ATLAS ESTATES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Atlas Estates Limited
Martello Court
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Company number: 44284

ATLAS ESTATES LIMITED

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Introduction

Atlas Estates Limited ("Atlas" or the "Company") is a Guernsey incorporated closed-ended investment company investing in real estate in Central and Eastern European countries ("CEE"). Atlas shares were admitted to trading on 12 February 2008 on the Warsaw Stock Exchange (WSE).

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

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

ATLAS ESTATES LIMITED

Financial Highlights

Selected Consolidated Financial Items	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
Revenues	58,662	36,925
Gross profit	21,333	13,838
Decrease in value of investment properties	(5,515)	(27,620)
Profit/ (Loss) from operations	3,111	(23,636)
Profit/ (Loss) before tax	21,579	(33,156)
Profit/ (Loss) for the period	22,770	(32,683)
Profit/ (Loss) attributable to owners of the parent	22,770	(32,683)
Cash flow from operating activities	10,158	10,637
Cash flow from investing activities	693	217
Cash flow from financing activities	(13,576)	(9,107)
Net (decrease)/ increase in cash	(2,363)	1,240
Non-current assets	184,972	194,828
Current assets	40,474	60,224
Total assets	229,614	261,832
Current liabilities	(93,073)	(129,525)
Non-current liabilities	(70,647)	(87,315)
Total liabilities	(163,720)	(216,840)
Basic net assets (1)	65,894	44,992
Number of shares outstanding	46,852,014	46,852,014
Profit/ (Loss) per share (eurocents)	48.6	(69.8)
Basic net asset value per share (€)	1.4	1.0
Adjusted net assets (2)	83,660	69,956
Adjusted net asset value per share (€)	1.8	1.5

(1) "Basic net assets" represent net assets value as per the consolidated balance sheet
(2) "Adjusted net asset value" includes valuation gains net of deferred tax on development properties held in inventory and land held under operating leases, but not recognised at fair value in the balance sheet

ATLAS ESTATES LIMITED

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 2015.

In the current financial market conditions key priorities are enhancing liquidity, gaining access to capital as well as acquisition of new land banks. All 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 (*Capital Art Apartments III & IV, Apartamenty przy Krasińskiego* and *Concept House*) were successful and their sales are nearly complete; in 2015 the Company completed sales of 259 apartments which resulted in the gross profit of €7.8 million;

- on 29 June 2015 the Group signed a new financing agreement for *Hilton* hotel to repay the existing bank facility of €52.8 million maturing in September 2015. In September 2015 the existing bank debt obligation was replaced with the new loan. The final repayment date of the new loan is 30 June 2025;

- on 30 June 2015 the Group completed restructuring of the portfolio of Romanian land bank loans. Based on the settlement reached with the bank the Group received €22.2 million discount on the repayment of the outstanding loan facilities (as described on page 10);

- in the fourth quarter of 2015 the Group has commenced construction of the second stage of *Apartamenty przy Krasińskiego* development project in Warsaw. In February 2016 the Group secured bank financing for this new project.

Reported Results

As of 31 December 2015 the Group has reported basic net assets of €65.9 million.

The increase of basic net asset value by €20.9 million from €45.0 million as at 31 December 2014 is primarily a result of the above mentioned bank loan write off. On 30 June 2015 the Group reached a settlement with the bank financing its two projects in Romania (part of *the portfolio of cross collateralised banking facilities*) based on which the Group received €22.2 million discount on the repayment of the outstanding loan facilities.

Profit after tax amounts to €22.8 million for 2015 as compared to loss after tax of €32.7 million for 2014. The increase amounting to €55.5 million is mainly attributable to:

- above described €7.8 million gross profit realized mainly on the sale of apartments in *Capital Art Apartments stage III&IV* project;
- the above described bank loan write off of €22.2 million resulting in finance income increasing from €0.3 in 2014 to €22.5 million in 2015;
- €22.1million decrease in the fair value losses on investment properties from €27.6 million in 2014 to €5.5 million in 2015. This significant decrease recorded in 2014 was mainly impacted by the fair value losses on land banks in Romania;
- favourable movements in the foreign currency exchange differences from loss of €4.2 million in 2014 to gain of €0.4 million in 2015. The foreign exchange gains occurred mainly as a result of slight appreciation of HUF against EUR and stable PLN against EUR in 2015. The foreign exchange losses occurred mainly as a result of depreciation of PLN and HUF against EUR in 2014.

Financing, Liquidity and Forecasts

The Directors consider that the current outlook presents operating as well as financing challenges in which the Group operates.

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and to manage its loan facilities for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2015, 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 invest 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 2015, 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 increased and amounted to €1.4 per share at 31 December 2015 and to €1.0 per share at 31 December 2014. 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 increased from €1.5 as of 31 December 2014 to €1.8 as of 31 December 2015. The improvement of adjusted NAV per share is mainly attributable to the above described bank loan write off.

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 2015 the following external independent qualified experts were engaged:
- Jones Lang LaSalle responsible for the valuation of properties located in Poland and Romania,
- FHB Ingatlan Zrt responsible for the valuation of properties located in Hungary.

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 2015 €'000	Movement In value €'000
Development land assets and land held under operating lease included in total assets at cost to the Group	18,667	37,539	18,862
Attributable to non-controlling interest partners	-	-	-
Company share of development land and land held under operating lease	**18,667**	**37,539**	**18,862**
Deferred tax on increase in valuation of development land and land held under operating lease			(1,096)
Basic net asset value per balance sheet			65,894
Adjusted net asset value			**83,660**
Number of ordinary shares in issue at 31 December 2015			46,852,014
Adjusted net asset value per share as at 31 December 2015			**1.8**
Adjusted net asset value per share as at 31 December 2014			1.5

** includes effect of internal valuation of unsold residential units*

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 30.

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.

Mark Chasey
CHAIRMAN
18 March 2016

Review of the Property Manager

In this review we present the financial and operating results for the year ended 31 December 2015. 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 2015, the Company held a portfolio of nineteen properties comprising nine investment properties of which five are income yielding properties, two are held for capital appreciation and two 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.

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 been one of most resilient economies in Europe with GDP growth of 3.6% in 2015 (3.4% in 2014).

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 and Atlas Estates Tower

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) Atlas Estates Tower, on the neighbouring plot, which will further enhance the attractiveness of this site.

Capital Art Apartments

The *Capital Art Apartments* project in Warsaw is another development in Warsaw close to the city centre. It is a four stage development with 784 apartments as well as parking and amenities, including retail facilities. As of 31 December 2015 only 9 apartments and 10 retail units were available for sale.

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 2015 only 3 apartments and 2 retail units 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 as well as parking and amenities and retail facilities. The construction of the first stage was completed in 2013 and as of 31 December 2015 only 1 apartment and 4 retail units are unsold.

Apartamenty przy Krasińskiego II is the second stage of this successful development project. This stage will release approximately 123 apartments as well as parking and retail facilities. The construction commenced in November 2015.

Nakielska Apartment Project

Nakielska Apartment Project is a residential development that will consist of two stages which will release around 240 apartments as well as parking and retail facilities.

Other properties in Poland

The Group also owns two investment properties in Poland.

The *Millennium Plaza* is a 39,138 sqm office and retail building centrally located in Warsaw with occupancy rate of 81% as of 31 December 2015 (69% as of 31 December 2014).

The *Sadowa* office building is a 6,872 sqm office building in Gdańsk. During the year its occupancy ratio reduced (from 100% as of 31 December 2014 to 55% as of 31 December 2015). The Company is actively looking for new tenants.

Hungary

In Hungary, the Group's portfolio is comprised of four properties, all of which are located in Budapest. Two of them have been classified as an asset held for sale – as disclosed in note 20 of the consolidated financial statements. Two properties, previously classified as held for sale, were disposed in the fourth quarter of 2015 as disclosed in note 33 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 2015 GDP increase of 2.9% was noted (in 2014 an increase in GDP of 3.6% 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 3.7% in 2015 (GDP increased by 2.9% in 2014). Despite the difficult trading conditions, occupancy rates at the Golden Tulip improved from 61% for 2014 to 66% for 2015.

Bulgaria

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

Financial Review

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

Portfolio valuation

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

Loans

As at 31 December 2015, the Group's bank debt associated with the portfolio of the Group was €137 million (31 December 2014: €174 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 2015			31 December 2014		
	€ millions	€ millions	%	€ millions	€ millions	%
Investment property	84	85	99%	117	100	117%
Hotels	53	87	61%	57	91	63%
Total	**137**	**172**	**80%**	**174**	**191**	**91%**

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2015 and 31 December 2014 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 decreased from 117% as of 31 December 2014 to 99% as of 31 December 2015 mainly as a result of the settlement reached with the bank financing Romanian land bank investments (as disclosed below – Debt financing).

LTV ratio of hotels slightly decreased from 63% as of 31 December 2014 to 61% as of 31 December 2015 mainly due to partial repayments of the loans.

The gearing ratio is 64% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratio decreased significantly as compared to 31 December 2014 (73%) mainly due to the settlement reached with bank financing Romanian land banks as well as significant profit realized in development segment due to sale of apartments in *Capital Art Apartments* project.

Debt financing

Repaid loans

In June 2015 the Group reached a settlement with the bank financing its two projects in Romania (*part of portfolio of cross collateralised banking facilities*) based on which the Group received €22.2m discount on the repayment of the outstanding loan facility. The Group could be obliged to pay an additional amount to the bank in connection with this transaction upon closing of disposal of *Millennium Plaza*. The additional amount is calculated as follows:

a. the amount by which net proceeds from the disposal of *Millennium Plaza* exceed the outstanding debt facility at the time of disposal constitute "Excess Disposal Proceeds";
b. the additional amount shall be the sum of:
   - 100% of Excess Disposal Proceeds not exceeding €10.0 million,
   - 50% of Excess Disposal Proceeds exceeding €10.0 million.

Currently this additional amount is expected to be €nil.

In November 2015 the Group sold Ligetvaros office building in Hungary (*part of portfolio of cross collateralised banking facilities*) and consequently settled the outstanding loan facility extended to this project.

On 11 February 2014 and 10 December 2014 the loan facilities extended to *Concept House* and *Capital Art Apartments* residential developments were repaid.

Portfolio of cross collateralised banking facilities

As of 31 December 2015, after the above described repayment of two Romanian and one Hungarian facility, the Group has one facility that had been cross collateralised totalling €60.0 million. As at 31 December 2015 this loan is classified as current liability since it is due on 31 December 2016 and the waiver of covenants was effective until 31 December 2015. The Company is in dialogue with the bank and is discussing restructuring terms.

Hotel Hilton bank facility

As of 31 December 2014 the bank facility extended to *Hilton* hotel in Poland amounted to €53.3m and was classified as a current liability as it was due in September 2015. On 29 June 2015 the Group signed a new financing agreement in order to repay this facility before its due date. In September 2015 the existing bank debt obligation was replaced with the new loan. As of 31 December 2015 Hilton bank facility (extended to Mantezja 3 Sp. z o.o.) amounts to €50.2m and the final repayment date of this facility is 30 June 2025.

Other new loan

In February 2016 Atlas Estates (Przasnyska 9) Sp. z o.o. was granted a loan for the construction of the second stage of *Apartamenty przy Krasińskiego* project in Warsaw.
Under the agreement the bank will grant a loan in a total amount of PLN 42.9 million in the following tranches:
-a construction loan in an amount of PLN 41.4 million, and
-a VAT loan in an amount of PLN 1.5 million.
The final repayment date of the construction part of the loan will fall on the day falling 12 months after the last day of the availability period for the construction part of the loan (i.e. a day falling 24 months after the first draw down of the construction loan or 31 March 2018, whichever occurs earlier) or on 31 March 2019, whichever occurs earlier.
The final repayment date of VAT part of the loan will fall on the day falling 6 months after the last day of the availability period (as explained above) for the VAT part of loan or on 30 September 2018, whichever occurs earlier.

Other loans

In the preparation of the consolidated financial statements as of 31 December 2015, the directors have classified the loan facility extended to a Hungarian subsidiary totalling €14.2 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 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 2015 € millions	Year ended 31 December 2014 € millions
Revenue	12.0	27.9	18.7	-	58.6	36.9
Cost of operations	(5.5)	(20.1)	(11.7)	-	(37.3)	(23.1)
Gross profit	**6.5**	**7.8**	**7.0**	**-**	**21.3**	**13.8**
Administrative expenses	(1.1)	(0.4)	(3.3)	(6.2)	(11.0)	(7.2)
Gross profit less administrative expenses	**5.4**	**7.4**	**3.7**	**(6.2)**	**10.3**	**6.6**
Gross profit %	54%	28%	37%	0%	36%	37%
Gross profit less administrative expenses %	45%	27%	20%	0%	18%	18%

Revenues and cost of operations

Total revenues for year ended 31 December 2015 were €58.6 million compared to €36.9 million for the year ended 31 December 2014. 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 €37.3 million in 2015 compared to €23.1 million in 2014.

