Adjusted Net Asset Value (“Adjusted NAV”)

As of 31 December 2011, NAV per share, as reported in the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), has decreased to €1.64 per share from €2.25 per share at 31 December 2010. The adjusted NAV per share, which includes valuation gains, net of deferred tax on development properties held in inventory and land held under operating lease, but not recognised at fair value in the balance sheet, has also decreased from €2.94 as of 31 December 2010 to €2.07 as of 31 December 2011.

For the year ended 31 December 2011 an independent valuation of the entire property portfolio was carried out on a semi-annual basis. At 31 December 2011 this has been undertaken by Jones Lang LaSalle (former name “King Sturge”; King Sturge and Jones Lang LaSalle merged in 2011) acting as independent experts. For the year ending 31 December 2012 the Board of Directors is considering undertaking a fully independent valuation of the entire property portfolio on an annual basis only. The semi- annual valuation may be performed partially by external experts and partially internally by the Property Manager. This will be determined during 2012. Based on the annual independent valuation the total value added during the financial year is assessed and this is included in the basis for the Property Manager’s performance assessment and fee calculations.

The change in value of the development land holdings over their book cost reflects the latent value within the project, which is over and above the book cost. These land holdings are valued on a residual value and comparative basis. Profit is taken upon completion of the project and when the risks and rewards of ownership of an apartment or property are transferred to the client.

A key indicator of performance is the net asset value of the Group. The following table sets out the impact on NAV per share of the revaluation of land assets that cannot be reflected in the reported balance sheet due to accounting standards.

	Book cost to Group as shown in the Balance Sheet €’000	**Independent Value at 31 December 2011 €’000**	**Movement In value €’000**
Development land assets and land held under operating lease included in total assets at cost to the Group	62,354	85,151	22,797
Attributable to non-controlling interest partners	2,469	3,096	627
Company share of increase in valuation of development land and land held under operating lease	**64,823**	**88,247**	**23,424**
Deferred tax on increase in valuation of development land and land held under operating lease			(3,210)
Basic net asset value per balance sheet			76,833
Adjusted net asset value			**97,047**
Number of ordinary shares in issue at **31 December 2011**			46,852,014
Adjusted net asset value per share as at 31 December 2011			**2.07**
Adjusted net asset value per share as at 31 December 2010			2.94
Net asset value per share at IPO (after costs)			4.73

Further analysis of the Company’s NAV is contained in the Property Manager’s review below.

Corporate Governance

Atlas ensures that the Group applies a robust corporate governance structure, which is vital in the current economic conditions. This is important as there is a clear link between high quality corporate governance and shareholder value creation. Details of the Group’s corporate governance structure are given on page 29.

Risks and uncertainties

The Board and the Property Manager continually assess and monitor the key risks of the business. The principal risks and uncertainties that could have a material impact on the Group's performance are summarised in the Property Manager's Report on pages 17 and 18 below.

Changes in Non-executive Directors

There were no changes in non-executive Directors as disclosed in the Director's Report.

Prospects

The Company intends to continue to invest resources and management attention in its income producing assets in order to drive occupancy and improve cashflows.

With the ongoing recovery in Poland the Company is also focusing on driving its sales activities in several residential projects in Warsaw as presented in the Property Manager's Report.

Andrew Fox
CHAIRMAN
20 March 2012

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Review of the Property Manager

In this review we present the financial and operating results for the year ended 31 December 2011. Atlas Management Company Limited ("AMC") is the Property Manager appointed by the Company to oversee the operation and development of its portfolio and advise on new investment opportunities. At 31 December 2011, the Company held a portfolio of twenty one properties comprising eleven investment properties of which eight are income yielding properties, two are held for capital appreciation and one is held for sale, two hotels and eight development properties.

The CEE region suffered from the effects of the global credit crunch in 2009. However in 2011 and 2010 GDP is recovering in CEE countries where the Company operates. As a result of these uncertainties and changing conditions, management have taken measures to mitigate risks across the portfolio. This has included reducing costs and staffing levels and putting on hold higher risk investment activity. We are working closely with our banks to ensure that they are fully informed of developments in the portfolio.

The credit and housing crisis began in 2007 and accelerated into a global crisis in 2008 and 2009. This has led to significant asset price falls and a de-leveraging cycle. Unprecedented interventions by governments have provided short term relief, but economic uncertainty will continue until asset price declines are stopped and financial stability and confidence returns. Management have successfully controlled operations during these turbulent times. Key development projects have been completed on time, to plan and new developments have commenced.

Markets and Key Properties

Poland

This is the major market of operation for the Group, with 76% of the Group's portfolio. The Polish economy has been one of the most resilient in Europe with expected GDP growth of 3.8% in 2011 (3.8% for 2010). There had been significant increases in property prices in previous years. These were reversed in 2009, which showed significant drop in assets values. So far, 2010 and 2011 have shown a trend of stabilisation at the lower levels of valuations.

Hilton Hotel, Warsaw

The Hilton Hotel in the Wola district of Warsaw is the Group's most prestigious asset. The hotel's performance improved in 2011 compared to 2010 and this positive trend is expected to continue.

Platinum Towers

With its construction finished, a total of 385 apartments were sold out of 396, and 383 apartments were already handed over by 31 December 2011. This residential development alongside the Hilton Hotel provides a unique development in the city. The plan is also to build an office tower in the future, which will enhance the attractiveness of this site.

Capital Art Apartments

The Capital Art Apartments development in Warsaw is a significant development in the Wola district of Warsaw close to the city centre. It is a three stage development which will release 739 apartments in the city with parking and amenities, including retail facilities.

With both stage 1 and 2 completed, the Company has, to date, sold all of the 219 apartments in stage 1, with a further 272 out of 300 apartments in stage 2 having been sold. The third stage is currently in an advanced planning phase. Total handover of apartments in the 2011 reached 76 with €1.0 million gross profit recognised in the accounts.

Concept House (previously Cybernetyki)

The Concept House development is a significant development in the Mokotów district of Warsaw. It is a development which will release 160 apartments in the city with parking and amenities, including retail facilities.

The construction of the development commenced in the second quarter of 2011 and as of 31 December 2011 the Company has pre-sold 35 apartments.

Apartamenty przy Krasińskiego (previously Zielono)

Apartamenty przy Krasińskiego development is a significant development in the Żoliborz district of Warsaw. It is a development which will release 303 apartments in the city with parking and amenities, including retail facilities.

The construction of the development commenced in the third quarter of 2011 and as of 31 December 2011 the Company has pre-sold 58 apartments.

Other properties in Poland

The Group also owns two investment properties in Poland. The Millennium Plaza in Warsaw has been affected by an adverse office rental market, but we are seeing a slow increase in the interest of potential clients for its retail and office space (occupancy rate increased from 68% as for 2010 to 72% as for 2011). Occupancy rate of 92% in the Sadowa office building in Gdańsk remains unchanged in 2011 as compared to 2010.

The Group's portfolio also contains valuable land assets in Warsaw and Gdańsk.

Hungary

In Hungary, the Group's portfolio is comprised of seven properties, all of which are located in Budapest. Five are income producing assets. One of them – Moszkva office building - was classified as an asset held for sale as of 31 December 2011 – as disclosed in the note 20 of the consolidated financial statements.

The Hungarian economy has suffered adversely from the global credit crisis and lack of liquidity available for development projects. As a result, Atlas has stopped development activity and, on its income yielding assets, has experienced client losses and pricing pressures. GDP in Hungary slightly improved by 1.2% in 2010 as compared to decline of 6.7% in 2009. In 2011 the GDP growth of 1.8% is anticipated.

There has been a loss of key clients at the Ikarus Business Park as a result of the economic pressures. The Group continues to actively market the vacant space in its properties in difficult market conditions. The Atrium Homes development property is a two-stage development. The construction of stage 1 has been put on hold due to current economic conditions.

Romania

The Group's portfolio contains three properties in Romania, including the Golden Tulip Hotel and two significant land banks. The Romanian economy declined in 2010 by 1.3% (compared to decline of 7.1% in 2009). Modest increase, of 1.5%, is predicted in 2011. This contrasts with the high levels of GDP growth seen in recent years. IMF funding has been provided to support the economy. In difficult trading conditions, occupancy rates at the Golden Tulip have increased to 63% for 2011 compared to 55% for 2010.

Bulgaria

The Group holds one rental property in Sofia, which is a ca. 3,500 sqm office building.

Financial Review

With the credit crunch and economic downturn, financial control and tight control of costs and spending have become vital and of even greater importance to the business.

The continual monitoring of the territories, analysing the economics of the region and the key measures of the sectors in which the Group operates are vital to ensure it does not become over exposed to, or reliant on, any one particular area. AMC evaluates the risks and rewards associated with a particular country, sector or asset class, in order to optimise the Company's return on investment and therefore the return that the Company is able to deliver to Shareholders over the longer term.

Portfolio valuation and valuation methods

The most recent valuation of the entire property portfolio was performed at 31 December 2011 by Jones Lang LaSalle, an independent real estate advisor.

Loans

As at 31 December 2011, the Company's share of bank debt associated with the portfolio of the Group was €208 million (31 December 2010: €246 million). Loans and valuations may be analysed as follows for those periods in which valuations were undertaken:

	Loans 2011 €'000	**Valuation 2011 €'000**	**Loan to Value Ratio 2011 %**	**Loans 2010 €'000**	**Valuation 2010 €'000**	**Loan to Value Ratio 2010 %**
Investment property	116	146	79%	117	155	76%
Hotels	62	96	65%	65	108	60%
Development property in construction	13	27	48%	30	36	83%
Other development property	17	18	94%	22	31	70%
	208	**287**	**72%**	**234**	**330**	**71%**
Liabilities directly associated with assets held within disposal groups classified as held for sale	-	-	-	12	22	55%
Total	**208**	**287**	**72%**	**246**	**352**	**70%**

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2011 due to the treatment under IFRS of land held under operating leases and development property.

The decrease in LTV ratio of development property in construction from 83% as of 31 December 2010 to 48% as of 31 December 2011 is mainly a result of significant repayment of the loan on Platinum Towers project.

The increase in LTV ratio of other development property from 70% as of 31 December 2010 to 94% as of 31 December 2011 is mainly due to reclassification of loans (and related values) from "other development property" to "development property under construction". The commencement of two new projects in Warsaw (*Apartamenty przy Krasińskiego* and *Concept House*) impacted this reclassification.

The gearing ratio is 72% (as presented in note 1.2 to the consolidated financial statements) based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratio increased from 66.8% as of 31 December 2010 mainly due to unrealized negative foreign exchange differences increasing the bank loans balance by €16.4 million as of 31 December 2011.

Debt financing

The Group has its principal facilities with Erste Bank, Investkredit Bank and Raiffeisen Bank. The financial covenants within the Group's secured debt facilities fall into two main categories: annual Loan to Value ("LTV") tests and interest (and debt) service cover ratios ("ISCR" and "DSCR") based on audited financial statements for each subsidiary.

Summary of loans by bank at 31 December 2011 gross of joint venture share and adjusted for effects of the cross-collaterisation agreement:

Bank/ Company	**Country**	**Loan Currency**	**Balance in local currency thousand**	**Balance in EUR thousand (2)**	**Years to Maturity**	**Basis of interest**
InvestKredit						
HGC	Poland	Euro	59,599	**59,599**	4	3mth EURIBOR
Immobul	Bulgaria	Euro	5,405	**5,405**	6	3mth EURIBOR
Total InvestKredit				**65,004**		
Erste Bank						
Millenium	Poland	Euro	61,657	**61,657**	5	3mth EURIBOR
Ligetvaros	Hungary	Euro	3,925	**3,925**	10	3mth EURIBOR
Voluntari	Romania	Euro	12,953	**12,953**	1	3mth EURIBOR
Solaris	Romania	Euro	13,495	**13,495**	1	3mth EURIBOR
Total Erste Bank				**92,030**		
Raiffeisen						
Platinum Towers	Poland	PLN	13,248	**2,999**	<1	1mth WIBOR
Platinum Towers	Poland	Euro	8,887	**8,887**	<1	1mth EURIBOR
Kokoszki	Poland	PLN	41,467	**9,388**	<1	1mth WIBOR
Total Reiffeisen				**21,274**		
ING Bank						
Sadowa	Poland	Euro	6,165	**6,165**	9	1mth EURIBOR
Bank PEKAO						
Cybernetyki (1)	Poland	PLN	15,637	**3,540**	2	1mth WIBOR
WBK						
Zielono	Poland	PLN	327	**74**	3	1mth WIBOR
MKB Bank						
Ikarus	Hungary	Euro	13,777	**13,777**	5	Fixed
Volksbank						
Volan (1)	Hungary	Euro	6,532	**6,532**	-	3mth EURIBOR
FHB Kereskedelmi Bank						
Metropol	Hungary	Euro	2,468	**2,468**	6	3mth EURIBOR
Alpha Bank						
Golden Tulip	Romania	Euro	3,413	**3,413**	5	3mth LIBOR

(1) gross of joint venture share

(2) the balance differs from the total bank loans and overdrafts included in the consolidated balance sheet as at 31 December 2011 due to the treatment under IFRS of direct issue costs

Key changes in 2011

- Platinum Towers project (€11.9 million) - on 29 December 2011 the Company signed the extension of the loan resulting in capital repayment in March 2012;

- The land loan on Zielono – on 10 November 2011 the Company repaid the land loan. On 2 November 2011 the Company signed new loan agreement of PLN 99 million for the construction of *Apartamenty przy Krasińskiego* project;

- Cybernetyki (€1.7 million) – on 16 December 2011 the Company repaid the land loan. On 29 July 2011 the Company was granted a new loan of PLN 68 million for the construction of *Concept House* project. Based on the annex signed on 7 December 2011 the loan limit was decreased to PLN 66 million;

- Kokoszki (€9.3 million) – on 21 July 2011 the Company signed the annex to the existing loan facility that prolongs repayment of the loan until July 2012.

