ATLAS ESTATES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Atlas Estates Limited
3rd Floor, 1 Le Truchot
St Peter Port
Guernsey GY1 1WD
Company number: 44284

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Introduction

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

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

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

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

ATLAS ESTATES LIMITED

Financial Highlights

Selected Financial Items	Year ended 31 December 2017 €'000	Year ended 31 December 2016 €'000
Administrative expenses	(10,102)	(1,371)
Other operating income	31,837	-
Other operating expenses	-	(1,074)
Profit/ (Loss) from operations	21,735	(2,445)
Finance income	6,171	1,408
Profit/ (Loss) before taxation	27,850	(1,102)
Profit/ (Loss) for the year	27,850	(1,102)
Net cash outflow from operating activities	(1,228)	(5,347)
Net cash inflow from investing activities	2,543	842
Net cash (outflow)/ inflow from financing activities	(1,150)	3,500
Net increase/ (decrease) in cash and cash equivalents in the year	165	(1,005)
Non-current assets	125,491	90,110
Current assets	360	120
Total assets	125,851	90,230
Non-current liabilities	(4,162)	(3,709)
Current liabilities	(11,281)	(3,963)
Total liabilities	(15,443)	(7,672)
Net assets	110,408	82,558
Number of shares outstanding	46,852,014	46,852,014
Profit/ (Loss) per €0.01 ordinary share – basic (eurocents)	59.4	(2.4)

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 2017.

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:

- On 19 September 2017 the Group fulfilled all the conditions from the agreement reached with Erste Group Bank AG on 14 September 2016. At the completion of this transaction Erste Group Bank AG transferred the outstanding facility extended to *Millennium Plaza* project (amounting to €19.5 million) to Atlas Group at the discounted transfer price of €1. As a result the Group recorded a finance income of €19.5 million in the consolidated financial statements for 2017 (for further details please refer to page 11);
- Moreover, prior to the completion of the above described transaction, on 13 September 2017 the Group arranged new financing for *Millennium Plaza* project which was extended by Bank Zachodni WBK S.A. until 2022 (for further details please refer to page 11- New loan). This was a significant achievement for the Group as it enabled the completion of the restructuring of the Erste Group Bank AG debts portfolio that had started already in 2010;
- in August 2017 the Group completed construction of the second stage of *Apartamenty przy Krasińskiego* development project in Warsaw and fully repaid €2.2 million bank facility extended to this project. Apartments' pre sales reached 96% as of 31 December 2017.

Reported Results

Group results

As of 31 December 2017 the Group has reported basic net assets of €85.1 million.

The increase of basic net asset value by €16.8million from €68.2 million as at 31 December 2016 is primarily a result of a profit before tax reported by the Group in the amount of €11.9 million as well as gains reported in other comprehensive income of €5.2 million.

The main factors of the increase are:
- €19.5 million the above mentioned bank loan discount; and:
- € 7.5 million net gain on exchange differences; offset by:
- €4.7 million fair value losses on investment properties recorded as at 31 December 2017; and
- €8.6 million performance fee due to the Property Manager.

Other contributions to net assets not recognized in net profit is €1.7 million revaluation of hotels recorded as at 31 December 2017.

Profit after tax amounts to €11.6 million for 2017 as compared to profit after tax of €2.3 million for 2016. The significant change of the noted results was mainly a joint effect of:

- the above described bank loan discount of €19.5 million resulting in consolidated finance income increasing from €0.1 million in 2016 to €19.9 million in 2017,

- favourable movements in the foreign currency exchange differences from a loss of €3.0 million in 2016 to a gain of €3.0 million in 2017 mainly as a result of the depreciation of PLN against the EURO in 2016 as compared to appreciation of PLN against EURO in 2017, offset by :

- €8.6 million incentive fee charged by the Property Manager as a result of the improvement of the Group's performance (as disclosed on page 32);

- movement in valuation of investment properties from an increase of €3.3 million in 2016 to decrease of €4.7 million in 2017 mainly due to change in valuation of *Millennium Plaza*.

