

ATLAS ESTATES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Atlas Estates Limited
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Company number: 44284

ATLAS ESTATES LIMITED

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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 12 February 2008 on the Warsaw Stock Exchange (WSE).

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 focused on managing 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 2013 €'000	Year ended 31 December 2012 €'000
Administrative expenses	(3,997)	925
Other operating income	3,544	6,995
Other operating expenses	(3,325)	-
(Loss)/ Profit from operations	(3,778)	6,070
Finance income	172	169
(Loss)/ Profit before tax	(3,658)	6,225
(Loss)/ Profit for the year	(3,658)	6,225
Net cash outflow from operating activities	(1,788)	(1,316)
Net cash from investing activities	1,788	1,480
Net increase/ (decrease) in cash and cash equivalents in the year	-	164
Non-current assets	104,224	103,056
Current assets	309	318
Total assets	104,533	103,374
Non-current liabilities	(3,133)	(518)
Current liabilities	(2,923)	(721)
Total liabilities	(6,056)	(1,239)
Net assets	98,477	102,135
Number of shares outstanding	46,852,014	46,852,014
(Loss)/ Profit per €0.01 ordinary share – basic (eurocents)	(7.8)	13.3

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Chairman's Statement

Dear Shareholders,

I am pleased to report the financial results for Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings ("the Group") for the year ended 31 December 2013.

In the current financial market conditions key priorities are enhancing liquidity and gaining access to capital. 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 of the operations.

Despite challenging environment the Group was able to achieve several key objectives:

- the residential projects that the Group is currently developing in Warsaw (*Apartamenty przy Krasińskiego*, *Concept House* and *Capital Art Apartments III & IV*) are well placed to meet the ongoing demand for quality residential property, which is demonstrated by a high level of sales and pre-sales (as presented in the Property Manager's Report on page 13). In April and July 2013 we successfully completed construction of two of the above mentioned development projects (*Concept House* and *Apartamenty przy Krasińskiego* respectively). As a result in 2013 Atlas Group realized significant gross profit of €9.1 million from the sale of apartments;
- the above described success in the development sector contributed to the full repayment of the loan facilities extended to *Apartamenty przy Krasińskiego*, *Platinum Towers* and *Concept House* projects in July, December 2013 and February 2014, respectively;
- in September 2013 we have secured financing for *Galeria Platinum Towers* located in Warsaw. The loan facility amounted to €4.3 million and it was used as a refinancing of the facility extended to *Platinum Towers* project;
- in October 2013 we have signed an amendment to the existing agreement concluded with Erste Bank based on which the repayment date of cross collateralised loan facilities was extended (as presented in the Property Manager's Report on page 11). Following this amendment the loan facilities amounting to €90.9 million were reclassified as long term bank loans improving the Group's working capital position.

Reported Results

The Company reported a loss of €3.7 million (compared to last year profit of €6.2 million). This has arisen principally from €2.9 million the incentive fee charged by the Property Manager as a result of the improvement of the Group's performance (as disclosed on page 32). Last year profit was mainly driven by the reversal of impairment of the carrying value of investments and loans receivable from subsidiaries of €7.0 million. The methodology applied by the Company with respect to the impairment review is further disclosed on page 49.

As of 31 December 2013 the Group had reported basic net assets of €76.3 million.

The increase of basic net asset value by €2.6 million (i.e. by 3%) from €73.7 million as at 31 December 2012 is primarily a result of the following movements:

- above described €9.1 million gross profit realized on the sale of apartments;
- €2.4 million bank loan write back. In the first quarter 2013 the Group reached a settlement with the bank financing its property in Bulgaria based on which the Group received €2.4 million discount on the one off repayment of the outstanding loan facility, offset by;
- €5.5 million fall of property, plant and equipment mainly due to €1.2 million adverse foreign exchange movements, €2.5 million downward revaluation and €27 million depreciation charge;
- €2.9 million incentive fee charged by the Property Manager.

Profit after tax realised by the Group amounts to €3.7 million for 2013 as compared to loss after tax of €13.0 million in 2012. This sudden improvement resulted mainly from:

- an outstanding performance in the development sector in 2013 (€9.1 million gross profit realized in 2013 as compared to €0.1 million gross profit realized in 2012);
- stabilization in the valuation of investment properties (€0.9 million decrease in value of investment properties in 2013 as compared to €19.5 million loss noted in 2012), offset by;
- a change in foreign currency exchange differences from a gain of €10.2 million in 2012 to a loss of €3.0 million in 2013. Foreign currency exchange differences (gains and losses) presented in the consolidated income statement mainly represent the unrealised foreign exchange differences on the bank loans. The foreign exchange losses

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occurred as a result of depreciation of PLN and HUF against EUR in 2013 and gains as a result of appreciation of PLN and HUF against EUR in 2012.

Financing, Liquidity and Forecasts

The Directors consider that the current outlook presents operating as well as financing challenges 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 and individual financial statements for the year ended 31 December 2013, as set out in note 1.

Investing Policy

Atlas 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.

We actively target Poland, where the economy is believed to be the most attractive amongst CEE economies.

We investment both on our 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.

We may employ leverage to enhance returns on equity. Wherever possible, the Directors intend to seek financing on a 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 shall employ a gearing ratio of up to 75% of the total value of its interest in income-generating properties within its property portfolio.

Net Asset Value ("NAV") and Adjusted Net Asset Value ("Adjusted NAV")

As of 31 December 2013, NAV per share, as reported in the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), has remained stable and amounted to €1.6 per share at 31 December 2012 and 2013. 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 remained stable at the level of €2.2 as of 31 December 2012 and €2.1 as of 31 December 2013. The stability of adjusted NAV per share is mainly attributable to the valuation and profitability of the development projects that are proving to be an attractive products offered by Atlas.

An independent valuation of the entire property portfolio is carried out on an annual basis by external experts. For the interim accounts valuations are performed partially by external experts and partially internally by the Property Manager. As of 31 December 2013 the following external independent qualified experts were engaged:

- Jones Lang LaSalle responsible for the valuation of properties located in Poland and Romania,
- FHB Ingatlan Zrt responsible for the valuation of properties located in Hungary.

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 substantially all the risks and rewards of ownership of an apartment or property are transferred to the client.

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A key indicator of performance is the adjusted net asset value of the Group. The following table sets out the impact on adjusted 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 2013 €'000	Movement In value €'000
Development land assets and land held under operating lease included in total assets at cost to the Group	41,697	64,040	22,343
Attributable to non-controlling interest partners	-	-	-
Company share of increase in valuation of development land and land held under operating lease	41,697	64,040	22,343
Deferred tax on increase in valuation of development land and land held under operating lease			(163)
Basic net asset value per balance sheet			76,297
Adjusted net asset value			98,477
Number of ordinary shares in issue at 31 December 2013			46,852,014
Adjusted net asset value per share as at 31 December 2013			2.1
Adjusted net asset value per share as at 31 December 2012			2.2

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 28.

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 16 and 17 below.

Changes in Non-executive Directors

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

Prospects

We intend to continue to invest resources and management attention in our hotels and income producing assets in order to further improve performance.

