ATLAS ESTATES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

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Introduction

Atlas Estates Limited ("Atlas" or the "Company") is a Guernsey incorporated closed-ended investment company investing in real estate in Central and Eastern European countries ("CEE"). Atlas shares were admitted to trading on 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 2014 €'000	Year ended 31 December 2013 €'000
Administrative expenses	(1,587)	(3,997)
Other operating income	-	2,376
Other operating expenses	(27,128)	(2,157)
Loss from operations	(28,715)	(3,778)
Finance income	168	172
Loss before tax	(28,611)	(3,658)
Loss for the year	(28,611)	(3,658)
Net cash outflow from operating activities	(1,134)	(1,788)
Net cash from investing activities	883	1,788
Net increase/ (decrease) in cash and cash equivalents in the year	(251)	-
Non-current assets	76,381	104,224
Current assets	65	309
Total assets	76,446	104,533
Non-current liabilities	(3,195)	(3,133)
Current liabilities	(3,385)	(2,923)
Total liabilities	(6,580)	(6,056)
Net assets	69,866	98,477
Number of shares in issue (excluding treasury shares)	46,852,014	46,852,014
(Loss)/ Profit per €0.01 ordinary share – basic (eurocents)	(61.1)	(7.8)

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Chairman's Statement

Dear Shareholders,

I am pleased to report the consolidated financial results for Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings ("the Group") for the year ended 31 December 2014.

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 the 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 12);

- the above described success in the development sector contributed to the full repayment of the loan facilities extended to *Apartamenty przy Krasińskiego, Platinum Towers, Concept House* and *Capital Art Apartments III* projects in July 2013, December 2013, February 2014 and December 2014, respectively;

- in July and August 2014, the Group has signed agreements on the purchase of the right of perpetual usufruct of real estate properties situated in Żoliborz and Wola districts of Warsaw, with a total area of 18,990 sqm, for use in future residential development projects. The Company estimates that approximately 410 apartments can be developed on these properties;

- in January and February 2015 the construction of *Capital Art Apartments III&IV* residential project was completed.

Reported Results

Group Results

As of 31 December 2014 the Group had basic net assets of €45.0 million.

The decrease of basic net asset value by €31.3 million (i.e. by 41%) from €76.3 million as at 31 December 2013 is primarily a result of decrease in fair value of investment properties amounting to €27.6 million. The significant decrease in the fair value of investment properties recorded as at 31 December 2014 mainly represents the fair value loss on land banks in Romania as well other income yielding assets in Hungary and Poland as a result of valuations performed as of 31 December 2014.

The Market Comparison Method has been used to obtain an initial value for Romanian investment properties. The values were determined directly by reference to observable asking prices and recent realised arm's length transactions. However, these initial valuations have been modified through changes in the assumed orderly sale period between willing participants in order to establish the fair value under current market conditions, resulting in a decrease in valuation of 70-80%.

The recorded valuations are based on assumed orderly sale periods of 6 months, rather than 18 months as per the initial and previous valuations, and takes into account the following factors:

- limited development financing available in Romania,
- limited numbers of investors prepared to invest in Romanian assets,
- developers in Romania reducing their pipeline of scheduled projects and looking to existing planned projects rather than to acquiring new projects,
- active investors taking an opportunistic approach to acquire properties under distressed situations.

There remains a risk that eventual disposal prices of these properties could differ significantly from those included in the financial statements.

Managing working capital is an important challenge for the management. Over the year we have observed sudden working capital deterioration from €6.7 million as of 31 December 2013 to negative balance of (€62.5 million) as of 31 December 2014. In the preparation of the consolidated financial statements for the year ended 31 December 2014 the bank facility extended to *Hilton* hotel in Poland amounting to €53.7m was classified as current liability as it is due in September 2015 (whereas as at 31 December 2013 it was classified as a non-current liability). The intention of the Company's management is to arrange new financing in order to refinance this facility before its due date, and significant progress has been made in this regard.

Loss after tax amounts to €32.7 million in 2014 as compared to profit after tax of €3.7 million in 2013. The loss increase amounting to €36.4 million is mainly attributable to:

- the above described fair value loss of investment properties of €27.6 million, whereas in 2013 fair value loss of €0.9 million was recorded;

- drop of finance income from €3.1 million in 2013 to €0.3 million in 2014. €2.4 million bank loan write off was recorded in 2013 as 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;

- decrease in gross profit achieved (€13.8 million in 2014 as compared to €22.6 million in 2013); principally as a result of less residential properties brought to market during the year.

Company results

The Company reported a loss of €22.6 million (compared to last year loss of €3.7 million). This has arisen principally from €2.9 million the impairment of the carrying value of investments of €27.1 million. The methodology applied by the Company with respect to the impairment review is further disclosed on page 48.

Financing, Liquidity and Forecasts

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 2014, 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 80% 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 2014, NAV per share, as reported in the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU, has decreased and amounted to €1.0 per share at 31 December 2014 and to €1.6 per share at 31 December 2013. The adjusted NAV per share, which includes valuation gains, net of deferred tax on development properties held in inventory, at the lower of cost and net realisable value, and land held under operating lease, but not recognised at fair value in the balance sheet, has also decreased from €2.1 as of 31 December 2013 to €1.5 as of 31 December 2014. The deterioration of adjusted NAV per share is mainly attributable to the decrease in valuation of investment properties.

A valuation of the entire property portfolio is carried out on an annual basis by external and internal experts. The internal valuations calculated by the Property Manager concerned only development projects in Warsaw. The results of these internal valuations were not reflected in net assets as presented in the consolidated statement of financial position since these projects are classified as inventory and there is no need to impair these balances.

As of 31 December 2014 the following external independent qualified experts were engaged:
- Jones Lang LaSalle responsible for the valuation of income yielding properties located in Poland and all properties in Romania,
- FHB Ingatlan Zrt responsible for the valuation of properties located in Hungary,
- Wyceny i Ekspertyzy Sp. z o.o. dr inż. Andrzej Zalewski responsible for the valuation of the hotel in Poland.