Company results

The Company reported a profit of €27.8 million (compared to last year loss of €1.1 million). This significant increase of €28.9 million was mainly driven by:

- €31.7 million reversal of impairment of the carrying value of investments recorded in 2017 (€1.1 million impairment of the carrying value of investments recorded in 2016);
- €4.8 million higher dividend income received from the Company's subsidiary offset by:
- €8.6 million performance fee charged by the Property Manager as a result of the improvement in the Group's performance.

The methodology applied by the Company with respect to the impairment review is further disclosed on page 49.

Financing, Liquidity and Forecasts

The Directors consider that the current outlook presents operating as well as financing challenges in the sector 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 2017, as set out in note 1.

Investing Policy

Atlas invests mainly in Poland in a portfolio of real estate assets across a range of property types, where approximately 87% of its assets are located. We actively target Poland, where the economy is believed to be the most attractive amongst CEE economies. The Group also operates in the Hungarian, Romanian and Bulgarian real estate markets.

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.

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

As of 31 December 2017, Group 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, increased from the level of €1.5 per share at 31 December 2016 to €1.8 per share at 31 December 2017. 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, also increased from €1.8 as of 31 December 2016 to €2.4 as of 31 December 2017. The increase of NAV per share is mainly attributable to the above described €19.5 million bank loan discount net of impact of the property manager's performance fee, whereas the improvement of adjusted NAV per share is additionally impacted by the increase of the valuation of *Atlas Estates Tower* (land located in central area of Warsaw with zoning for an office/residential tower).

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 completed 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 2017 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.

Adjusted net assets

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 2017 €'000	Change €'000
Development land assets and land held under operating lease included in total assets at cost to the Group	30,947	62,236	31,289
Attributable to non-controlling interest partners	-	-	-
Company share of increase in valuations of development land and land held under operating lease	**30,947**	**62,236**	**31,289**
Deferred tax on increase in valuation of development land and land held under operating lease at local rates			(5,945)
Basic net asset value per balance sheet			85,064
Adjusted net asset value (see page 15)			**110,408**
Number of ordinary shares in issue at 31 December 2017			46,852,014
Adjusted net asset value per share as at 31 December 2017			**€2.4**
Adjusted net asset value per share as at 31 December 2016			€1.8

** includes effect of internal valuation of unsold development 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 are presented on page 24 in Corporate governance review. A statement on Atlas compliance with the corporate governance recommendations and principles contained in Best Practice for WSE listed companies is presented on Atlas' corporate website.

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 Review on pages 15 and 16 below.

Changes in Board of Directors

There were no changes in Board of Directors as disclosed in the Director's Report.

Prospects

Following the completion of the financial restructuring of Erste Group Bank AG debts portfolio, the Group was able to reduce significantly the Group's total bank indebtedness from €120.3m as of 31 December 2016 to €93.5m as of 31 December 2017. With the ongoing economic development in Poland we can now focus on strengthening as well as expanding our real estate portfolio including development of additional residential units.

Mark Chasey
CHAIRMAN
26 March 2018

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Review of the Property Manager

In this review we present the financial and operating results for the year ended 31 December 2017. 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 2017, the Company held a portfolio of sixteen properties comprising seven investment properties of which five are income yielding properties, two are held for capital appreciation, two hotels and seven 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 new developments have commenced.

Markets and Key Properties

Poland

This is the major market of operation for the Group, with 87% (by value) of the Group's portfolio located there. The Polish economy has been one of most resilient economies in Europe with annual real GDP growth of 3.8% in 2017 (2.6% in 2016).

Hilton Hotel, Warsaw

The Hilton hotel in the Wola district of Warsaw is the Group's flagship asset. The hotel is continuously performing at a satisfactory level.