With the ongoing economic recovery in Poland we also focus on driving our sales activities in several residential projects in Warsaw as presented in the Review of the Property Manager.

Andrew Fox
CHAIRMAN
20 March 2014

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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 2013. Atlas Management Company Limited ("AMC") is the Property Manager appointed by the Company to oversee the operation and management of Atlas' portfolio and advice on new investment opportunities. At 31 December 2013, the Company held a portfolio of twenty one properties comprising twelve 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.

It could be a long road to recovery for the real estate market in Central & Eastern Europe (CEE). Before the global financial crisis, investors perceived the individual countries of the CEE more as one region, resulting in narrowing differences between the individual countries' investment markets. In reaction to the global financial crisis and the reappraising of risk, investors are increasingly tending to look at each country and its economy individually. This divergence and a search for quality have produced a mixed picture in the region, albeit since 2009 the time has been challenging for everyone.

As a result of these uncertainties and changing conditions, management has taken measures to mitigate risks across the portfolio. This has included reducing costs and staffing levels and putting on hold higher risk investment activity. Nevertheless, key development projects have been completed on time and several new developments have commenced.

Markets and Key Properties

Poland

This is the major market of operation for the Group, with 79% of the Group's portfolio located there. The Polish economy has been one of the most resilient economies in Europe with GDP growth of 1.6% in 2013 (2.0% in 2012). There had been significant increases in property prices in previous years. These were reversed in 2009, which showed significant drop in assets values. Starting at 2010 a trend of stabilisation at the lower levels of valuations was noted on the market.

Hilton Hotel, Warsaw

The Hilton Hotel in the Wola district of Warsaw is the Group's flagship asset. The hotel's performance slightly declined in 2013 as compared to 2012 mainly since 2012 was a record year for the hotel in light of the UEFA European Football Championship games that took place in Warsaw last year.

Platinum Towers

With its construction finished, 393 apartments and penthouses have been sold or presold to date and the last 3 penthouses were still available for sale at the end of 2013. This residential development alongside the Hilton Hotel provides a unique development in the city. The plan is also to build a mixed use (residential and office) tower, on the neighbouring plot, which will enhance the attractiveness of this site.

Capital Art Apartments

The Capital Art Apartments project in Warsaw is another development in the Wola district of Warsaw close to the city centre. It is a four stage development which will release 784 apartments in the city with parking and amenities, including retail facilities.

With both the first and the second stage completed, the Company has, to date, sold all of the 219 apartments in the first stage, with a further 295 out of 300 apartments in the second stage having been sold. Construction of the third stage, comprising 189 apartments, commenced in the fourth quarter of 2012 and as of 31 December 2013 the Company pre-sold 120 apartments. Construction of the fourth stage, comprising 76 apartments, commenced in the third quarter of 2013.

Concept House

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

The construction of the development is completed and as of 31 December 2013 only 39 apartments were still available for sale.

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Apartamenty przy Krasińskiego

Apartamenty przy Krasińskiego project is a development in the Żoliborz district of Warsaw. This development includes 303 apartments in the city with parking as well as amenities, including retail facilities.

The construction of the development was completed in July 2013 and as of 31 December 2013 only 38 apartments were still available for sale.

Other properties in Poland

The Group also owns two investment properties in Poland.

The Millennium Plaza is a 32,700 sqm office and retail building centrally located in Warsaw. During the last years its occupancy increased to 91% by September 2012, then the occupancy sharply decreased to 68% in December 2012 due to the loss of a major tenant. As of 31 December 2013 the occupancy ratio increased to 71% and it is expected that it will gradually increase back to its recorded levels over time.

The Sadowa office is a 6,550 sqm office building in Gdańsk. During the year its occupancy ratio increased from 92% as of 31 December 2012 to 99% as of 31 December 2013.

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 – has been classified as an asset held for sale – as disclosed in note 20 of the consolidated financial statements.

The Hungarian economy has suffered from the global credit crisis and lack of liquidity available for development projects. As a result, Atlas has stopped development activity and has experienced client losses and pricing pressures affecting its income yielding assets. In 2012 a decline in GDP of 1.7% was noted (in 2013 GDP increase of 0.2% is expected).

Romania

The Group's portfolio contains three properties in Romania, including the Golden Tulip Hotel and two significant land banks. The Romanian GDP increased by 0.7% in 2012 (GDP increase of 2.0% is expected in 2013). Despite the difficult trading conditions, occupancy rates at the Golden Tulip remained stable and amounted to 58% for 2013 (59% for 2012).

Bulgaria

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

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Financial Review

The on-going analysis of 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

An independent valuation of the entire property portfolio is carried out on an annual basis. For the interim accounts valuations are performed partially by external experts and partially internally by the Property Manager. At 31 December 2013 an independent valuation of the properties was undertaken by Jones Lang LaSalle for Polish and Romanian assets and FHB Ingatlan Zrt for Hungarian assets, acting as independent experts.

Loans

As at 31 December 2013, the Group's share of bank debt associated with the portfolio of the Group was €189.2 million (31 December 2012: €205.9 million). Loans and valuations may be analysed as follows for those periods in which valuations were undertaken:

	31 December 2013			31 December 2012		
	Loans	Valuation	Loan to Value Ratio	Loans	Valuation	Loan to Value Ratio
	€ millions	€ millions	%	€ millions	€ millions	%
Investment property	129	141	91%	115	137	84%
Hotels	58	90	64%	61	94	65%
Development property in construction	2	20	10%	13	55	24%
Other development property	-	-	0%	17	18	94%
Total	189	251	75%	206	304	68%

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2013 and 31 December 2012 due to the treatment under IFRS of land held under operating leases and development property.

In 2013 LTV ratio of investment property increased from 84% as of 31 December 2012 to 91% as of 31 December 2013 mainly due to reclassification of one Romanian property and its related loan balance from development to investment property (as disclosed in note 16) as well as a decrease in the valuation of the Millennium building due to a decrease in occupancy rate.

As of 31 December 2013 the LTV ratio of hotels amounted to 64% and remained at a similar level as compared to 31 December 2012.

The LTV ratio of development property under construction has improved significantly over the analyzed periods as a result of the repayment of facility extended to *Apartamenty przy Krasieńskiego* and *Platinum Towers* projects.

As of 31 December 2013 the LTV ratio of other development property decreased as compared to 31 December 2012 due to the above mentioned reclassification of property from development to investment property line and liquidation of one subsidiary.

The gearing ratio is 69% (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 improved as compared to 31 December 2012 (72%) mainly as a result of the outstanding performance in the development sector in 2013 (as further discussed on pages 12 and 13).

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Debt financing

New loans

On 2 September 2013 the Group obtained financing for *Galeria Platinum Towers* project located in Warsaw. The loan facility amounted to €4.3 million and is to be repaid by 30 June 2018. This facility was used as refinancing of the facility extended to *Platinum Towers* project.

Repaid loans

On 31 July 2013 and 4 December 2013 the Group fully repaid the loan facilities extended to the development projects: *Apartamenty przy Krasińskiego* and *Platinum Towers*.

On 11 February 2014 the loan facility extended to *Concept House* residential development was repaid.