Update on current status

In the preparation of the consolidated financial statements for the year ended 31 December 2011, the directors have reclassified two loans totaling €19.2 million within the financial statements from non-current liabilities to current liabilities as bank loans and overdrafts due within one year or on demand, where covenant breaches or defaults on these loans arose. The Company is in contact with the banks and is discussing loans restructuring.

In addition, there are five loans that are classified as bank loans and overdrafts due within one year or on demand in the amount of €50.8 million. Following negotiations are ongoing with the banks on refinancing terms:

- o Voluntari (€12.9 million) and Solaris (€13.5 million) - the Company has just started negotiations regarding refinancing terms;
- o Platinum Towers (€11.9 million) - the Company plans to sign the annex to the existing loan agreement prolonging repayment date to 31 December 2012.

Review of the operational performance and key items in the Income Statement

The financial analysis of the income statement set out below reflects the monitoring of operational performance by segment as used by management.

	Property Rental € millions	**Development Properties € millions**	**Hotel Operations € millions**	**Other € millions**	**Year ended 31 December 2011 € millions**	**Year ended 31 December 2010 € millions**
Revenue	13.6	21.3	19.1	-	54.0	100.7
Cost of operations	(5.5)	(18.6)	(12.6)	-	(36.7)	(80.3)
Gross profit	8.1	2.7	6.5	-	17.3	20.5
Administrative expenses	(1.1)	(1.0)	(3.1)	(3.8)	(9.0)	(10.1)
Gross profit less administrative expenses	7.0	1.7	3.4	(3.8)	8.3	10.4
Gross profit %	60%	13%	34%	n/a	32%	20%
Gross profit less administrative expenses %	51%	8%	18%	n/a	15%	10%

Revenue

Total revenues for year ended 31 December 2011 were €54.0 million compared to €100.7 million for the year ended 31 December 2010. The Group's principal revenue streams are income from its hotel operations, income from the sale of the residential apartments that the Group develops and property rental income. As the Group maintains a diversified portfolio of real estate investments, seasonality or cyclicality of yielded income or results is also highly diversified.

Development Properties

	2011 € millions	2010 € millions	**Change year on year 2011 v 2010** **€ millions**	Translation foreign exchange effect € millions	Operational change 2011 v 2010 € millions
Revenue	21.3	70.7	**(49.4)**	(2.1)	(47.3)
Cost of operations	(18.6)	(61.6)	**43.0**	1.9	41.1
Gross profit	2.7	9.1	**(6.4)**	(0.2)	(6.2)
Administrative expenses	(1.0)	(1.3)	**0.3**	-	0.3
Gross profit less administrative expenses	1.7	7.8	**(6.1)**	(0.2)	(5.9)

Sales are only recognised when apartments have been handed over to new owners with the full price of the apartment received by the Group. As a result the economic risks and rewards were transferred to the new owner and in accordance with the Group's accounting policy the revenue and associated costs of these apartment sales are recognised in the income statement.

The decrease in gross profit realised in the year ended 31 December 2011 as compared to the same period in 2010 is mainly a result of a lower number of apartments handed over in Platinum Towers and Capital Art Apartments.

Apartment sales in developments in Warsaw

	Capital Art Apartments stage 1	**Capital Art Apartments stage 2**	**Platinum Towers**	**Concept House**	**Apartamenty przy Krasińskiego**
Total apartments for sale	219	300	396	160	303
Pre sales of apartments	219	272	385	35	58
Sales completions in 2008	99	-	-	-	-
Sales completions in 2009	107	-	26	-	-
Sales completions in 2010	8	176	298	-	-
Sales completions in 2011	2	74	59	-	-
Total sales completions	216	250	383	-	-
Pre sales in 2009	21	95	31	-	-
Pre sales in 2010	4	28	31	-	-
Pre sales in 2011	3	22	2	35	58

For *Capital Art Apartments*, for the year ended 31 December 2011, revenue of €9.9 million and gross profit of €1.0 million (31 December 2010: €24.5 million and €3.6 million respectively) have been recognised on the sales of 76 apartments (31 December 2010: 176 apartments).

For *Platinum Towers*, for the year ended 31 December 2011, of the 396 available apartments completed sales were represented by 59 apartments (31 December 2010: 298 apartments). This resulted in sales of €11.4 million and a gross profit of €2.6 million being recognised in the income statement (31 December 2010: €46.1 million and €5.7 million respectively).

For *Concept House* and *Apartamenty przy Krasińskiego* projects no sales have been recognized as the projects are under construction.

Property Rental

	2011 € millions	2010 € millions	**Change year on year 2011 v 2010 € millions**	Translation foreign exchange effect € millions	Operational change 2011 v 2010 € millions
Revenue	13.6	12.3	**1.3**	(0.3)	1.6
Cost of operations	(5.5)	(5.4)	**(0.1)**	0.1	(0.2)
Gross profit	8.1	6.9	**1.2**	(0.2)	1.4
Administrative expenses	(1.1)	(1.0)	**(0.1)**	-	(0.1)
Gross profit less administrative expenses	7.0	5.9	**1.1**	(0.2)	1.3

The revenue of the Group has been affected principally by the improving rental levels of the Millennium Plaza.

Hotel operations

	2011 € millions	2010 € millions	**Change year on year 2011 v 2010 € millions**	Translation foreign exchange effect € millions	Operational change 2011 v 2010 € millions
Revenue	19.1	17.7	**1.4**	(0.5)	1.9
Cost of operations	(12.6)	(12.4)	**(0.2)**	0.4	(0.6)
Gross profit	6.5	5.3	**1.2**	(0.1)	1.3
Administrative expenses	(3.1)	(3.3)	**0.2**	0.1	0.1
Gross profit less administrative expenses	3.4	2.0	**1.4**	-	1.4

The hotel operations improved significantly mainly due to an increase in average daily rate per room, additional income from organization of special events, conferences as well as slight increase in occupancy ratio.

The occupancy ratio:
- decreased from 69% in the twelve months ended 31 December 2010 to 67% in the twelve months ended 31 December 2011 at the Hilton, and
- increased from 54% in the twelve months ended 31 December 2010 to 63% in the twelve months ended 31 December 2011 at the Golden Tulip Hotel in Bucharest.

Cost of operations

Cost of operations was €36.7 million in the year ended 31 December 2011, compared to €80.3 million in 2010. The decrease is principally due to lower number of apartments handed over in *Platinum Towers* and *Capital Art Apartments* as compared to 2010.

Administrative expenses

Administrative expenses decreased by €1.1 million (i.e. by 11%) as compared to 2010 mainly due to tight control over external expenses.

Valuation movement

The Group has reported an increase in valuation of investment properties of €2.6 million for 2011 (2010: decrease of €16.2 million) in the consolidated income statement. This increase proves stabilization in valuations of properties in 2011.

Other operating income and expenses

Other operating income and expenses are items that do not directly relate to the day-to-day activities of the Group. Such items include: income and expenses for items that are recharged to contractors and other suppliers at cost, and other such items. The following are also included in other operating expenses:

Impairment of inventory and property, plant and equipment

Provisions for impairment of inventory of €3.2 million and hotel impairment of €2.1 million have been reported in the consolidated income statement (2010: €0.2 million and €1.8 million respectively). Provisions for impairment of inventory arise on potential loss of fair value less costs of sale of assets being less than the carrying value of inventory, as well as when the cost of the inventory is higher than the valuation of Jones Lang LaSalle. The impairment represents impairment of Romanian hotel due to decrease in external valuation.

Finance income and costs

The income statement includes finance costs of €10.4 million for the year ended 31 December 2011, compared with €11.2 million in 2010, representing mainly interests on bank loans and related bank charges.

Foreign exchange

There have been significant fluctuations in exchange rates in the underlying currencies in the countries in which the Group operates and owns assets. A summary of exchange rates by country for average and closing rates against the reporting currency as applied in the financial statements is set out below. As a result in 2011 the Group suffered from significant unrealised exchange losses of €17.1 million as compared to gain of €4.0 million in 2010.

	Polish Zloty	**Hungarian Forint**	**Romanian Lei**	**Bulgarian Lev**
Closing rates				
31 December 2011	4.4168	311.13	4.3197	1.95583
31 December 2010	3.9603	278.75	4.2848	1.95583
% Change	11.53%	11.62%	0.81%	0.00%
Average rates				
Year 2011	4.1198	279.21	4.2379	1.95583
Year 2010	3.9946	275.41	4.2099	1.95583
% Change	3.13%	1.38%	0.67%	0.00%

Net Asset Value

The Group's property assets are categorised into three classes, when accounted for in accordance with International Financial Reporting Standards. The recognition of changes in value from each category is subject to different treatment as follows:

- Yielding assets let to paying tenants – classed as investment properties with valuation movements being recognised in the Income Statement;
- Property, plant and equipment operated by the Group to produce income, such as the Hilton hotel or land held for development of yielding assets (PPE) – revaluation movements are taken directly to reserves, net of deferred tax; and
- Property developments, including the land on which they will be built – held as inventory with no increase in value recognised in the financial statements.

The Company sets out below the key measures relating to Net Asset Value (NAV) per share. This includes the NAV per share per the financial statements and the adjusted NAV per share as defined at IPO and previously disclosed by the Company.

	NAV 2011 € millions	**NAV per share 2011 €**	NAV 2010 € millions	**NAV per share 2010 €**
Basic NAV	76.8	**1.64**	105.5	**2.25**
Development land valuation increase	23.4	**-**	35.1	**-**
Deferred tax	(3.2)	**-**	(2.6)	**-**
Adjusted NAV	97.0	**2.07**	138.0	**2.94**

Notes:
The number of shares in issue as at 31 December 2011 and 2010 is 46,852,014.

The Property Manager's basic and performance fees are determined by the adjusted NAV. For the twelve months to 31 December 2011 the combined fee payable to AMC was €2.7 million **(**€2.7 million to 31 December 2010).

Ongoing activities

During the year ended 31 December 2011, the Company continued to identify ways by which it can generate added value through the active management of its yielding asset portfolio. It has also continued to crystallise the value of development projects by the pre-selling of apartments under construction and by the completion of development property in the course of construction.

The property portfolio is constantly reviewed to ensure it remains in line with the Company's stated strategy of creating a balanced portfolio that will provide: future capital growth; the potential to enhance investment value through active and innovative asset management programmes; and the ability to deliver strong development margins.

A key management objective is controlling and reducing construction costs and schedules at its development projects, particularly in the light of global variations in commodity prices and the increase of labour costs in the region. Another key objective is the refinancing of the portfolio, the securing of construction loans and the evaluation of various fund raising opportunities.

Financial management, operational management and material risks

The management team continuously monitors the territories in which the Company is invested, analysing the economics of the region and the key measures of the sectors in which it operates to ensure that it maintains its strategy and does not become over-exposed to, or reliant on, any one particular area. At the same time, it evaluates the risks and rewards associated with a particular country, or sector, in order to maximise return on investment and therefore the return it can deliver to shareholders.

The Company is publicly listed on WSE and until October 2010 it was also listed on AIM. In continuing to fulfil its obligations to its shareholders and the markets, together with maintaining its policy of maximum disclosure and timely reporting, it is continually improving and developing its financial management and operational infrastructure and capability. Experienced operational teams are in place in each country, where there is significant activity, otherwise a central operational team and investment committee monitor and control investments and major operational matters. As such, the management team continually reviews its operating structures to optimise the efficiency and effectiveness of its network, which is particularly important given the current environment.

We continue to enhance our internal control and reporting procedures and IT systems in order to generate appropriate, timely management information for the ongoing assessment of the Group's performance. There is in operation a financial reporting system which provides the Group with the required reporting framework, financial management and internal control.

Global economic conditions

The Board and the Property Manger closely monitor the effects that the current global economic conditions have on the business and will continue to take steps to mitigate, as far as possible, any adverse impact that may result for the business.

An impact of the economic uncertainty is the variations in exchange rates of countries in the region. AMC has been advising the Board on a regular basis with respect to financial performance and the effect of external factors on the business.