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 2014 €'000**	**Movement In value €'000**
Development land assets and land held under operating lease included in total assets at cost to the Group	36,308	61,272	24,964
Attributable to non-controlling interest partners	-	-	-
Company share of development land and land held under operating lease	**36,308**	**61,272**	**24,964**
Deferred tax on increase in valuation of development land and land held under operating lease			-
Basic net asset value per balance sheet			44,992
Adjusted net asset value			**69,956**
Number of ordinary shares in issue at 31 December 2014			46,852,014
Adjusted net asset value per share as at 31 December 2014			**1.5**
Adjusted net asset value per share as at 31 December 2013			2.1

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 15 and 16 below.

Changes in Non-executive Directors

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

Prospects

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 2015

Review of the Property Manager

In this review we present the financial and operating results for the year ended 31 December 2014. 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 2014, the Company held a portfolio of twenty one properties comprising eleven investment properties of which six are income yielding properties, two are held for capital appreciation and three are 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). 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.

Note

Please note that all the comparatives in the consolidated financial report have been restated. The change of comparatives is a result of change in the adopted accounting policy. The previous accounting policy for joint ventures was to apply proportionate consolidation, and under IFRS 11, the Group has restated its 2013 results to reflect that it now uses the equity method.

Markets and Key Properties

Poland

This is the major market of operation for the Group, with 85% (by value) of the Group's portfolio located there. The Polish economy has shown a GDP growth of 3.3% in 2014 (1.6% in 2013). 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 is continuously performing at an outstanding level.

Platinum Towers

With its construction finished, all apartments and penthouses have been sold. 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 or presold all of the 219 apartments in the first stage, with a further 297 out of 300 apartments in the second stage having been sold or presold. Construction of the third and fourth stages, comprising 265 apartments, is in progress and as of 31 December 2014 the Company pre-sold 233 apartments. Construction of the third stage was completed in January 2015 and of the fourth stage in February 2015.

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 was completed in 2013 and as of 31 December 2014 only 10 apartments are unsold.

Apartamenty przy Krasińskiego (the first stage) and **Apartamenty przy Krasińskiego II** (the second stage)

Apartamenty przy Krasińskiego project is a development in the Żoliborz district of Warsaw.

The first stage of this development includes 303 apartments in the city with parking as well as amenities, including retail facilities. The construction of the first stage was completed in 2013 and as of 31 December 2014 only 7 apartments are unsold.

Apartamenty przy Krasińskiego II is the second stage of this successful development project. This stage is in an early planning phase and it is estimated that it will release approximately 170 apartments with underground parking and retail facilities.

Nakielska Apartment Project (NAP)

Nakielska Apartment Project is a residential development in the Wola district of Warsaw. It will be a two stage development which will release around 240 apartments with parking and amenities, including retail facilities. This project is in an early planning phase.

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 with occupancy rate of 69% as of 31 December 2014.

The *Sadowa* office building is a 6,550 sqm office building in Gdańsk. During the year its occupancy ratio remains high (100% as of 31 December 2014 and 99% as of 31 December 2013).

The Group's portfolio also contains valuable land asset in Warsaw.

Hungary

In Hungary, the Group's portfolio is comprised of seven properties, all of which are located in Budapest. Three are income producing assets. Three of them have 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 2014 GDP increase of 2.8% was noted (in 2013 a slight increase in GDP of 1.1% was noted).

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 2.4% in 2014. Despite the difficult trading conditions, occupancy rates at the Golden Tulip slightly improved and amounted to 61% for 2014 (58% for 2013).

Bulgaria

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

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<u>**Financial Review**</u>

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

A valuation of the entire property portfolio is carried out on an annual basis as described on page 6.

Loans

As at 31 December 2014, the Group's bank debt associated with the portfolio of the Group was €174 million (31 December 2013: €188 million). Loans and valuations may be analysed as follows for those periods in which valuations were undertaken:

	Loans	**Valuation**	**Loan to Value Ratio**	**Loans**	**Valuation**	**Loan to Value Ratio**
	31 December 2014			**31 December 2013**		
	€ millions	€ millions	%	€ millions	€ millions	%
Investment property	117	100	117%	129	145	89%
Hotels	57	91	63%	58	90	64%
Development property in construction	-	-	0%	1	13	8%
Total	**174**	**191**	**91%**	**188**	**248**	**76%**

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2014 and 31 December 2013 due to the treatment under IFRS as adopted by the EU of land held under operating leases and development property.

LTV ratio of investment property increased from 89% as of 31 December 2013 to 117% as of 31 December 2014 mainly due to the significant decrease in the valuation of Romanian land banks, as well as a decrease in the valuation of the Millennium building due to a decrease in its occupancy rate.

As of 31 December 2014 the LTV ratio of hotels amounted to 63% and remained at a similar level as compared to 31 December 2013.

The bank facilities extended to development projects in construction were repaid in 2014 and this impacted the decrease of LTV in this segment.

The gearing ratio is 77% (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 worsened as compared to 31 December 2013 (69%) mainly as a result of the significant investment property valuation losses.

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 the *Platinum Towers* project.
In 2014 no new loans facilities were extended to the Group.

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 and 10 December 2014 the loan facilities extended to *Concept House* and *Capital Art Apartments* residential developments were repaid.

Hotel Hilton bank facility

As of 31 December 2014 the bank facility extended to *Hilton* hotel in Poland amounting to €53.7m is classified as a current liability as it is due in September 2015. The intention of the Company's management is to arrange new financing in order to repay this facility before its due date.

Other loans

In the preparation of the consolidated financial statements as of 31 December 2014, the directors have classified loan facility extended to a Hungarian subsidiary totalling €15.6 million as current since covenant breaches arose on this loan. The Company is in dialogue with the bank and is discussing restructuring of this loan.

Review of the operational performance and key items in the Consolidated 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 2014 € millions**	**Year ended 31 December 2013 € millions**
Revenue	12.2	6.5	18.2	-	36.9	65.0
Cost of operations	(5.8)	(5.4)	(11.9)	-	(23.1)	(42.4)
Gross profit	6.4	1.1	6.3	-	13.8	22.6
Administrative expenses	(0.9)	(0.4)	(3.0)	(2.9)	(7.2)	(10.2)
Gross profit less administrative expenses	5.5	0.7	3.3	(2.9)	6.6	12.4
Gross profit %	52%	17%	35%	n/a	37%	35%
Gross profit less administrative expenses %	45%	11%	18%	n/a	18%	19%

Revenues and cost of operations

Total revenues for year ended 31 December 2014 were €36.9 million compared to €65.0 million for the year ended 31 December 2013. The Group's principal revenue streams are from its hotel operations, property rental income and income from the sale of the residential apartments. As the Group maintains a diversified portfolio of real estate investments, seasonality or cyclicality of yielded income or results is also highly diversified.