Update on current status

The Group has 4 facilities that have been cross collateralised since February 2010:

1. €61.2 million (31 December 2012: €61.4 million) facility secured on the Millennium Plaza Building in Warsaw, Poland with a maturity date on 31 December 2016;
2. €3.9 million (31 December 2012: €3.9 million) facility secured on the Ligetvaros Centre in Budapest, Hungary with a maturity date on 31 December 2021;
3. €12.3 million (31 December 2012: €12.9 million) facility secured on the Voluntari land plot in Bucharest, Romania with a maturity date on 31 December 2012;
4. €13.5 million (31 December 2012: €13.5 million) facility secured on the Solaris land in Bucharest, Romania with a maturity date on 31 December 2012.

Since Romanian facilities (Voluntari and Solaris) were not paid as of 31 December 2012 all above facilities totalling €91.7million were presented as bank loans and overdrafts due within one year or on demand.

On 15 October 2013 the Group signed the amendment to the existing bank loan agreements extending repayment date of Romanian facilities to 31 December 2015. Since 15 October 2013 all above mentioned facilities totalling €90.9 million are not in default and are classified as non-current liabilities in the consolidated statement of financial position as of 31 December 2013.

Other loans

In the preparation of the consolidated financial statements for the year ended 31 December 2013, the directors have classified:

- loan facility totalling €15.7 million as bank loans and overdrafts due within one year or on demand, since covenant breaches or defaults arose on this loan. The Group is in dialogue with the bank and is discussing restructuring of this loan;
- loan facility totalling €10.6 million as bank loans and overdrafts due within one year or on demand since this facility is overdue. On 4 March 2014 the Group signed the compromise agreement with the bank, based on which the Group is obliged to repay PLN5 million and the bank is obliged not to execute any collaterals resulting from the loan facility agreement till 31 March 2014. The intention of the Group's management is to continue negotiations with the bank relating to further extension of the loan facility agreement.

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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 2013 € millions	Year ended 31 December 2012 € millions
Revenue	12.7	37.1	18.4	-	68.2	43.1
Cost of operations	(6.0)	(28.0)	(11.6)	-	(45.6)	(28.1)
Gross profit	6.7	9.1	6.8	-	22.6	15.0
Administrative expenses	(1.2)	(0.4)	(3.1)	(5.5)	(10.2)	(7.7)
Gross profit less administrative expenses	5.5	8.7	3.7	(5.5)	12.4	7.3
Gross profit %	53%	25%	37%	n/a	33%	35%
Gross profit less administrative expenses %	43%	23%	20%	n/a	18%	17%

Revenue

Total revenues for year ended 31 December 2013 were €68.2 million compared to €43.1 million for the year ended 31 December 2012. The Group's principal revenue streams are 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 cyclicity of yielded income or results is also highly diversified.

Development Properties

	12 months period ended 31 December 2013 € millions	12 months period ended 31 December 2012 € millions	Total change 2013 v 2012 € millions	Translation foreign exchange effect € millions	Operational change 2013 v 2012 € millions
Revenue	37.1	9.0	28.1	-	28.1
Cost of operations	(28.0)	(8.9)	(19.1)	-	(19.1)
Gross profit	9.1	0.1	9.0	-	9.0
Administrative expenses	(0.4)	(0.5)	0.1	-	0.1
Gross profit less administrative expenses	8.7	(0.4)	9.1	-	9.1

Proceeds from the sale of residential apartments developed by the Group are only recognised when apartments have been handed over to new owners with notarial deed signed. At this moment the economic risks and rewards are transferred to the new owner and in accordance with the Group's accounting policy, the revenue and associated costs of these apartment are recognised in the income statement. Please note that for:

- *Concept House* and *Apartamenty przy Krasińskiego* projects construction was finalized in 2013 and the Group recognized sales and associated costs in the consolidated income statement as the above mentioned criteria have been met;
- *Capital Art Apartments III* project no sales and associated costs have been recognized in the income statement as the project is under construction.

The increase in gross profit realised in the year ended 31 December 2013 as compared to the same period in 2012 is mainly a result of sharp increase in a number of apartments sold. As presented in the table below in 2013 the Group managed to complete the sale of 319 apartments (in *Apartamenty przy Krasińskiego*, *Concept House*, *Platinum Towers* and *Capital Art Apartments I&II* projects), whereas in 2012 the revenues from the sale of 42 apartments were recognized.

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Apartment sales in Warsaw

	CAA stage 1	CAA stage 2	CAA stage 3	Platinum Towers	Concept House	Apartamenty przy Krasieńskiego	Total
Total apartments for sale	219	300	189	396	160	303	1,567
Sales completions in 2008-2011	216	250	-	383	-	-	849
Sales completions in 2012	-	37	-	5	-	-	42
Sales completions in 2013	1	6	-	4	53	255	319
Total sales completions	217	293	-	392	53	255	1,210
Sales not completed as of 31 Dec 2013 (only preliminary agreements concluded)	2	2	120	1	68	10	203
Apartments available for sale as of 31 Dec 2013	-	5	69	3	39	38	154

Property Rental

	12 months period ended 31 December 2013 € millions	12 months period ended 31 December 2012 € millions	Total change 2013 v 2012 € millions	Translation foreign exchange effect € millions	Operational change 2013 v 2012 € millions
Revenue	12.7	13.9	(1.2)	(0.1)	(1.1)
Cost of operations	(6.0)	(6.4)	0.4	0.1	0.3
Gross profit	6.7	7.5	(0.8)	-	(0.8)
Administrative expenses	(1.2)	(1.1)	(0.1)	-	(0.1)
Gross profit less administrative expenses	5.5	6.4	(0.9)	-	(0.9)

In the twelve months of 2013 the gross margin realized by the Property Rental segment decreased as compared to the twelve months of 2012 mainly as a result of lower occupancy ratio in Millennium in 2013.

Hotel operations

	12 months period ended 31 December 2013 € millions	12 months period ended 31 December 2012 € millions	Total change 2013 v 2012 € millions	Translation foreign exchange effect € millions	Operational change 2013 v 2012 € millions
Revenue	18.4	20.2	(1.8)	-	(1.8)
Cost of operations	(11.6)	(12.8)	1.2	-	1.2
Gross profit	6.8	7.4	(0.6)	-	(0.6)
Administrative expenses	(3.1)	(3.2)	0.1	-	0.1
Gross profit less administrative expenses	3.7	4.2	(0.5)	-	(0.5)

EURO 2012 the Football Championships that took place in Warsaw in June 2012 contributed to the outstanding performance of Hilton in 2012. In 2013 the hotel operations declined mainly due to decrease in average daily rate per room and decrease in additional income from the organization of special events.

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Cost of operations

Cost of operations was €45.6 million in the year ended 31 December 2013, compared to €28.1 million in 2012. €17.5 million of this increase is principally due to higher number of apartments handed over (31 December 2013: 319 apartments) as compared to 2012 (31 December 2012: 42 apartments).

Administrative expenses

Administrative expenses increased by €2.4 million (i.e. by 31%) mainly due to €2.9 million property manager incentive fee charged in 2013 in accordance with the Property Manager Agreement (see details on page 32).

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 increase of other operating income by €0.9 million is mainly due to a €0.6 million refund of VAT that had been expensed in previous years.