Development Properties

	Year ended 31 December 2015 € millions	Year ended 31 December 2014 € millions	**Total change 2015 v 2014 € millions**	Translation foreign exchange effect € millions	Operational change 2015 v 2014 € millions
Revenue	27.9	6.5	**21.4**	-	21.4
Cost of operations	(20.1)	(5.4)	**(14.7)**	-	(14.7)
Gross profit	7.8	1.1	**6.7**	-	6.7
Administrative expenses	(0.4)	(0.4)	**-**	-	-
Gross profit less administrative expenses	7.4	0.7	**6.7**	-	6.7

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:
- *Apartamenty przy Krasińskiego* projects construction was finalized in 2013 and the Group has been recognizing the sales and associated costs in the consolidated income statement starting from the fourth quarter of 2013 as the above mentioned criteria have been met;
- *Capital Art Apartments III&IV* project construction was finalized and the Group has been recognizing the sales and associated costs in the consolidated income statement starting from the third quarter of 2015 as the above mentioned criteria have been met;
- *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 increase in gross profit realised in the year ended 31 December 2015 as compared to the same period in 2014 is mainly a result of an increase in the number of apartments sold. As presented in the table below as of 31 December 2015 the Group managed to complete the sale of 259 apartments (in *Capital Art Apartments, Apartamenty przy Krasińskiego* projects), whereas in 2014 only the revenues from the sale of 45 apartments in *Apartamenty przy Krasińskiego, Platinum Tower* and *Capital Art Apartments* projects were recognized.

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	-	4	-	4	37	93
Sales completions in 2015	1	-	250	-	8	6
Total sales completions	218	297	250	396	300	152
Sales not completed as of 31 December 2015 (only preliminary agreements concluded)	1	-	9	-	2	5
Apartments available for sale as of 31 December 2015	-	3	6	-	1	3

**Joint venture project*

Property Rental

	Year ended 31 December 2015 € millions	Year ended 31 December 2014 € millions	**Total change 2015 v2014 € millions**	Translation foreign exchange effect € millions	Operational change 2015 v 2014 € millions
Revenue	12.0	12.2	**(0.2)**	-	(0.2)
Cost of operations	(5.5)	(5.8)	**0.3**	-	0.3
Gross profit	6.5	6.4	**0.1**	-	0.1
Administrative expenses	(1.1)	(0.9)	**(0.2)**	-	(0.2)
Gross profit less administrative expenses	5.4	5.5	**(0.1)**	-	(0.1)

In 2015 the gross profit realized by the Property Rental segment remained at similar level to 2014.

Hotel operations

	Year ended 31 December 2015 € millions	Year ended 31 December 2014 € millions	**Total change 2015 v 2014 € millions**	Translation foreign exchange effect € millions	Operational change 2015 v 2014 € millions
Revenue	18.7	18.2	**0.5**	-	0.5
Cost of operations	(11.7)	(11.9)	**0.2**	-	0.2
Gross profit	7.0	6.3	**0.7**	-	0.7
Administrative expenses	(3.3)	(3.0)	**(0.3)**	-	(0.3)
Gross profit less administrative expenses	3.7	3.3	**0.4**	-	0.4

In 2015 the hotel operations improved as compared to 2014 mainly due to improved occupancy ratios of both *Hilton* and *Golden Tulip* hotels in Warsaw and Bucharest.

Administrative expenses

Administrative expenses increased by €3.8 million as compared to 2014 mainly due to accrual for performance fee amounting to €3.8 million. In 2014 Property Manager was only entitled to basic fee.

Valuation movement

In 2015 the decrease of the market value of the investment properties portfolio was of €5.5 million as compared to a decrease of €27.6 million in 2014. This significant decrease in 2014 was mainly impacted by the valuation losses recognised in relation to the assets located in Romania as described in more detail in 2014 consolidated annual report (note 16). The decrease in 2015 was mainly attributable to the revaluation of *Millenium Plaza* and *Sadowa* office building.

Other operating income and expenses

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

The increase of other operating income by €0.8 million is mainly due to €0.7 million property tax refund received in 2015.

The other operating expenses remained at a similar level in 2015 and 2014. The key expense in 2014 was a €2.2 million loss on deconsolidation of subsidiary (as described in note 33 of the consolidated financial statements) whereas in 2015 it is a €2.5 million the accrual for legal case (as described in note 32.1 of the consolidated financial statements).

Finance income and costs

Finance income increased by €22.2 million primarily due to a €22.2 million bank loan write back. On 30 June 2015 the Group reached a settlement with the bank financing its two projects in Romania (*part of the portfolio of cross collateralised banking facilities*) based on which the Group received €22.2 million discount on the repayment of the outstanding loan facilities.

The income statement includes finance costs of €4.5 million for 2015, compared with €5.7 million in 2014, representing mainly interests on bank loans and related bank charges. The decrease of finance costs is mainly attributable to deconsolidation of one of the Polish subsidiaries in December 2014.

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.

The results for the year 2015 have not been significantly impacted by the effects of the change in value of the currencies in the Central and Eastern European markets. This is mainly due to fairly stable PLN/EUR, HUF/EUR and RON/EUR rates noted in 2015. In 2014 the functional currencies PLN and HUF have depreciated by 3% and 6% as compared to 2013. As a result the movements in value of the functional currencies has resulted in foreign exchange gain of €0.4 million in the income statement (2014: €4.2 million loss) and €0.1 million gain (2014: €2.3 million loss) in other comprehensive income for the year ended 31 December 2015.

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 2015	4.2615	313.12	4.5245	1.95583
31 December 2014	4.2623	314.89	4.4821	1.95583
% Change	0%	-1%	1%	0%
Average rates				
Year 2015	4.1839	309.90	4.5040	1.95583
Year 2014	4.1852	308.66	4.4591	1.95583
% Change	0%	0%	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 2015 € millions	**NAV per share 2015 €**	NAV 2014 € millions	**NAV per share 2014 €**
Basic NAV	65.9	**1.4**	45.0	**1.0**
Development land valuation increase	18.9	**-**	24.9	**-**
Deferred tax	(1.1)	**-**	-	**-**
Adjusted NAV	83.7	**1.8**	69.9	**1.5**

Notes: The number of shares in issue as at 31 December 2015 and 2014 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 2015 the combined fee payable to AMC by the Group was €5.2 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 2015, 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. In the second quarter of 2015 the new financing for *Hilton* hotel was secured and successful restructuring of Romanian bank facilities was completed. Additionally 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*). In the third quarter 2015 construction of *Capital Art Apartments III&IV* was completed and the Company recorded significant revenues from sale of residential properties amounting to €27.9 million in 2015. Moreover in the last quarter of 2015 the Company commenced construction of the second stage of the very successful project in Warsaw- *Apartamenty przy Krasińskiego II.*

Reuven Havar
Chief Executive Officer
Atlas Management Company Limited
18 March 2016

Ziv Zviel
Chief Financial Officer and Chief Operations Officer
Atlas Management Company Limited

ATLAS ESTATES LIMITED

Property Portfolio Information

Location/Property	Description	Company's ownership
Poland		
Hilton Hotel	First Hilton Hotel in Poland – a 4 star hotel with 314 luxury rooms, large 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 2008, Stage 2 in 2009, Stage 3 in January 2015 and Stage 4 in February 2015. Location close to the central business district in Wola area of Warsaw. As of 31 December 2015 only 9 apartments and 10 retail units were available for sale.	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 302 were sold or presold and 4 retail units were available for sale as od 31 December 2015.	100%
Apartamenty przy Krasińskiego, stage II	The second stage of the successful development project in Warsaw. It is estimated that it will release approximately 123 apartments with underground parking and retail facilities. The construction commenced in November 2015.	100%
Millennium Tower	39,138 square meters of office and retail space in the central business district of Warsaw.	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 2015 only 3 apartments out of 160 apartments were still available for sale.	50%
Sadowa office building	6,872 square meters office building 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. (disclosed as held for sale as at 31 December 2015)	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%
Moszkva Square	600 square meters of office and retail space in the Buda district of Budapest. (disclosed as held for sale as at 31 December 2015)	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

Mark Chasey Chairman, Non-executive Director	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.
Andrew Fox Non-executive Director Chairman of Audit Committee	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.
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.

* On 17 February 2016 Mr Andrew Fox resigned from the position of Chairman. On the same date Mr Mark Chasey was appointed to the position of Chairman.

* On 17 March 2016 Mr Mark Chasey resigned from the position of Chairman of Audit Committee. On the same date Mr Andrew Fox was appointed to the position of Chairman of Audit Committee.

Registered office

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

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.

ATLAS ESTATES LIMITED

Directors' Report

The Directors present their report and the audited financial statements for the twelve months ended 31 December 2015.

Results and dividends

The results for the Group for the year are set out in the consolidated income statement on page 37 and show a profit after tax attributable to equity shareholders of €22.8 million (2014: loss after tax of €32.7 million).

The Company has not declared a dividend for 2015 (2014: €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 2015, except for sale of two Hungarian subsidiaries. A list of the operating subsidiaries of the Company subject to consolidation is included within note 33 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 51 to 54.

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. Nevertheless, the Group has managed to obtain profit for the year of €22.8 million (compared to loss of €32.7 million in 2014).

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 2015 the Group held land and building assets with a market value of €211 million, compared to external debt of €137 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, 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 2015, the directors have taken into account the fact that the Group is in a net current liability position and the Board is aware that the Group will have to continue negotiations with the banks.

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 consolidated financial statements for the year ended 31 December 2015.

Substantial shareholdings

The Board is aware of the following direct or indirect interest in 5% or more of the Company's ordinary share capital (excluding 3,470,000 treasury shares, which have no voting rights). All shares have equal voting rights.

1. Direct shareholders *(i.e. shareholders holding the shares for the benefit of other parties)*

Significant Shareholders	Number of Shares held	Percentage of Issued Share Capital
Vidacos Nominees Limited <BJB>	34,969,645	74.64
Forest Nominees Limited <GC1>	6,461,425	13.79
Euroclear Nominees Limited <EOCO1>	5,308,396	11.33
TOTAL	**46,739,466**	**99.76**

2. Beneficial shareholders *(i.e. shareholders for the benefit of which the above direct shareholders held the shares)* based on the information provided to the Company by these shareholders under the applicable legislation (*the notifications received from shareholders in accordance with Art. 70 with connection to art. 69 of the Act of 29 July 2005 on the Public Offering, Condition Governing the introduction of Financial Instruments to Organized Trading and Public Companies*)

Significant Shareholders	Number of Shares held	Percentage of Issued Share Capital
Fragiolig	35,391,145	75.54
Atlas International Holdings Limited	6,461,425	13.79
TOTAL	**41,852,570**	**89.33**

3. The ultimate parent company is Coralcliff Limited and the ultimate controlling party by a virtue of ownership is Mr Ron Izaki.

Directors and Directors' share interests

The non-executive Directors who served during the year are detailed in table 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.

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 33 to 34. No other Director had, during the accounting year or in the period to 18 March 2016, 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.

Auditors

The Directors confirm that as at 18 March 2016:

- 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 9 July 2015 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 2015.

The consolidated financial statements of the Group for 2015 were audited by BDO LLP on the basis of an engagement letter dated 13 December 2015. The consolidated financial statements of the Group for 2014 were audited by BDO LLP on the basis of an engagement letter concluded on 27 January 2015.

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:

Audit Company – fees	**2015 €'000**	**2014 €'000**
Audit of individual and consolidated annual financial statements	139	155
Review of interim individual and consolidated financial statements	34	34
Tax services	4	-
Other compliance services	-	-
Total	**177**	**189**

Annual General Meeting

The Annual General Meeting is usually scheduled in the period June-July 2016. 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. ("AEI 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 ("Agreement") 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 PLN55 million.

On 10 December 2015 the Arbitrator in Israel reached a judgement according to which the Defendants were obliged jointly and severally to pay to the Plaintiffs the amount of 9,468,237 Israeli shekels increased by interests and indexation from 10 July 2012 until the payment date according to the Israeli law. Moreover, the Defendants were obliged to pay to the Plaintiffs the amount of 300,000 Israeli shekels as reimbursement of legal fees. Additionally the Defendants were obliged jointly and severally to pay to the Plaintiffs the additional amount, which should have been specified until 15 January 2016 according to the instructions included in the judgement. Part of the claim pursued by the Plaintiffs related to the payment of the remuneration for the third tower provided for in the Agreement, even though the third tower has not been constructed until now. This part of the claim was rejected by the Arbitrator in Israel.

On 18 February 2016 AEL and AEI B.V. entered into the settlement agreement with Stronginfo Consultants Ltd and Columbia Enterprises Ltd ("Settlement"). The purpose of the Settlement was to specify the exact amount of the payment to be made by AEL and AEI B.V. to Stronginfo Consultants Ltd and Columbia Enterprises Ltd. The Settlement substitutes decision of the Arbitrator in Israel of 10 December 2015 (described above). According to the provisions of the Settlement AEL and AEI B.V. will pay to the Plaintiffs the total amount of 10,437,475 Israeli shekels (equivalent of approx. €2.5 million) in connection with the first two towers provided for in the Agreement. Payment of the above amount exhaust above mentioned claims of Stronginfo Consultants Ltd and Columbia Enterprises Ltd.

As of 31 December 2015 due to the above described legal case an accrual amounting to €2.5 million was recorded in the consolidated financial statements.

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 20 November 2015, between Atlas Estates (Przasnyska 9) Sp. z o.o. and Kalter Sp. z o.o.
On 20 November 2015 a general contractor agreement was signed between the Company's subsidiary Atlas Estates (Przasnyska 9) Spółka z ograniczoną odpowiedzialnością and Kalter Spółka z ograniczoną odpowiedzialnością ("General Contractor") for the construction of multi-apartment residential building (*Apartamenty przy Krasińskiego*, the second stage) in Warsaw. The total value of contract amounts to PLN 30.0 million (excluding VAT). The completion of the General Contractor obligation shall occur on 31 July 2017. There were no payments in respect of this agreement till 31 December 2015.