Financing and liquidity

Management has experienced a change in the approach and requirements of lenders for financing in the CEE region which has been reflected in the covenants that are applied to facilities, such as a reduction of loan to value ratio, increasing margins and an increase in levels of required pre-sales on development projects. Negotiation and completion of financing agreements is also taking longer than previously experienced. The management team see this as a potential risk to the ongoing development of the Company and as a result are devoting significant resource to the management of banking relationships and the monitoring of risk in this area.

Cash is managed both at local and head office levels, ensuring that rent collection is prompt, surplus cash is suitably invested or distributed to other parts of the Group, as necessary, and balances are held in the appropriate currency. The allocation of capital and investment decisions are reviewed and approved by local operational management, the executive team, the central finance and operational teams, by the investment committee of AMC and, finally, by Atlas' Board. This approach provides the Company with a rigorous risk management framework. Where possible, the Company will use debt facilities to finance its projects, which the Company will look to secure at appropriate times and when available, depending on the nature of the asset – yielding or development.

Currency and foreign exchange

Foreign exchange and interest rate exposures are continually monitored. Foreign exchange risk is largely managed at a local level by matching the currency in which income and expenses are transacted and also the currencies of the underlying assets and liabilities.

Most of the income from the Company's investment properties is denominated in Euro and our policy is to arrange debt to fund these assets in the same currency. Where possible, the Company looks to match the currency of the flow of income and outgoings. Some expenses are still incurred in local currency and these are planned for in advance. Development of residential projects has created receipts largely denominated in local currencies and funding facilities are arranged accordingly. "Free cash" available for distribution within the Company is identified and appropriate translation mechanisms put in place.

Conclusions

AMC's key strategic objective is the maximisation of value for the Company's shareholders, which it continues to work towards. Its teams are very experienced in the active management of investment and development property and provide the Company with a great deal of valuable local market knowledge and expertise. Good progress has been made with the sales of two key development projects in Warsaw (*Platinum Towers, Capital Art Apartments*) and pre-sales activity has been commenced on new projects (*Concept House, Apartamenty przy Krasińskiego*) underpinning our confidence in the medium and long-term market prospects.

The Company's key objectives in the current economic climate remain the minimisation of financial risks, optimising cash retention and operational effectiveness and enhancing the Group's liquidity, which will enable it to progress its portfolio of developments. The Company has a portfolio of strong underlying assets and a development pipeline that we believe will enable us to continue to meet the ongoing demand for the quality and specification of the space that Atlas delivers. In turn, we believe that this will position us to preserve and, over the longer term, create value that we aim to deliver to the shareholders, once stability and more certain economic conditions return to the markets, both within our target territories and across the global economy as a whole.

Reuven Havar
Chief Executive Officer
Atlas Management Company Limited
20 March 2012

Ziv Zviel
Chief Financial Officer
Atlas Management Company Limited

ATLAS ESTATES LIMITED

Property Portfolio Information

Location/Property	Description	Company's ownership
Poland		
Hilton Hotel	First Hilton Hotel in Poland – a 4 star hotel with 314 luxury rooms, large conferencing facilities, 4,500 square meters Holmes Place health club and spa and casino and retail outlets. Location close to the central business district in Wola area of Warsaw.	100%
Platinum Towers	396 apartments in two towers; the residential development has been completed in the 3rd quarter of 2009 with two residential towers and a piazza. Location close to the central business district in Wola area of Warsaw.	100%
Platinum Towers – offices	Land with zoning for an office scheme of class A office space planned over 42 floors.	100%
Properpol	Commercial area on the ground and first floors Platinum Towers with 1,842 square meters of gallery and 208 parking places almost fully let to tenants.	100%
Capital Art Apartments	779 apartment three stage development with Stage 1 completed in 4th quarter 2008 with 219 out of 219 apartments sold. Stage 2 with the construction of 300 apartments completed in 2009, out of which 272 were already sold. Stage 3 construction will follow. Location close to the central business district in Wola area of Warsaw.	100%
Apartamenty przy Krasińskiego (previously Zielono)	Land with zoning and building permit for 303 apartments. The construction commenced in 3rd quarter 2011. Location in a residential area of Warsaw.	76%
Millennium Tower	32,700 square meters of office and retail space in the central business district of Warsaw with 6,100 square meters of retail and 26,600 square meters of office space.	100%
Concept House (previously Cybernetyki)	3,100 square meters plot of land zoned for 11,000 square meters and with building permit for residential development. The construction commenced in 2nd quarter 2011. Location in Mokotow district close to the central business district of Warsaw.	50%
Sadowa project	6,550 square meters office building with 92% occupancy close to the city centre of Gdansk.	100%
Kokoszki, Gdansk	430,000 square meters plot in Gdansk with zoning for construction of 130,000 square meters of mixed use development, situated on the outskirts of Gdansk.	100%
Hungary		
Ikarus Business Park	283,000 square meters plot with 110,000 square meters of built business space and 70,000 of currently lettable, located in the 16th district, a suburban area of Budapest	100%
Metropol Office Centre	7,600 square meters office building in the 13th district of central Budapest.	100%
Atrium Homes	Two phase development of 22,000 square meters of 456 apartments with 235 apartments in phase 1 with building permits, located in the 13th district in central Budapest.	100%
Ligetvaros Centre	6,300 square meters of office/retail space with rights to build extra 6,400 square meters, located in the 7th district, a central district in Budapest.	100%
Varosliget Centre	12,000 square meters plot in the 7th district in central Budapest, with zoning for a mixed use development of 31,000 gross square meters.	100%

Location/Property	Description	Company's ownership
Moszkva Square	1,000 square meters of office and retail space in the Buda district of the city.	100%
Volan Project	20,640 square meters plot, zoning for 89,000 square meters mixed use scheme in a central district of Budapest.	50%
Romania		
Voluntari	99,116 square meters of land in three adjacent plots at the pre-zoning stage, in the north eastern suburbs of the city, known as Pipera.	100%
Solaris Project	32,000 square meters plot for re-zoning to mixed-use development in a central district of Bucharest.	100%
Golden Tulip Hotel	4 star 83 room hotel in central Bucharest in the city centre of Bucharest.	100%
Bulgaria		
The Atlas House	Office building in Sofia's city centre with 3,472 square meters of lettable area.	100%

ATLAS ESTATES LIMITED

Directors - Atlas Estates Limited

Andrew Fox Chairman Non-executive Director	Mr Fox graduated with a Bachelor of Commerce degree in 1999 and a Post Graduate Diploma in Finance, Banking and Investment Management in 2000, both from the University of Natal, South Africa. Mr Fox qualified as a member of the Association of Chartered Certified Accountants in 2003 and was admitted as a Fellow in 2009. Mr Fox joined Oak Trust (Guernsey) Limited in 2001 and was appointed a Director in 2006.
Mark Chasey **Non-executive Director** **Chairman of Audit Committee**	Mr Chasey graduated with a Bachelor of Commerce degree in 1979 and a Bachelor of Accountancy degree in 1981, both from the University of the Witwatersrand, South Africa. Having completed his articles with the accounting firm Pim Goldby in Johannesburg, Mr Chasey qualified as a member of the South African Institute of Chartered Accountants in 1984 and was Financial Controller at Femco Electric Motors Limited in Johannesburg from 1984 to 1988. After establishing his own liquidation business in Johannesburg in 1989, Mr Chasey joined Ernst and Young Trust Company (Jersey) Limited in 1997 and then, in 1999, went on to establish Oak Trust (Guernsey) Limited.
Guy Indig **Non-executive Director**	Mr Indig graduated from Bar-Ilan University, Israel, with an LLB in 1990. In 2001 Mr Indig obtained an MBA from Tel-Aviv University. He also holds a Masters in Finance from the London Business School. Having practiced law for several years, in 2000 Mr Indig joined the Beny Steinmetz Group, a sizeable, global private equity group focused on real estate investments and natural resources. Mr Indig acted as an Investment Director in BSG's international Real Estate and Private Equity teams. Having completed a Masters in Finance degree at London Business School in 2005, Mr Indig joined the Royal Bank of Scotland and worked as a director in RBS' real estate finance division until 2008, focussing on asset-backed debt financing and investments throughout continental Europe and the UK. In 2008, Mr Indig was asked to join the Izaki Group as a Managing Director and he has since been leading the Izaki Group's European Real Estate and private equity investment activities.

Registered office

Atlas Estates Limited
Martello Court
Admiral Park
St Peter Port
Guernsey GY1 3HB
Company number: 44284

ATLAS ESTATES LIMITED

Directors and Senior Management - Property Manager, Atlas Management Company Limited

Ron Izaki Non-executive Director	Mr Izaki is the Chief Executive Officer and primary shareholder of the Izaki Group which was founded in 1948 and is now one of the leading real estate development firms in Israel. He has been involved in the development of thousands of apartments and millions of square feet of commercial and retail space in the USA, Israel and Western Europe. Mr Izaki is also a director of Brack RE, an international owner, developer and manager of real estate. He has a Bachelors Degree in civil engineering from the Israel Institute of Technology.
Nicholas Babbé Non-executive Director	Mr Babbé Graduated with a Bachelor of Arts degree with Honours in 2001 from the University of the West of England. He subsequently moved into the finance industry taking positions with HSBC and Investec respectfully and undertook the Society of Trusts and Estates Practitioners diploma and joined the society as a full member in 2008. Nick joined Oak Trust (Guernsey) Limited in early 2009 where he is a Trust Manager and now studying for a BSC degree in Management with Trusts and Estates with The University of Manchester and Manchester Business School.
Reuven Havar Chief Executive Officer	Mr Havar, has significant expertise in planning and development of large scale real estate projects. He has spent the past nine years with the Africa Israel Group, firstly as the CEO of operations for AFI-EUROPE in the Czech Republic from 2000 and then in Romania from 2006. Before joining the Africa Israel Group, Mr Havar was the CEO of the Pepsi Cola and juices central bottling plant in Bucharest between 1996 and 1998. Prior to which, Mr Havar served as an Israeli foreign diplomat assigned to the Economic Attache in Columbia and Venezuela (First Secretary for Economic Affairs) from 1994. He has also served as the CFO of M-Systems (a hi-tech company) between 1993 and 1994, during which the company listed on the NASDAQ. Mr Havar holds a BA and a MBA from Bar Ilan University in Israel.
Ziv Zviel Chief Financial Officer	Mr Zviel joined Atlas Management Company Limited in October 2010 as its Chief Financial Officer. Prior to this and from 2009 Mr Zviel served as Chief Financial Officer and Treasurer of Deltathree, a telecom company traded in the United States. From 2007 till then he served as VP of Finance of LivePerson, an Internet company publicly traded in the United States and Tel Aviv stock exchanges. Prior to that, and from 2002, Mr Zviel served in a number of roles in Magic Software, a global software company traded in the United States. Before that, and from 2000, Mr Zviel served as an audit manager in the Tel Aviv office of Ernst & Young. Mr Zviel holds a first degree in accounting and economics and an MBA in Business Management, both from the Bar Ilan University in Israel.

ATLAS ESTATES LIMITED

Directors' Report

The Directors present their report and the audited financial statements for the twelve months ended 31 December 2011.

Results and dividends

The results for the Company for the year are set out in the statement of comprehensive income on page 37 and show a loss after tax attributable to equity shareholders of €39.7 million (2010: profit after tax of €0.1 million).

The Company has not declared a dividend for 2011 (2010: €nil).

Activities and review of business

The Company is domiciled in Guernsey as a closed-ended investment company under Guernsey Law. The Company was admitted to the AIM market of the London Stock Exchange and commenced trading on 1 March 2006. In February 2008, the Company completed a listing on the Warsaw Stock Exchange.

In October 2010 the Board of Directors announced that the Special Resolution to cancel admission of the Company's ordinary shares to trading on the AIM market of the London Stock Exchange was passed at an Extraordinary General Meeting of shareholders.

The principal activity of the Company and the Group is property investment and development throughout Central and Eastern Europe ("CEE"), together with the management of its properties. The development of the Group's business and future prospects, including a description of material risk factors and threats and information on the degree of the Group's exposure to such risks or threats, is considered in the Chairman's Statement on pages 5 to 8 and the Review of the Property Manager on pages 9 to 18.

There were no other significant changes in the Company's organisational structure in the year ended 31 December 2011.

Investing Policy

The Company mainly invests in Poland in a portfolio of real estate assets across a range of property types. The Group also operates in the Hungarian, Romanian and Bulgarian real estate markets.

The Company actively targets Poland, which possess attractive investment fundamentals including political and economic stability, strong GDP growth and low inflation.

The Company makes investments both on its own and, where appropriate, with joint venture partners in residential, industrial, retail, office and leisure properties in order to create an appropriately balanced portfolio of income-generating properties and development projects.

The Company may employ leverage to enhance returns on equity although the extent of such leverage will vary on a property by property basis. Wherever possible, the Directors intend to seek financing on non-recourse, asset by asset basis. The Company has no set limit on its overall level of gearing, however it is anticipated that the Company will employ a gearing ratio of up to 75 % of the total value of its interest in income-generating properties within its property portfolio.

The Company seeks to provide Shareholders with an attractive overall return through a combination of income and long term appreciation of the Company's assets.