Cost of operations were €23.1 million in 2014 compared to €42.4 million in 2013. €19.3 million decrease is principally due to higher number of apartments handed over in residential projects in 2013 as compared to 2014 (2014: 44 apartments and 2013: 266 apartments).

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<u>Development Properties</u>

	Year ended 31 December 2014 € millions	Year ended 31 December 2013 € millions	**Total change 2014 v 2013 € millions**	Translation foreign exchange effect € millions	Operational change 2014 v 2013 € millions
Revenue	6.5	33.9	**(27.4)**	-	(27.4)
Cost of operations	(5.4)	(24.8)	**19.4**	-	19.4
Gross profit	1.1	9.1	**(8.0)**		(8.0)
Administrative expenses	(0.4)	(0.4)	**-**	-	-
Gross profit less administrative expenses	0.7	8.7	**(8.0)**		(8.0)

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 apartments are recognised in the income statement. Please note that for:
- *Apartamenty przy Krasińskiego* projects: construction was finalized in 2013 and the Group has been recognising the sales and associated costs in the consolidated income statement since 2013 as the above mentioned criteria have been met;
- *Capital Art Apartments III&IV* projects: no sales and associated costs have been recognized in the income statement as the project were under construction as of 31 December 2014. However it should be noted that these projects demonstrate high level of presales amounting to 88% as of 31 December 2014;
- *Concept House* is a joint venture project and therefore differently accounted as compared to other development projects. The revenues and associated costs of this development are netted and disclosed separately as a single line item as "total investment in equity accounted joint ventures" on the consolidated statement of financial position.

The decrease in gross profit realised by the development segment in 2014 as compared 2013 is mainly a result of a decrease in the number of apartments sold (as presented in the table below).

Apartment sales in Warsaw

	CAA stage 1	**CAA stage 2**	**CAA stage 3&4**	**Platinum Towers**	**Apartamenty przy Krasińskiego**	**Concept House***
Total apartments for sale	219	300	265	396	303	160
Sales completions in 2008-2012	216	287	-	388	-	-
Sales completions in 2013	1	6	-	4	255	53
Sales completions in 2014	-	3	-	4	37	93
Total sales completions	217	296	-	396	292	146
Sales not completed as of 31 December 2014 (only preliminary agreements concluded)	2	1	233	-	4	4
Apartments available for sale as of 31 December 2014	-	3	32	-	7	10

Joint venture project

Property Rental

	Year ended 31 December 2014 € millions	Year ended 31 December 2013 € millions	**Total change 2014 v 2013 € millions**	Translation foreign exchange effect € millions	Operational change 2014 v 2013 € millions
Revenue	12.2	12.7	**(0.5)**	-	(0.5)
Cost of operations	(5.8)	(6.0)	**0.2**	-	0.2
Gross profit	6.4	6.7	**(0.3)**	-	(0.3)
Administrative expenses	(0.9)	(1.2)	**0.3**	-	0.3
Gross profit less administrative expenses	5.5	5.5	**-**	-	-

In the twelve months of 2014 the gross margin realised by the Property Rental segment decreased as compared to the twelve months of 2013 mainly as a result of lower occupancy ratio in Millennium in 2014.

Hotel operations

	Year ended 31 December 2014 € millions	Year ended 31 December 2013 € millions	**Total change 2014 v 2013 € millions**	Translation foreign exchange effect € millions	Operational change 2014 v 2013 € millions
Revenue	18.2	18.4	**(0.2)**	-	(0.2)
Cost of operations	(11.9)	(11.6)	**(0.3)**	-	(0.3)
Gross profit	6.3	6.8	**(0.5)**	-	(0.5)
Administrative expenses	(3.0)	(3.1)	**0.1**	-	0.1
Gross profit less administrative expenses	3.3	3.7	**(0.4)**	-	(0.4)

In 2014 the hotel operations results slightly deteriorated as compared to 2013 mainly due to higher depreciation of fixtures and fittings. The higher depreciation in 2014 is an effect of capitalised expenditures for Hilton hotel renovation in the last quarter of 2013.

Administrative expenses

Administrative expenses decreased by €3.0 million as compared to 2013 mainly due to the decrease of the property manager fee as a result of lower adjusted NAV. In 2013 Property Manager was entitled to both basic and performance fee (totalling €4.4 million) whereas in 2014 Property Manager was only entitled to basic fee amounting €2.0 million.

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 decrease of other operating income by €1.2 million is mainly due to €0.3 million higher refund of VAT received in 2013 and €0.6 million write back of other payables in 2013.

The other operating expenses remained at a similar level in 2014 and 2013. The key expense in 2014 was a €2.2 million loss on deconsolidation of subsidiary (as described in note 33 of consolidated financial statements) whereas in 2013 it was €2.2 million impairment of property, plant and equipment.

Valuation movement

In 2014 the decrease of the market value of the investment properties portfolio recognized in income statement was €27.6 million as compared to decrease of €0.9 million in 2013. This significant movement in 2014 is mainly impacted by the valuation losses recognised in relation to the assets located in Romania.

Finance income and costs

Finance income decreased by €2.8 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 €5.6 million in 2014, compared with €5.9 million in 2013, representing mainly interests on bank loans and related bank charges.

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 2014 the Group reported exchange losses of €4.2 million as compared to €2.8 million losses in 2013. These losses were 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 2014.