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

Agreement of 6 September 2012, between Capital Art Apartments AEP Sp. z o.o. SKA and Unibep S.A.
On 6 September 2012 a general contractor agreement was signed between the Company's subsidiary Capital Art Apartments AEP Sp. z o.o. SKA and Unibep S.A. for the construction of multi-apartment residential buildings (*Capital Art Apartments*, Stage III) in Warsaw. Total value of the contract amounts to PLN38.3 million (excluding VAT). The contract was fully settled in 2015.

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

Related party transactions

Related party transactions are stated within note 32 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 2016

None

Guarantees and sureties – changes in 2015

- On 22 December 2015 Mantezja 3 Sp. z o.o. (subsidiary of Atlas Estates Limited) established a contractual second ranking mortgage up to the amount of PLN 72,000,000 over the right of perpetual usufruct of the real estate and over the ownership of the buildings and installations ("the Real Estate") for which District Court for Warszawa - Mokotów in Warsaw, X Division of Land and Mortgage Registers maintains the land and mortgage register WA4M/00166084/8 in favour of the Lender 1. The above mortgage is a collateral for the transaction IRS no. 16043290 and transaction IRS no. 16047670 connected with a loan agreement of 29 June 2015 concluded between Mantezja 3 Sp. z o.o. and Bank Polska Kasa Opieki S.A.

- On 30 September 2015 the subsidiaries of Atlas Estates Limited ("the Company"): Mantezja 3 Sp. z o.o. ("Borrower"), HGC Gretna Investements Spólka z ograniczoną odpowiedzialnością Sp.j. ("HGC"), Atlas Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("FIZAN"), Gretna Investments Sp. z o.o. ("Gretna") and Atlas Estates Investment B.V. ("AEI") informed the following registered and financial pledge agreements were executed with Bank Polska Kasa Opieki Spółka Akcyjna ("Bank") in fulfilment of the Borrower's obligations towards Bank resulting from the loan agreement dated 29 June 2015, described in current Report no. 7 published on 29 June 2015 ("Loan Agreement"):

1. registered and financial pledge agreement executed between the Bank and Borrower over the set of tangible and intangible assets (Tranche A), the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000; the book value of the pledged rights equals PLN 17,353,015.69;
2. registered and financial pledge agreement executed between the Bank and Borrower over the set of tangible and intangible assets (Tranche B), the pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,732; the book value of the pledged rights equals PLN 17,357,015.69;
3. registered and financial agreement executed between the Bank and Borrower over the receivables under the bank account agreements (Tranche A), each pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000;
4. registered and financial agreement executed between the Bank and Borrower over the receivables under the bank account agreements (Tranche A), each pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,732;
5. registered and financial pledge agreement executed between the Bank and HGC over the set of tangible and intangible assets (Tranche A), the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000; the book value of the pledged rights equals PLN 185,408,230.98;
6. registered and financial pledge agreement executed between the Bank and HGC over the set of tangible and intangible assets (Tranche B), the pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,732; the book value of the pledged rights equals PLN 185,408,230.98;
7. registered and financial agreement executed between the Bank and HGC over the receivables under the bank account agreements (Tranche A), each pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000;
8. registered and financial agreement executed between the Bank and HGC over the receivables under the bank account agreements (Tranche B), each pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,232;
9. registered and financial pledge agreement executed between the Bank and FIZAN over the 999 910 shares in the share capital of the Gretna Investments Spółka z ograniczoną odpowiedzialnością 4 Spólka komandytowo-akcyjna ("Grenta 4"), of the nominal value PLN 0.10 each share, of the joint nominal value of PLN 99,991 constituting 99.991 % shares in the share capital of Gretna 4 (Tranche A), being the ownership of FIZAN; the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000; the book value of the pledged shares equals PLN 200,424,000;
10. registered and financial pledge agreement executed between the Bank and FIZAN over the 999 910 shares in the share capital of the Gretna Investments Spółka z ograniczoną odpowiedzialnością 4 Spólka komandytowo-akcyjna ("Grenta 4"), of the nominal value PLN 0.10 each share, of the joint nominal value of PLN 99,991 constituting 99.991 % shares in the share capital of Gretna 4 (Tranche B), being the ownership of FIZAN; the pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,232; the book value of the pledged shares equals PLN 200,424,000;
11. registered and financial pledge agreement executed between the Bank and Gretna over the 90 shares in the share capital of the Gretna Investments Spółka z ograniczoną odpowiedzialnością 4 Spólka komandytowo-akcyjna ("Grenta 4"), of the nominal value 0.10 PLN each share, of the joint nominal value of PLN 9 constituting 0.009 % shares in the share capital of Gretna 4 (Tranche A), being the ownership of Gretna; the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000; the book value of the pledged shares equals PLN 9;

12. registered and financial pledge agreement executed between the Bank and FIZAN over the 90 shares in the share capital of the Gretna Investments Spółka z ograniczoną odpowiedzialnością 4 Spólka komandytowo-akcyjna (“Grenta 4”), of the nominal value PLN 0.10 each share, of the joint nominal value of PLN 9 constituting 0.009 % shares in the share capital of Gretna 4 (Tranche B), being the ownership of Gretna; the pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,232; the book value of the pledged shares equals PLN 9;
13. registered and financial pledge agreement executed between the Bank and AEI over the 100 shares in the share capital of the Borrower, of the nominal value PLN 50 each share, of the joint nominal value of PLN 5,000 constituting 100 % shares in the share capital of Borrower (Tranche A), being the ownership of AEI; the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000; the book value of the pledged shares equals €1,191;
14. registered and financial pledge agreement executed between the Bank and AEI over the 100 shares in the share capital of the Borrower, of the nominal value PLN 50 each share, of the joint nominal value of PLN 5,000 constituting 100 % shares in the share capital of Borrower (Tranche B), being the ownership of AEI; the pledge secures repayment to the Loan Agreement up to the maximum equal to PLN 225,008,232; the book value of the pledged shares equals €1,191;
15. registered and financial pledge agreement executed between the Bank and AEI over the 100 shares in the share capital of the Gretna Investments Sp. z o.o. (“Gretna”), of the nominal value PLN 50 each share, of the joint nominal value of PLN 5,000 constituting 100 % shares in the share capital of Gretna (Tranche A), being the ownership of AEI; the pledge secures repayment of the Loan Agreement up to the maximum equal to €24,750,000; the book value of the pledged shares equals €3,749;
16. registered and financial pledge agreement executed between the Bank and AEI over the 100 shares in the share capital of the Gretna Investments Sp. z o.o. (“Gretna”), of the nominal value PLN 50 each share, of the joint nominal value of PLN 5,000 constituting 100 % shares in the share capital of Gretna (Tranche B), being the ownership of AEI; the pledge secures repayment of the Loan Agreement up to the maximum equal to PLN 225,008,232; the book value of the pledged shares equals €3,749;

- On 10 September 2015 in execution of obligations resulting from:

  (i) a loan agreement of 29 June 2015 (the “Agreement”) between the subsidiary of Atlas Estates Limited (“The Company”) Mantezja 3 Spółka z ograniczoną odpowiedzialnością with its registered seat in Warsaw (the “Borrower”) and Bank Polska Kasa Opieki S.A. (the “Lender 1”) and Pekao Bank Hipoteczny S.A (the “Lender 2”) (Lender 1 and Lender 2 are jointly referred as to the “Lenders”) and

  (ii) agreement for accession to debt of 29 June 2015 between the subsidiary of the Company – HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka jawna with its registered seat in Warsaw (the “HGC”), the Borrower and the Lenders (the Agreement and accession to debt are both described in details in the current report no. 7/2015 of 29 June 2015)

  the following collaterals were established:

  1. The Borrower established a contractual mortgage up to the amount of €18,000,000 over the right of perpetual usufruct of the real estate consisting of the plot of land no. 65 for which District Court for Warszawa – Mokotów in Warsaw, X Division of Land and Mortgage Registers maintains the land and mortgage register WA4M/00166084/8 as the security for the repayment of the tranche A of the loan granted to the Borrower under the Agreement up to the maximum amount of €12,000,000; the mortgage was established in favour of the Lender 2;
  2. The Borrower established a contractual mortgage up to the of €6,750,000 over the right of perpetual usufruct of the real estate consisting of the plot of land no. 65 for which District Court for Warszawa – Mokotów in Warsaw, X Division of Land and Mortgage Registers maintains the land and mortgage register WA4M/00166084/8 as the security for the repayment of the tranche A of the loan granted to the Borrower under the Agreement up to the maximum amount of €4,500,000; the mortgage was established in favour of the Lender 1;
  3. The Borrower established a contractual mortgage up to the amount of PLN235.875.000 over the right of perpetual usufruct of the real estate consisting of the plot of land no. 65 for which District Court for Warszawa – Mokotów in Warsaw, X Division of Land and Mortgage Registers maintains the land and mortgage register WA4M/00166084/8 as the security for the repayment of the tranche B of the loan granted to the Borrower under the Agreement up to the maximum amount of €37,000,000; the mortgage was established in favour of the Lender 1;
  4. the security assignment of Borrower's rights and claims to the Lenders;
  5. the security assignment of HGC's rights and claims to the Lenders;
  6. the security assignment of the Borrower’s insurance claims;
  7. the security assignment of the HGC’s insurance claims;
  8. declarations of the Borrower and HGC on the voluntary submission to execution in form of a notarial deed pursuant to article 777 § 1 item 5 of the Polish Code of Civil Procedure;

9. suretyship (poręczenie) by the subsidiary of the Company - Atlas Estates Investment B.V. in the amount of €4,500,000 for payment of amounts under the Facility, together with the declaration of the guarantor on the voluntary submission to execution in form of a notarial deed pursuant to article 777 § 1 item 5 of the Polish Code of Civil Procedure;
10. the subordination of claims of the subordinated creditors against HGC and the Borrower to the claims of the Lenders under the Agreement and related security documents.

- 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, 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 sqm, being in the perpetual usufruct of HGC and non-residential building of the usable area of 4,211 sqm, 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 PLN 9 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; 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 PLN 0,10 each share, of the joint nominal value of PLN 49 991 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; the book value of the pledged shares equals PLN 49 991;
  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;
  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;

- 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 PLN 28,081,200 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; the book value of the pledged shares equals to PLN 200,373,402.60.

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 2015 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 Andrew Fox. 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.

Attendance at meetings

	Board	**Audit Committee meetings**
No. of meetings in the year	**9**	**3**
Mr Andrew Fox	9	3
Mr Mark Chasey	5	2
Mr Guy Indig	5	3

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

Property Manager

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

The Property Manager has a board ("PM board") comprising of two non-executive directors. 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 Property Manger reports to the Directors 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.

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.

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.

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

18 March 2016

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:

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:

Directors' emoluments – representing fees only	2015
	€
Non-executive Directors	
Mr Andrew Fox	24,000
Mr Mark Chasey	24,000
Mr Guy Indig	-
Total	**48,000**

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**

Property Manager

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

Basic fee

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

In addition, AMC is entitled to be reimbursed by the Company for all costs and expenses incurred by it in the performance of its obligations under the Property Management Agreement (not including its own internal operating costs). In consideration of the services provided, AMC received a management fee of €1.4 million for the year ended 31 December 2015 (2014: €2.0 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 accrual in respect of the financial year ended 31 December 2015 is €3.8 million (2014: €nil million) and it is expected that it will be settled in cash.

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.

Approval

The Board approved the Remuneration Report without amendment. This report was approved by the Board of Directors on 18 March 2016 and signed on its behalf by:

Mark Chasey
Chairman
18 March 2016

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 consolidated 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 Group 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 consolidated 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.

Mark Chasey
Chairman

Andrew Fox
Director

Guy Indig
Director

18 March 2016

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 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. 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 group's affairs as at 31 December 2015 and of its profit 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; and Article 4 of the IAS Regulation.

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
18 March 2016

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

ATLAS ESTATES LIMITED

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2015

		Year ended 31 December 2015 €'000		Year ended 31 December 2014 €'000	Note
Revenues		58,662		36,925	3
Cost of operations		(37,329)		(23,087)	4.1
Gross profit		**21,333**		**13,838**	
Property manager fee	*(5,249)*		*(1,968)*		
Central administrative expenses	*(686)*		*(446)*		
Property related expenses	*(5,076)*		*(4,784)*		
Administrative expenses		(11,011)		(7,198)	4.2
Other operating income		1,311		481	5
Other operating expense		(3,007)		(3,137)	6
Decrease in value of investment properties		(5,515)		(27,620)	16
Profit/ (Loss) from operations		**3,111**		**(23,636)**	
Finance income (including bank debt discount of €22.2m)		22,519		283	7
Finance costs		(4,465)		(5,657)	7
Other gains/ (losses) – foreign exchange		429		(4,173)	7
Share of (losses)/ profits from equity accounted joint ventures		(15)		27	12
Profit/ (Loss) before taxation		**21,579**		**(33,156)**	
Tax charge		1,191		473	8
Profit/ (Loss) for the period		**22,770**		**(32,683)**	
Attributable to:					
Owners of the parent		22,770		(32,683)	
Non-controlling interests		-		-	
		22,770		**(32,683)**	
Profit/ (Loss) per €0.01 ordinary share – basic (eurocents)		48.6		(69.8)	10
Profit/ (Loss) per €0.01 ordinary share – diluted (eurocents)		48.6		(69.8)	10

All amounts relate to continuing operations.