The Board recognises that the current state of the credit markets and general downturn in the CEE economies in which the Company invests have had a negative effect on the overall value of the Group's portfolio, causing a slight decline in the Company's net asset value per share as compared to prior year. In order for the Company to achieve its long term investing policy, the Board's short term investment strategy is cash focussed with new development activity in relation to parts of its portfolio being selectively deferred but with current active projects displaying good sales being progressed on time and on budget and being brought to a conclusion to achieve intended returns. No dividends are expected to be paid in the short term.

Diversification

In order to hedge against risks, the Group maintains a diversified portfolio of real estate investments. The diversification have three aspects: firstly, the Group diversifies its geographical reach by keeping its investments in various countries in the CEE region; secondly, the Group diversifies the type of investment (e.g. residential development, office, commercial, etc.); and thirdly, the Group intends to stagger the development phases of its various projects (e.g. the purchase of land, the design phase, the construction phase, the marketing and sale process) in order to maintain stable levels of income earned.

Key performance Indicators

Key performance indicators vary between the different areas of the Group's business.

The success of developing and selling residential apartments will be measured in terms of the price achieved for each apartment, the profit margin earned over construction cost and as a proportion of sales and the overall rate of return from a development. Information on sales is detailed in the Review of the Property Manager on pages 9 to 18.

For yielding assets the measure of the yield of an asset relative to its cost to the Group is of key importance. Also the overall valuation of the portfolio will drive the value to the Company and ultimately the Company's share price. Details of total return targets and increases in net asset value per share are included within the Chairman's Statement and Review of the Property Manager.

The key financial risk policies are stated within the financial sections of this report on pages 45 to 47.

Going concern

As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment has been challenging. Despite this the Group has reported a loss for the year, excluding unrealized foreign exchange differences, of € 4.1 million (compared to loss of €8.4 million in 2010).

The directors consider that the outlook presents ongoing challenges in terms of the markets in which the Group operates, the effect of fluctuating exchange rates in the functional currencies of the Group and the availability of bank financing for the Group.

As at 31 December 2011 the Group held land and building assets with a market value of €287 million, compared to external debt of €208 million. Subject to the time lag in realising the value in these assets in order to generate cash, this "loan to value ratio" gives a strong indication of the Group's ability to generate sufficient cash in order to meet its financial obligations as they fall due. Any land and building assets and associated debts which are ring-fenced in unique, specific, corporate vehicles, which are subject to any repossession by the bank on default of loan terms would clear the outstanding debt and not result in additional finance liabilities for the Company or for the Group. There are also unencumbered assets which could potentially be leveraged to raise additional financial.

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2011, the directors have taken into account the status of current negotiations on loans. These are disclosed in note 24 as part of the bank loans note. The Company has also continued to provide funds to service interest and capital repayments on these loans on behalf of its subsidiary companies.

Nevertheless, the directors are aware that the liquidity position of the company has been and still continues to be tight. The company so far has been successful in managing its cash position carefully and will continue to do so, despite the various pressures. Managing this situation will require the company to use its various pockets of liquidity within its portfolio of assets and at the same time delicately manage its ongoing operations and relationships with its lending banks.

The Group's forecasts and projections have been prepared taking into account the economic environment and its challenges and the mitigating factors referred to above. These forecasts take into account reasonably possible changes in trading performance, potential sales of properties and the future financing of the Group. They show that the Group will have sufficient facilities for its ongoing operations.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2011.

Substantial shareholdings

As of 1 March 2012, the Board was aware of the following direct or indirect interest in 3% or more of the Company's ordinary share capital (excluding treasury shares). All shares have equal voting rights.

Table 1 – Significant Shareholders	Number of Ordinary Shares held	Percentage of Issued Share Capital
HSBC Client Holdings Nominee (UK) Limited <636167>	34,994,624	74.69
Forest Nominees ,<GC1>	6,536,925	13.95
Euroclear Nominees account <EOCO1>	4,969,185	10.60
TOTAL	**46,500,734**	**99.24**

Directors and Directors' share interests

The non-executive Directors who served during the year are detailed in Table 2 below. No Director had any direct interest in the share capital of the Company or any of its subsidiaries during the year or the preceding year.

Table 2 – Non-executive Directors	
Mr Andrew Fox	Appointed 16 June 2010
Mr Mark Chasey	Appointed 16 June 2010
Mr Guy Indig	Appointed 16 June 2010

Biographical details for all current Directors are set out on page 21.

The Board is of the view that non-executive appointments for a fixed term would be inappropriate for each of the non-executive Directors due the nature of the management of the Company. The Articles of the Company do provide for the retirement by rotation of a third of the Board each year.

The Remuneration Report contains details of Directors' remuneration, terms of their appointment and those of the Property Manager and is set out on pages 32 to 34. No other Director had, during the accounting year or in the period to 20 March 2012, any material beneficial interest in any significant contract in the Group's business.

Directors' Responsibilities

Guernsey company law requires that Directors prepare financial statements for each financial period. These must give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the results of the Group for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Ensure the financial statements comply with IFRS as adopted by the EU; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that proper accounting records are maintained, which disclose with reasonable accuracy the financial position of the Group, and that the financial statements comply with Guernsey Law. They are also responsible for the system of internal control, for safeguarding the assets of the Group and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

Company website

To provide a portal for investor information and in accordance with the requirements of WSE, the Company maintains a website accessed at www.atlasestates.com.

The Directors are responsible for the maintenance and integrity of the website. There is, however, some uncertainty regarding the legal requirements of the website as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Auditors

The Directors confirm that as at 20 March 2012:

- So far as they are aware, there is no material relevant information (that is, information needed by the Group's auditors, in connection with preparing their report) of which the Group's auditors are unaware;
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On 15 December 2011 the Board of Directors as the body authorized to make such decision reappointed the partnership BDO LLP, as the auditor of the financial reports of the Company for the year 2011.

The consolidated financial statements of the Group for 2011 were audited by BDO LLP on the basis of an engagement letter concluded on 15 December 2011. The consolidated financial statements of the Group for 2010 were audited by BDO LLP on the basis of an engagement letter concluded on 4 January 2011.

The total fees specified in the contract with the audit company, payable or paid for an audit and review of the financial statements and for other services are presented below:

Table 3 – Audit Company – fees

	2011 €'000	2010 €'000
Audit of individual and consolidated annual financial statements	338	330
Review of interim individual and consolidated financial statements	70	73
Tax services	32	158
Total	**440**	**561**

Annual General Meeting

The Annual General Meeting is planned to be held on 18 June 2012.

Information about court proceedings

The Company was not aware of any proceedings instigated before a court, a competent arbitration body or a public administration authority concerning liabilities or receivables of the Company, or its subsidiaries, whose joint value constitutes at least 10% the Company's net equity, except for legal proceeding against:

(a) Atlas Estates (Millennium) Sp. z o.o.

Atlas Estates Limited ("AEL") was notified by its subsidiary Atlas Estates (Millennium) Sp. z o.o. with its seat in Warsaw ("AEM") that on 20 January 2011 AEM obtained from the court an invitation for a hearing of amicable settlement concerning a claim of Reform Company Sp. z o.o. in bankruptcy proceeding for payment of the amount of 66,791,250 PLN as the compensation of the damages which were caused to Reform Company Sp. z o.o. at execution of the transaction on the sale of the Millennium Plaza building. The parties invited for the amicable settlement are: AEM, Hendrik Johannes Keilman, Anandrous B.V with its seat in Amsterdam, Hocalar B.V with its seat in Rotterdam and DIR Management B.V with its seat in Amsterdam.

AEM entered into the transaction for the purchase of the Millennium Plaza building over 3 years ago in good faith and paid the fair price for the building. Based on the advice the Board has received from its legal advisors and the evidences as indicated in the motion for the amicable settlement, it is the Board opinion that there is no material background, both factual and legal, to the above-mentioned claim.

The hearing of amicable settlement which took place on 21 February 2011 and 9 January 2012 finished without achieving amicable settlement. By not achieving the settlement the mentioned court proceeding has been finished on 9 January 2012.

At the current moment AEL is not aware of any pending legal proceeding relating to the abovementioned claim.

(b) Atlas Estates Limited and Atlas Estates Investment B.V.

Atlas Estates Limited ("AEL") was notified that on 9 March 2011 Stronginfo Consultants Ltd and Columbia Enterprises Ltd (the "Plaintiffs") have submitted to an arbitrator a statement of claim against Atlas Estates Investment B.V. with its seat in Amsterdam, the subsidiary of AEL as the primary debtor and AEL itself as the guarantor (the "Defendants") asking arbitrator to order the Defendants to provide a full and accurate accounting basis for the calculation of the Completion Consideration as defined in the agreement dated May 8, 2006 on transfer of shares from the Plaintiffs to Atlas Estates Investment B.V. and demanding payments of Completion Consideration which in the absence of any actual accounting yet was estimated by the Plaintiffs of total 55,420,000 PLN.

AEL hereby informs that at the current stage it is not able to assess the legitimacy of the claim as both legal and factual basis of the claim are subject of the investigation of the AEL's legal advisors.

There are no other material legal cases or disputes that are considered material to the financial statements that would either require disclosure or provision within the financial statements.

Significant Agreements

In addition to the Property Management Agreement detailed in the Remuneration Report, the Group entered into the following new significant agreements.

Agreement of 28 July 2011, between Zielono Sp. z o.o. and Unibep S.A.
On 28 July 2011 a general contractor agreement was signed between the Company's subsidiary Zielono Sp. z o.o. and Unibep S.A. for the construction of multi-apartment residential building (*Apartamety przy Krasińskiego*) in Warsaw. Total value of the contract amounts to PLN 60.6 million (excluding VAT). The term of the contract is 22 months.

Agreement of 12 April 2011, between Atlas Estates (Cybernetyki) Sp. z o.o. and Warbud S.A.
Under the above agreement, Warbud S.A. agreed to carry out construction works with regard to the *Concept House* residential project. The value of the agreement amounts to PLN 39.5 million (excluding VAT). Expected completion date of the construction works is the first quarter of 2013.

Related party transactions

Related party transactions are stated within note 15 of the financial statements of this report, on page 53.

Credit and loan facilities, guarantees and sureties

Key changes in credit and loan facilities are presented in Review of Property Manager Report on page 13.

Guarantees and sureties – changes in 2011

- Platinum Towers AEP Spółka z ograniczoną odpowiedzialnością S.K.A.

On 16 February 2011 Platinum Towers AEP Spółka z ograniczoną odpowiedzialnością S.K.A. ('PT") signed the prolongation of the loan as granted to PT by Raiffeisen Bank Polska S.A. ('RB') on 27 July 2008 ("Facility Agreement").

As the security for repayment of the mentioned facilities based on the agreement the joint cap mortgages over the unsold apartments in Capital Art Apartments 2 Project, owned by Atlas Estates Limited's ("AEL") subsidiary - Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnoscią S.K.A was established in favour of RB. The value of the mortgaged asset based on the internal valuation is estimated around €18,937,959, which exceeds 10% of AEL`s equity. The book value of the mortgaged asset equals €17,246,168. The total value of the secured receivables equals €43,927,177.

The repayment of the Facilities noted above is secured by the pledge in favor of RB over all PT's shares owned by AEP Sp. z o.o. (owning 100% of votes on shareholders meetings) and Atlas Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych as well as the rights and obligation of the general partner, i.e. AEP Sp. z o.o. were established. The nominal value of the pledged shares equals €3,875,969. The total value of the pledge equals €43,927,177.

- Atlas Estates (Cybernetyki) Sp. z o.o.

On 29 July 2011 a bank loan agreement was signed between Atlas Estates (Cybernetyki) Sp. z o.o. (“Cybernetyki”), a company in which Atlas Estates Investment B.V. holds 50% of the shares, and Bank Polska Kasa Opieki S.A. This loan provides financing for *Concept House* project.

This bank loan is secured by, inter alia:

- a first ranking contractual mortgage established on the real property, up to the amount of 200% of the Loan;
- registered pledges established on (i) the rights from certain bank account agreements concluded by Cybernetyki and (ii) all shares in the share capital of Cybernetyki;
- assignment of receivables due to Cybernetyki under insurance policies of the real property and of the project;
- assignment of certain receivables due to Cybernetyki in connection with the project; and
- a cost overrun guarantee agreement relating to the project, executed with the shareholders of Cybernetyki, pursuant to which if the costs of the realization of the project exceeds certain threshold, the shareholders will provide additional capital in the amount of up to 10% of the construction costs set out in the budget of the project.

- Zielono Sp. z o.o.

On 2 November 2011 a bank loan agreement was signed between Zielono Sp. z o.o. (“Zielono”), a company in which Atlas Estates Investment B.V. holds 76% of the shares, and Bank Zachodni WBK S.A. This loan provides financing for new project - *Apartamenty przy Krasińskiego*.