Millennium Plaza, Warsaw

The *Millennium Plaza* is a 39,138 sqm office and retail building centrally located in Warsaw with occupancy rate of 77% as of 31 December 2017 (80% as of 31 December 2016). The Group has recently completed its refinancing and has embarked on a renovation project of some of the public spaces.

Sadowa, Gdańsk

The *Sadowa* office building is a 6,872 sqm office building in Gdańsk. During the last 12 months its occupancy ratio increased from 68% as of 31 December 2016 to 80% as of 31 December 2017.

Atlas Estates Tower

The Group plans to build a mixed use (residential and office) Atlas Estates Tower, on the neighbouring plot alongside the *Hilton* hotel, which will further enhance the attractiveness of this site.

Galeria Platinum Towers

Commercial area on the ground and first floors of Platinum Towers with 1,904 sqm of gallery and 208 parking places almost fully let to tenants.

Apartamenty przy Krasińskiego

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

The first stage of this development included 303 apartments as well as parking and amenities and retail facilities. The construction of the first stage was completed in 2013. As of 31 December 2017 all apartments were sold with only 2 retail units available for sale.

The second stage of this successful development project released 123 apartments as well as parking and retail facilities. The construction commenced in November 2015 and was completed in August 2017. As of 31 December 2017 only 3 retail units and 5 apartments were available for sale. Remaining apartments and retails were either sold (8 apartments and 1 retail) or presold (110 apartments and 4 retails).

Capital Art Apartments

The *Capital Art Apartments* project in Warsaw is another development in Warsaw close to the city center. It is a four stage development with 784 apartments as well as parking and amenities, including retail facilities. As of 31 December 2017 all apartments from all stages were either sold or presold, whereas 3 retail units remain available for sale and one is presold.

Nakielska Apartments Project

This is a residential development that will consist of two stages which will release around 250 apartments as well as parking and retail facilities.

Hungary

In Hungary, as of 31 December 2017, the Group owned one income yielding property, Ikarus Business Park, located in Budapest. In September 2017 the Group completed the sale of *Atrium homes*- development land located in Budapest.

Romania

The Group's portfolio contains three properties in Romania, including the *Golden Tulip* hotel and two significant land banks – Voluntari and Solaris. The Romanian real annual GDP increased by 5.5% in 2017 (GDP increased by 4.8% in 2016). Despite the difficult trading conditions, occupancy rates at the Golden Tulip improved from 70% for 2016 to 71% for 2017.

Bulgaria

The Group holds one income yielding property in Bulgaria, the Atlas House, which is a ca. 3,500 sqm office building in Sofia.

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Financial Review

The on-going analysis of the economics of the region and the key measures of the sectors in which the Group operates are vital to ensure it does not become overexposed 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 2017, the Group's bank debt associated with the portfolio of the Group was €94 million (31 December 2016: €120 million). Loans, valuations and Loan to Value ratios ("LTV") for those periods in which valuations were undertaken may be analysed as follows:

	Loans	Valuation	LTV Ratio	Loans	Valuation	LTV Ratio
	31 December 2017			31 December 2016		
	€ millions	€ millions	%	€ millions	€ millions	%
Investment property	44	81	54%	69	82	84%
Hotels	50	93	54%	49	87	56%
Development property in construction	-	-	-	2	10	20%
Total	**94**	**174**	**54%**	**120**	**179**	**67%**

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2017 and 31 December 2016 due to the treatment under IFRS as adopted by the EU of land held under operating leases and development property that are held at cost.

LTV ratio of investment property significantly decreased to the level of 54% as of 31 December 2017 (as compared to 84% as of 31 December 2016) due to the completion of the settlement reached with Erste Group Bank AG concerning *Millennium Plaza* financing (as disclosed on page 11).

LTV ratio of hotels slightly decreased to 54% as of 31 December 2017 from 56% as of 31 December 2016 mainly due to partial repayment of loan facilities.

As of 31 December 2017 LTV ratio of development property in construction is nil since the only bank facility extended to the development project was repaid in August 2017.