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 2014	4.2623	314.89	4.4821	1.9558
31 December 2013	4.1472	296.91	4.4847	1.9558
% Change	3%	6%	0%	0%
31 December 2013	4.1472	296.91	4.4847	1.9558
31 December 2012	4.0882	291.29	4.4287	1.9558
% Change	1%	2%	1%	0%
Average rates				
Year 2014	4.1852	308.66	4.4591	1.9558
Year 2013	4.1975	296.92	4.4633	1.9558
% Change	0%	4%	0%	0%
Year 2013	4.1975	296.92	4.4633	1.9558
Year 2012	4.1850	289.42	4.4895	1.9558
% Change	0%	3%	-1%	0%

Net Asset Value

The Group's property assets are categorised into three classes, when accounted for in accordance with International Financial Reporting Standards as adopted by the EU. 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 Company sets out below the key measures relating to Net Asset Value (NAV) per share. This includes the NAV per share per the financial statements and the adjusted NAV per share as defined at IPO and previously disclosed by the Company.

	NAV 2014 € millions	**NAV per share 2014 €**	NAV 2013 € millions	**NAV per share 2013 €**
Basic NAV	45.0	**1.0**	76.3	**1.6**
Development land valuation increase	24.9	**-**	22.3	**-**
Deferred tax	-	**-**	(0.1)	**-**
Adjusted NAV	69.9	**1.5**	98.5	**2.1**

Notes:
The number of shares in issue as at 31 December 2014 and 2013 is 46,852,014 (excluding treasury shares).

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 whereas for the twelve months to 31 December 2014 AMC was only entitled to basic fee amounting to €2.0 million.

Ongoing activities

During the year ended 31 December 2014, the Company continued to identify ways by which it can generate added value through the active management of its yielding asset portfolio. It has also continued to crystallise the value of development projects by the pre-selling of apartments under construction and by the completion of development property in the course of construction.

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

A key management objective is 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 is 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 strict 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

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

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

Conclusions

AMC's key strategic objective is the maximisation of value for the Company's Shareholders, which it continues to work towards. Its teams are very experienced in the active management of investment and development property and provide the Company with local market knowledge and expertise. Although the decrease in NAV was noted in the 2014, good progress has been made with the sales of key development projects in Warsaw (*Apartamenty przy Krasińskiego I*, *Concept House* and *Capital Art Apartments III&IV*). The last apartments in *Platinum Towers* were sold in 2014. In April and July 2013 the constructions of *Concept House and Apartamenty przy Krasińskiego* were successfully completed and as of 31 December 2014 the construction of the third and fourth stage of *Capital Art Apartments* is close to completion. Moreover in the third quarter of 2014 the Company managed to purchase two plots in Warsaw for use in future residential development projects.

Reuven Havar
Chief Executive Officer
Atlas Management Company Limited
20 March 2015

Ziv Zviel
Chief Financial Officer and Chief Operations Officer
Atlas Management Company 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 convention centre, fitness club and spa Holmes Place Premium, casino and retail outlets. Location close to the central business district in Wola area of Warsaw.	100%
Platinum Towers	396 apartments in two towers; the residential development has been completed in the 3rd quarter of 2009 with two residential towers and a piazza. Location close to the central business district in Wola area of Warsaw.	100%
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 4th quarter 2008 and all apartments sold. Stage 2, with the construction of 300 apartments, completed in 2009, out of which 297 have already been sold. Construction of stage 3 was completed in January 2015 and of stage 4 in February 2015. Location close to the central business district in Wola area of Warsaw.	100%
Nakielska Apartment Project	*Nakielska Apartment Project* is a residential development in the Wola district of Warsaw. It will be a two stage development which will release 240 apartments with parking and amenities, including retail facilities. This project is an early planning phase.	100%
Apartamenty przy Krasińskiego, stage I	Residential project in Warsaw. The construction was completed in July 2013. The project released 303 apartments out of which 296 were sold or presold at the year end.	100%
Apartamenty przy Krasińskiego, stage II	The second stage of the successful development project in Warsaw. This stage is in an early planning phase and it is estimated that it will release approximately 170 apartments with underground parking and retail facilities.	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 2014 only 10 apartments out of 160 apartments were still available for sale.	50%
Sadowa office building	6,550 square meters office building with 100% occupancy close to the city centre of Gdansk.	100%

Location/Property	Description	Company's ownership
Hungary		
Ikarus Business Park	283,000 square meters plot with 110,000 square meters of built business space and 70,000 of currently lettable, located in the 16th district, a suburban area of Budapest	100%
Metropol Office Centre	7,600 square meters office building in the 13th district of central Budapest.	100%
Atrium Homes	Two phase development of 22,000 square meters of 456 apartments with 235 apartments in phase 1 with building permits, located in the 13th district in central Budapest.	100%
Ligetvaros Centre	6,300 square meters of office/retail space with rights to build extra 6,400 square meters, located in the 7th district, a central district in Budapest.	100%
Varosliget Centre	12,000 square meters plot in the 7th district in central Budapest, with zoning for a mixed use development of 31,000 gross square meters.	100%
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%

ATLAS ESTATES LIMITED

Directors - Atlas Estates Limited

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

Registered office

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

ATLAS ESTATES LIMITED

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

Eran Rabinovitz Non-executive Director	Mr Rabinovitz serves as a consultant to various IGI group companies and is leading a few developments in London. Prior to that Mr Rabinovitz has managed a project creating a health care provider in the UK. Prior to that, and from 2005 Mr Rabinovitz has served in the UK as the director for BCRE-Izaki group, an international company with vast real estate investments around the world. In the years 2003-2004 Mr Rabinovitz has served as a financial controller in Haslemere Estate Management Limited, one of the biggest UK focused real estate companies, traded on London and Amsterdam stock exchanges. Mr Rabinovitz holds a first degree in accounting and economics from Tel Aviv University.
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.

Directors' Report

The Directors present their report and the audited financial statements for the twelve months ended 31 December 2014.

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 €28.6 million (2013: profit after tax of €5.9 million).

The Company has not declared a dividend for 2014 (2013: €nil).

Activities and review of business

The Company is domiciled in Guernsey as a closed-ended investment company under Guernsey Law.

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 16.

There were no significant changes in the Company's organisational structure in the year ended 31 December 2014, except for deconsolidation of one subsidiary. A list of the operating subsidiaries of the Company subject to consolidation is included within note 19 of the financial statements of this report.

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 80% 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 slowdown 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 has 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.

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 16.

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 55 to 58.

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. As a result, the Group has reported a loss for the year of €32.7 million (compared to profit of €3.7 million in 2013).