This bank loan is secured by, inter alia:

- a first ranking contractual mortgage up to the amount of 200% of the loan;
- financial and registered pledges established on (i) the rights from certain bank account agreements concluded by Zielono and (ii) all the shares in the share capital of Zielono;
- the assignment of certain receivables due to Zielono in connection with the project;
- a subordination agreement; and
- a cost overrun guarantee agreement relating to the project executed between Zielono, Atlas Estates Investment B.V. and the bank pursuant to which the shareholders agreed to act as guarantors for the payment of Zielono’s liability to cover cost overruns amounting to up to 10% of the project costs.

Corporate governance review

The Group aspires to apply high standards of corporate governance in all material areas of its business. The Board and, where delegated, the Property Manager use a comprehensive system of controls, checks and reporting requirements that they consider provide the capability to maintain these standards. The systems mentioned are being designed to meet the requirements of the Company and its business and to assess and manage the opportunities and risks that may arise. Whilst the Board is mindful of the guidance of the Combined Code, its systems will be suitable for a Company of its size, the small number of Directors that form the Board and the external management function provided by the Property Manager. In accordance with the WSE Rules, the Board resolved in January 2008, to the extent practicable and reasonable, to also comply with the majority of the corporate governance rules defined in the Code of Best Practices for WSE Listed Companies. The Company's compliance with certain principles is limited by the differences between Guernsey and Polish legal systems, procedures and accepted practices.

Structure and membership of the Company's Board

The Board of Directors comprises the non-executive Chairman and two further non-executive Directors. In 2011 there were no changes of the Board of Directors. There is a clear separation of the role of the Directors and the Property Manager, governed by the Property Management Agreement that was entered into on 24 February 2006. The Board identifies majority of its non-executive Directors as being independent of the Company based on their level of involvement with the founder shareholders prior to the formation of the Group and their involvement in the day to day management of the Group on an ongoing basis. They provide strategic management and act as the final Investment Committee for all investment/divestment decisions. The executive and day to day management is provided by the Property Manager whose role and responsibilities are clearly defined in the Property Management Agreement.

The Board meets formally at least four times a year and regular contact is made between the Board and the Property Manager in the intervening periods. The Directors meet periodically without the Property Manager present and on occasion without the presence of the Chairman.

A formal schedule of matters reserved specifically for the Board's decision is approved and reviewed on an ongoing basis by the Board. Such matters include, but are not limited to:

- developing Group strategy and monitoring the progress towards objectives set for management;
- reviewing the Company's capital, operating and management structures;
- setting the system of internal and financial controls and accounting policies;
- communicating the aims and objectives of the Company to shareholders; and
- ensuring that the Group has effective risk management procedures in operation at all times.

A formal schedule of matters reserved for the Board of the Property Manager is also approved and reviewed on an ongoing basis by the Board.

All members of the Board have access to the advice and services of the Company's Administrator and full and timely access to all relevant information in an appropriate form and of sufficient quality to enable them to discharge their duties and responsibilities. Guidance is provided to Directors on obtaining independent professional advice when necessary and the Company maintains a comprehensive directors' and officers' liability insurance policy.

Appointments to the Board are subject to a formal process of selection involving the Board as a whole. The Directors are appointed for indefinite terms and a third of the Board retire by rotation each year. Directors' terms of appointment provide for prior approval of the Board for the acceptance of any outside appointments. In the event of a request for approval the Director in question is asked to confirm and demonstrate that they can continue to commit sufficient time to the fulfilment of their duties.

Board committees

The Audit Committee comprises the whole of the Board and is chaired by Mr Mark Chasey. It meets at least three times a year to review the interim and year end financial statements prior to their submission to the Board and to review the appointment of the independent auditors and the scope, performance and remuneration of services provided by them. Procedures are in place for the approval of non-audit services provided by the Company's auditors. The auditors will not be awarded non-audit work unless the Company is satisfied, through enquiry, that the provision of such services would not prejudice the independence and objectivity of the auditor.

The entire Board also forms the Investment Committee in order to appraise and approve or reject investment proposals made by the Property Manager. The Investment Committee meets as and when required.

The Company has not formed a separate Remuneration or Nominations Committee as the Property Management Agreement provides for the remuneration of the Manager and the Board as a whole considers any further appointments.

Table 4 - Attendance at meetings

	Board	Committee meetings Audit
No. of meetings in the year	**14**	**4**
Mr Andrew Fox	9	1
Mr Mark Chasey	9	4
Mr Guy Indig	13	4

No Investment Committee meetings were held in the year because all discussions and decisions related to investment proposals were made during the Board meetings.

Property Manager

The Property Manager has also undertaken to maintain the highest standards of corporate governance in line with the direction set by the Board. Where delegated, the Property Manager has continued to put in place a comprehensive system of controls, checks and reporting requirements that they feel provides the ability to maintain these standards.

The Property Manager has a board ("PM board") comprising of a non-executive Chairman and one non-executive director. It meets formally at least four times a year and more regularly when required to do so to review its requirements under the terms of the Property Management Agreement. A formal schedule of matters reserved for the decision of the PM board, derived from the role and responsibilities set out in the Agreement has been approved and is reviewed on an ongoing basis.

The Property Manager has appointed an Investment Committee comprising two of its non-executive directors to review and approve those investment and divestment opportunities that are presented to the Company for its approval and completion. The PM board collectively approves the appointment of senior management within the Property Manager, details of which are then reported to the Company.

Internal control

The Directors assume overall responsibility for the Group's system of internal control designed to safeguard shareholders' investments and the Group's assets and for reviewing its effectiveness. The controls are designed to identify and manage risks faced by the Group and not to totally eliminate the risk of failure to achieve business objectives. To this end internal controls provide reasonable, but not absolute assurance against material misstatement or loss. The implementation and operation of such systems has been delegated to the Property Manager and the processes are communicated regularly to all of their staff who are made aware of the areas for which they are responsible. Such systems include strategic planning, the appointment of appropriately qualified staff, regular reporting and monitoring of performance and effective control over capital expenditure and investment.

The Group's key internal controls are centred on a system of comprehensive reporting on all of its business activities. The Property Manager meets on a monthly basis to review the control systems and to assess the performance and position of the Group. A separate risk management process is operated that engages the Directors and senior management of the Company and Property Manager that is aimed at identifying areas of risk faced by the Group and assessing the likely impact on operating activities. Significant risks that are identified by this process are communicated to the Board with recommendations for actions to mitigate them. The Group uses independent agents to undertake any specialist analysis, investigation or action that is needed. The Board reports to shareholders at least annually that they have carried out a review of the system for internal controls.

Internal financial controls centre on a clearly defined set of control procedures and a comprehensive monthly and quarterly reporting structure. Detailed revenue, cash flow and capital forecasts are prepared for each asset and updated regularly throughout the year and reviewed by the Property Manager and the Board. The Property Manager agreement sets out clearly defined guidelines for all asset transactions. These require the approval of the Investment Committee of the Property Manager and then of the Board within defined levels of authority and de-minimise thresholds.

The Property Manager undertakes responsibility for the management of the Group's property portfolio, delegating this responsibility to appropriately qualified independent parties where it is deemed necessary. Terms of engagement for such appointments include the requirement for regular reports in an agreed form.

The Audit Committee is responsible for reviewing the effectiveness of the system of internal financial control. A review of these processes is conducted on a regular basis and any significant issues raised by this review are communicated to the Board for their consideration.

In accordance with the procedures outlined in this report, the Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 December 2011. The review was conducted by external internal auditor. The scope of the audit work included the review of Golden Tulip operations as well as review of the key operating processes (purchases, sales, revenue recognition, payroll and financial reporting process). Information concerning the output of this review was reported to the Board. Deficiencies noted have been remediated and or compensating controls were put in place.

Shareholder relations

The Board encourages active communication with all of the Company's shareholders. The Chief Executive and Chief Financial Officer of the Property Manager are the main points of contact for shareholders and they endeavour to respond to enquiries on a timely basis either verbally or in writing. Provision is made on the Company's website for enquiries to be made of Directors.

As part of the communication process a series of meetings is held between the Property Manager and significant shareholders throughout the year. Directors are invited to attend these meetings and are available should shareholders request their attendance. All shareholders have at least twenty working days notice of the Annual General Meeting, at which all Directors and committee chairmen are introduced and available for questions.

Throughout the year meetings are held with the Company's brokers and other corporate advisors to feed back information that they have gathered concerning shareholder opinion. Significant topics raised at other meetings are communicated to the Board and discussed at subsequent Board meetings.

The non-executive directors have direct face-to-face contact with shareholders and are also regularly updated on major shareholder meetings and analysts or broker briefings.

The rights of the shareholders are subject to Guernsey Law and the Articles of Association of the Company.

The rules governing the change in the articles of the Company are subject to Guernsey Law and the Memorandum and Articles of Association of the Company.

Performance evaluation

The Property Manager agreement provides for a formal process of performance evaluation that is based on the collective performance of the Manager rather than on an individual's performance. These performance criteria are based on financial measures over the life of the Property Management Agreement. In addition, procedures are in place to review the approach and resources applied by the Property Manager and its performance throughout the year.

Procedures are also in place that enables the Board to appraise the performance of and level of fees paid to the Administrator and the Company's professional advisors.

Andrew Fox	**Mark Chasey**	**Guy Indig**
Chairman	**Director**	**Director**

20 March 2012

ATLAS ESTATES LIMITED

Remuneration Report

The Directors present their report on their remuneration and that of the Property Manager (the 'Report') that has been prepared in a manner consistent with commonly accepted practice.

The Report is to be approved at the Annual General Meeting of the Company at which the financial statements will be approved and a resolution to this effect will be proposed at the Meeting.

Non-executive Directors

All non-executive Directors have specific terms of appointment that include their membership of the Audit Committee and the fee payable to them for their services. Their remuneration is determined by the Board in accordance with the Articles of Association of the Company. Such fees are reviewed annually with regard to a Director's performance and those fees paid to non-executive directors of similar companies.

Non-executive Directors do not participate in the Warrant Instrument.

Details of the terms of appointment for those who served as non-executive Directors during the year are:

Table 5 – Non-executive Directors' service contracts

	Appointment Date	Term	Notice Period
Mr Andrew Fox	16 June 2010	Indefinite	30 days
Mr Mark Chasey	16 June 2010	Indefinite	30 days
Mr Guy Indig	16 June 2010	Indefinite	30 days

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

Table 6 – Directors' emoluments – representing fees only	2011
	€
Non-executive Directors	
Mr Andrew Fox	13,000
Mr Mark Chasey	13,000
Total	**26,000**

Table 6 – Directors' emoluments – representing fees only	2010
	€
Non-executive Directors	
Mr Quentin Spicer	31,562
Mr Michael John Stockwell	26,364
Mrs Shelagh Mason	23,072
Mr Andrew Fox	6,623
Mr Mark Chasey	6,623
Total	**94,244**

Property Manager

On signing the Property Management Agreement, the Company looked to structure a remuneration package that combined a basic fee element with performance related rewards that motivate the Property Manager (Atlas Management Company Limited "AMC") and align their interests with the performance and growth of the business and the long term enhancement of shareholder value.

Basic fee

In consideration of the services to be provided by AMC, AMC will receive an annual management fee of 2 per cent. of the previous year's closing adjusted NAV (less any un-invested net proceeds of the IPO or any subsequent equity capital raising).

In addition, AMC is entitled to be reimbursed by the Company for all costs and expenses incurred by it in the performance of its obligations under the Property Management Agreement (not including its own internal operating costs).

In consideration of the services provided, AMC received a management fee of €2.7 million for the year ended 31 December 2011 (2010: €2.7 million).

Performance fee

In addition, AMC will receive a performance fee payable if the Total Shareholder Return in any year exceeds 12 per cent (adjusted to make up for any prior years where the Total Shareholder Return was negative – the "Hurdle Rate"). Once this threshold is exceeded, AMC is entitled to receive a fee equal to 25 per cent of the amount by which the Total Shareholder Return for the relevant financial period exceeds the Hurdle Rate for such period multiplied by the previous year's closing adjusted NAV after the deduction of any dividends declared or to be declared but not yet paid in respect of that period.

One third of any performance fee payable to AMC under the agreement may, at the option of the Company, be paid in the form of new Ordinary Shares issued to AMC at a price equal to the average closing price of the Company's shares for the 45 days prior to the date of issue of such shares. This option may not be exercised where it would trigger an obligation to make a mandatory offer for the Company pursuant to the City Code.

AMC performance fee payment

AMC's performance fee in respect of the financial years ended 31 December 2011 and 31 December 2010 was €nil.

Term and Termination

The Property Management Agreement is to run for an initial seven year term from 24 February 2006 and may be terminated thereafter on 12 months' notice by either party. The Agreement shall continue indefinitely after 24 February 2013 provided that the Company will not serve notice to Property Manager by 28 August 2012.

The agreement may be terminated at any time for reasons of material breach by either party not remedied within a 90 day period (21 days if the breach relates to non-payment of sums due to the Property Manager) or on the insolvency of either party. The Company may also terminate the Agreement in the event that any of the AMC Shareholders sells (other than to certain categories of intra-group permitted transferees) more than 49 per cent. of their respective shareholdings in AMC as at the date of Admission or in the event that the AMC Shareholders (or their permitted transferees) between them cease to own collectively at least 75 per cent of the issued share capital of AMC. The Company also has the right to terminate the agreement in the event that it becomes tax resident in the United Kingdom for any reason. Upon termination of this Agreement, the Manager shall be entitled to receive all fees and other moneys accrued to it (and unpaid) and a performance fee.