The increase of the other operating expenses by €1.4 million is mainly due to €1.6 million of impairment of property, plant and equipment recognised in 2013. The impairment increase results mainly from €1.6 million tangible assets write off (associated with liquidated subsidiary).

Valuation movement

As of 31 December 2013 the decrease of the market value of all investment properties portfolio was only €1.8 million (i.e. 1%) as compared to 31 December 2012. This has been reflected by €0.9 million decrease presented as "decrease in value of investment properties" in the Income Statement, €2.0 million decrease of "other reserves (exchange adjustments)" in the Balance Sheet, offset by €1.1 million capitalized subsequent expenditures. The market value of investment properties expressed in EURO remained comparable and the actual decrease in the accounting records of the subsidiaries was also marginal due to fact that local currencies insignificantly weakened against EURO in 2013 (by 1%-2% as presented in the table on page 15).

As of 31 December 2012 the decrease of the market value of all investment properties portfolio was significant and amounted to €8.9 million (i.e. 6%) as compared to 31 December 2011 mainly due to decrease in the occupancy ratio in Millennium Plaza. The total decrease in the valuation of investment properties has been reflected by €18.9 million decrease presented as "decrease in value of investment properties" in the Income Statement, offset by €9.7 million gains in "other reserves (exchange adjustments)" in the Balance Sheet. The significant movements in other reserves resulted from the fact that local currencies significantly appreciated against EURO in 2012 (by 6%-7% as presented in the table on page 15).

Finance income and costs

Finance income increased by €2.7 million primarily due to the €2.4 million bank loan write off. In the first quarter 2013 the Group reached a settlement with the bank financing its property in Bulgaria based on which the Group received €2.4 million discount on the one off repayment of the outstanding loan facility.

The income statement includes finance costs of €6.1 million for the year ended 31 December 2013, compared with €7.6 million in comparative period in 2012, representing mainly interests on bank loans and related bank charges. The decline is mainly attributable to decrease of margin on Romanian land loans, decrease of EURIBOR rates on several loan facilities and repayment of loan facilities on several development projects (*Apartamenty przy Krasińskiego, Platinum Towers*).

Foreign exchange

The fluctuations in exchange rates in the underlying currencies in the countries in which the Group operates and owns assets have resulted in significant foreign exchange differences.

In the year ended 31 December 2013 the Group reported exchange losses of €3.0 million as compared to €10.2 million gains in 2012. €2.0 million out of €3.0 million foreign exchange losses noted in 2013 was due to the unrealised foreign exchange losses on EUR denominated bank loans in Polish, Hungarian and Romanian subsidiaries. The foreign exchange losses occurred as a result of depreciation of PLN, HUF and RON against EUR in 2013.

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In the year ended 31 December 2012 the Group reported exchange gains of €10.2 million. €10.0 million out of €10.2 million foreign exchange losses noted in 2012 was due to the unrealised foreign exchange gains on EUR denominated bank loans in Polish, Hungarian and Romanian subsidiaries. The foreign exchange profits occurred as a result of appreciation of PLN and HUF against EUR in 2012.

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.

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2013	4.1472	296.91	4.4847	1.95583
31 December 2012	4.0882	291.29	4.4287	1.95583
% Change	1%	2%	1%	0%
Average rates				
Year 2013	4.1975	296.62	4.4633	1.95583
Year 2012	4.1850	289.42	4.4895	1.95583
% Change	0%	2%	-1%	0%

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2012	4.0882	291.29	4.4287	1.95583
31 December 2011	4.4168	311.13	4.3197	1.95583
% Change	-7%	-6%	2%	0%
Average rates				
Year 2012	4.1850	289.42	4.4895	1.95583
Year 2011	4.1198	279.21	4.2379	1.95583
% Change	2%	4%	6%	0%

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 unless where an increase represents the reversal of previously recognized deficit below cost.

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

	NAV 2013 € millions	NAV per share 2013 €	NAV 2012 € millions	NAV per share 2012 €
Basic NAV	76.3	1.6	73.7	1.6
Development land valuation increase	22.3	-	29.6	-
Deferred tax	(0.1)	-	(0.8)	-
Adjusted NAV	98.5	2.1	102.5	2.2

Notes:

The number of shares in issue as at 31 December 2013 and 2012 is 46,852,014.

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The Property Manager's basic and performance fees are determined by the adjusted NAV. For the twelve months to 31 December 2013 the combined fee payable to AMC by the Group was €4.4 million (€1.9 million to 31 December 2012).

Ongoing activities

During the year ended 31 December 2013, the Group 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 to control and reduce construction costs at its development projects, particularly in the light of global variations in commodity prices. 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

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 and 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 Manager 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 affect the business.

An impact of the economic uncertainty are the fluctuations 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. 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.

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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 local market knowledge and expertise. Good progress has been made with the sales of key development projects in Warsaw (*Apartamenty przy Krasińskiego* and *Concept House*), *Capital Art Apartments* (the second and third stage) and *Platinum Towers*. In April and July 2013 the constructions of *Concept House* and *Apartamenty przy Krasińskiego* were successfully completed.

Reuven Havar
Chief Executive Officer
Atlas Management Company Limited
20 March 2014

Ziv Zviel
Chief Financial Officer and Chief Operations 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 3 rd quarter of 2009 with two residential towers and a piazza. Location close to the central business district in Wola area of Warsaw.	100%
Atlas Estates Tower (former name: Platinum Towers – offices)	Land with zoning for an office/residential tower planned over 42 floors.	100%
Galeria Platinum Towers	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	784 apartments four stage development with Stage 1 completed in 4 th quarter 2008 with all apartments sold. Stage 2 with the construction of 300 apartments completed in 2009, out of which 293 were already sold. Construction of stages 3 and 4 commenced in 4 th quarter 2012 and 3 rd quarter 2013. Location close to the central business district in Wola area of Warsaw.	100%
Apartamenty przy Krasińskiego	Residential project in Warsaw. The construction was completed in July 2013. The project released 303 apartments out of which 265 were sold till 31 December 2013.	100%
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	The construction of this residential project was completed in April 2013. Location in Mokotow district close to the central business district of Warsaw. As of 31 December 2013 only 39 apartments out of 160 apartments were still available for sale.	50%
Sadowa project	6,550 square meters office building with 99% occupancy close to the city centre of Gdansk.	100%
Kokoszki, Gdansk	431,591 square meters plot in Gdansk with zoning for construction of 125,000 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 16 th district, a suburban area of Budapest	100%
Metropol Office Centre	7,600 square meters office building in the 13 th 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 13 th 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 7 th district, a central district in Budapest.	100%
Varosliget Centre	12,000 square meters plot in the 7 th district in central Budapest, with zoning for a mixed use development of 31,000 gross square meters.	100%

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Location/Property	Description	Company's ownership
Moszkva Square	600 square meters of office and retail space in the Buda district of Budapest.	100%
Romania		
Voluntari	86,861 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%

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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

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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 Bachelor's 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 and
Chief Operations 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.

* On 27 January 2014 Mr Ron Izaki resigned his position as Director of Atlas Management Company Limited. On 14 February 2014 Mr Eran Rabinovitz was appointed as Non-executive Director.