The notes on pages 43 to 81 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Year ended 31 December 2015 €'000	Year ended 31 December 2014 €'000
PROFIT/ (LOSS) FOR THE PERIOD	**22,770**	**(32,683)**
Other comprehensive income/ (loss):		
Items that will not be recycled through profit or loss		
Revaluation of buildings	(2,450)	3,645
Deferred tax on revaluation	465	-
Total	**(1,985)**	**3,645**
Items that may be recycled through profit or loss		
Exchange adjustments	150	(2,341)
Deferred tax on exchange adjustments	(33)	74
Total	**117**	**(2,267)**
Other comprehensive income/ (loss) for the period (net of tax)	**(1,868)**	**1,378**
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	**20,902**	**(31,305)**
Total comprehensive income/ (loss) attributable to:		
Owners of the parent	20,902	(31,305)
Non-controlling interests	-	-
	20,902	**(31,305)**

The notes on pages 43 to 81 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	31 December 2015 €'000	31 December 2014 €'000	Note
ASSETS			
Non-current assets			
Intangible assets	102	131	13
Land under operating lease - prepayments	11,149	11,287	14
Total investment in equity accounted joint ventures	813	1,286	12
Property, plant and equipment	75,397	79,815	15
Investment property	89,953	97,666	16
Deferred tax asset	7,558	4,643	26
	184,972	**194,828**	
Current assets			
Inventories	17,025	34,030	18
Trade and other receivables	3,851	4,233	19
Cash and cash equivalents	19,598	21,961	21
	40,474	**60,224**	
Assets held within disposal groups classified as held for sale	4,168	6,780	20
	44,642	**67,004**	
TOTAL ASSETS	**229,614**	**261,832**	
Current liabilities			
Trade and other payables	(15,199)	(33,164)	23
Bank loans	(77,260)	(96,307)	24
Derivative financial instruments	(614)	(54)	25
	(93,073)	**(129,525)**	
Non-current liabilities			
Other payables	(3,276)	(3,144)	23
Bank loans	(60,112)	(77,542)	24
Derivative financial instruments	-	(130)	25
Deferred tax liabilities	(7,259)	(6,499)	26
	(70,647)	**(87,315)**	
TOTAL LIABILITIES	**(163,720)**	**(216,840)**	
NET ASSETS	**65,894**	**44,992**	

The notes on pages 43 to 81 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	31 December 2015 €'000	31 December 2014 €'000
EQUITY		
Share capital account	6,268	6,268
Revaluation reserve	16,371	18,356
Other distributable reserve	194,817	194,817
Translation reserve	(9,797)	(9,914)
Accumulated loss	(141,765)	(164,535)
Issued capital and reserves attributable to owners of the parent	**65,894**	**44,992**
Non-controlling interests	-	-
TOTAL EQUITY	**65,894**	**44,992**
Basic and diluted net asset value per share	€ 1.4	€ 1.0

The notes on pages 43 to 81 form part of these consolidated financial statements.
The financial statements on pages 37 to 81 were approved by the Board of Directors on 18 March 2016 and signed on its behalf by:

Mark Chasey
Chairman

Andrew Fox
Director

Guy Indig
Director

18 March 2016

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

	Share capital account €'000	Revaluation reserve €'000	Other distributable reserve €'000	Translation reserve €'000	Accumulated loss €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
As at 1 January 2014	6,268	14,711	194,817	(7,647)	(131,852)	76,297	-	76,297
Loss for the period	-	-	-	-	(32,683)	(32,683)	-	(32,683)
Other comprehensive income for the year	-	3,645	-	(2,267)	-	1,378	-	1,378
As at 31 December 2014	**6,268**	**18,356**	**194,817**	**(9,914)**	**(164,535)**	**44,992**	**-**	**44,992**
Profit for the period	-	-	-	-	22,770	22,770	-	22,770
Other comprehensive loss for the year	-	(1,985)	-	117	-	(1,868)	-	(1,868)
As at 31 December 2015	**6,268**	**16,371**	**194,817**	**(9,797)**	**(141,765)**	**65,894**	**-**	**65,894**

The Revaluation Reserve includes amounts relating to revaluation of buildings and the related deferred tax. Amounts carried in the revaluation reserve, in respect of land and buildings are not realised gains and are therefore not distributable reserves. Upon the sale of underlying assets these amounts will be crystallised within retained earnings.

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

The Translation Reserve includes exchange adjustments and the related deferred tax. The Group's Revaluation Reserve and Translation Reserve represent unrealised gains and losses and therefore are not distributable.

The notes on pages 43 to 81 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2015

	Note	31 December 2015 €'000	31 December 2014 €'000
Cash inflow generated from operations	22	**10,172**	**10,693**
Tax paid		(14)	(56)
Net cash from operating activities		**10,158**	**10,637**
Investing activities			
Interest received		247	205
Purchase of investment property		(1,216)	(590)
Purchase of property, plant and equipment		(524)	(1,381)
Cash consideration received in respect of sold subsidiaries- net of cash disposed (note 33)		1,709	-
Proceeds from disposal of property, plant and equipment		7	-
Purchase of intangible assets – software		(24)	(32)
Loans repaid by equity accounted joint ventures		494	2,015
Net cash from investing activities		**693**	**217**
Financing activities			
Interest paid		(3,565)	(4,131)
New bank loans raised- net of finance costs		51,495	5,640
Repayments of bank loans		(61,506)	(10,616)
Net cash used in financing activities		**(13,576)**	**(9,107)**
Net (decrease)/ increase in cash and cash equivalents in the year		**(2,725)**	**1,747**
Effect of foreign exchange rates		362	(507)
Net (decrease)/ increase in cash and cash equivalents in the year		**(2,363)**	**1,240**
Cash and cash equivalents at the beginning of the year		**21,961**	**20,721**
Cash and cash equivalent at the end of the year		**19,598**	**21,961**
Cash and cash equivalents			
Cash and cash equivalents	21	19,598	21,961
		19,598	**21,961**

The notes on pages 43 to 81 form part of these consolidated financial statements.

STATEMENT OF ACCOUNTING POLICIES

Year ended 31 December 2015

Basis of preparation

These consolidated 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 consolidated 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 and derivatives accounted for as fair value through profit and loss. The principal accounting policies are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 and its management. Nevertheless, the Group has reported a profit for the year of €22.8 million (compared to loss of €32.7 million in 2014).

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 2015 the Group held land and building assets with a market value of €172 million, compared to external debt of €137 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, 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 2015, the directors have taken into account the fact that the Group is in a net current liability position and the Board is aware that the Group will have to continue negotiations with the banks.

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 consolidated financial statements for the year ended 31 December 2015.

STATEMENT OF ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries up to 31 December 2015. Subsidiaries are those entities that are controlled by the Company. Control is achieved where the Company has the power, either directly or indirectly, to govern the financial and operating policies of an entity so as to have the ability to affect the amount of the investor's returns and has exposure or right to variable returns from its involvement with the investee. Subsidiaries are deconsolidated where this control is lost.

The results of subsidiaries and joint ventures acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal, as appropriate. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring the accounting policies used into line with those used by the Group.

The consolidated financial information is prepared in Euro and presented in thousands of Euro ("€'000").

Joint ventures are initially recognised in the consolidated statement of financial position at cost. Subsequently, joint ventures are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the joint venture unless there is an obligation to make good those losses).

Segmental reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of Atlas Estates Limited that makes strategic decisions.

Revenue recognition

Revenue comprises:
(i) rental income, service charge and other recoveries from tenants and the supply of utilities to tenants of the Group's investment and trading properties;
(ii) hire of hotel rooms, sale of food and beverages; and
(iii) proceeds of the sale of residential apartments developed by the Group.

Rental income includes income from managed operations such as car parks. Service charges and other recoveries include income in relation to service charges and directly recoverable expenditure and any related chargeable management fees.

Rental income is recognised on a straight line basis over the lease term. Service charges and management fees are recognised as the related costs are incurred and charged. Changes to rental income that arise from reviews to open market rental values or increases that are indexed linked on a periodic basis are recognised from the date on which the adjustment became due. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property. Lease incentives are allocated evenly over the term of the lease. Rental income and services charges are stated net of VAT and other sales related taxes.

Revenue from the hire of hotel rooms, sale of food and beverages is recognised when the service or product is delivered and is stated net of VAT and other sales related taxes.

Revenue from the sale of housing units is recognised when the risks and rewards of ownership have been transferred to the buyer (i.e. when housing units have been handed over to new owners with notarial deed signed) and provided that the Company has no further substantial acts to complete under the contract.

Other revenues, including the sale of utilities and other management fee income, are measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of VAT and other sales related taxes. These revenues are recognised as the related costs are incurred.

STATEMENT OF ACCOUNTING POLICIES

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Euro, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies other than the entity'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. Those that arise on the re-translation of non-monetary items carried at fair value are included in the income statement for the year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity or other comprehensive income. For such non-monetary items any exchange component of that gain or loss is also recognised directly in equity or other comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations (none of which has the currency of an hyperinflationary economy) are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated using the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve via other comprehensive income. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate, with foreign exchange movements being accounted for through the statement of other comprehensive income.

Leases

Where the Group is the lessee:

Operating leases – leases held by the Group where substantially all risks and rewards of ownership are retained by another party, the lessor, are deemed to be operating leases. All payments made under such leases are charged to the income statement on a straight-line basis over the life of the lease.

Finance leases – are leases where the Group holds substantially all the risks and rewards of ownership. Such leases are capitalised at commencement of the lease at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges in order that a constant rate may be achieved on the finance balance outstanding. The corresponding rental obligations are included in current and non-current liabilities, net of finance charges. Finance charges are charged to the income statement over the term of the lease so as to produce a constant periodic rate of interest on the outstanding balance. Investment properties acquired under finance leases are carried at their fair value.

Long term lease contracts for land – the Group is the lessee in long-term land lease contracts, which do not result in the transfer of legal title to the land to the Group, and which are classified as operating leases.

The expenditure relating to the purchase of rights from such contracts is initially recognised in the balance sheet at fair value of the payments made and subsequently at amortised cost. They are classified in the balance sheet as land held under operating lease – prepayments.

Where the land held under operating lease is part of an investment property, the operating lease contract for the land is treated as a finance lease in accordance with IAS 40. As a result, at the time the Group enters into the contract, the fair value of future payments under the lease contract is calculated and recognised as a liability. Following the initial recognition, in subsequent accounting periods, the total value of investment property (including the land element) is revalued to fair value and the difference is included in the income statement.

STATEMENT OF ACCOUNTING POLICIES

The long-term land lease contracts which are separately disclosed in the balance sheet (i.e. do not qualify as investment property) are charged to the income statement over the lease term and are subject to impairment charges if required.

Where the Group is the lessor:

Operating leases – properties that are let to tenants under operating leases are classed as investment properties in the balance sheet.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets, that necessarily take a substantial period of time to get ready for use or sale, are capitalised as part of the cost of those assets until they are substantially ready for use or sale.

All other borrowing costs are recognised in the income statement in the year in which they are incurred.

Financial assets

The Group 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) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. As at 31 December 2015 and 2014 no financial assets at fair value through profit or loss were held by the Group.

(b) *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 receivables' (note 19). Cash and cash equivalents (note 21) are classified as loans and receivables. Cash and cash equivalents are presented separately in the balance sheet.

(c) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. As at 31 December 2015 and 2014, no available-for-sale financial assets were held by the Group.

Financial liabilities

(a) *Fair value through profit and loss*
This category comprises only out-of-the-money derivatives. They are carried in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit and loss.

(b) *Amortised cost*
Interest-bearing bank loans and overdrafts 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.

Fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:
(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)
(c) Inputs for the asset or liability that are not based on observable market data (Level 3).

For details of the application of this fair value measurement hierarchy within these financial statements, please see notes 15 and 16.

Intangible assets

Intangibles represent computer software used in the Group's operations. Computer software is amortised over its useful economic life of five years.

Property, plant and equipment

Land (except land under operating lease contracts) and buildings held for use in the supply of hotel services are stated in the balance sheet at their revalued amounts, being fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are performed on an annual basis.

Any revaluation increase arising on such assets is credited to the revaluation reserve, except if it reverses a reduction in value for the same property that was previously recognised as an expense. In such an instance the revaluation increase is credited to the income statement to the extent that the previous reduction in value was charged. A decrease in the valuation of land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held on the property revaluation reserve relating to a previous increase in the revaluation of that asset.

Depreciation on revalued properties is charged to income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

Machinery, office equipment, computers and motor vehicles are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful economic lives, using the straight-line method, on the following bases:

Buildings	Over 50 years
Plant and equipment	3 to 10 years
Motor vehicles	5 years

Land is not depreciated.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Goodwill

Business combinations are accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the purchase price over the fair value of the assets and liabilities acquired is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition. Goodwill is not amortised but is reviewed for impairment at each balance sheet date. The Group's policy on impairment is set out below.

Impairment

The carrying amounts of the Group's non-monetary assets, other than investment property, 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 the higher of value in use and fair value less costs to sell. Fair value of the asset less costs to sell is assessed by obtaining an independent assessment of asset's market value less any costs that would be incurred to realise its value.

Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated as the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Investment property

Investment properties are those that are held either to earn rental income or for capital appreciation or both. Such properties are initially stated at cost, including any related transaction costs. After initial recognition, investment properties are carried at their fair value based on a professional valuation made on annual basis except for most significant property which is subject to professional valuation on semi-annual reporting date.

At each reporting date the difference between the carrying amount of an investment property and its fair value at that date is included in the income statement as a valuation gain or loss.

Other loans receivable

Other loans receivable are recognised initially at fair value and subsequently measured using the 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 Group 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs, interest costs of financing the development and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing and selling the inventories.