Share schemes

On 23 February 2006 the Company executed and adopted a Warrant Instrument providing for the issue of warrants over 5,114,153 ordinary shares. Following the exercise of the Greenshoe on 15 March 2006, an additional Warrant Instrument was executed and adopted to provide for the issue of warrants over a further 373,965 ordinary shares. The Warrants are exercisable from the period commencing 1 March 2007 and expire on the earlier of: (i) 28 February 2013; or, (ii) upon an offeror becoming entitled to acquire the entire issued share capital of the Company.

The exercise price of each of the Warrants is £3.41 (€4.09 as at 31 December 2011). The exercise price and number of Ordinary Shares relating to such Warrants will be subject to adjustment in respect of dilution events, including the payment by the Company of cash or special dividends, any amalgamation, reorganisation, reclassification, consolidation, merger or sale of all or substantially all of the Group's assets and other dilutive events. The Warrants are freely transferable.

Table 7 – Warrants issued

	Granted	Transferred	At 31 Dec 2011	Date of grant	Date Exercisable
Rafael Berber	306,849	-		24 Feb 2006	1 March 2007
	306,849	-		24 Feb 2006	1 March 2008
	22,438	-		20 Mar 2006	1 March 2007
	22,438	-		20 Mar 2006	1 March 2008
Roni Izaki	306,849	-		24 Feb 2006	1 March 2007
	306,849	-		24 Feb 2006	1 March 2008
	22,438	-		20 Mar 2006	1 March 2007
	22,438	-		20 Mar 2006	1 March 2008
Dori Dankner	306,849	-		24 Feb 2006	1 March 2007
	306,849	-		24 Feb 2006	1 March 2008
	22,438	-		20 Mar 2006	1 March 2007
	22,438	-		20 Mar 2006	1 March 2008
Gadi Dankner	306,849	-		24 Feb 2006	1 March 2007
	306,849	-		24 Feb 2006	1 March 2008
	22,438	-		20 Mar 2006	1 March 2007
	22,438	-		20 Mar 2006	1 March 2008
D Saradhi Rajan	208,063	-		24 Feb 2006	1 March 2007
	208,063	-		24 Feb 2006	1 March 2008
	22,438	-		20 Mar 2006	1 March 2007
	22,438	-		20 Mar 2006	1 March 2008
Lou Silver	98,786	-		24 Feb 2006	1 March 2007
	98,786	-		24 Feb 2006	1 March 2008
Atlas	511,416	-		24 Feb 2006	1 March 2007
Management	511,416	-		24 Feb 2006	1 March 2008
Company	511,416	-		24 Feb 2006	1 March 2009
Limited	511,415	-		24 Feb 2006	1 March 2010
	37,396	-		20 Mar 2006	1 March 2007
	37,396	-		20 Mar 2006	1 March 2008
	37,396	-		20 Mar 2006	1 March 2009
	37,397	-		20 Mar 2006	1 March 2010

The warrants have been issued at nil cost to the recipients with an exercise price of £3.41 per share. These warrants are exercisable at any time during the period commencing on admission to trading on AIM (1 March 2006) and ending on the seventh anniversary of such admission. There are no performance criteria for execution and execution can be undertaken on or after the date of exercise as detailed above or immediately upon a Change of Control of the Company. None of the terms and conditions of the warrants has been varied in the period.

No Directors have been issued warrants over the shares in any other Group company.

During the year to 31 December 2011, the market price of the ordinary shares ranged PLN 1.45 and PLN 3.65 on WSE.

Approval

The Board approved the Remuneration Report without amendment. This report was approved by the Board of Directors on 20 March 2012 and signed on its behalf by:

Andrew Fox
Chairman
20 March 2012

ATLAS ESTATES LIMITED

Declarations of the Board of Directors

Declaration concerning accounting policies

The Board of Directors of Atlas Estates Limited confirms that, to the best knowledge, annual financial statements together with comparative figures have been prepared in accordance with applicable accounting standards and give a true and fair view of the state of affairs and the financial result of the Company for the period.

The Directors and Property Mangers Reports in this annual report give a true and fair view of the situation on the reporting date and of the developments during the financial year, and include a description of the major risks and uncertainties.

Declaration concerning election of the Company's auditor for the annual audit of the financial statement

The Company's auditor has been elected according to applicable rules. The audit firm and its chartered accountants engaged in the audit of the financial statements of Atlas Estates Limited meet the objectives to present an objective and independent report.

Andrew Fox
Chairman

Mark Chasey
Director

Guy Indig
Director

20 March 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATLAS ESTATES LIMITED

We have audited the financial statements of Atlas Estates Limited for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS')

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work is undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement within the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairmans' Statement, Review of the Property Manager and Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Matthew White (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
20 March 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ATLAS ESTATES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	2011 €'000	2010 €'000	Notes
Revenues	-	-	
Cost of operations	-	-	
Gross profit	**-**	**-**	
Administrative expenses	(2,242)	(2,722)	**3**
Other operating income	3,102	3,695	**4**
Other operating expenses	(40,791)	(1,081)	**5**
Loss from operations	**(39,931)**	**(108)**	
Finance income	282	259	**6**
Finance costs	(12)	(1)	**6**
Other losses – foreign exchange	(8)	(16)	**6**
(Loss)/ Profit before taxation	**(39,669)**	**134**	
Tax expense	-	-	
(Loss)/ Profit for the year	**(39,669)**	**134**	
Total comprehensive income for the year	**(39,669)**	**134**	
(Loss)/ Profit per €0.01 ordinary share – basic (eurocents)	(84.7)	0.3	**7**
(Loss)/ Profit per €0.01 ordinary share – diluted (eurocents)	(84.7)	0.3	**7**

All amounts relate to continuing operations.

The notes on pages 41 to 55 form part of these financial statements.

ATLAS ESTATES LIMITED
BALANCE SHEET
As at 31 December 2011

	2011 €'000	2010 €'000	Notes
ASSETS			
Non-current assets			
Investment in subsidiaries	97,237	138,028	**8**
Loans receivable from subsidiaries	-	-	**9**
	97,237	**138,028**	
Current assets			
Trade and other receivables	30	39	**9**
Cash and cash equivalents	144	203	**10**
	174	**242**	
TOTAL ASSETS	**97,411**	**138,270**	
Non-current liabilities			
Other payables	(364)	(50)	**11**
	(364)	**(50)**	
Current liabilities			
Trade and other payables	(1,137)	(2,641)	**11**
	(1,137)	**(2,641)**	
TOTAL LIABILITIES	**(1,501)**	**(2,691)**	
NET ASSETS	**95,910**	**135,579**	
EQUITY			
Share capital account	6,268	6,268	**12**
Other distributable reserve	194,817	194,817	**14**
Accumulated loss	(105,175)	(65,506)	
TOTAL EQUITY	**95,910**	**135,579**	

The notes on pages 41 to 55 form part of these financial statements. The financial statements on pages 37 to 55 were approved by the Board of Directors on 20 March 2012 and signed on its behalf by:

Andrew Fox	**Mark Chasey**	**Guy Indig**
Chairman	**Director**	**Director**

20 March 2012

ATLAS ESTATES LIMITED
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2011

	Share capital account	Other reserves	Accumulated loss	Total
	€'000	€'000	€'000	€'000
As at 1 January 2010	6,268	194,817	(65,647)	135,438
Total comprehensive income for the year	-	-	134	134
Share based payments (note 13)	-	-	7	7
As at 31 December 2010	**6,268**	**194,817**	**(65,506)**	**135,579**
Total comprehensive income for the year	-	-	(39,669)	(39,669)
As at 31 December 2011	**6,268**	**194,817**	**(105,175)**	**95,910**

The notes on pages 41 to 55 form part of these financial statements.

ATLAS ESTATES LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2011

	Year ended 31 December 2011 €'000	Year ended 31 December 2010 €'000	Notes
(Loss)/ Profit for the year	**(39,669)**	**134**	
Adjustments for:			
Effects of foreign currency	6	-	
Finance costs	11	-	
Finance income	(282)	(256)	
Creditor write back	-	(78)	
Impairment /(Reversal of impairment) on investments	40,791	(3,617)	
(Reversal of impairment)/ Impairment against loans receivables from subsidiaries	(3,102)	1,081	
Charge relating to share based payments	-	7	
	(2,245)	**(2,729)**	
Changes in working capital			
Decrease in trade and other receivables	9	126	
Increase in trade and other payables	(1,504)	(283)	
Net cash outflow from operating activities	**(3,740)**	**(2,886)**	
Investing activities			
New loans advanced to subsidiaries	(279)	(1,868)	
Repayment of loans from subsidiary undertakings	3,960	1,169	
Net cash from/ (used) in investing activities	**3,681**	**(699)**	
Financing activities			
Interest received	-	-	
Interest paid	-	-	
Net cash from/ (used) in financing activities	**-**	**-**	
Net increase / (decrease) in cash and cash equivalents in the year as a result of cashflows	**(59)**	**(3,585)**	
Effect of foreign exchange rates	-	-	
Net decrease in cash and cash equivalents in the year	**(59)**	**(3,585)**	
Cash and cash equivalents at the beginning of the year	**203**	**3,788**	
Cash and cash equivalents at the end of the year	**144**	**203**	**10**
Cash and cash equivalents			
Cash and cash equivalents	144	203	10

The notes on pages 41 to 55 form part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

Year ended 31 December 2011

Basis of preparation

These financial statements have been prepared in accordance with applicable Guernsey law and International Financial Reporting Standards ("IFRS") and IFRIC interpretations adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on a going concern basis and on a historical cost basis as amended by the revaluation of land and buildings and investment property. The principal accounting policies are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The going concern of the Company is dependent on the going concern of its subsidiaries. As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment has been challenging. As a result the Company has reported a loss for the year of €39,669 thousand compared to prior year profit of €134 thousand.

The directors consider that the outlook presents ongoing challenges in terms of the markets in which the Group operates, the effect of fluctuating exchange rates in the functional currencies of the Group and the availability of bank financing for the Group.

As at 31 December 2011 the Group held land and building assets with a market value of €287 million, compared to external debt of €208 million. Subject to the time lag in realising the value in these assets in order to generate cash, this "loan to value ratio" gives a strong indication of the Group's ability to generate sufficient cash in order to meet its financial obligations as they fall due. Any land and building assets and associated debts which are ring-fenced in unique, specific, corporate vehicles, which are subject to any repossession by the bank on default of loan terms would clear the outstanding debt and not result in additional finance liabilities for the Company or for the Group. There are also unencumbered assets which could potentially be leveraged to raise additional finance.

In assessing the going concern basis of preparation of the consolidated and the Company financial statements for the year ended 31 December 2011, the directors have taken into account the status of current negotiations on loans. These are disclosed in the Review of Property Manager and proves positive prospects for an improvement in expected repayments. The Company has also continued to provide funds to service interest and capital repayments on these loans on behalf of its subsidiary companies.

Nevertheless, the directors are aware that the liquidity position of the company has been and still continues to be tight. The company so far has been successful in managing its cash position carefully and will continue to do so, despite the various pressures. Managing this situation will require the company to use its various pockets of liquidity within its portfolio of assets and at the same time delicately manage its ongoing operations and relationships with its lending banks.

The Group's forecasts and projections have been prepared taking into account the economic environment and its challenges and the mitigating factors referred to above. These forecasts take into account reasonably possible changes in trading performance, potential sales of properties and the future financing of the Group. They show that the Group will have sufficient facilities for its ongoing operations.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated and the Company financial information for the year ended 31 December 2011, as set out in note 1.

The financial statements present the individual financial data of the Company for the year ended 31 December 2011. The financial information is prepared in Euro and presented in thousands of Euro ("€'000"). Atlas Estates Limited also prepares separate consolidated financial statements, which incorporate the financial statements of the Company and its subsidiaries up to 31 December 2011.

Foreign currencies

The functional currency of the Company and the presentation currency for the financial statements is Euro.

Transactions in foreign currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value, which are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

STATEMENT OF ACCOUNTING POLICIES

Gains and losses arising on the settlement of monetary items and on the re-translation of monetary items are included in the income statement for the year.

The following exchange rates were used in preparation of these financial statements:

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2011	4.4168	311.13	4.3197	1.95583
31 December 2010	3.9603	278.75	4.2848	1.95583
% Change	11.53%	11.62%	0.81%	0.00%
Average rates				
Year 2011	4.1198	279.21	4.2379	1.95583
Year 2010	3.9946	275.41	4.2099	1.95583
% Change	3.13%	1.38%	0.67%	0.00%

Finance income

Interest-bearing loans receivable are initially recorded at fair value, net of direct issue costs, and are then subsequently measured at amortised cost with interest being calculated using the effective interest rate method. All lending income is recognised in the income statement in the year in which it is incurred.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables', 'other loan receivables' or 'loans receivable from minority investors' in the balance sheet (note 9). Cash and cash equivalents (note 10) are classified as loans and receivables. Cash and cash equivalents are a separate position in the balance sheet.