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 2014 the Group held land and building assets with a market value of €249.9 million, compared to external debt of €173.8 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, or held in ring-fenced cross-collateralised debt portfolios, may be subject to repossession by the bank in case of a default of loan terms but will 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 financial statements for the year ended 31 December 2014, the directors have taken into account the fact that the Group is in a net current liability position resulting from the classification of the bank facility extended to *Hilton* hotel in Poland as a current liability since it is due in September 2015. The intention of the Company's management is to arrange new financing in order to refinance this facility before its due date, and significant progress has been made in this regard. The Board also acknowledges that other debts do fall due in 12-13 months and the Board is aware that the Group will have to negotiate with the Bank.

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

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2014.

Substantial shareholdings

As of 16 February 2015, 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
Vidacos Nominees Limited <BJB>	34,969,645	74.64
Forest Nominees Limited <GC1>	6,536,925	13.95
Euroclear Nominees Limited <EOCO1>	5,232,896	11.17
TOTAL	**46,739,466**	**99.76**

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 19.

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 2015, any material beneficial interest in any significant contract in the Group's business.

Directors' Responsibilities

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

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

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

Company website

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

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

Auditors

The Directors confirm that as at 20 March 2015:

- 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 10 July 2014 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 2014.

The consolidated financial statements of the Group for 2014 were audited by BDO LLP on the basis of an engagement letter dated 27 January 2015. 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 total fees specified in the contract with the audit company, payable or paid for an audit and review of the financial statements and for other services are presented below:

Table 3 – Audit Company – fees

	2014 €'000	2013 €'000
Audit of individual and consolidated annual financial statements	155	151
Review of interim individual and consolidated financial statements	34	34
Tax services	-	-
Other compliance services	-	-
Total	**189**	**185**

Annual General Meeting

The Annual General Meeting is planned to be held in the period June-July 2015. 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 to 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.

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). Till 31 December 2014 the Group has paid PLN10.3 million in respect of this agreement.

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 PLN38.3 million (excluding VAT). Till 31 December 2014 the Group has paid PLN35.0 million in respect of this agreement.

Details of the bank financing agreements are disclosed as required in note 24 to the consolidated 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 10 and 11.

Guarantees and sureties – changes in 2015

- On 21 January 2015 Atlas Estates Limited ("Company") subsidiaries HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka jawna with its seat in Warsaw ("HGC"), Mantezja 3 Spółka z ograniczoną odpowiedzialnością with its seat in Warsaw ("Mantezja") and Österreichische Volksbanken-Aktiengesellschaft with its seat in Vienna ("Bank") signed amendment no. 6 ("Amendment Agreement") to loan agreement concluded between HGC and Bank dated 8 April 2004 ("Loan Agreement").

  As a result of the Amendment Agreement, Mantezja joined to the Loan Agreement as a joint and several debtor. According to the Amendment Agreement HGC and Mantezja are jointly and severally liable to the Bank for repayment of the loan granted according to the Loan Agreement.

  At the same time on 21 January 2015 HGC amended the bail mortgage to the amount of 78,000,000 EUR, entered in section IV of the land and mortgage register no. WA4M/00166084/8 held at the District Court for the Warsaw – Mokotów in Warsaw, X Division of the Land and Mortgage Register, including the real estate located in Warsaw in the Wola District, plot no. 65, border 6-01-04 of the area of 7,299 sq m, being in the perpetual usufruct of HGC and non-residential building of the usable area of 4,211 sq m, being in the ownership of HGC, located at ul. Grzybowska 63, so that the bail mortgage secures all and any pecuniary claims of the Bank against HGC and Mantezja which result from the Loan Agreement. Moreover, on 21 January 2015 the Company's subsidiary - Atlas Estates Investment B.V. with its seat in Amsterdam established in favour of the Bank a financial and registered pledge over all 100 equal shares in the share capital of Mantezja with a nominal value of PLN 50 each share, with the total nominal value of PLN 5,000, owned by Atlas Estates Investment B.V. and constituting 100% shares in the share capital of Mantezja as on the date of the pledge agreement. Atlas Estates Investment B.V. holds 100% of votes on the general meeting of the shareholders of Mantezja. The shares constitute a long term capital investment of Atlas Estates Investment B.V.

Guarantees and sureties – changes in 2014

- Atlas Estates Limited, was informed by its subsidiaries HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka Jawna ("Borrower") and Gretna Investments Spółka z ograniczoną odpowiedzialnością 4 Spółka komandytowo – akcyjna ("Gretna 4") that on 23 May 2014 the following registered and financial pledge agreements were executed with Österreichische Volksbanken-Aktiengesellschaft with registered seat in Vienna ("Bank") in fulfilment of the Borrower's obligations towards Bank resulting from the loan agreement dated 8 April 2004 (as amended) as well as Consent Letter dated 31 March 2014 (jointly "Loan Agreement"):
  1. registered and financial pledge agreement executed between the Bank and Gretna Investments Spółka z ograniczoną odpowiedzialnością with its registered seat in Warsaw ("Gretna") over the 90 shares in the share capital of Gretna 4, of the nominal value 0,10 PLN each share, of the joint nominal value of 9 PLN constituting 0,009 % shares in the share capital of the Gretna 4, 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 9 PLN;
  2. registered and financial pledge agreement executed between the Bank and Atlas Fundusz Zamknięty Aktywów Niepublicznych with its registered seat in Warsaw ("FIZAN") over the 499 910 shares in the share capital of the Gretna 4, of the nominal value 0,10 PLN each share, of the joint nominal value of 49 991 PLN constituting 49,991 % shares in the share capital of Gretna 4 , being the ownership of FIZAN; 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 49 991 PLN;
  3. registered pledge agreement executed between the Bank and Gretna over financial receivables of Gretna being the partner in the Borrower; the pledge secures repayment of the Loan Agreement up to the maximum amount of 70,000,000 EUR;
  4. registered pledge agreement executed between the Bank and Gretna 4 over financial receivables of Gretna 4 being the partner in the Borrower; the pledge secures repayment of the Loan Agreement up to the maximum amount of 70,000,000 EUR;