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 Group 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 90 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 Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Restricted cash: bank deposits and customer deposits

Restricted bank deposits consist of deposits in banks that the Group pledged to secure banking facilities for the Group and to which the Group does not have access; and customer deposits to which the Group does have access but which for best practice are treated as restricted. These are included in cash and cash equivalents.

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 Group after deducting all of its liabilities. As at 31 December 2015 and 2014, the Group had an interest rate swap categorised as financial liability at fair value through profit or loss.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct issue costs, then at amortized cost. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

When the Group renegotiates the terms of its existing finance arrangements it assesses whether the revised terms represents a modification of the existing arrangement or, in substance, an extinguishment and replacement with a new facility. When the cash flows associated with the revised terms are substantially different from those under the original term the group treats the transaction as an extinguishment and replacement. In such circumstances the carrying value of the original finance is derecognised and replaced with a new liability, measured at fair value, based on future cash flows. Any transaction costs arising as a result of the renegotiation are added to the gain and loss of disposal of the debt instrument, which is recognised in the income statement. Where the cash flows are not substantially different, any difference in the present value of the revised cash flows, together with any fees arising on the renegotiation, are factored into a revised effective interest rate over the remaining term of the instrument. In this case any transaction costs relating to the original facility which are being carried in the Group's balance sheet will continue to be amortised over the life of the facility.

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 or sale of own shares does not lead to a gain or loss being recognised in the income statement.

Taxation

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

Current tax arises in jurisdictions other than Guernsey. It is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the income statement because it is adjusted for items of income or expense that are taxable or tax deductible in other years (temporary differences) and items that are never taxable or deductible (permanent differences). Temporary differences principally arise from using different balance sheet values for assets and liabilities than their respective tax base values. Deferred tax is generally provided in respect of all these taxable temporary differences at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised only when, on the basis of all available evidence, it is probable that sufficient taxable profits will be available against which the future reversal of the underlying temporary differences can be deducted.

Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets shall reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not netted off against each other unless they relate to taxes levied by the same authority and arise in the same taxable entity or in different taxable entities that intend to recover the tax assets / settle the liabilities simultaneously on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited to equity.

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 accounting policies adopted and methods of computation are consistent with those of the annual financial statements for the year ended 31 December 2014.

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

- 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).

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

- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' (effective date for accounting periods from 1 January 2016).
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective date for accounting periods from 1 January 2016).
- 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).
- IFRS 15 'Revenue from contracts with Customers' (effective date for accounting periods from 1 January 2018). This standard has not yet been endorsed for use in the EU.
- IFRS 9 'Financial Instruments' (effective date for accounting periods from 1 January 2018). 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).
- 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).

1. Financial risk management

1.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings. 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.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Polish Zloty, Hungarian Forint, and Romanian Lei. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

The results for the year 2015 have not been significantly impacted by the effects of the change in value of the currencies in the Central and Eastern European markets. This is mainly due to fairly stable PLN/EUR, HUF/EUR and RON/EUR rates noted in 2015. In 2014 the functional currencies PLN and HUF have depreciated by 3% and 6% as compared to 2013. As a result, the movements in value of the functional currencies has resulted in foreign exchange gain of €0.4 million in the income statement (2014: €4.2 million loss) and €0.1 million gain (2014: €2.3 million loss) in other comprehensive income for the year ended 31 December 2015.

In the year covered by these consolidated 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 tables below summarise the Group's exposure to foreign currency risk at 31 December 2015.

The group's financial assets and liabilities held in Euros, at their carrying amounts are included in the table, categorised by the functional currency of the company that holds these instruments.

2015	**PLN €'000**	**HUF €'000**	**RON €'000**	**Total €'000**
Trade and other receivables	-	-	-	-
Cash and cash equivalents	1,468	209	4	1,681
Total financial assets	**1,468**	**209**	**4**	**1,681**
Trade and other payables	(237)	-	(6)	(243)
Borrowings, including finance leases	(84,731)	(15,874)	(2,725)	(103,330)
Derivative financial instruments	(287)	-	-	(287)
Total financial liabilities	**(85,255)**	**(15,874)**	**(2,731)**	**(103,860)**
Net financial liabilities	**(83,787)**	**(15,665)**	**(2,727)**	**(102,179)**

2014	PLN €'000	HUF €'000	RON €'000	Total €'000
Trade and other receivables	266	-	-	266
Cash and cash equivalents	1,440	217	7	1,664
Total financial assets	**1,706**	**217**	**7**	**1,930**
Trade and other payables	(795)	-	6	(789)
Borrowings, including finance leases	(123,843)	(21,429)	(28,577)	(173,849)
Derivative financial instruments	(184)	-	-	(184)
Total financial liabilities	**(124,822)**	**(21,429)**	**(28,571)**	**(174,822)**
Net financial liabilities	**(123,116)**	**(21,212)**	**(28,564)**	**(172,892)**

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 Group 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 the Polish Zloty with all other variables held constant, post-tax profit for the year would have been €9.7 million higher/ €8.2 million lower.

If the euro weakened/ strengthened by 10% against the Hungarian Forint with all other variables held constant, post-tax profit for the year would have been €1.8 million higher/ €1.5 million lower.

If the euro weakened/ strengthened by 10% against the Romanian Lei with all other variables held constant, post-tax profit for the year would have been €0.4 million higher/€0.3 million lower.

(ii) Price risk

The Group is exposed to property price, property rental value, and hotel rate risks. The Group is not exposed to the market risk with respect to financial instruments as it does not hold any equity securities.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings (note 24). Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group'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. During the year ended 31 December 2015, the Group had two interest rate swap agreements to mitigate the cash flow and interest rate risk related to some of its borrowings (2014: one interest rate swap agreement).

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/ decrease in 100 basis points in interest yields would result in an decrease/ increase in the post-tax profit for the year of €1.1 million (2014: decrease/ increase in the post-tax loss for the year of €1.5 million).

The Group has two derivative financial liabilities, being an interest rate swaps which falls into level 2 for fair value measurement (as disclosed in note 25 of the consolidated financial statements) *(b) Credit risk*

Credit risk arises from cash and cash equivalents as well as credit exposures with respect to rental customers, including outstanding receivables (note 19). 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. The Group has policies in place to ensure that where possible rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions. The utilisation of credit limits is regularly monitored.

The maximum credit risk exposure in relation to financial assets, being cash and cash equivalents and trade and other receivables is the carrying value of those assets for the year, namely €23.4 million (2014: €26.2 million).

Cash is held with the following banks which have the following rating as at 31 December 2015 and 2014:

Bank	**Rating**	**2015**	**Bank**	**Rating**	**2014**
		€'000			**€'000**
Bank Pekao S.A.	A-	15,814	Bank Pekao S.A.	A-	16,149
ABN Amro	A	1,118	Bank Zachodni WBK S. A.	BBB+	2,856
ING Bank N.V.	A	765	ING Bank N.V.	A+	627
BRE Bank S.A.	BBB	495	BRE Bank S.A.	A	391
Piraeus Bank	SD	500	Erste Bank	A	199
Other		906	Other		1,739
		19,598			**21,961**

Given the above, as well as the short-term nature of those investments, the credit risk associated with cash and cash equivalents is considered to be low.

(c) Liquidity risk

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

The Group's liquidity position is monitored on a weekly basis by management and is reviewed quarterly by the Board of Directors. A summary table with the maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at entity level.

	31 December 2015	**31 December 2014**
	€'000	**€'000**
Financial assets – non- current		
Total investment in equity accounted joint ventures	813	1,286
	813	**1,286**
Financial assets – current		
Trade and other receivables – maturity within one year	3,090	2,909
Cash and cash equivalents – maturity within one year	19,598	21,961
	22,688	**24,870**
Financial liabilities – non-current borrowings		
Between 1 and 2 years	(5,599)	(70,840)
Between 2 and 5 years	(16,750)	(6,648)
Over 5 years	(53,618)	(3,058)
	(75,967)	**(80,546)**
Financial liabilities – current		
Borrowings	(81,226)	(99,704)
Trade and other payables – maturity within one year	(15,199)	(33,164)
	(96,425)	**(132,868)**

Included in trade and other payables are deposits received from customers from the pre-sale of apartments in development. These amount to €0.8 million (2014: €16.6 million) and will be released to the income statement upon completion of the development.

The status of current negotiations on loans is disclosed in note 24 as part of the bank loans note.

1.2 Capital risk management

The Directors consider capital to consist of the Group's debt and equity. The Group's objectives when managing capital are to safeguard the Group'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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The Group's longer term strategy is to maintain a gearing ratio below 80% taking into consideration current market conditions. The gearing ratio as at 31 December 2015 and 31 December 2014 was as follows:

	31 December 2015 €'000	**31 December 2014 €'000**
Total bank borrowings	(137,372)	(173,849)
Less: cash and cash equivalents	19,598	21,961
Net debt	**(117,774)**	**(151,888)**
Total equity attributable to owners of the parent	(65,894)	(44,992)
Total capital	**(183,668)**	**(196,880)**
Gearing ratio	**64%**	**77%**

Included in cash and cash equivalents is €5.8 million (2014: €8.6 million) restricted cash relating to restricted proceeds, security, customer deposits and loan financing.

2. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

2.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Estimate of fair value of investment properties
The Property Manager engages qualified experts to assist in its assessment of the fair values of investment properties and of property, plant and equipment. All investment property and property, plant and equipment is re-valued on an annual basis by appropriately qualified, independent valuers. The valuations are prepared in accordance with generally accepted international valuation methods and procedures. Any assumptions made by the valuer are reviewed by the Board and the Property Manager for their reasonableness.

(b) Inventory
The Group's main activities are the development and sale of residential apartments. The process of obtaining zoning and permits may in itself take some time. This period is then added to by the time taken to construct the apartments. Throughout this time the purchase cost of the land and the construction costs are recorded within inventory. The Group continually reviews the net realisable value of its development properties against the cumulative costs that are held on its balance sheet within inventory.

To enable this review, management have appointed an appropriately qualified engineer to monitor and control the costs of construction. The costs that have been incurred and are projected to be incurred are benchmarked against those available in the market to ensure that best value is received. A strict tendering process is adhered to when procuring construction services and the costs are controlled locally on a regular basis. Qualified experts undertake an independent assessment of the net realisable value of its developments.

(c) Income taxes
The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.2 Critical judgments in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.
Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of goods or services. If these portions can be sold separately, or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

3. Segmental information

3.1 Operating segments

Management has determined the operating segments based on the reports reviewed by the property manager's executive management that are used to make strategic decisions.

For management purposes, the Group is currently organised into three operating divisions – the ownership and management of investment property, the development and sale of residential property and the ownership and operation of hotels.

The Property Manager's executive management assesses the performance of the operating segments based on an income statement. This measurement basis includes the effects of non – recurring expenditure from the operating segments such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non – recurring event. Interest income and expenditure are also allocated to segments, as this type of activity is directly related to each property within each sector.

The segment information provided to the property manager's executive management for the reportable segments for the year ended 31 December 2015 is as follows:

Year ended 31 December 2015	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Revenues	12,036	27,961	18,665	-	58,662
Cost of operations	(5,515)	(20,134)	(11,680)	-	(37,329)
Gross profit	**6,521**	**7,827**	**6,985**	**-**	**21,333**
Administrative expenses	(1,083)	(423)	(3,253)	(6,252)	(11,011)
Gross profit/ (loss) less administrative expenses	**5,438**	**7,404**	**3,732**	**(6,252)**	**10,322**
Other operating income	809	106	396	-	1,311
Other operating expenses	(180)	(62)	(272)	(2,493)	(3,007)
Decrease in value of investment properties	(5,515)	-	-	-	(5,515)
Profit/ (Loss) from operations	**552**	**7,448**	**3,856**	**(8,745)**	**3,111**
Finance income	110	104	43	22,262	22,519
Finance cost	(2,326)	(8)	(2,123)	(8)	(4,465)
Finance costs - other gains – foreign exchange	(28)	(26)	474	9	429
Share of losses from equity accounted joint ventures	-	(15)	-	-	(15)
Segment result before tax	**(1,692)**	**7,503**	**2,250**	**13,518**	**21,579**
Tax (expense)/ credit	27	(21)	1,180	5	1,191
Profit for the period as reported in the income statement					**22,770**
Attributable to non-controlling interests					-
Net profit attributable to owners of the parent					**22,770**

Year ended 31 December 2015	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Reportable segment assets	105,351	24,884	89,212	-	219,447
Unallocated assets	-	-	-	10,167	10,167
Total assets	**105,351**	**24,884**	**89,212**	**10,167**	**229,614**
Reportable segment liabilities	(97,249)	(1,333)	(57,727)	-	(156,309)
Unallocated liabilities	-	-	-	(7,411)	(7,411)
Total liabilities	**(97,249)**	**(1,333)**	**(57,727)**	**(7,411)**	**(163,720)**

Year ended 31 December 2015	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Other segment items					
Capital expenditure	1,216	329	219	-	1,764
Depreciation	31	76	2,597	8	2,712
Amortisation	-	48	140	8	196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Revenues	12,141	6,544	18,240	-	36,925
Cost of operations	(5,769)	(5,428)	(11,890)	-	(23,087)
Gross profit	**6,372**	**1,116**	**6,350**	**-**	**13,838**
Administrative expenses	(877)	(395)	(3,020)	(2,906)	(7,198)
Gross profit/ (loss) less administrative expenses	**5,495**	**721**	**3,330**	**(2,906)**	**6,640**
Other operating income	433	57	(9)	-	481
Other operating expenses	(2,441)	(493)	(96)	(107)	(3,137)
Decrease in value of investment properties	(27,620)	-	-	-	(27,620)
Profit/ (Loss) from operations	**(24,133)**	**285**	**3,225**	**(3,013)**	**(23,636)**
Finance income	62	180	68	(27)	283
Finance cost	(4,107)	(10)	(1,562)	22	(5,657)
Finance costs - other gains – foreign exchange	(2,914)	41	(1,306)	6	(4,173)
Share of profits/ (losses) from equity accounted joint ventures	-	27	-	-	27
Segment result before tax	**(31,092)**	**523**	**425**	**(3,012)**	**(33,156)**
Tax (expense)/ credit	485	10	(20)	(2)	473
Profit for the period as reported in the income statement					**(32,683)**
Net profit attributable to owners of the parent					**(32,683)**

Year ended 31 December 2014	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Reportable segment assets	116,022	51,823	93,061	-	260,906
Unallocated assets	-	-	-	926	926
Total assets	**116,022**	**51,823**	**93,061**	**926**	**261,832**
Reportable segment liabilities	(129,689)	(22,410)	(60,487)	-	(212,586)
Unallocated liabilities	-	-	-	(4,254)	(4,254)
Total liabilities	**(129,689)**	**(22,410)**	**(60,487)**	**(4,254)**	**(216,840)**

Year ended 31 December 2014	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Other segment items					
Capital expenditure	572	698	667	66	2,003
Depreciation	50	77	2,684	17	2,828
Amortisation	2	49	153	61	265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

There are immaterial sales between the business segments.