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Directors' Report

The Directors present their report and the audited financial statements for the twelve months ended 31 December 2013.

Results and dividends

The results for the Company for the year are set out in the statement of comprehensive income on page 35 and show a loss after tax attributable to equity shareholders of €5.9 million (2012: profit after tax of €6.2 million).

The Company has not declared a dividend for 2013 (2012: €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. 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 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 7 and the Review of the Property Manager on pages 8 to 17.

There were no significant changes in the Company's organisational structure in the year ended 31 December 2013. A list of the operating subsidiaries of the Company subject to consolidation is included within note 19 of the financial statements of this report, on page 53.

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, whose economy is believed to be the most attractive amongst CEE economies.

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. Wherever possible, the Directors intend to seek financing on a 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 shall employ a gearing ratio of up to 75% of the total value of its interest in income-generating properties within its property portfolio.

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. 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 two aspects: firstly, the Group diversifies the type of investment (e.g. residential development, office, commercial, etc.); and secondly, 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.

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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 8 to 17.

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 44 to 46.

Going concern

As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment still continues to present a lot of challenges for the Group.

The Directors believe 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 2013 the Group held land and building assets with a market value of €256.3 million, compared to external debt of €192.7 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 repossession by the bank in case of a default of loan terms would clear the outstanding debt and not result in additional financial 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 individual and consolidated financial statements for the year ended 31 December 2013, the directors have taken into account the status of current negotiations on loans. These are disclosed in the consolidated financial statements.

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 individual and consolidated financial statements for the year ended 31 December 2013.

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Substantial shareholdings

As of 17 February 2014, 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 Shares held	Percentage of Issued Share Capital
HSBC Client Holdings Nominee (UK) Limited <636167>	34,986,124	74.67
Forest Nominees Limited <GC1>	6,536,925	13.95
Euroclear Nominees Limited <EOCO1>	5,030,646	10.74
TOTAL	46,553,695	99.36

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 20.

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 to 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 31 to 32. No other Director had, during the accounting year or in the period to 20 March 2014, 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.

ATLAS ESTATES LIMITED

Auditors

The Directors confirm that as at 20 March 2014:

- 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 29 July 2013 during the Annual General Meeting it was resolved that the partnership BDO LLP were to be reappointed as the auditor of the financial reports of the Company for the year 2013.

The consolidated financial statements of the Group for 2013 were audited by BDO LLP on the basis of an engagement letter concluded on 29 August 2013. The consolidated financial statements of the Group for 2012 were audited by BDO LLP on the basis of an engagement letter concluded on 19 December 2012.

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:

	2013	2012
	€'000	€'000
Audit of individual and consolidated annual financial statements	151	248
Review of interim individual and consolidated financial statements	34	44
Tax services	-	21
Other compliance services	-	16
Total	185	329

Annual General Meeting

The Annual General Meeting is planned to be held in the period June-July 2014. Detailed timing and agenda will be communicated separately in accordance with WSE regulations.

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:

Atlas Estates Limited and Atlas Estates Investment B.V.

Atlas Estates Limited ("AEL") was notified on 9 March 2011 that 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 the 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 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 consolidated financial information that would either require disclosure or provision within the financial information.

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Significant Agreements

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

Agreement of 24 September 2013, between Capital Art Apartments AEP Sp. z o.o. SKA, Zielono AEL Sp. zo.o. SKA and Unibep S.A.

On 24 September 2013 a general contractor agreement was signed between the Company's subsidiary Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, Zielono AEP Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna and Unibep S.A. ("General Contractor") for the construction of multi-apartment residential building (Capital Art Apartment – the fourth stage) in Warsaw. The total value of the contract amounts to PLN 13.5 million (excluding VAT). The completion of the General Contractor obligation shall occur on 6 August 2015.

Agreement of 6 September 2012, between Capital Art Apartments AEP Sp. z o.o. SKA and Unibep S.A.

On 6 September 2012 a general contractor agreement was signed between the Company's subsidiary Capital Art Apartments AEP Sp. z o.o. SKA and Unibep S.A. for the construction of multi-apartment residential buildings (*Capital Art Apartments, Stage III*) in Warsaw. Total value of the contract amounts to PLN 38.3 million (excluding VAT).

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 (*Apartamenty przy Krasieńskiego*) in Warsaw. Total value of the contract amounts to PLN 60.6 million (excluding VAT).

Details of the bank financing agreements are disclosed as required in note 24 to the financial statements.

Related party transactions

Related party transactions are stated within note 15 of the financial statements of this report.

Credit and loan facilities, guarantees and sureties

Key changes in credit and loan facilities are presented in Review of Property Manager Report on page 11.

Guarantees and sureties – changes in 2013

On 18 January 2013 the following registered and financial pledge agreements were executed with Österreichische Volksbanken AG ("Bank") and HGC AEP Spółka z ograniczoną odpowiedzialnością S.K.A ("Borrower") in fulfilment of the Borrower's obligations towards Bank resulting from the loan agreement:

1) registered and financial pledge agreement executed between the Bank and Atlas FIZ AN (the subsidiary of Atlas Estates Limited) over the 28,081,200 shares in the share capital of the Borrower, of the nominal value 1 PLN each share, of the joint nominal value of 28,081,200 PLN constituting 99.99% shares in the share capital of the Borrower, being the ownership of Atlas FIZ AN; the pledge secures repayment of the Loan Agreement up to the maximum amount of 70,000,000 EUR; the book value of the pledged shares equals 200,373,402.60 PLN;

2) registered and financial pledge agreement executed between the Bank and Gretna Investments Sp. z o.o. with its registered seat in Warsaw ("Gretna", the subsidiary of Atlas Estates Limited) over 2,800 registered shares in the share capital of the Borrower, of the nominal value of 1 PLN each share, of joint nominal value of 2,800 PLN, constituting 0.01% shares in the share capital of the Borrower, being the ownership of Gretna; the pledge secures repayment of the Loan Agreement up to the maximum amount of 70,000,000 EUR; the book value of the pledged shares equals to 19,979.40 PLN;

3) registered and financial pledge agreement executed between the Bank and Atlas Estates Investment B.V. (the subsidiary of Atlas Estates Limited) with its registered seat in Amsterdam over 100 equal shares in the share capital of Gretna, of the nominal value of 50 PLN each share, of joint nominal value of 5,000 PLN, constituting 100% of the shares in the share capital of Gretna, being the ownership of Atlas Estates Investment B.V. with its registered seat in Amsterdam; the pledge secures repayment of the Loan Agreement up to the maximum amount of 70,000,000 EUR; the book value of the pledged shares equals to 15,464.75 PLN;

4) registered and financial pledge agreement executed between the Bank and Gretna over financial receivables of Gretna being the general partner in the Borrower; the pledge secures repayment of the Loan Agreement up to the maximum amount of 70,000,000 EUR; the book value of the pledged rights constitutes 0,0036% of the Borrower's profits; (jointly "Pledge Agreements") At the day of signing of the Pledge Agreements total outstanding payment from the Loan Agreement equals 57,712,141.23 EUR.