- On 24 April 2014 was concluded an agreement for the transfer of rights and obligations ("Transfer Agreement") under the agreement for the registered pledge and financial pledge over the shares dated 18 January 2013, described below under paragraph *Guarantees and sureties – changes in 2013* ("Pledge Agreement"). In result of the Transfer Agreement rights and obligations of Atlas Estates Limited ("Company") subsidiary - Atlas Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych with its seat in Warsaw ("Previous Pledger") resulting from the Pledge Agreement were transferred in whole to the Company's subsidiary – Gretna Investments Spółka z ograniczoną odpowiedzialnością 4 S.K.A. with its registered seat in Warsaw ("New Pledger"), according to the consent granted by Österreichische Volksbanken-Aktiengesellschaft with registered seat in Vienna ("Bank"). In consequence of conclusion of the Transfer Agreement, rights and obligations resulting from the Pledge Agreement on 28,081,200 registered shares of series A in the share capital of the HGC Gretna Investments Spółka z ograniczona odpowiedzialnością S.K.A ("Borrower"), each share of the nominal value 1 PLN, of the joint nominal value of 28,081,200 PLN constituting 99.99% shares in the share capital of the Borrower, were transferred in whole from the Previous Pledger to the New Pledger. The pledge is established up to the maximum amount of 70,000,000 EUR; the book value of the pledged shares equals to 200.373.402,60 PLN.

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.

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 are 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 2014 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 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 two times a year to review the interim and year end financial statements prior to their submission to the Board and to review the appointment of the independent auditors and the scope, performance and remuneration of services provided by them. Procedures are in place for the approval of non-audit services provided by the Company's auditors. The auditors will not be awarded non-audit work unless the Company is satisfied, through enquiry, that the provision of such services would not prejudice the independence and objectivity of the auditor.

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

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

Table 4 - Attendance at meetings

	Board	**Audit Committee meetings**
No. of meetings in the year	**12**	**2**
Mr Andrew Fox	11	2
Mr Mark Chasey	10	1
Mr Guy Indig	8	2

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 two 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 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 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-minims 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 2015

ATLAS ESTATES LIMITED
Remuneration Report

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

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

Non-executive Directors

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

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	2014
	€
Non-executive Directors	
Mr Andrew Fox	23,000
Mr Mark Chasey	23,000
Mr Guy Indig	-
Total	**46,000**

Table 6 – Directors' emoluments – representing fees only	2013
	€
Non-executive Directors	
Mr Andrew Fox	17,000
Mr Mark Chasey	17,000
Mr Guy Indig	-
Total	**34,000**

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 €2.0 million for the year ended 31 December 2014 (2013: €1.5 million).

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.

AMC performance fee payment

AMC's performance fee in respect of the financial year ended 31 December 2014 was €nil million (2013: €2.9 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 percent. 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 criterion 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 2015 and signed on its behalf by:

Andrew Fox
Chairman
20 March 2015

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 of its knowledge, the 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 2015

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 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of 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 2014 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 2015

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

ATLAS ESTATES LIMITED

STATEMENT OF COMPREHENSIVE (LOSS)/ INCOME
For the year ended 31 December 2014

	2014 €'000	2013 €'000	Notes
Revenues	-	-	
Cost of operations	-	-	
Gross profit	**-**	**-**	
Administrative expenses	(1,587)	(3,997)	3
Other operating income	-	2,376	4
Impairment in carrying value of investment	(27,128)	(2,157)	5
Loss from operations	**(28,715)**	**(3,778)**	
Finance income	168	172	6
Finance costs	(64)	(52)	6
Loss Profit before taxation	**(28,611)**	**(3,658)**	
Tax expense	-	-	
Loss for the year	**(28,611)**	**(3,658)**	
Total comprehensive loss for the year	**(28,611)**	**(3,658)**	
Loss per €0.01 ordinary share - basic (eurocents)	(61.1)	(7.8)	7
Loss per €0.01 ordinary share - diluted (eurocents)	(61.1)	(7.8)	7

All amounts relate to continuing operations.

The notes on pages 39 to 52 form part of these financial statements.

ATLAS ESTATES LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	2014 €'000	2013 €'000	Notes
ASSETS			
Non-current assets			
Investment in subsidiaries	66,745	93,873	8
Loans receivable from subsidiaries	9,636	10,351	9
	76,381	**104,224**	
Current assets			
Trade and other receivables	8	1	9
Cash and cash equivalents	57	308	10
	65	**309**	
TOTAL ASSETS	**76,446**	**104,533**	
Non-current liabilities			
Other payables	(3,195)	(3,133)	11
	(3,195)	**(3,133)**	
Current liabilities			
Trade and other payables	(3,385)	(2,923)	11
	(3,385)	**(2,923)**	
TOTAL LIABILITIES	**(6,580)**	**(6,056)**	
NET ASSETS	**69,866**	**98,477**	
EQUITY			
Share capital account	6,268	6,268	12
Other distributable reserve	194,817	194,817	14
Accumulated loss	(131,219)	(102,608)	
TOTAL EQUITY	**69,866**	**98,477**	

The notes on pages 39 to 52 form part of these financial statements. The financial statements on pages 35 to 52 were approved by the Board of Directors on 20 March 2015 and signed on its behalf by:

Andrew Fox
Chairman

Mark Chasey
Director

Guy Indig
Director

20 March 2015

ATLAS ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2014

	Share capital account €'000	Other reserves €'000	Accumulated loss €'000	Total €'000
As at 1 January 2013	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**
Total comprehensive income for the year	-	-	(28,611)	(28,611)
As at 31 December 2014	**6,268**	**194,817**	**(131,219)**	**69,866**

The notes on pages 39 to 52 form part of these financial statements.