Segment assets include investment property, property, plant and equipment, intangible assets, inventories, debtors and operating cash. Segment liabilities comprise operating liabilities and financing liabilities.

Unallocated assets represent cash balances, receivables and other assets held by the Company and those of selected sub-holding companies, and deferred tax assets.

Unallocated liabilities include accrued costs and deferred taxation liabilities within the Company and selected sub-holding companies as at the balance sheet date.

Unallocated costs represent corporate expenses.

The Group manages its business segments on a region wide basis. The operations in the reporting periods were based in four main countries within the Group's region of focus with mainly cash balances being held by the parent company. The four principal territories were:

- Poland,
- Hungary,
- Romania, and
- Bulgaria.

Year ended 31 December 2015	**Revenue**	**Non current assets**	**Capital expenditure**	**Depreciation**	**Amortisation**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Poland	53,794	158,249	1,691	2,528	196
Hungary	3,274	11,512	-	29	-
Bulgaria	332	2,732	-	1	-
Romania	1,262	12,479	73	154	-
Unallocated	-	-	-	-	-
Total	**58,662**	**184,972**	**1,764**	**2,712**	**196**

Year ended 31 December 2014	**Revenue**	**Non current assets**	**Capital expenditure**	**Depreciation**	**Amortisation**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Poland	31,922	166,066	1,887	2,659	265
Hungary	3,443	16,905	53	47	-
Bulgaria	339	2,733	-	1	-
Romania	1,221	9,124	63	121	-
Total	**36,925**	**194,828**	**2,003**	**2,828**	**265**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Analysis of expenditure

4.1 Cost of operations

	31 December 2015 €'000	31 December 2014 €'000
Costs of sale of residential property	(19,684)	(4,855)
Utilities, services rendered and other costs	(9,628)	(10,263)
Legal and professional expenses	(1,523)	(1,469)
Staff costs	(4,854)	(4,660)
Sales and direct advertising costs	(984)	(946)
Depreciation and amortisation	(926)	(1,150)
Reversal of impairment on inventory	270	256
Cost of operations	**(37,329)**	**(23,087)**

4.2 Administrative expenses

	31 December 2015 €'000	31 December 2014 €'000
Fees payable to the Group's auditor for the audit of the Company and its consolidated financial statements	(91)	(104)
Fees payable to the Group's auditor for the other services:		
- Audit of subsidiaries of the Company pursuant to legislation	(48)	(51)
- Non audit services – interim reviews	(34)	(34)
- Non audit services – taxation services	(4)	-
- Other compliance services	-	-
Other professional services	(208)	(138)
Incentive and management fee	(5,249)	(1,968)
Legal and other professional fees	(991)	(635)
Utilities, services rendered and other costs	(1,206)	(1,044)
Staff costs	(1,040)	(1,149)
Depreciation and amortisation	(1,982)	(1,943)
Other administrative expenses	(158)	(132)
Administrative expenses	**(11,011)**	**(7,198)**

4.3 Employee benefit expenses

	31 December 2015 €'000	31 December 2014 €'000
Wages and salaries	5,751	5,506
Social security costs	712	749
Employee benefit expenses	**6,463**	**6,255**
Average number of employees	**286**	**336**

5. Other operating income

	31 December 2015 €'000	31 December 2014 €'000
Income from insurance	54	13
Income from penalty charges on cancelled contracts	65	-
Income from tax refund	721	303
Write back of other payables	21	-
Reversal of impairment on property, plant and equipment	228	-
Other	222	165
Other operating income	**1,311**	**481**

6. Other operating expenses

	31 December 2015 €'000	31 December 2014 €'000
Penalty charges, interest and fees	(124)	(170)
Loss on disposal of non-current assets	-	(99)
Land bank impairment	-	(100)
Loss on deconsolidation of the subsidiary (note 33)	-	(2,253)
Impairment on property, plant and equipment	-	(240)
Penalty charge resulting from the legal case (note 32.1)	(2,511)	-
Other	(372)	(275)
Other operating expenses	**(3,007)**	**(3,137)**

7. Finance income and finance costs – net

	31 December 2015 €'000	31 December 2014 €'000
Interest payable on bank borrowings	(3,611)	(5,221)
Loss on interest rate derivative	(498)	(69)
Other similar charges	(356)	(367)
Finance costs	**(4,465)**	**(5,657)**
Bank loan write off	22,202	-
Gain on interest rate derivative	32	-
Other	285	283
Finance income – interest income	**22,519**	**283**
Finance income/ (costs), excluding foreign exchange – net	**18,054**	**(5,374)**
Unrealised foreign exchange gains	1,303	1,340
Unrealised foreign exchange losses	(1,236)	(5,157)
Realised foreign exchange gains	804	195
Realised foreign exchange losses	(442)	(551)
Other gains and (losses) – foreign exchange	**429**	**(4,173)**
Finance income/ (costs), including foreign exchange – net	**18,483**	**(9,547)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Tax expense

Continuing operations	**31 December 2015 €'000**	**31 December 2014 €'000**
Current tax on profits for the year	(54)	(8)
Adjustment in respect of prior periods	-	-
Total current tax	(54)	(8)
Deferred tax	1,245	481
Tax credit/ (charge) for the year	**1,191**	**473**

Tax on items charged to equity

	31 December 2015 €'000	**31 December 2014 €'000**
Deferred tax on revaluation	465	-
Deferred tax on exchange movements offset in reserves	(33)	74
	432	**74**

Taxation has been calculated by applying the standard corporate tax rates ruling in each operating territory. The difference between the total current tax shown above and the amount calculated by applying the standard rates of corporation tax to the profit before tax is as follows:

	31 December 2015 €'000	**31 December 2014 €'000**
Profit/ (Loss) before tax	**21,579**	**(33,156)**
Tax on profit/ (loss) at average country rate 0% (2014: 16%)	**-**	**5,305**
Factors affecting charge:		
Permanent differences	1,387	(868)
- Tax exempt transactions	*1,160*	*(575)*
- Other permanent differences	*227*	*(293)*
Utilisation of brought forward tax losses not recognized for deferred tax	-	19
Losses for which deferred tax is not recognized in current year	(129)	(428)
Write down of a deferred tax asset	(67)	(3,555)
Tax credit for year	**1,191**	**473**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

There is an unrecognised gross deferred tax asset in relation to losses of €2.2 million (2014: €2.4 million). Expiration date of unrecognised tax losses (amounts presented at relevant tax rates) is as follows:

	31 December 2015 €'000	31 December 2014 €'000
2015	-	160
2016	386	504
2017	241	243
2018	358	361
2019	472	288
2020	123	49
2021	27	27
2022	8	-
indefinitely	619	776
	2,234	**2,408**

9. Dividends

There were no dividends declared or paid in the years ended 31 December 2015 and 31 December 2014.

10. Earnings/ (Loss) per share

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

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

Year ended 31 December 2015 **Continuing operations**	**Profit** **€'000**	**Weighted average number of shares**	**Per share amount** **Eurocents**
Basic EPS			
Profit attributable to equity shareholders of the Company	22,770	46,852,014	48.6
Diluted EPS Adjusted profit	**22,770**	**46,852,014**	**48.6**

Year ended 31 December 2014 **Continuing operations**	**(Loss)** **€'000**	**Weighted average number of shares**	**Per share amount** **Eurocents**
Basic (LPS)			
Loss attributable to equity shareholders of the Company	(32,683)	46,852,014	(69.8)
Diluted (LPS) Adjusted loss	**(32,683)**	**46,852,014**	**(69.8)**

11. Goodwill

	31 December 2015 €'000	31 December 2014 €'000
Cost		
At beginning of year	1,550	1,550
At end of year	**1,550**	**1,550**
Aggregate impairment		
At beginning of year	(1,550)	(1,550)
At end of year	**(1,550)**	**(1,550)**
Net book amount at end of year	**-**	**-**

12. Joint ventures

As detailed in note 33, the group has a 50% interest in a jointly controlled entity, which have been accounted for by equity method in the consolidated financial statements.

Summarized financial information in relation to the joint venture is presented below:

	31 December 2015 €'000	31 December 2014 €'000
Non-current assets	1,209	1,461
Current assets	881	1,522
Current liabilities	(133)	(154)
Non-current liabilities	(1,144)	(1,543)
Net assets	**813**	**1,286**
Included in the above amounts are:		
Cash and cash equivalents	64	234
Current financial liabilities (excluding trade payables)	-	-
Non- current financial liabilities (excluding trade payables)	-	-
Income	608	5,517
Expenses	(623)	(5,490)
Profit/ (Loss) after tax	**(15)**	**27**
Included in the above amounts are:		
Depreciation and amortization	-	-
Interests income	-	-
Interests expense	(34)	(78)
Income tax (expense) / income	(16)	(103)

13. Intangible assets

	Computer software €'000
Cost	
At 1 January 2014	806
Additions	32
Exchange adjustments	(23)
At 31 December 2014	**815**
Additions	24
Disposals	(13)
Exchange adjustments	(1)
At 31 December 2015	**825**
Accumulated amortisation	
At 1 January 2014	(581)
Charge for the year	(123)
Exchange adjustments	20
At 31 December 2014	**(684)**
Charge for the year	(54)
Disposals	13
Exchange adjustments	2
At 31 December 2015	**(723)**
Net book value at 31 December 2015	**102**
Net book value at 31 December 2014	131
Net book value at 1 January 2014	225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Land under operating lease - prepayments

Land under operating lease - prepayments which arose under business combinations during 2006.

	Land under operating lease €'000
Cost	
At 1 January 2014	13,040
Additions	-
Exchange adjustments	(352)
At 31 December 2014	**12,688**
Additions	-
Exchange adjustments	2
At 31 December 2015	**12,690**
Accumulated amortisation	
At 1 January 2014	(1,297)
Charge for the year	(142)
Exchange adjustments	38
At 31 December 2014	**(1,401)**
Charge for the year	(142)
Exchange adjustments	2
At 31 December 2015	**(1,541)**
Net book value at 31 December 2015	**11,149**
Net book value at 31 December 2014	11,287

15. Property, plant and equipment

	Buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
Cost or valuation				
At 1 January 2014	78,394	11,150	95	89,639
Additions at cost	239	1,142	-	1,381
Exchange adjustments	(2,181)	(304)	(3)	(2,488)
Disposals	-	(208)	-	(208)
Revaluation	1,904	(295)	-	1,609
At 31 December 2014	**78,356**	**11,485**	**92**	**89,933**
Additions at cost	107	417	-	524
Exchange adjustments	(43)	2	-	(41)
Disposals	-	(79)	(29)	(108)
Revaluation	(2,222)	-	-	(2,222)
At 31 December 2015	**76,198**	**11,825**	**63**	**88,086**

Accumulated depreciation				
At 1 January 2014	(4,321)	(5,313)	(71)	(9,705)
Charge for the year	(1,796)	(1,023)	(9)	(2,828)
Adjustment due to revaluation	1,796	-	-	1,796
Exchange adjustments	344	164	2	510
Disposals	-	109	-	109
At 31 December 2014	**(3,977)**	**(6,063)**	**(78)**	**(10,118)**
Charge for the year	(1,894)	(815)	(3)	(2,712)
Adjustment due to revaluation	-	-	-	-
Exchange adjustments	40	14	-	54
Disposals	-	65	22	87
At 31 December 2015	**(5,831)**	**(6,799)**	**(59)**	**(12,689)**
Net book value at 31 December 2015	**70,367**	**5,026**	**4**	**75,397**
Net book value at 31 December 2014	74,379	5,422	14	79,815
Net book value at 1 January 2014	74,073	5,837	24	79,934

Hotels Hilton in Warsaw and Golden Tulip in Bucharest constitute the majority of the total property, plant and equipment balance as of 31 December 2015 and 2014. Hotels were valued as at 31 December 2015 by Jones Lang LaSalle Sp. z o.o., Chartered Surveyors, acting in the capacity of External Valuers. All properties were valued on the basis of Market Value and the valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The results of valuation:
- revaluation adjustments, net of applicable deferred taxes, have been taken to the revaluation reserve in shareholders' equity (page 40),
- impairment adjustments have been taken to other operating expenses/ reversal of impairment adjustments have been taken to other operating income (note 6).