ATLAS ESTATES LIMITED

Guarantees and sureties – changes in 2012

Capital Art Apartments Sp. z o.o. SKA

On 21 December 2012 a bank loan agreement was signed between Capital Art Apartments Sp. z o.o. SKA ("Capital Art Apartments"), a company in which AEP Sp. z o.o. and Atlas FIZ AN holds 100% of the shares, and Bank Zachodni WBK S.A. Capital Art Apartments Sp. z o.o. SKA, AEP Sp. z o.o and Atlas FIZ AN are the subsidiaries of Atlas Estates Limited. This loan provides financing for the third stage of Capital Art Apartments project.

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 Capital Art Apartments and (ii) all the shares in the share capital of Capital Art Apartments;
- the assignment of certain receivables due to Capital Art Apartments in connection with the project;
- a subordination agreement;
- statement of Capital Art Apartments of voluntary submission to execution pursuant to Art. 97 of the Banking Law up to the amount of 200% of the loan;
- submission to execution granted by Atlas FIZ AN in favour of the Bank in accordance with 777 of Polish Procedure Code; and
- a cost overrun guarantee agreement relating to the project executed between Capital Art Apartments, shareholder of the general partner of Capital Art Apartments and other entity having direct or indirect control over Capital Art Apartments and bank pursuant to which the shareholders agreed to act as guarantors for the payment of Capital Art Apartments' liability to cover cost overruns amounting to up to 10% of the project costs.

ATLAS ESTATES LIMITED

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. 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. The exceptions from applying the Code of Best Practise is as follows:

- Rules specified in part I point 1 and in part I point 1.9 as well as part IV point 10;

The Company pursues a transparent information policy using traditional and modern technologies to communicate with the capital market community. However the Company does not present the information in the exact manner recommended by the WSE. Notwithstanding the above, in the Company's opinion, the Company's website contains all the required and necessary information.

The Company does not provide on-line transmissions of general meetings over the Internet and does not record the general meetings. The reason for this is the fact that all the shareholders entitled to participate in the general meetings can appoint proxies to act on their behalf and vote at the general meetings according to their instructions. Therefore, in the opinion of the Company, there is no need to record and broadcast the general meetings. If the Company's shareholders decide to attend the general meetings in person in the future, the Company will consider to ensure that such meetings are recorded and broadcast on its website.

- Rules specified in part III;

The Company's compliance with these principles is limited by the differences between Guernsey and Polish legal systems according to which there is no Supervisory Board function in Guernsey legal system. The Company is managed by the Board of Directors and the external management function provided by the Property Manager.

Structure and membership of the Company's Board

The Board of Directors comprises the non-executive Chairman and two further non-executive Directors. In 2013 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 the 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.

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

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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

No. of meetings in the year	Board	Committee meetings
	13	Audit 3
Mr Andrew Fox	12	2
Mr Mark Chasey	11	3
Mr Guy Indig	9	3

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. Additionally it employs Chief Executive Officer and Chief Financial Officer who on daily basis are engaged in the management of the Group. 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 controls

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

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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.

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 questions can be raised.

Throughout the year meetings are held with the Company's brokers and other corporate advisors to feedback 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 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
Chairman

Mark Chasey
Director

Guy Indig
Director

20 March 2014

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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		2013
		€
Non-executive Directors		
Mr Andrew Fox		17,000
Mr Mark Chasey		17,000
Total		34,000

Table 6 – Directors' emoluments – representing fees only		2012
		€
Non-executive Directors		
Mr Andrew Fox		13,500
Mr Mark Chasey		13,500
Total		27,000

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% 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 €1.5 million for the year ended 31 December 2013 (2012: €1.9 million).

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Performance fee

In addition, AMC will receive a performance fee payable if the Total Shareholder Return (means the sum of the growth in adjusted NAV per ordinary share plus an amount equal to the aggregate dividends or other distributions per ordinary share declared or paid in respect of such accounting period expressed as a percentage of the adjusted NAV per ordinary share at the end of the previous accounting period) 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% 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 year ended 31 December 2013 was €2.9 million (2012: €nil million).

Term and Termination

The Property Management Agreement was to run for an initial seven year term from 24 February 2006. Since the Company did not serve notice to Property Manager by 28 August 2012, the Agreement continues indefinitely after 24 February 2013. Currently the Agreement may be terminated on 12 months’ notice by either party.

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 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 were exercisable during the period commencing on Admission to AIM and expiring on the earlier of: (i) seven years from Admission i.e. on 28 February 2013; or, (ii) upon an offer or becoming entitled to acquire the entire issued share capital of the Company. Since the first criteria is met, it is assumed that all warrants expired.

The exercise price of each of the Warrants was £3.41 and none of the warrants were exercised since their issue date.

Approval

The Board approved the Remuneration Report without amendment. This report was approved by the Board of Directors on 20 March 2014 and signed on its behalf by:

Andrew Fox
Chairman
20 March 2014

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 2014

ATLAS ESTATES LIMITED

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 2013 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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') as adopted by the European Union.

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 Financial Reporting Council'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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; 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.

Ian Clayden (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
20 March 2014

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

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STATEMENT OF COMPREHENSIVE (LOSS)/ INCOME

For the year ended 31 December 2013

	2013 €'000	2012 €'000	Notes
Revenues	-	-	
Cost of operations	-	-	
Gross profit	-	-	
Administrative expenses	(3,997)	(925)	3
Other operating income	3,544	6,995	4
Other operating expenses	(3,325)	-	5
(Loss)/ Profit from operations	(3,778)	6,070	
Finance income	172	169	6
Finance costs	(52)	(14)	6
Other (losses) and gains – foreign exchange	-	-	6
(Loss)/ Profit before taxation	(3,658)	6,225	
Tax expense	-	-	
(Loss)/ Profit for the year	(3,658)	6,225	
Total comprehensive (loss)/ income for the year	(3,658)	6,225	
(Loss)/ Profit per €0.01 ordinary share - basic (eurocents)	(7.8)	13.3	7
(Loss)/ Profit per €0.01 ordinary share - diluted (eurocents)	(7.8)	13.3	7

All amounts relate to continuing operations.

The notes on pages 39 to 53 form part of these financial statements.

ATLAS ESTATES LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	2013 €'000	2012 €'000	Notes
ASSETS			
Non-current assets			
Investment in subsidiaries	104,224	103,056	8
Loans receivable from subsidiaries	-	-	9
	104,224	103,056	
Current assets			
Trade and other receivables	1	10	9
Cash and cash equivalents	308	308	10
	309	318	
TOTAL ASSETS	104,533	103,374	
Non-current liabilities			
Other payables	(3,133)	(518)	11
	(3,133)	(518)	
Current liabilities			
Trade and other payables	(2,923)	(721)	11
	(2,923)	(721)	
TOTAL LIABILITIES	(6,056)	(1,239)	
NET ASSETS	98,477	102,135	
EQUITY			
Share capital account	6,268	6,268	12
Other distributable reserve	194,817	194,817	14
Accumulated loss	(102,608)	(98,950)	
TOTAL EQUITY	98,477	102,135	

The notes on pages 39 to 53 form part of these financial statements. The financial statements on pages 35 to 53 were approved by the Board of Directors on 20 March 2014 and signed on its behalf by:

Andrew Fox
Chairman

Mark Chasey
Director

Guy Indig
Director

20 March 2014

ATLAS ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Share capital account	Other reserves	Accumulated loss	Total
	€'000	€'000	€'000	€'000
As at 1 January 2012	6,268	194,817	(105,175)	95,910
Total comprehensive income for the year	-	-	6,225	6,225
As at 31 December 2012	6,268	194,817	(98,950)	102,135
Total comprehensive income for the year	-	-	(3,658)	(3,658)
As at 31 December 2013	6,268	194,817	(102,608)	98,477

The notes on pages 39 to 53 form part of these financial statements.