ATLAS ESTATES LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2014

	Year ended 31 December 2014 €'000	Year ended 31 December 2013 €'000	Notes
Loss for the year	**(28,611)**	**(3,658)**	
Adjustments for:			
Effects of foreign currency	-	-	
Finance costs	62	50	
Finance income	(168)	(172)	
Profit on assignment of loan receivable	-	(2,376)	
Impairment/ (Reversal of impairment) on investments	27,128	2,157	
	(1,589)	**(3,999)**	
Changes in working capital			
(Increase)/ Decrease in trade and other receivables	(7)	9	
Decrease in trade and other payables	462	2,202	
Net cash outflow from operating activities	**(1,134)**	**(1,788)**	
Investing activities			
New loans advanced to subsidiaries	(158)	(222)	
Repayment of loans with subsidiary undertakings	1,041	2,010	
Net cash from investing activities	**883**	**1,788**	
Financing activities			
Interest received	-	-	
Interest paid	-	-	
Net cash (from)/ used in financing activities	**-**	**-**	
Net (decrease) / increase in cash and cash equivalents	**(251)**	**-**	
Effect of foreign exchange rates	-	-	
Net (decrease) in cash and cash equivalents in the year	**(251)**	**-**	
Cash and cash equivalents at the beginning of the year	**308**	**308**	
Cash and cash equivalents at the end of the year	**57**	**308**	
Cash and cash equivalents			
Cash at bank and in hand	57	308	10
Bank overdrafts	-	-	
	57	**308**	10

The notes on pages 39 to 52 form part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

Year ended 31 December 2014

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 €28.6 million compared to prior year loss of €3.7 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 2014 the Group held land and building assets with a market value of €249.9 million, compared to external debt of €173.8 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, or held in ring-fenced cross-collateralised debt portfolios, may be subject to repossession by the bank in case of a default of loan terms but will 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 financial statements for the year ended 31 December 2014, the directors have taken into account the fact that the Group is in a net current liability position resulting from the classification of the bank facility extended to *Hilton* hotel in Poland as a current liability since it is due in September 2015. The intention of the Company's management is to arrange new financing in order to refinance this facility before its due date, and significant progress has been made in this regard. The Board also acknowledges that other debts do fall due in 12-13 months and the Board is aware that the Group will have to negotiate with the Bank

Nevertheless, the directors are aware that the management of the liquidity position of the company has been and still continues to be a high priority. 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 the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2014.

The financial statements present the individual financial data of the Company for the year ended 31 December 2014. 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 2014.

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.

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 2014	4.2623	314.89	4.4821	1.95583
31 December 2013	4.1472	296.91	4.4847	1.95583
% Change	3%	6%	0%	0%
Average rates				
Year 2014	4.1852	308.66	4.4591	1.95583
Year 2013	4.1975	296.62	4.4633	1.95583
% Change	0%	4%	0%	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 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 2013 and 2014, 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.

STATEMENT OF ACCOUNTING POLICIES

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 Company with no significant impact on its consolidated results or financial position for the current reporting period:

- IFRS 10 'Consolidated Financial Statements'.
- IFRS 11 'Joint Arrangements'.
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 'Separate Financial Statements
- Amendments to IFRS 10, IFRS 11 and IFRS 12 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance'.
- IAS 28 'Investments in Associates and Joint Ventures'
- Amendment to IAS 32 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities'
- Amendment to IAS 36 'Recoverable amounts disclosures for non-financial assets'
- Amendment to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'

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

- IFRIC 21 'Levies' (the mandatory effective date for the EU-endorsed version is 17 June 2014).
- Amendment to IAS 19 'Defined Benefit Plans: Employee Contributions' (the mandatory effective date for the EU-endorsed version is 1 February 2015).
- Annual Improvements to IFRSs (2010-2012 Cycle) Minor amendments to various accounting standards, effective for periods beginning on or after 1 July 2014 onwards (the mandatory effective date for the EU-endorsed version is 1 February 2015).
- Annual Improvements to IFRSs (2011-2013 Cycle) Minor amendments to various accounting standards, effective for periods beginning on or after 1 July 2014 onwards (the mandatory effective date for the EU-endorsed version is 1 January 2015).
- IFRS 14 'Regulatory Deferral Accounts' (effective date for accounting periods is to be confirmed). This amendment has not yet been endorsed for use in the EU.
- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' (effective date for accounting periods from 1 January 2016). This amendment has not yet been endorsed for use in the EU.
- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortization' (effective date for accounting periods from 1 January 2016). This amendment has not yet been endorsed for use in the EU.
- Amendments to IAS 16 and IAS 41 'Bearer Plants' (effective date for accounting periods from 1 January 2016). This amendment has not yet been endorsed for use in the EU.
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective date for accounting periods from 1 January 2016). This amendment has not yet been endorsed for use in the EU.
- Amendments to IAS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (effective date for accounting periods from 1 January 2016). This amendment has not yet been endorsed for use in the EU.
- Annual improvements to IFRSs 2012-2014 Cycle (effective date for accounting periods from 1 January 2016). This amendment has not yet been endorsed for use in the EU.
- IFRS 15 'Revenue from contracts with Customers' (effective date for accounting periods from 1 January 2017). This standard has not yet been endorsed for use in the EU.

STATEMENT OF ACCOUNTING POLICIES

- 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.
- Amendments to IAS 1 'Disclosure Initiative' (effective date for accounting periods from 1 January 2016). This amendment has not yet been endorsed for use in the EU.
- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities: applying the Consolidation Exception' (effective date for accounting periods from 1 January 2016). This amendment has not yet been endorsed for use in the EU.

1.Financial risk management

1.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

2014	**€'000**	**PLN'000**	**Other'000**	**Total'000**
Loans receivable from subsidiaries	9,636	-	-	9,636
Trade receivables	8	-	-	8
Cash and cash equivalents	57	-	-	57
Total financial assets	**9,701**	**-**	**-**	**9,701**
Trade and other payables	(6,580)	-	-	(6,580)
Total financial liabilities	**(6,580)**	**-**	**-**	**(6,580)**
Net financial assets / (liabilities)	**3,121**	**-**	**-**	**3,121**

2013	**€'000**	**PLN'000**	**Other'000**	**Total'000**
Loans receivable from subsidiaries	10,351	-	-	10,351
Trade receivables	1	-	-	1
Cash and cash equivalents	308	-	-	308
Total financial assets	**10,660**	**-**	**-**	**10,660**
Trade and other payables	(6,056)	-	-	(6,056)
Total financial liabilities	**(6,056)**	**-**	**-**	**(6,056)**
Net financial assets / (liabilities)	**4,604**	**-**	**-**	**4,604**