Impairment

The carrying amounts of the Company's non-monetary assets are reviewed at each reporting date. If any indication of impairment of the value of these assets exists, the recoverable amount of the asset is assessed. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable value of an asset is assessed by obtaining an independent assessment of its market value less any costs that would be incurred to realise its value.

Investments in subsidiaries

Investments in subsidiary companies are recognised initially at cost. The carrying amounts of the investments are reviewed at each reporting date. If any indication of impairment of the value of these assets exists, the recoverable amount of the asset is assessed. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment of investments in subsidiaries is recognised when there is objective evidence that the market value of the investment less any costs that would be incurred to realise its value is less than the carrying value. Significant financial difficulties of the subsidiary, probability that the subsidiary will enter bankruptcy or financial reorganisation, and default or delinquency in payments on loans receivable from the subsidiary are considered indicators that the investment is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Other loans receivable

Other loans receivable are recognised initially at fair value and subsequently measured at amortised cost method. The carrying amounts of other loans receivable are reviewed at each reporting date. If any indication of impairment of the value of these assets exists, the recoverable amount of the asset is assessed. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment of other loans receivable is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank loans in current liabilities on the balance sheet. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. As at 31 December 2009 and 2010, no such financial liabilities were held by the Company.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of any direct issue costs.

Treasury shares

The costs of purchasing Treasury shares are shown as a deduction against equity. The purchase of own shares does not lead to a gain or loss being recognised in the income statement.

Taxation

With effect from 1 January 2008, Guernsey's corporate tax regime has changed. From that date the exempt company and international business regimes have been abolished as a consequence of which the Company is treated as resident for tax purposes subject to 0% tax. These changes do not adversely affect the tax efficiency of the AEL group corporate structure.

Dividends

Final dividend payments in respect of a financial year are recognised as a liability in the year in which the dividend payment is approved by the Company's shareholders.

Interim dividends paid are recognised in the year in which the payment is made.

Changes to accounting policies since the last period

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Group as these are not effective for the current year. The Group is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods:

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) (effective for accounting periods commencing on or after 1 January 2012). This amendment has not yet been endorsed for use within the EU.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (effective for accounting periods commencing on or after 1 July 2012). This amendment has not yet been endorsed for use within the EU.

- IFRS 10 Consolidated Financial Statements (effective for accounting periods commencing on or after 1 January 2013). IFRS 10 Consolidated Financial Statements has not yet been endorsed for use within the EU.

- IFRS 11 Joint Arrangements (effective for accounting periods commencing on or after 1 January 2013). IFRS 11 Joint Arrangements has not yet been endorsed for use within the EU.

- IFRS 12 Disclosure of Interests in Other Entities (effective for accounting periods commencing on or after 1 January 2013). IFRS 12 Disclosure of Interests in Other Entities has not yet been endorsed for use within the EU.

- IFRS 13 Fair Value Measurement (effective for accounting periods commencing on or after 1 January 2013). IFRS 13 Fair Value Measurement has not yet been endorsed for use within the EU.

- IAS 27 Separate Financial Statements (effective for accounting periods commencing on or after 1 January 2013). IAS 27 Separate Financial Statements has not yet been endorsed for use within the EU.

- IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods commencing on or after 1 January 2013). IAS 28 Investments in Associates and Joint Ventures has not yet been endorsed for use within the EU.

- IAS 19 Employee Benefits (effective for accounting periods commencing on or after 1 January 2013). IAS 19 Employee Benefits has not yet been endorsed for use within the EU.

- IFRS 9 Financial Instruments (effective for accounting periods commencing on or after 1 January 2015). IFRS 9 Financial Instruments has not yet been endorsed for use within the EU.

1. Financial risk management

1.1 Financial risk factors

The activities of the Company's subsidiaries exposes the Group to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. As a result, the Company is also exposed to the same financial risks. The Company's financial risks relate to the following financial instruments: loans and receivables, cash and cash equivalents and trade and other payables. The accounting policy with respect to these financial instruments is described above.

Risk management is carried out by the Property Manager under policies approved by the Board of Directors. The Property Manager identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board approves written principles for overall risk management, and is overseeing the development of policies covering specific areas such as foreign exchange risk and interest-rate risk. The Property Manager may call upon the services of a retained risk management consultant in order to assist with its risk assessment tasks.

Reports on risk management are produced periodically on an entity and territory level to the key management personnel of the Group and of the Company.

(a) Market risk

(i) Foreign exchange risk

Through its subsidiaries, the Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Polish Zloty, Hungarian Forint, Romanian Lei, and Bulgarian Lev, the Bulgarian Lev is pegged to the Euro at a fixed rate of exchange of 1.95583. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

In the year covered by these financial statements the Group has not entered into any currency hedging transactions. Foreign exchange risk is monitored and the cost benefits of any potential currency hedging transactions are reviewed to determine their effectiveness for the Group.

The majority of the Company's assets and liabilities are Euro-based, minimising the Company's individual exposure to foreign exchange risk. The tables below summarise the Company's exposure to foreign currency risk at 31 December 2011. The Company's financial assets and liabilities at carrying amounts are included in the table, categorised by the currency at their carrying amount.

2011:	**€'000**	**PLN'000**	**HUF'000**	**RON'000**	**Other'000**	**Total'000**
Loans receivable from subsidiaries	-	-	-	-	-	-
Trade receivables	2	-	-	-	28	30
Cash and cash equivalents	141				3	144
Total financial assets	**143**	**-**	**-**	**-**	**31**	**174**
Trade and other payables	1,158	-	-	-	343	1,501
Total financial liabilities	**1,158**	**-**	**-**	**-**	**343**	**1,501**
Net financial assets / (liabilities)	**1,301**	**-**	**-**	**-**	**374**	**1,675**

2010:	**€'000**	**PLN'000**	**HUF'000**	**RON'000**	**Other'000**	**Total'000**
Loans receivable from subsidiaries	-	-	-	-	-	-
Trade receivables	5	-	-	-	34	39
Cash and cash equivalents	202	-	-	-	1	203
Total financial assets	**207**	**-**	**-**	**-**	**35**	**242**
Trade and other payables	(2,442)	-	-	-	(249)	(2,691)
Total financial liabilities	**(2,392)**	**(50)**	**-**	**-**	**(249)**	**(2,691)**
Net financial assets / (liabilities)	**(2,185)**	**(50)**	**-**	**-**	**(214)**	**(2,449)**

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated – for example, change in interest rate and change in foreign currency rates. The Company manages foreign currency risk on an overall basis. The sensitivity analysis prepared by management for foreign currency risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

If the euro weakened / strengthened by 10% against either of the Polish Zloty, Hungarian Forint or Romanian Lei, with all other variables held constant, post-tax profit for the year would have remained the same (2010: post-tax loss for the year would have remained the same).

(ii) Price risk

Through its subsidiaries, the Company is exposed to property price and property rentals risk. It is not exposed to the market risk with respect to financial instruments as it does not hold any equity securities, other than its investment in subsidiaries.

(iii) Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets denoted in currencies other than euro, its income and operating cash flows from such assets are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from long-term receivables from subsidiaries. Loans issued at variable rates expose the Company to cash flow interest rate risk.

The Company's cash flow and fair value interest rate risk is periodically monitored by the Property Manager. The Property Manager analyses its interest rate exposure on a dynamic basis. It takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are considered including refinancing, renewal of existing positions, alternative financing and hedging. The scenarios are reviewed on a periodic basis to verify that the maximum loss potential is within the limit given by management.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values.

An increase in 100 basis points in interest yields would result in a decrease in the post-tax profit for Company for the year of €0.1 million (2010: increase in the post-tax profit for the year of €0.1 million). A decrease in 100 basis points in interest yields would result in a increase in post tax profit for the year of €0.1million (2010: decrease in post tax profit for the year of €0.1million).

(b) Credit risk

The Company's credit risk arises from cash and cash equivalents as well as credit exposures with respect to outstanding receivables from subsidiaries (note 9). Credit risk is managed on a local and Group basis and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual and more frequent review. Cash transactions are limited to high-credit-quality financial institutions. The utilisation of credit limits is regularly monitored.

As at 31 December 2011, the Company had one major counterparty, MeesPierson, which is part of the ABN AMRO Group. Given that ABN AMRO is a high-credit-quality financial institution, with a rating of A+ in 2011 and A in 2010, as well as the short-term nature of those investments, the credit risk associated with cash and cash equivalents is estimated as low.

The maximum exposure of the Company in respect of cash and cash equivalents and outstanding receivables is equal to their gross value at the balance sheet date.

(c) Liquidity risk

Prudent liquidity risk management for the Company implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Property Manager aims to maintain flexibility in funding by keeping cash and committed credit lines available.

The Company’s liquidity position is monitored on a weekly basis by the management and is reviewed quarterly by the Board of Directors.

1.2 Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s 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.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2. Critical accounting estimates and judgements

Management makes estimates and judgements concerning the future that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and various other factors that are deemed to be reasonable based on knowledge available at that time.

3. Administrative expenses

	2011 €’000	**2010 €’000**
Audit and tax services		
- Fees payable to the Group’s auditor for the audit of the Company and its consolidated financial statements	270	277
Fees payable to the Group’s auditor for the other services:		
- Non audit services – interim reviews	70	73
Incentive and management fee	1,682	1,651
Other professional fees	164	571
Utilities, services rendered and other costs	30	29
Share based payments (note 13)	-	7
Staff costs	26	114
Administrative expenses	**2,242**	**2,722**

4. Other operating income

	2011 €’000	**2010 €’000**
Reversal of impairment of investments in subsidiaries	-	3,617
Reversal of write down of loans receivable from subsidiaries	3,102	-
Write off of creditor balance	-	78
Other operating income	**3,102**	**3,695**

5. Other operating expenses

	2011 €'000	2010 €'000
Impairment of investments in subsidiaries	(40,791)	-
Write down of loans receivable from subsidiaries	-	1,081
Other operating expenses	**(40,791)**	**1,081**

6. Finance income and finance costs – net

	2011 €'000	2010 €'000
Bank and other similar charges	(1)	(1)
Interest payable on loan received from subsidiary	(11)	-
Finance costs	**(12)**	**(1)**
Bank and other similar interest	-	8
Interest receivable on shareholder loans	282	251
Finance income	**282**	**259**
Finance income, excluding foreign exchange – net	**270**	**258**
Unrealised foreign exchange gains	-	4
Unrealised foreign exchange losses	(6)	-
Realised foreign exchange gains	-	-
Realised foreign exchange losses	(2)	(20)
Other gains and (losses) – foreign exchange	**(8)**	**(16)**
Finance income, including foreign exchange – net	**262**	**242**

7. (Loss) / earnings per share

Basic (loss) / earnings per share is calculated by dividing the (loss) / profit after tax attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted (loss) / earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The difference in the number of ordinary shares between the basic and diluted (loss) / earnings per share reflects the impact were the outstanding share warrants to be exercised.

Reconciliations of the (loss)/ earnings and weighted average number of shares used in the calculations are set out below:

Year ended 31 December 2011	**Loss**	**Weighted average number of shares**	**Per share amount**
Continuing operations	**€'000**		**Eurocents**
Basic LPS			
Loss attributable to equity shareholders of the Company	(39,669)	46,852,014	(84.7)
Effect of dilutive securities			
Share warrants	-	-	-
Diluted LPS			
Adjusted loss	**(39,669)**	**46,852,014**	**(84.7)**

Year ended 31 December 2010	**Profit**	**Weighted average number of shares**	**Per share amount**
Continuing operations	**€'000**		**Eurocents**
Basic LPS			
Profit attributable to equity shareholders of the Company	134	46,852,014	0.3
Effect of dilutive securities			
Share warrants	-	-	-
Diluted LPS			
Adjusted profit	**134**	**46,852,014**	**0.3**

The outstanding share warrants exercise price exceeds current market value; therefore the warrants are not dilutive. As a result, diluted (loss) / earnings per share equals basic (loss) / earnings per share.

8. Investments in subsidiaries

	2011 €'000	**2010 €'000**
Shares in subsidiary undertakings		
Cost		
At beginning of period	189,897	189,895
Additions in year - other minor	-	2
At the end of the period	189,897	189,897
Impairment		
At beginning of period	(51,869)	(55,486)
Additions	(40,791)	-
Reversals	-	3,617
At the end of the period	(92,660)	(51,869)
As at 31 December	**97,237**	**138,028**

Investments in subsidiary undertakings are stated at cost. Cost is recognised as the nominal value of the company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

A list of principal subsidiary undertakings and joint ventures is given at note 19.

The Company has carried out an annual impairment review of the carrying values of investments and loans receivable from subsidiaries. The Company considers the best indication of value of investments and loans to subsidiaries to be the valuation reports produced by Jones Lang LaSalle, the independent valuers.