ATLAS ESTATES LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2013

	Year ended 31 December 2013 €'000	Year ended 31 December 2012 €'000	Notes
(Loss)/ Profit for the year	(3,658)	6,225	
Adjustments for:			
Effects of foreign currency	-	-	
Finance costs	50	12	
Finance income	(172)	(169)	
Profit on assignment of loan receivable	(2,376)	-	
Reversal of impairment on investments	(1,168)	(5,819)	
Impairment/ (Reversal of impairment) against loans receivables from subsidiaries	3,325	(1,169)	
	(3,999)	(920)	
Changes in working capital			
Decrease in trade and other receivables	9	20	
Decrease/ (Increase) in trade and other payables	2,202	(416)	
Net cash outflow from operating activities	(1,788)	(1,316)	
Investing activities			
New loans advanced to subsidiaries	(222)	(1,117)	
Repayment of loans with subsidiary undertakings	2,010	2,597	
Net cash from investing activities	1,788	1,480	
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	-	164	
Effect of foreign exchange rates	-	-	
Net decrease in cash and cash equivalents in the year	-	164	
Cash and cash equivalents at the beginning of the year	308	144	
Cash and cash equivalents at the end of the year	308	308	
Cash and cash equivalents			
Cash at bank and in hand	308	308	10
Bank overdrafts	-	-	
	308	308	10

The notes on pages 39 to 53 form part of these financial statements.

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

Year ended 31 December 2013

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 still continues to present a lot of challenges for the Company and its management. As a result the Company has reported a loss for the year of €3.7 million compared to prior year profit of €6.2 million.

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 2013 the Group held land and building assets with a market value of €250.6 million, compared to external debt of €189.2 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 repossession by the bank in case of a default of loan terms would clear the outstanding debt and not result in additional financial 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 2013, 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.

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 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 development 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 2013, as set out in note 1.

The financial statements present the individual financial data of the Company for the year ended 31 December 2013. 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 2013.

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.

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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 2013	4.1472	296.91	4.4847	1.95583
31 December 2012	4.0882	291.29	4.4287	1.95583
% Change	1%	2%	1%	0%
Average rates				
Year 2013	4.1975	296.62	4.4633	1.95583
Year 2012	4.1850	289.42	4.4895	1.95583
% Change	0%	2%	-1%	0%

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

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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 2012 and 2013, 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.

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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 the International Financial Reporting Interpretations Committee (IFRIC), are also effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position for the current reporting period:

- IAS 19 'Employee Benefits'.
- Amendment to IAS1 'Presentation of Items of Other Comprehensive Income'.
- Amendment to IAS12 'Deferred Tax: Recovery of Underlying Assets'.
- Amendment to IFRS 7 'Disclosures - Offsetting Financial Assets and Financial Liabilities'.
- Amendment to IFRS 1 'Government Loans'.
- Annual Improvements to IFRSs (2009-2011 Cycle) - Minor amendments to various accounting standards, effective for periods beginning on or after 1 January 2013 onwards.
- IFRS 13 'Fair Value Measurement'. IFRS 13 did not materially affect any fair value measurements of the Group's assets or liabilities, with changes being limited to presentation and disclosure, and therefore has no effect on the Group's financial position or performance. In addition, IFRS 13 is to be applied prospectively and therefore comparative disclosures have not been presented.

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:

- IFRS 10 'Consolidated Financial Statements'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).
- IFRS 11 'Joint Arrangements'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).
- IFRS 12 'Disclosure of Interests in Other Entities'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).
- Amendments to IFRS 10, IFRS 11 and IFRS 12 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance'. This amendment has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).
- IAS 27 'Separate Financial Statements'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).
- IAS 28 'Investments in Associates and Joint Ventures'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).
- Amendment to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.

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- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities' (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.
- IFRS 9 'Financial Instruments' (effective date for accounting periods is to be confirmed). This amendment has not yet been endorsed for use in the EU.
- Amendment to IAS 36 'Recoverable amounts disclosures for non-financial assets' (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.
- Amendment to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.
- IFRIC 21 'Levies' (effective for accounting periods beginning on or after 1 January 2014). This amendment has not yet been endorsed for use in the EU.
- Amendment to IAS 19 'Defined Benefit Plans: Employee Contributions' (effective for accounting periods beginning on or after 1 July 2014). This amendment has not yet been endorsed for use in the EU.
- Annual Improvements to IFRSs (2010-2012 Cycle) Minor amendments to various accounting standards, effective for periods beginning on or after 1 July 2014 onwards. These amendments have not yet been endorsed for use in the EU.
- Annual Improvements to IFRSs (2011-2013 Cycle) Minor amendments to various accounting standards, effective for periods beginning on or after 1 July 2014 onwards. These amendments have not yet been endorsed for use in the EU.

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NOTES TO THE FINANCIAL STATEMENTS

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 2013. The Company's financial assets and liabilities at carrying amounts are included in the table, categorised by the currency at their carrying amount.

2013	€'000	PLN'000	Other'000	Total'000
Trade receivables	1	-	-	1
Cash and cash equivalents	308	-	-	308
Total financial assets	309	-	-	309
Trade and other payables	(6,056)	-	-	(6,056)
Total financial liabilities	(6,056)	-	-	(6,056)
Net financial assets / (liabilities)	(5,747)	-	-	(5,747)
2012	€'000	PLN'000	Other'000	Total'000
Trade receivables	10	-	-	10
Cash and cash equivalents	246	61	1	308
Total financial assets	256	61	1	318
Trade and other payables	1,210	-	29	1,239
Total financial liabilities	1,210	-	29	1,239
Net financial assets / (liabilities)	1,466	61	30	1,557

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

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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 (2012: 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 loss for Company for the year of €0.1 million (2012: 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 an increase in post tax loss for the year of €0.1 million (2012: 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 2012, 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 2012 and 2013, 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.