The gearing ratio is 48% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratio improved as compared to 31 December 2016 (62%) mainly due to the significant finance income of €19.5 million realised on the settlement reached with Erste Bank financing *Millennium Plaza*.

Debt financing

Portfolio of cross collateralised banking facilities extended by Erste Group Bank AG

In 2016 the Group had a facility extended to Atlas Estates Millennium Sp. z o.o. ("Millennium") by Erste Group Bank AG that had been cross collateralized. On 14 September 2016 (at which point this debt amounted to €58.9 million) the Group signed with Erste bank the agreement based on which by 29 September 2017 the bank was obliged to sell/ transfer to Atlas Projects B.V. (subsidiary of Atlas Estates Limited) its outstanding facility due from Millennium at the price of €1 subject mainly to the following conditions:

1) repayment by or on behalf of Millennium and receipt by the bank of principal in the aggregate amount of € 39,500,000 with interests indicated in this agreement in the following four instalments:

   a) € 8,075,000 to be paid by 10 business days after the signing of this agreement - this amount was paid by Millennium in September 2016;
   b) € 3,950,000 by 30 November 2016 - this amount was paid by Millennium in November 2016;
   c) € 3,950,000 by 31 March 2017 - this amount was paid by Millennium in March 2017;
   d) € 23,525,000 by 29 September 2017- this amount was paid by Millennium in September 2017.

2) payment by Atlas Projects B.V. of the amount of €1 for the outstanding facility of €19.5 million- this price was paid by Atlas Project B.V. in September 2017. This debt was converted into equity of Millennium in December 2017 (at the date of issuing this report this is awaiting registration).

In September 2017- i.e. upon completion of the transfer of this facility to Atlas Project BV:

- Erste bank relinquished all mortgage, lien, charge pledge, promissory note, letter of comfort or other security interest or any other type of guarantee granted by Millennium and/or third party for the benefit of Erste bank to secure the claims of the bank against Millennium. Moreover, upon the completion of this transfer Erste Bank is no longer entitled to the Price Adjustment (defined above).
- Atlas Estates Limited in its consolidated financial statements recorded finance income of €19.5 million (see note 7 to the consolidated financial statements) representing bank debt discount resulting from this transaction.

New loan – Millennium Plaza

On 13 September 2017 Millennium signed a new loan agreement with Bank Zachodni WBK S.A. based on which it was able to borrow €23.5 million to pay the final instalment to Erste Bank AG (as described above). As of 31 December 2017 this bank facility amounts to €23.0 million (net of unamortized part of arrangement fee paid) and the final repayment date of this facility is September 2022. In 2017 €0.3 million was repaid in respect of this loan.

Repaid Loan - Apartamenty przy Krasińskiego II

In February 2016 Atlas Estates (Przasnyska 9) Sp. z o.o. was granted a loan (up to the amount of PLN 42.9 million) for the construction of the second stage of *Apartamenty przy Krasińskiego* project in Warsaw. The first draw down of the loan took place in the third quarter of 2016. €2.2 million loan was fully repaid in August 2017.

Hungarian loan

In the preparation of the consolidated financial statements as of 31 December 2017, the Directors have classified the loan facility extended to a Hungarian subsidiary totalling €12.9 million as current since it is overdue. In 2017 €0.7 million was repaid in respect of this loan. The Group is in discussion with the bank regarding restructuring of this loan.

Other loans- partial repayments

In 2017 the Group paid €2.1 million in respect of scheduled partial repayments of other loans extended to the Group's projects (*Hilton* and *Golden Tulip* hotels, *Sadowa* and *Properpol* office buildings).

Subsequent events- loan facility extension

On 25 January 2018 Properpol Sp. z o.o. (the Company's subsidiary) signed an amendment agreement with mBank S.A. to the facility agreement dated 2 September 2013 based on which the final repayment date of the facility was extended from 30 June 2018 to 30 June 2021. As of 31 December 2017 this facility amounted to €3.7 million and is used for financing of *Galeria Platinum Towers* project.