In 2011 total €40.8 million (2010: €1.1 million) has been recognised in other operating expenses and €3.1 million (2010: €3.6 million) in other operating income in respect of impairment and reversal of impairment.

The method applied to assign value to the company's investments is fair value less costs to sell and has been based on the property valuations assessed by independent experts. In assessing the value of each investment the Company has considered not only the asset value recognised in the books of the individual entities but also the valuation amount of elements held at cost. Substantially, this has resulted in the carrying values of investments and loans receivable from subsidiaries being compared to the adjusted net asset value of the group.

9. Trade and other receivables

	2011 €'000	2010 €'000
Amounts falling due within one year:		
Prepayments and accrued income	30	39
As at 31 December	**30**	**39**
Non-current – loans receivable from subsidiaries:		
Loan receivable from subsidiary	8,195	11,297
Write down of loan receivable from subsidiary	(8,195)	(11,297)
As at 31 December	**-**	**-**

All trade and other receivables are financial assets, with the exception of prepayments and accrued income.

Loans receivable from subsidiaries are interest-bearing, with interest charged at EURIBOR plus an agreed margin. These loans have agreed maturity dates in excess of five years.

The book values of trade and other receivables, other loans receivable and loans receivable from subsidiaries are considered to be approximately equal to their fair value.

For fair value considerations see note 8.
The carrying amounts of trade and other receivables are denominated in the following currencies:

	2011 €'000	2010 €'000
Euro	2	5
Other	28	34
	30	**39**

The maximum amount of exposure of the Company to credit risk at the balance sheet date approximates the total of loans receivable from subsidiaries.

10. Cash and cash equivalents

	2011 €'000	2010 €'000
Cash and cash equivalents	144	203
	144	**203**

NOTES TO THE FINANCIAL STATEMENTS

11. Trade and other payables

	2011 €'000	2010 €'000
Current		
Trade payables	(128)	(329)
Other creditors	(1,009)	(2,312)
	(1,137)	**(2,641)**
Non-current		
Loan from subsidiary	(364)	(50)
	(364)	**(50)**
Total trade and other payables	**(1,501)**	**(2,691)**

Loans payables from subsidiaries are interest-bearing, with interest charged at EURIBOR plus an agreed margin. These loans have agreed maturity dates in excess of four years.

12. Share capital account

	Number of shares	Ordinary shares - share capital account €'000	Total €'000
Authorised			
Ordinary shares of €0.01 each	100,000,000	1	**1**
Issued and fully paid			
At 1 January 2008	44,978,081	484	**484**
Issued as part settlement of the performance fee	1,430,954	4,537	**4,537**
Issued under the Scrip Dividend Offer	442,979	1,247	**1,247**
As at 31 December 2011 and 2012	**46,852,014**	**6,268**	**6,268**

During 2007, 3,470,000 ordinary shares of €0.01 each with an aggregate nominal value of €34,700 were purchased and are held in Treasury. Distributable reserves were reduced by €16,023,000, being the consideration paid for these shares.

On 11 July 2008 the Company issued 1,430,954 new ordinary shares to AMC as part settlement of the performance fee earned by AMC under the Property Management Agreement ("PMA") for the financial year ending 31 December 2007. €4,537,442 (or £3,629,953 at the agreed exchange rate of £1 equalling €1.25) was settled by the issue to AMC of 1,430,954 new ordinary shares issued as follows:

- 699,141 new ordinary shares issued at £2.6842 per ordinary share (being the price per ordinary share calculated by the formula set out in the PMA using data derived from the London Stock Exchange Daily Official List) in settlement of one third of the 2007 performance fee as Atlas is entitled to do under the terms of the PMA; and
- 731,813 new ordinary shares issued at £2.3958 per ordinary share (being the price per ordinary share calculated as the average closing price of the ordinary shares for the 45 days prior to (but not including) the date (being 15 May 2008) of the results for the first quarter of 2008).

This had been approved at the AGM held on 24 June 2008.

On 28 July 2008 the Company announced that it had issued 442,979 new ordinary shares under the Scrip Dividend Offer which had been approved at the AGM held on 24 June 2008.

13. Share based payment

On 23 February 2006 the Company executed and adopted a Warrant Instrument and thereby constituted up to 5,114,153 Warrants that were issued on 24 February 2006 conditional upon the Company's admission to AIM on 1 March 2006. This was increased by 373,965 on 20 March 2006 upon the exercise of the Greenshoe provisions of the placing agreement. The Warrants are exercisable during the period commencing on Admission to AIM and expiring on the earlier of: (i) seven years from Admission; or, (ii) upon an offer or becoming entitled to acquire the entire issued share capital of the Company. Each of the Warrant Recipients has agreed to certain restrictions on his/its ability to exercise or transfer the Warrants held by him/it.

The exercise price of each of the Warrants is £3.41 (€4.09 as at 31 December 2011). The exercise price and number of ordinary shares relating to such Warrants will be subject to adjustment in respect of dilution events, including the payment by the Company of cash or special dividends, any amalgamation, reorganisation, reclassification, consolidation, merger or sale of all or substantially all of the Group's assets and other dilutive events. The Warrants are freely transferable.

Warrants were valued using the Black-Scholes option pricing model. The fair value per warrant granted and the assumptions used in the calculation are as follows:

Grant date	24 February 2006	20 March 2006
Share price at grant date	£3.41	£3.41
Exercise price	£3.41	£3.41
Number of recipients	7	6
Warrants issued	5,114,153	373,965
Vesting period	1 - 4 years	1 - 4 years
Expected volatility	15%	15%
Option life	7 years	7 years
Expected life	7 years	7 years
Risk free rate	4.3%	4.3%
Expected dividends expressed as a dividend yield	8.29%	8.29%
Possibility of ceasing employment before vesting	Nil	Nil
Fair value per warrant option	18 eurocents	18 eurocents

The expected volatility is based on a sample of peer group companies as at the date of grant and has been supported by volatility to date. The expected life is the average expected period to exercise. The risk free rate of return is the projected forward sterling rate as at the date of grant.

The fair value of the employee services received in exchange for the grant of the warrants is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the warrants granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of warrants that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the warrants are exercised.

In 2011, the fair value of the benefit of the total warrants in issue of €nil thousand (2010: €7,000) has been charged to the income statement.

14. Other distributable reserve

The Other Distributable Reserve includes amounts relating to cancellation of share premium, shares bought back and cancelled or held in Treasury, and dividends paid.

	€'000
At 1 January 2008	202,320
Dividend paid (note 6)	(7,503)
At 31 December 2008, 2009, 2010 and 2011	**194,817**

15. Related party transactions

(a) Key management compensation

	2011	2010
	€'000	€'000
Fees for non-executive directors	26	94

The Company has appointed AMC to manage its property portfolio. In consideration of the services provided, AMC received a management fee of €1.7 million for the year ended 31 December 2011 (2010 €1.7 million). Under the agreement, AMC are entitled to a performance fee based on the increase in value of the properties over the 12 month period to 31 December 2011. No performance fee is due for the year ended 31 December 2011 (2010: €nil).

As of 31 December 2011, €0.8 million included in current trade and other payables was due to AMC (2010: €2.2 million).

(b) The loan receivable from subsidiary (Atlas Estates Investment BV) are interest bearing and the Company charged its subsidiary €0.3 million as interest (2010: €0.2 million). As at 31 December 2011 the loan balances including capitalised interest due from subsidiaries were €8.2 million (2010: €11.3 million).

(c) The loan payable from subsidiary (HGC S.A.) is interest bearing and the Company was charged €11 thousand as interest (2010: €40 as interest). As at 31 December 2011 the loan balance including capitalised interest due to subsidiary were €0.4 million (as of 31 December 2010: €50,037).

(d) The loan payable from subsidiary (Atlas Estates Antilles B.V.) is interest bearing and the Company was charged €45 thousand as interest As at 31 December 2011 the loan balance including capitalised interest due to subsidiary were €7.3 thousand.

16. Post balance sheet events

As of 20 March 2012 no post balance sheet events have been noted to disclose within these financial statements.

17. Significant Agreements

No new significant agreements have been entered into.

18. Other items

18.1 Information about court proceedings

The Company is not aware of any proceedings instigated before a court, a competent arbitration body or a public administration authority concerning liabilities or receivables of the Company, or its subsidiaries, whose joint value constitutes at least 10% the Company's net equity, except for legal proceeding against:

(a) Atlas Estates (Millennium) Sp. z o.o.

Atlas Estates Limited ("AEL") was notified by its subsidiary Atlas Estates (Millennium) Sp. z o.o. with its seat in Warsaw ("AEM") that on 20 January 2011 AEM obtained from the court an invitation for a hearing of amicable settlement concerning a claim of Reform Company Sp. z o.o. in bankruptcy proceeding for payment of the amount of 66,791,250 PLN as the compensation of the damages which were caused to Reform Company Sp. z o.o. at execution of the transaction on the sale of the Millennium Plaza building. The parties invited for the amicable settlement are: AEM, Hendrik Johannes Keilman, Anandrous B.V with its seat in Amsterdam, Hocalar B.V with its seat in Rotterdam and DIR Management B.V with its seat in Amsterdam.

AEM entered into the transaction for the purchase of the Millennium Plaza building over 3 years ago in good faith and paid the fair price for the building. Based on the advice the Board has received from its legal advisors and the evidences as indicated in the motion for the amicable settlement, it is the Board opinion that there is no material background, both factual and legal, to the above-mentioned claim.

The hearing of amicable settlement which took place on 21 February 2011 and 9 January 2012 finished without achieving amicable settlement. By not achieving the settlement the mentioned court proceeding has been finished on 9 January 2012.

At the current moment AEL is not aware of any pending legal proceeding relating to the abovementioned claim.

(b) Atlas Estates Limited and Atlas Estates Investment B.V.

Atlas Estates Limited ("AEL") was notified that on 9 March 2011 Stronginfo Consultants Ltd and Columbia Enterprises Ltd (the "Plaintiffs") have submitted to an arbitrator a statement of claim against Atlas Estates Investment B.V. with its seat in Amsterdam, the subsidiary of AEL as the primary debtor and AEL itself as the guarantor (the "Defendants") asking arbitrator to order the Defendants to provide a full and accurate accounting basis for the calculation of the Completion Consideration as defined in the agreement dated May 8, 2006 on transfer of shares from the Plaintiffs to Atlas Estates Investment B.V. and demanding payments of Completion Consideration which in the absence of any actual accounting yet was estimated by the Plaintiffs of total 55,420,000 PLN.

AEL hereby informs that at the current stage it is not able to assess the legitimacy of the claim as both legal and factual basis of the claim are subject of the investigation of the AEL's legal advisors.

There are no other material legal cases or disputes that are considered material to the financial statements that would either require disclosure or provision within the financial statements.

18.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2011.

19. Principal subsidiary companies and joint ventures

The table below lists the current operating companies of the Group. In addition, the Company and the Group owns other entities which have no operating activities. All Group companies are consolidated.

Country of incorporation	Name of subsidiary/ joint venture entity	Status	Percentage of nominal value of issued shares and voting rights held by the Company
Holland	Atlas Estates Cooperatief U.A.	Holding	100%
Holland	Atlas Estates Investment B.V.	Holding	100%
Holland	Trilby B.V.	Holding	100%
Guernsey	Atlas Finance (Guernsey) Limited	Holding	100%
Curacao	Atlas Estates Antilles B.V.	Holding	100%
Cyprus	Darenisto Limited	Holding	100%
Cyprus	Kalipi Holdings Limited	Holding	100%
Cyprus	Fernwood Limited	Holding	100%
Poland	AEP Sp. z o.o.	Management	100%
Poland	Platinum Towers AEP Spółka z organiczoną odpowiedzialnością SKA	Development	100%
Poland	Zielono Sp. z o.o.	Development	76%
Poland	Properpol Sp z o.o.	Investment	100%
Poland	Atlas Estates (Millennium) Sp. z o.o.	Investment	100%
Poland	Atlas Estates (Sadowa) Sp. z o.o.	Investment	100%
Poland	Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Grzybowska Centrum Atlas Re Project BV SK	Holding	100%
Poland	HGC S.A.	Hotel operation	100%
Poland	HPO Sp. z o.o.	Development	100%
Poland	Atlas Estates (Cybernetyki) Sp. z o.o.	Development	50%
Poland	Atlas Estates (Kokoszki) Sp. z o.o.	Investment	100%
Poland	Atlas FIZ AN	Holding	100%
Hungary	CI-2005 Investment Kft.	Development	100%
Hungary	Cap East Kft.	Investment	100%
Hungary	Felikon Kft.	Investment	100%
Hungary	Ligetváros Kft	Investment	100%
Hungary	Városliget Center Kft	Investment	100%
Hungary	Atlas Estates (Moszkva) Kft.	Investment	100%
Hungary	Atlas and Shasha Zrt	Development	50%
Romania	World Real Estate SRL	Investment	100%
Romania	Atlas Solaris SRL	Development	100%
Romania	D.N.B. - Victoria Towers SRL	Hotel operation	100%
Bulgaria	Immobul EOOD	Investment	100%