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(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

	2013	2012
	€'000	€'000
Audit and tax services		
- Fees payable to the Group's auditor for the audit of the Company and its consolidated financial statements	(100)	(206)
Fees payable to the Group's auditor for the other services:		-
- Non audit services – interim reviews	(34)	(44)
Incentive and management fee	(3,709)	(1,019)
Management fee recharged to subsidiary	-	917
Legal and other professional fees	(98)	(524)
Insurance cost	(22)	(22)
Staff costs	(34)	(27)
Administrative expenses	(3,997)	(925)

4. Other operating income

	2013	2012
	€'000	€'000
Reversal of impairment of investments in subsidiaries	1,168	5,819
Reversal of impairment of loans receivable from subsidiaries	-	1,169
Profit on assignment of loan receivable	2,376	-
Other	-	7
Other operating income	3,544	6,995

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5. Other operating expenses

	2013 €'000	2012 €'000
Impairment of loans receivable from subsidiaries	(3,325)	-
Other operating expenses	(3,325)	-

6. Finance income and finance costs – net

	2013 €'000	2012 €'000
Bank and other similar charges	(2)	(2)
Interest payable on loan received from subsidiary	(50)	(12)
Finance costs	(52)	(14)
Interest receivable on shareholder loans	172	169
Finance income	172	169
Finance income, excluding foreign exchange – net	120	155
Unrealised foreign exchange gains	-	-
Unrealised foreign exchange losses	-	-
Realised foreign exchange gains	-	-
Realised foreign exchange losses	-	-
Other gains and (losses) – foreign exchange	-	-
Finance income, including foreign exchange – net	120	155

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.

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

Year ended 31 December 2013	Loss	Weighted average number of shares	Per share amount
Continuing operations	€'000		Eurocents
Basic LPS			
Loss attributable to equity shareholders of the Company	(3,658)	46,852,014	(7.8)
Diluted LPS			
Adjusted loss	(3,658)	46,852,014	(7.8)

Year ended 31 December 2012	Profit	Weighted average number of shares	Per share amount
Continuing operations	€'000		Eurocents
Basic EPS			
Profit attributable to equity shareholders of the Company	6,225	46,852,014	13.3
Effect of dilutive securities			
Share warrants	-	-	-
Diluted EPS			
Adjusted earnings	6,225	46,852,014	13.3

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

	2013 €'000	2012 €'000
Shares in subsidiary undertakings		
<i>Cost</i>		
At beginning of period	189,897	189,897
Additions in year	-	-
At the end of the period	189,897	189,897
<i>Impairment</i>		
At beginning of period	(86,841)	(92,660)
Additions	-	-
Reversals	1,168	5,819
At the end of the period	(85,673)	(86,841)
As at 31 December	104,224	103,056

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 and FHB, the independent valuers.

In 2013 €3.3 million was recognised in other operating expenses in respect of impairment of loans receivables from subsidiaries and €1.2 million in respect of impairment reversal of investment in subsidiaries (in 2012: €7.0 million was recognized in other operating income in respect of reversal of impairment of loans receivables from subsidiaries and investment in subsidiaries).

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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

	2013	2012
	€'000	€'000
Amounts falling due within one year:		
Trade and other receivables	1	10
As at 31 December	1	10
Non-current – loans receivable from subsidiaries:		
Loan receivable from subsidiary	10,351	7,026
Write down of loan receivable from subsidiary	(10,351)	(7,026)
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:

	2013	2012
	€'000	€'000
Euro	1	10
Other	-	-
	1	-

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

	2013	2012
	€'000	€'000
Cash and cash equivalents	308	308
	308	308

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11. Trade and other payables

	2013	2012
	€'000	€'000
Current		
Trade payables	(2,921)	(719)
Other creditors	(2)	(2)
	(2,923)	(721)
Non-current		
Loan from subsidiary	(3,133)	(518)
	(3,133)	(518)
Total trade and other payables	(6,056)	(1,239)

Loan payables from subsidiary is interest-bearing, with interest charged at EURIBOR plus an agreed margin. This loan has agreed maturity date in three 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 2012 and 2013	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 were exercisable during the period commencing on Admission to AIM and expiring on the earlier of: (i) seven years from Admission i.e. on 28 February 2013; or, (ii) upon an offer or becoming entitled to acquire the entire issued share capital of the Company. Since the first criteria is met, it is assumed that all warrants expired.

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The exercise price of each of the Warrants was £3.41 and none of the warrants were exercised since their issue date.

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, 2011, 2012 and 2013	194,817

15. Related party transactions

(a) Key management compensation

	2013 €'000	2012 €'000
Fees for non-executive directors	34	27

The Company has appointed AMC to manage its property portfolio. In consideration of the services provided, AMC received a management fee of €0.7 million for the year ended 31 December 2013 (2012: €1.0 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 2013. The Company has accrued a performance fee of €2.9 million for the year ended 31 December 2013 (2012: €nil million).

As of 31 December 2013, €2.7 million included in current trade and other payables was due to AMC (2012: €0.4 million).

(b) In 2013 the Company recharged part of AMC management fee totalling €nil million (2012: €0.9 million) to its subsidiary (Atlas Estates Investment BV).

The loan receivable from subsidiary (Atlas Estates Investment BV) is interest bearing and the Company charged its subsidiary €0.2 million as interest (2012: €0.2 million). As at 31 December 2013 the loan balances including capitalised interest due from subsidiaries were €10.3 million (2012: €7.1 million).

(c) The loan payable from subsidiary (HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością SKA.) is interest bearing and the Company was charged €50 thousand as interest (2012: €12 thousand as interest). As at 31 December 2013 the loan balance including capitalised interest due to subsidiary were €3.1 million (as of 31 December 2012: €0.5 million).

(d) The loan payable from subsidiary (Atlas Estates Antilles B.V.) is interest bearing and the Company was charged €141 as interest (2012: €141). As at 31 December 2013 the loan balance including capitalised interest due to subsidiary were €17.0 thousand (2012: €13.1 thousand).

16. Post balance sheet events

As of the date of these financial statements no post balance sheet events have been noted to disclose within these financial statements.

17. Significant Agreements

On 24 September 2013 a general contractor agreement was signed between the Company's subsidiary Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, Zielono AEP Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna and Unibep S.A ("General Contractor") for the construction of multi-apartment residential building (Capital Art Apartment – the fourth stage) in Warsaw. The total value of contract amounts to PLN 13.5 million (excluding VAT). The completion of the General Contractor obligation shall occur on 6 August 2015.

ATLAS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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:

Atlas Estates Limited and Atlas Estates Investment B.V.

Atlas Estates Limited ("AEL") was notified on 9 March 2011 that 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 information that would either require disclosure or provision within the financial information.

18.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2013.

ATLAS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. Principal subsidiary companies and joint ventures

The table below lists the current operating companies of the Group. In addition, the Group owns other entities which have no operating activities. All Group companies are consolidated except for Hungarian subsidiary, Atlas and Shasha Zrt, which is under liquidation. Deconsolidation of this subsidiary started on 1 October 2013, i.e. from the moment when Group control was lost. No gain or loss was recognised in the consolidated financial statements as a result of this event.

31 December 2013
€'000

The fair value of any consideration received	-
The carrying amount of the subsidiary's assets and liabilities	-
	-

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	Fernwood Limited	Holding	100%
Poland	AEP Sp. z o.o.	Management	100%
Poland	Platinum Towers AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Zielono AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
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	HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością SKA	Hotel operation	100%
Poland	HPO AEP Spółka z ograniczoną odpowiedzialnością SKA	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%
Romania	World Real Estate SRL	Investment	100%
Romania	Atlas Solaris SRL	Investment	100%
Romania	D.N.B. - Victoria Towers SRL	Hotel operation	100%
Bulgaria	Immobul EOOD	Investment	100%