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

If the euro weakened / strengthened by 10% against either of the Polish Zloty, Hungarian Forint or Romanian Lei, with all other variables held constant, post-tax loss for the year would have remained the same (2013: 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 (2013: decrease in the post-tax loss 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 (2013: increase in post-tax loss 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 2014, 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 2014 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

	2014 €'000	2013 €'000
Audit and tax services		
- Fees payable to the Group's auditor for the audit of the Company and its consolidated financial statements	(104)	(100)
Fees payable to the Group's auditor for the other services:		
- Non audit services – interim reviews	(34)	(34)
Incentive and management fee	(1,291)	(3,709)
Legal and other professional fees	(93)	(98)
Insurance cost	(19)	(22)
Staff costs	(46)	(34)
Administrative expenses	**(1,587)**	**(3,997)**

4. Other operating income

	2014 €'000	2013 €'000
Profit on assignment of loan receivable	-	2,376
Other operating income	**-**	**2,376**

5. Other operating expenses

	2014 €'000	2013 €'000
Impairment of investments in subsidiaries	(27,128)	(2,157)
Other operating expenses	**(27,128)**	**(2,157)**

6. Finance income and finance costs – net

	2014 €'000	2013 €'000
Bank and other similar charges	(2)	(2)
Interest payable on loan received from subsidiary	(62)	(50)
Finance costs	**(64)**	**(52)**
Interest receivable on shareholder loans	168	172
Finance income	**168**	**172**
Finance income, excluding foreign exchange – net	**104**	**120**
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	**104**	**120**

7. (Loss) / earnings per share

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

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

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

Year ended 31 December 2014	**Loss**	**Weighted average number of shares**	**Per share amount**
Continuing operations	**€'000**	**(excluding treasury shares)**	**Eurocents**
Basic LPS			
Loss attributable to equity shareholders of the Company	(28,611)	46,852,014	(61.1)
Diluted LPS			
Adjusted loss	**(28,611)**	**46,852,014**	**(61.1)**

Year ended 31 December 2013	**Profit**	**Weighted average number of shares**	**Per share amount**
Continuing operations	**€'000**	**(excluding treasury shares)**	**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)**

8. Investments in subsidiaries

	2014	2013
	€'000	€'000
Shares in subsidiary undertakings		
Cost		
At beginning of period	189,897	189,897
Additions in year	-	-
At the end of the period	189,897	189,897
Impairment		
At beginning of period	(96,024)	(93,867)
Additions	(27,128)	(2,157)
At the end of the period	(123,152)	(96,024)
As at 31 December	**66,745**	**93,873**

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 the independent qualified experts.

In 2014: €27.1 million was recognised in other operating expenses in respect of impairment investment in subsidiaries (2013: €2.2 million).

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. First the impairment is allocated against the value of investments and then the value of loans receivable.

9. Trade and other receivables

	2014	2013
	€'000	€'000
Amounts falling due within one year:		
Trade and other receivables	8	1
As at 31 December	**8**	**1**
Non-current – loans receivable from subsidiaries:		
Loan receivable from subsidiary	9,636	10,351
As at 31 December	**9,636**	**10,351**

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:

	2014 €'000	2013 €'000
Euro	8	1
Other	-	-
	8	**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

	2014 €'000	2013 €'000
Cash and cash equivalents	57	308
	57	**308**

11. Trade and other payables

	2014 €'000	2013 €'000
Current		
Trade payables	(3,383)	(2,921)
Other creditors	(2)	(2)
	(3,385)	**(2,923)**
Non-current		
Loan from subsidiary	(3,195)	(3,133)
	(3,195)	**(3,133)**
Total trade and other payables	**(6,580)**	**(6,056)**

Loan payables from the subsidiary are 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 2013 and 2014	**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.

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 in 2008	(7,503)
At 31 December 2008, 2009, 2010, 2011, 2012, 2013 and 2014	**194,817**

15. Related party transactions

(a) Key management compensation

	2014	**2013**
	€'000	**€'000**
Fees for non-executive directors	46	34

The Company has appointed AMC to manage its property portfolio. In consideration of the services provided, AMC charged a management fee of € 1.3million for the year ended 31 December 2014 (2013: €0.7 million). Under the agreement, AMC are entitled to a performance fee based on the increase in value of the properties over the year. The Company has accrued a performance fee of €nill million for the year ended 31 December 2014 (2013: €2.9 million).

As of 31 December 2014, €3.1 million included in in current trade and other payables was due to AMC (2013: €2.7 million). In 2014 €0.9 million was paid to AMC in respect of management fee (in 2013 €1.3 million).

(b) The loan receivable from the subsidiary (Atlas Estates Investment BV) is interest bearing and the Company charged its subsidiary €0.2 million as interest (2013: €0.2 million). As at 31 December 2014 the loan balances including capitalised interest due from subsidiaries were €9.6 million (2013: €10.3 million).

(c) The loan payable from the subsidiary (HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka Jawna) is interest bearing and the Company was charged €62 thousand as interest (2013: €50 thousand as interest). As at 31 December 2014 the loan balance including capitalised interest due to subsidiary were €3.1 million (as of 31 December 2013: €3.1 million).

(d) The loan payable from the subsidiary (Atlas Estates Antilles B.V.) is interest bearing and the Company was charged €141 as interest (2013: €141). As at 31 December 2014 the loan balance including capitalised interest due to subsidiary were €26.0 thousand (2013: €17.0 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

In 2014 the Company did not conclude any significant agreements.

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 2014.

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, and Polish subsidiary, Atlas Estates (Kokoszki) Sp. z o.o. Deconsolidation of these subsidiaries started in October 2013 and December 2014, i.e. from the moment when Group control was lost. The loss was recognised in the consolidated financial statements as a result of these events.

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%
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 Spółka Jawna	Hotel operation	100%
Poland	HPO AEP Spółka z ograniczoną odpowiedzialnością Spółka Jawna	Development	100%
Poland	Atlas Estates (Cybernetyki) Sp. z o.o.	Development	50%
Poland	Atlas Estates (Przasnyska 9) Sp. z o.o.	Development	100%
Poland	La Brea Management Sp. z o.o.	Development	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	Development	100%
Romania	D.N.B. - Victoria Towers SRL	Hotel operation	100%
Bulgaria	Immobul EOOD	Investment	100%