Subsequent events- amount increase of the existing loan facility

On 7 February 2018 the Company's subsidiaries: Mantezja 3 Sp. z o.o. and HGC Gretna Investments Sp. z o.o. Sp. J., which operate *Hilton* hotel in Warsaw concluded an annex with Bank Pekao S.A. and PEKAO Bank Hipoteczny S.A. to the existing loan facility agreement dated 29 June 2015 based on which the total outstanding amount of the facility was increased. The subsidiaries are allowed to borrow additional funds from tranche C up to the amount of €3.5 million for financing *Hilton* expenses or other Atlas projects increasing a total facility of €51.1m. As of 31 December 2017 total loan facility from tranche A and B amounted to €47.6 million.

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

	Property Rental € millions	Development Properties € millions	Hotel Operations € millions	Other € millions	Year ended 31 December 2017 € millions	Year ended 31 December 2016 € millions
Revenue	10.3	5.5	19.6	-	35.4	32.7
Cost of operations	(4.5)	(5.8)	(12.4)	-	(22.7)	(19.4)
Gross profit/ (loss)	5.8	(0.3)	7.2	-	12.7	13.3
Administrative expenses	(0.8)	(0.5)	(3.1)	(11.2)	(15.6)	(6.7)
Gross profit/ (loss) less administrative expenses	5.0	(0.8)	4.1	(11.2)	(2.9)	6.6
Gross profit/ (loss) %	56%	-5%	37%	0%	36%	41%
Gross profit/ (loss) less administrative expenses %	49%	-15%	21%	0%	-8%	20%

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

Revenues and cost of operations

Total Group revenues for year ended 31 December 2017 were €35.4 million compared to €32.7 million for the year ended 31 December 2016. The Group's principal revenue streams are from its hotel operations, property rental and from the sale of the residential apartments that the Group develops. 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 €22.7 million in 2017 compared to €19.4 million in 2016.

Development Properties

	Year ended 31 December 2017 € millions	Year ended 31 December 2016 € millions	**Total change 2017 v 2016 € millions**	Translation foreign exchange effect € millions	Operational change 2017 v 2016 € millions
Revenue	5.5	2.8	**2.7**	-	2.7
Cost of operations	(5.8)	(2.3)	**(3.5)**	-	(3.5)
Gross (loss)/ profit	(0.3)	0.5	**(0.8)**	-	(0.8)
Administrative expenses	(0.5)	(0.5)	**-**	-	-
Gross (loss)/ profit less administrative expenses	(0.8)	-	**(0.8)**	-	(0.8)
Gross (loss)/ profit %	-5%	18%			
Gross (loss)/ profit less administrative expenses %	-15%	0%			

Proceeds from the sale of residential units (i.e. apartments, retail units, parking places, storages) developed by the Group are only recognised when the units 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 residential units are recognised in the income statement.
In 2017 the Group, following a completion of *Apartamenty przy Krasińskiego stage II* project in August 2017, has started signing notarial deeds and consequently recognised first sales and associated costs of this project.

The gross loss realised in 2017 as compared to breaking even in 2016 is mainly a result of a sale of Hungarian development project (Atrium homes) in the third quarter of 2017. The sale was completed at a loss due to poor economic conditions in this market.

Additionally as presented in the table below in 2017 the Group managed to complete the sale of 10 apartments (in *Capital Art Apartments I&II* projects and *Apartamenty przy Krasińskiego stage II*), whereas in 2016 the revenues from the sale of 17 apartments (in *Capital Art Apartments III&IV, Apartamenty przy Krasińskiego stage I*) projects were recognized.