The fair value of hotels is level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	31 December 2015 €'000	31 December 2014 €'000
Opening balance (level 3 recurring fair values)	78,825	79,200
Additions at cost	181	666
Disposals	-	(98)
(Loss)/ Profit included in other comprehensive income/ expense	(2,450)	3,645
Profit included in other operating expenses	228	55
Depreciation charge for the year	(2,597)	(2,684)
Exchange adjustments	13	(1,959)
Closing balance (level 3 recurring fair values)	**74,200**	**78,825**

The valuation techniques and significant unobservable inputs used in determining the fair value measurement as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below:

Valuation Techniques used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
Income approach The valuation has been undertaken using DCF valuation methodology.	Exit Capitalisation Rate (7.25% - 9%) Discount Rate (7%- 12%)	The higher the exit capitalisation and discounts rates the lower the fair value.

Fair value measurements are based on highest and best use, which does not differ from their actual use.

The Group has pledged property, plant and equipment of €74.2 million (31 December 2014: €78.8 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €52.9 million (31 December 2014: €56.6 million) are secured on these properties (note 24).

If buildings were stated on the historical cost basis, the amounts would be as follows:

	31 December 2015 €'000	31 December 2014 €'000
Cost	78,029	77,965
Accumulated depreciation	(15,345)	(13,491)
At 31 December	**62,685**	**64,474**

16. Investment property

	31 December 2015 €'000	31 December 2014 €'000
At beginning of the year	104,446	144,537
Disposal of subsidiary (note 33)	(6,240)	(9,234)
Capitalised subsequent expenditure	1,216	590
Exchange movements	216	(3,825)
PV of annual perpetual usufruct fees	(2)	(2)
Fair value (losses)/ gains	(5,515)	(27,620)
At the end of the year	**94,121**	**104,446**
Less assets classified as held for sale (note 20)	(4,168)	(6,780)
	89,953	**97,666**

The fair value of the Group's investment properties at 31 December 2015 has been arrived at on the basis of a valuation carried out at that date:
- for the properties located in Poland and Romania by Jones Lang LaSalle Sp. z o.o. external independent qualified valuer with recent experience valuing the properties in the location held by the Group;
- for the properties located in Hungary by FHB Ingatlan Zrt external independent qualified valuer with recent experience valuing the properties in the location held by the Group.

All properties were valued on the basis of Market Value and the valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The fair value of the investment property has not been adjusted for the purposes of financial reporting.

The fair value of investment property is categorised as a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	31 December 2015 €'000	31 December 2014 €'000
Opening balance (level 3 recurring fair values)	104,446	144,537
Purchases	1,216	590
Disposals- other	(6,242)	(9,236)
Unrealized change in fair value	(5,515)	(27,620)
Unrealized foreign exchange movements	216	(3,825)
Closing balance (level 3 recurring fair values)	**94,121**	**104,446**

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 Millenium office building (as a result of reduced occupancy) and other income yielding assets in Hungary as a result of the valuation 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 60-80% (in 2014: 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 Romania 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.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of investment property, as well as the inter-relationship between key unobservable inputs and fair value, is detailed in the table below.

Valuation Techniques used	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value**
Income approach Fair value is determined by applying the income approach based on the estimated rental value of the property.	Discount Rate (7.75% - 11%) Exit Yield (7.5% - 10%) Letting voids on vacant spaces (9-12 months) Rent - individually estimated per each property/type of leasable unit (€9.5/m^2 - €40/m^2)	The higher the exit yield and discounts rates the lower the fair value. The higher the office rent the higher the fair value.
Comparable approach The valuation technique that uses prices and other relevant information generated by market transactions involving comparable (i.e. similar) assets, adjusted for several factors to ensure comparability of the transactions.	The following adjusting factors were adopted: ✓ Location (5% - 30%) ✓ Size (5% - 20%) ✓ Development situation (5% - 20%)	The higher/ the lower the adjusting factor the higher/ the lower the fair value.

There were no changes to the valuation techniques of level 3 fair value measurements in the year ended 31 December 2015.

The fair value measurement is based on the above items highest and best use, which does not significantly differ from their actual use.

The Group has pledged investment property of €84.6 million (2014: €99.9 million) to secure certain banking facilities granted to subsidiaries.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €12.0 million (2014: €12.1 million). Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to €5.5 million (2014: €5.8 million).

17. Operating lease receivables – where the Group is a lessor

The Group leases its investment property under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease receipts under non-cancellable operating leases as at 31 December 2015 are as follows:

	31 December 2015 €'000	31 December 2014 €'000
No later than one year	8,816	9,113
Later than one year and no later than 5 years	11,209	13,370
Later than 5 years	1,102	1,257
Total	**21,127**	**23,740**

18. Inventories

	31 December 2015 €'000	31 December 2014 €'000
Land held for development	10,827	10,645
Construction expenditures	790	18,715
Completed properties	4,194	3,457
Hotel inventory	1,214	1,213
As at 31 December	**17,025**	**34,030**

€19.7 million (2014: €4.9 million) of inventories were released to cost of operations in the income statement during the year. In 2015 €0.3 million (2014: €0.2 million) was recognised in the income statement in relation to reversal of impairment on inventories. The stock which is held at fair value less cost to sell amounts to €4.4 million as of 31 December 2015 (2014: €5.2 million).

Bank borrowings are secured on inventory for the value of €nil million (2014: €19.8 million) (note 24).

For the year ended 31 December 2015 borrowing costs of €nil million (31 December 2014: €0.1 million) that are directly attributable to the construction of qualifying assets are capitalised as part of the cost of inventory until they are substantially ready for use or sale.

19. Trade and other receivables

	31 December 2015 €'000	31 December 2014 €'000
Amounts falling due within one year:		
Trade receivables	3,240	3,283
Less: provision for impairment of receivables	(1,502)	(1,695)
Trade receivables – net	**1,738**	**1,588**
Other receivables	1,352	1,321
Prepayments and accrued income	761	1,324
At 31 December	**3,851**	**4,233**

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

The book values of trade and other receivables are considered to be approximately equal to their fair value.

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As at 31 December 2015, current trade receivables of €1.5 million (2014: €1.7 million) were impaired. Bad debts of €0.2 million as at 31 December 2015 (2014: €nil million) were written off. The ageing of the impaired receivables is as follows:

	31 December 2015 €'000	31 December 2014 €'000
0 to 3 months	-	-
3 to 6 months	-	-
Over 6 months	(1,502)	(1,695)
At 31 December	**(1,502)**	**(1,695)**

As of 31 December 2015, current trade receivables of €0.6 million (2014: €0.1 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The carrying amounts of current trade and other receivables are denominated in the following currencies:

	31 December 2015 €'000	31 December 2014 €'000
Euro	119	280
Polish Zloty	2,999	2,763
Hungarian Forint	491	1,012
Romanian Lei	190	112
Other currencies	52	66
At 31 December	**3,851**	**4,233**

Movements on the provisions for impairment of trade receivables are as follows

	31 December 2015 €'000	31 December 2014 €'000
At beginning of year	(1,695)	(1,677)
Provision for impairment of trade receivables	-	(120)
Trade receivables written off during the year as uncollectible	154	-
Reversal of unused provision	17	-
Exchange adjustments	22	102
At end of year	**(1,502)**	**(1,695)**

The other classes within trade and other receivables do not contain impaired assets.

The maximum amount of exposure of the Group to credit risk at the balance sheet date approximates the total of net trade and other receivables.

20. Assets classified as held for sale and directly associated liabilities

In 2011 Atlas management started to actively market for sale Moszkva office building. In September 2012 the Company entered into conditional agreement to sell half of the building for the total price of €700 thousand. This transaction was completed in December 2012. In 2014 Atlas management started to actively market for sale Ligetvaros and Varosliget. In July 2015 the Company entered into conditional sale agreement to sell Ligetvaros and Varosliget. This transaction was completed in November 2015. In June 2015 Metropol was actively marketed. In January 2016 final sale agreement concerning Metropol was concluded. As of 31 December 2015 part of unsold Moszkva office building is presented as asset classified as held for sale.

All properties are located in Budapest, Hungary.

The major classes of assets and liabilities held for sale were as follows:

	31 December 2015 €'000	31 December 2014 €'000
Assets:		
Investment property	4,168	6,780
Assets held within disposal groups classified as held for sale	**4,168**	**6,780**

	31 December 2015 €'000	31 December 2014 €'000
At beginning of the year	6,780	600
Additions	3,558	6,200
Disposals	(6,240)	-
Exchange movements	27	(34)
Fair value gains/ (losses)	43	14
At the end of the year	**4,168**	**6,780**

21. Cash and cash equivalents

	31 December 2015 €'000	31 December 2014 €'000
Cash at bank	17,314	16,525
Short term bank deposits	2,284	5,436
At 31 December	**19,598**	**21,961**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Included in cash and cash equivalents is €5.8 million (2014: €8.6 million) restricted cash relating to restricted proceeds, security, customer deposits and loan financing.

22. Cash generated from operations

	31 December 2015 €'000	31 December 2014 €'000
Profit/ (Loss) for the year	**22,770**	**(32,683)**
Adjustments for:		
Effects of foreign currency	(329)	4,310
Finance costs	4,073	5,695
Finance income	(247)	(205)
Tax expense	(1,191)	(473)
Share of losses/ (profits) from equity accounted joint ventures	15	(27)
Provision for receivables	(17)	120
Depreciation of property, plant and equipment	2,712	2,828
Amortisation charges	196	265
Loss on disposal of property, plant and equipment	-	99
Decrease in the value of investment property	5,515	27,620
Reversal of impairment on inventory	(270)	(156)
Property, plant and equipment (write back)/ write off	(228)	240
Bank loan write off	(22,202)	-
Loss on deconsolidation	-	2,253
	10,797	**9,886**
Changes in working capital		
(Increase)/ Decrease in inventory	17,275	(9,065)
Increase in trade and other receivables	(454)	(316)
Increase/ (Decrease) in trade and other payables	(17,013)	10,970
Effects of foreign currency on working capital translation	(433)	(782)
	(625)	**807**
Cash inflow from operations	**10,172**	**10,693**

23. Trade and other payables

	31 December 2015 €'000	31 December 2014 €'000
Current		
Trade payables	(1,570)	(2,224)
Other tax and social security	(3,052)	(2,461)
Other creditors	(4,489)	(7,298)
Amounts payable to non-controlling shareholders (note 29)	(150)	(748)
Accrual for the legal case (note 32.1)	(2,511)	-
Accruals and deferred income	(3,427)	(20,433)
At 31 December	**(15,199)**	**(33,164)**
Non-current – other payables		
Other non-current trade and other payables (due in 1-2 years)	(1,149)	(360)
Other non-current trade and other payables (due in 3-5 years)	(349)	(1,033)
Other non-current trade and other payables (due after 5 years)	(1,778)	(1,751)
At 31 December	**(3,276)**	**(3,144)**
Total trade and other payables	**(18,475)**	**(36,308)**

24. Bank loans

	31 December 2015 €'000	31 December 2014 €'000
Current		
Bank loans and overdrafts due within one year or on demand		
Secured	**(77,260)**	**(96,307)**
Non-current		
Repayable within two years		
Secured	(3,262)	(68,755)
Repayable within three to five years		
Secured	(10,691)	(5,922)
Repayable after five years		
Secured	(46,159)	(2,865)
	(60,112)	**(77,542)**
Total	**(137,372)**	**(173,849)**

The bank loans are secured on various properties of the Group by way of fixed or floating charges.

The fair value of the fixed and floating rate borrowings approximated their carrying values at the balance sheet date, as the impact of marking to market and discounting is not significant. The fair values are based on cash flows discounted using rates based on equivalent fixed and floating rates as at the end of the year.

The effective interest rates as at the balance sheet date were:

		Euro	Zloty
Bank loans	**2015**	**1.40%-5.25%**	**3.62%**
Bank loans	2014	1.08%-5.33%	-

Bank loans are denominated in a number of currencies and bear interest based on a variety of interest rates. An analysis of the Group's borrowings by currency:

	Euro €'000	Zloty €'000	Total €'000
Bank loans and overdrafts – 31 December 2015	**103,330**	**34,042**	**137,372**
Bank loans and overdrafts – 31 December 2014	173,849	-	173,849

The Group has the following undrawn borrowing facilities:

	Euro 31 December 2015 €'000	Euro 31 December 2014 €'000
Expiring beyond one year	-	-

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Loan currency	Basis of interest	Loan balance in loan currency €'000	Loan balance in EUR €'000	Maturity date	Collateral
Euro	3mth EURIBOR	16,180	16,180	June 2025	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
PLN	3mth WIBOR	145,070	34,042	June 2025	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
Euro	3mth EURIBOR	60,027	60,027	December 2016	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances and / or shares, security assignment;
Euro	1mth EURIBOR	4,565	4,565	May 2021	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
Euro	3mth EURIBOR	3,960	3,960	June 2018	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
Euro	3mth EURIBOR	14,174	14,174	March 2017	Mortgage over the asset together with assignment or pledge of the associated receivables and shares
Euro	3mth EURIBOR	1,700	1,700	December 2017	Mortgage over the asset together with assignment or pledge of the associated receivables and shares
Euro	3mth LIBOR	2,725	2,725	August 2020	Mortgage over the asset together with assignment or pledge of the associated bank balances and insurance rights
Total			**137,372**		

At the balance sheet date collateral was established for the following financial assets to guarantee repayment of bank liabilities:

	31 December 2015 €'000	31 December 2014 €'000
Trade receivables	1,763	1,269
Cash and cash equivalents	1,979	1,932
Total carrying amount of financial assets for which collateral was established to guarantee repayment of bank liabilities	**3,742**	**3,201**

Repaid loans

In June 2015 the Group reached a settlement with the bank financing its two projects in Romania (*part of portfolio of cross collateralised banking facilities*) based on which the Group received €22.2m discount on the repayment of the outstanding loan facility. The Group could be obliged to pay additional amount to the bank in connection with this transaction as described on page 10. Currently this is expected to be €nil.