Apartment sales in Warsaw

	CAA stage I	CAA stage II	CAA stage III&IV	Apartamenty przy Krasińskiego I	Apartamenty przy Krasińskiego II	Concept House*
Total apartments for sale	219	300	265	303	123	160
Sales completions in 2008-2015	218	297	249	302	-	156
Sales completions in 2016	-	-	16	1	-	3
Sales completions in 2017	1	1	-	-	8	1
Total sales completions	219	298	265	303	8	160
Sales not completed as of 31 December 2017 (only preliminary agreements concluded)	-	2	-	-	110	-
Apartments available for sale as of 31 December 2017	-	-	-	-	5	-

**Joint venture project fully sold out as at 31 December 2017*

Property Rental

	Year ended 31 December 2017 € millions	Year ended 31 December 2016 € millions	**Total change 2017 v 2016 € millions**	Translation foreign exchange gain/ (loss) 2017 € millions	Operational change 2017 v 2016 € millions
Revenue	10.3	10.7	**(0.4)**	0.2	(0.6)
Cost of operations	(4.5)	(5.5)	**1.0**	(0.1)	1.1
Gross profit	5.8	5.2	**0.6**	0.1	0.5
Administrative expenses	(0.8)	(0.9)	**0.1**	-	0.1
Gross profit less administrative expenses	5.0	4.3	**0.7**	0.1	0.6
Gross profit %	56%	49%			
Gross profit less administrative expenses %	49%	40%			

In 2017 the gross margin realized by the Property Rental segment increased as compared to 2016 due to lower cost of operations, mainly repairs and maintenance. The Group commenced significant remodel of *Millennium Plaza* lobby, which should improve the attractiveness and image of this valuable property.

Hotel operations

	Year ended 31 December 2017 € millions	Year ended 31 December 2016 € millions	**Total change 2017 v 2016 € millions**	Translation foreign exchange gain/ (loss) 2017t € millions	Operational change 2017 v 2016 € millions
Revenue	19.6	19.1	**0.5**	0.4	0.1
Cost of operations	(12.4)	(11.6)	**(0.8)**	(0.2)	(0.6)
Gross profit	7.2	7.5	**(0.3)**	0.2	(0.5)
Administrative expenses	(3.1)	(2.8)	**(0.3)**	-	(0.3)
Gross profit less administrative expenses	4.1	4.7	**(0.6)**	0.2	(0.8)
Gross profit %	37%	39%			
Gross profit less administrative expenses %	21%	25%			

In 2017 the hotel profit from operations declined as compared to 2016 mainly due to slight increase of hotel costs due to hotel inventory renewal.

Administrative expenses

Total administrative expenses increased significantly by €8.9 million as compared to 2016 mainly due to accrual for performance fee amounting to €8.6 million. In 2016 Property Manager was only entitled to management fee.

Valuation movement

In 2017 the decrease of the market value of the investment properties portfolio was of €4.7 million as compared to an increase of €3.3 million in 2016. The movements relate mainly to the change in value of *Millennium Plaza*.

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.

There were no significant movements in the other operating income and expenses.

Finance income and costs

Finance income increased by €19.8 million primarily due to a €19.5 million bank loan discount. On September 2016 the Group concluded an agreement with Erste Group Bank AG (as disclosed on page 10) which was completed in September 2017 and resulted in €19.5 million reduction in external bank debts.

The income statement includes finance costs of €3.4 million in 2017, compared to €4.0 million in 2016, representing mainly interests on bank loans and related bank charges. The decreased level of finance costs in 2017 was mainly attributable to lower bank interest charges associated with *Millennium* bank facility.

Foreign exchange

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

In 2017 the Group reported exchange gains of €3.0 million as compared to €3.0 million loss in 2016. These gains and losses were due to the unrealised foreign exchange gains and losses on EUR denominated bank loans in Polish, Hungarian and Romanian subsidiaries. The foreign exchange gains occurred mainly as a result of appreciation of PLN against EUR in 2017. The foreign exchange losses occurred mainly as a result of depreciation of PLN against EUR in 2016.