In November 2015 the Group sold Ligetvaros office building in Hungary (*part of portfolio of cross collateralised banking facilities*) and consequently settled the outstanding loan facility extended to this project.

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 amounted to €53.3m and was classified as a current liability as it was due in September 2015. On 29 June 2015 the Group signed a new financing agreement in order to repay this facility before its due date. In September 2015 the existing bank debt obligation was replaced with the new loan. As of 31 December 2015 Hilton bank facility (extended to Mantezja 3 Sp. z o.o.) amounts to €50.2m and the final repayment date of this facility is 30 June 2025.

Other new loan

In February 2016 Atlas Estates (Przasnyska 9) Sp. z o.o. was granted a loan for the construction of the second stage of *Apartamenty przy Krasińskiego* project in Warsaw.
Under the agreement the bank will extend a loan in a total amount of PLN 42.9 million in the following tranches:
-a construction loan in an amount of PLN 41.4 million, and
-a VAT loan in an amount of PLN 1.5 million.
The final repayment date of the construction part of the loan will fall on the day falling 12 months after the last day of the availability period for the construction part of the loan or on 31 March 2019, whichever occurs earlier.
The final repayment date of VAT part of the loan will fall on the day falling 6 months after the last day of the availability period for the VAT part of loan or on 30 September 2018, whichever occurs earlier.

Portfolio of cross collateralised banking facilities

As of 31 December 2015, after the above described repayment of two Romanian and one Hungarian facility, the Group has one facility that had been cross collateralised totalling €60.0million. As at 31 December 2015 this loan is classified as current liability since it is due on 31 December 2016 and the waiver of covenants was effective until 31 December 2015. The Company is in dialogue with the bank and is discussing restructuring terms.

Other loans

In the preparation of the consolidated financial statements as of 31 December 2015, the directors have classified the loan facility extended to a Hungarian subsidiary totalling €14.2 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.

25. Derivative financial liabilities

	31 December 2015 €'000	31 December 2014 €'000
Derivatives not designated as hedging instruments:		
- Interest rate swap	(614)	(184)
Total financial instruments classified as held for trading	(614)	(184)
Less non-current portion:		
- Interest rate swap	-	130
Current portion	**(614)**	**(54)**

The fair value of the Group's interest rate derivatives is based on broker quotes.

26. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rates applicable to each individual territory.

The movement on the deferred tax account is as shown below:

	31 December 2015 €'000	31 December 2014 €'000
At beginning of the year	(1,856)	(2,508)
Disposals	502	-
Credited to income statement	1,245	481
Credited to other comprehensive income	432	74
Exchange differences	(24)	97
At 31 December	**299**	**(1,856)**

The movements in deferred tax assets and liabilities during the year are shown below.

Deferred tax liabilities – non-current	**Accelerated tax depreciation and other** **€'000**	**Revaluation and fair value adjustments on acquisition** **€'000**	**Total** **€'000**
At 1 January 2014	(4,732)	(1,914)	(6,646)
Profit and loss (charge)/ credit	(823)	698	(125)
Credited to other comprehensive income	56	-	56
Exchange differences	182	34	216
At 31 December 2014	**(5,317)**	**(1,182)**	**(6,499)**
Profit and loss (charge)/ credit	(689)	(717)	(1,406)
Charged to other comprehensive income	(6)	-	(6)
Disposals	142	490	632
Exchange differences	7	13	20
At 31 December 2015	**(5,863)**	**(1,396)**	**(7,259)**

Deferred tax assets – non-current	Tax losses	Fair value losses, Foreign exchange losses and other	Total
	€'000	€'000	€'000
At 1 January 2014	564	3,574	4,138
Profit and loss (charge)/ credit	7	599	606
Charged to other comprehensive income	-	18	18
Exchange differences	(25)	(94)	(119)
At 31 December 2014	**546**	**4,097**	**4,643**
Profit and loss (charge)/ credit	340	2,311	2,651
Credited to other comprehensive income	-	438	438
Disposals	(70)	(60)	(130)
Exchange differences	(5)	(39)	(44)
At 31 December 2015	**811**	**6,747**	**7,558**

The deferred income tax credited/ (charged) to other comprehensive income during the year is as follows:

	31 December 2015	31 December 2014
	€'000	€'000
Fair value reserves in shareholders' equity		
Revaluation of property, plant and equipment	465	-
Exchange movements offset in reserves	(33)	74
	432	**74**

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures due to the parent company's tax status.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Group company; or different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

27. Share capital account

	Number of shares	Ordinary shares - share capital account €'000	Total €'000
Authorised			
Ordinary shares of €0.01 each	100,000,000	1,000	1,000
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 2008, 2009 , 2010 2011, 2012, 2013, 2014 and 2015	**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.

28. Acquisition and disposals of subsidiary undertakings and investments in joint ventures

28.1 Acquisitions of non-controlling interest during the year ended 31 December 2015

No acquisitions of non-controlling interest took place during the year ended 31 December 2015.

28.2 Disposals of subsidiary undertakings and interests in joint ventures during the year ended 31 December 2015

No disposals of subsidiary undertakings and interests in joint ventures took place during the year 2015 except for the sale of two Hungarian subsidiaries as presented in note 33.

28.3 Acquisitions of non-controlling interest during the year ended 31 December 2014.

No acquisitions of non-controlling interest took place during the year ended 31 December 2014.

28.4 Disposals of subsidiary undertakings and interests in joint ventures during the year ended 31 December 2014

No disposals of subsidiary undertakings and interests in joint ventures took place during the year 2014 except for the deconsolidation of Polish subsidiary as presented in note 33.

29. Related party transactions

(a) Key management compensation

	31 December 2015 €'000	31 December 2014 €'000
Fees for non-executive directors	48	46

The Company has appointed AMC to manage its property portfolio. In consideration of the services provided, AMC charged a management fee of €1.4 million for the year ended 31 December 2015 (2014: €2.0 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 €3.8 million for the year ended 31 December 2015. For the year ended 31 December 2014 no performance fee was accrued.

On 15 July 2013 AMC Poland entered into an agreement with the Company's subsidiary – Capital Art Apartments Sp. z o.o. SKA. Based on this agreement AMC Poland administers the sale process of Capital Art Apartments stage III. In 2015 AMC Poland received a fee of €292 thousand in relation to this agreement (2014: €57 thousand).

As of 31 December 2015, €4.5 million included in current trade and other payables was due to AMC (2014: €3.6 million). In 2015 €4.1 million was paid to AMC in respect of management fee (in 2014 €2.0 million).

(b) On 22 November 2012, the Group acquired 24% interest in the voting shares of Zielono Sp. z o.o., increasing its interests to 100%. As of 31 December 2015 the purchase price of €0.2 million (31 December 2014: €0.7 million) is due to former non-controlling shareholder (Coralcliff Limited) after payment of €0.5 million during 2015.

(c) In 2015 Mr. Reuven Havar, the Chief Executive Officer, and his relatives, acquired six apartments in *Capital Art Apartments III & IV* project in Warsaw for the total price of €502.6 thousand. As of 31 December 2015 €75.3 thousand included in current trade receivables was due as a result of these transactions. In January 2016 the amount of €74.3 was paid.

(d) In 2015 Mr. Ziv Zviel, the Chief Finance Officer and Chief Operations Officer, and his relatives, acquired two apartments in *Capital Art Apartments III & IV* project in Warsaw for the total price of €143.0 thousand. As of 31 December 2015 this amount was fully settled.

(e) In 2015 another member of key personnel and its relatives, acquired two apartments in *Capital Art Apartments III & IV* project in Warsaw for the total price of €160.7 thousand. As of 31 December 2015 this amount was fully settled.

(f) The ultimate parent company is Coralcliff Limited and the ultimate controlling party by a virtue of ownership is Mr Ron Izaki.

30. Post balance sheet events

Details of bank financing post balance sheet events have been included in note 24.
Details of post balance sheet events relating to material legal cases have been included in note 32.1.

31. Significant Agreements

On 20 November 2015 a general contractor agreement was signed between the Company's subsidiary Atlas Estates (Przasnyska 9) Spółka z ograniczoną odpowiedzialnością and Kalter Spółka z ograniczoną odpowiedzialnością ("General Contractor") for the construction of multi-apartment residential building (*Apartamenty przy Krasińskiego*, the second stage) in Warsaw. The total value of contract amounts to PLN 30.0 million (excluding VAT). The completion of the General Contractor obligation shall occur on 31 July 2017.

Significant financing agreements are described in note 24 and on pages 10 and 11.

32. Other items

32.1 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. ("AEI 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 ("Agreement") 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 PLN55 million.

On 10 December 2015 the Arbitrator in Israel reached a judgement according to which the Defendants were obliged jointly and severally to pay to the Plaintiffs the amount of 9,468,237 Israeli shekels increased by interests and indexation from 10 July 2012 until the payment date according to the Israeli law. Moreover, the Defendants were obliged to pay to the Plaintiffs the amount of 300,000 Israeli shekels as reimbursement of legal fees. Additionally the Defendants were obliged jointly and severally to pay to the Plaintiffs the additional amount, which should have been specified until 15 January 2016 according to the instructions included in the judgement. Part of the claim pursued by the Plaintiffs related to the payment of the remuneration for the third tower provided for in the Agreement, even though the third tower has not been constructed until now. This part of the claim was rejected by the Arbitrator in Israel.

On 18 February 2016 AEL and AEI B.V. entered into the settlement agreement with Stronginfo Consultants Ltd and Columbia Enterprises Ltd ("Settlement"). The purpose of the Settlement was to specify the exact amount of the payment to be made by AEL and AEI B.V. to Stronginfo Consultants Ltd and Columbia Enterprises Ltd. The Settlement substitutes decision of the Arbitrator in Israel of 10 December 2015 (described above). According to the provisions of the Settlement AEL and AEI B.V. will pay to the Plaintiffs the total amount of 10,437,475 Israeli shekels (equivalent of approx. €2.5 million) in connection with the first two towers provided for in the Agreement. Payment of the above amount exhaust above mentioned claims of Stronginfo Consultants Ltd and Columbia Enterprises Ltd.

As of 31 December 2015 due to the above described legal case an accrual amounting to €2.5 million was recorded in the consolidated financial statements.

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.

32.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2015.

32.3 Guarantees and sureties

This information is presented in Directors' Report on pages 25 to 29.

32.4 Capital commitments

This information is presented in Directors' Report on page 25.

33. 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: Polish subsidiary, Atlas Estates (Kokoszki) Sp. z o.o. which is under bank enforcement proceedings. Deconsolidation of this subsidiary started on 24 December 2014, i.e. from the moment when Group control was lost. The loss was recognised in the consolidated financial statements for the year ended 31 December 2014 as a result of this event.

	31 December 2014 €'000
The fair value of any consideration received	-
The carrying amount of the subsidiary's assets and liabilities	(2,253)
	(2,253)

In November 2015 Atlas completed the sale of two Hungarian subsidiaries- Ligetvaros and Varosliget. The Group realized €1.7 million in net proceeds. The result on disposal of these operations was determined as follows:

	31 December 2015 €'000
Consideration received net of cash disposed	**1,709**
Cash consideration received	2,283
Cash disposed of	(574)
Net assets disposed of (other than cash):	**1,709**
Property, plant and equipment	14
Deferred tax asset	130
Investment properties	6,240
Trade and other receivables	853
Trade and other payables	(992)
Bank loans	(3,904)
Deferred tax liabilities	(632)

No new subsidiary undertakings were acquired and no significant investments were made in any additional joint ventures during the period ended 31 December 2015 and 2014.

Country of incorporation	Name of subsidiary/ joint venture entity	Status	Percentage of nominal value of issued shares and voting rights held by the Company
Holland	Atlas Estates Cooperatief U.A.	Holding	100%
Holland	Atlas Estates Investment B.V.	Holding	100%
Holland	Atlas Projects 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 Spółka Jawna	Development	100%
Poland	HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością Spółka Jawna	Hotel operation	100%
Poland	Mantezja 3Sp. z o.o.	Hotel operation	100%
Poland	HPO AEP Spółka z ograniczoną odpowiedzialnością	Development	100%

	Spółka Jawna		
Poland	Atlas Estates (Cybernetyki) Sp. z o.o.	Development	50%
Poland	Le Marin Sp. z o.o.	Development	100%
Poland	Atlas Estates (Przasnyska 9) Sp. z o.o.	Development	100%
Poland	La Brea Management Sp. z o.o.	Development	100%
Poland	CAA Finance Sp. z o.o.	Development	100%
Poland	Atlas FIZ AN	Holding	100%
Poland	Gretna Investments Sp. z o.o.	Holding	100%
Poland	Atlas Estates (Kokoszki) Sp. z o.o.	Investment	100%
Hungary	CI-2005 Investment Kft.	Development	100%
Hungary	Cap East Kft.	Investment	100%
Hungary	Felikon 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%