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 2017	4.1709	310.14	4.6597	1.95583
31 December 2016	4.4240	311.02	4.5411	1.95583
% Change	-6%	0%	3%	0%
Average rates				
Year 2017	4.2576	309.21	4.6359	1.95583
Year 2016	4.3625	311.46	4.5173	1.95583
% Change	-2%	-1%	3%	0%

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2016	4.4240	311.02	4.5411	1.95583
31 December 2015	4.2615	313.12	4.5245	1.95583
% Change	4%	-1%	0%	0%
Average rates				
Year 2016	4.3625	311.46	4.5173	1.95583
Year 2015	4.1839	309.90	4.5040	1.95583
% Change	4%	1%	0%	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 in 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 ("PPE") operated by the Group to produce income, such as the Hilton hotel or land held for development of yielding assets (are disclosed as "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 2017 € millions	**NAV per share 2017 €**	NAV 2016 € millions	**NAV per share 2016 €**
Group basic NAV	85.1	**1.8**	68.2	**1.5**
Development land valuation increase	31.2	**-**	17.7	**-**
Deferred tax	(5.9)	**-**	(3.3)	**-**
Group adjusted NAV (see page 7)	110.4	**2.4**	82.6	**1.8**

Notes: The number of shares in issue as at 31 December 2017 and 2016 is 46,852,014 (excluding treasury shares).

The Property Manager's management and performance fees are based on the adjusted NAV. For the twelve months to 31 December 2017 the combined fee payable to AMC by the Group was €10.2 million whereas for the twelve months to 31 December 2016 AMC was entitled to management fee amounting to €1.6 million.

Ongoing activities

During the year ended 31 December 2017, 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 monitor operations of hotel activity, enhance occupancy of income yielding assets, as well as remodel valuable assets in order to attract new tenants.

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, the Group 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, reporting procedures and IT systems in order to generate appropriate and timely management information for the ongoing assessment of the Group's performance. We operate 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.

The Group derives its revenue from activities carried out mainly in the Polish market with Romania and Hungary also contributing, however at a much lower level. The Group's financial results are therefore contingent on factors such as the stability of the political systems at the given moment and the macroeconomic data related mainly to the condition of the Polish but also Romanian and Hungarian economies, in particular the level of GDP growth, investment spending, levels of household income, interest rates, foreign exchange rates and inflation rate. Any deterioration to the macroeconomic conditions in these countries may expose the Group's business to risk, thus affecting its future financial results and prospects for development.

Financing and liquidity

Management has experienced strict requirements of the 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.. 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 Group'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 Group 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 Group 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 properties and provide the Company with local market knowledge and expertise. In August 2017 a loan facility extended to a development project in Warsaw- *Apartamenty przy Krasińskiego II* was fully repaid as a result of high presales recorded at this very successful project. Additionally in September 2017 the Group managed to complete the agreement with Erste Group Bank AG which resulted in significant reduction of Group's external bank debt (as disclosed on page 11). This success was partially driven by the fact that the last instalment due to Erste Bank was financed with the new loan facility obtained by *Millennium Plaza* project (as disclosed on page 11 - New Loan). AMC currently focuses its efforts on the finalisation of the planning phase *Nakielska Apartments Project* – the Group's next residential project in Warsaw.

Ziv Zviel
Chief Financial Officer and Chief Operating Officer
Atlas Management Company Limited
26 March 2018

ATLAS ESTATES LIMITED

Key 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%
Atlas Estates Tower *(former name: Platinum Towers – offices)*	Land located next to *Hilton* hotel in Warsaw. Land with zoning for an office/residential tower planned up to 42 floors.	100%
Galeria Platinum Towers	Commercial area on the ground and first floors Platinum Towers with 1,904 square meters of gallery and 208 parking places almost fully let to tenants.	100%
Nakielska Apartments Project	*R*esidential development in the Wola district of Warsaw. It will be a two stage development which will release 250 apartments with parking and amenities, including retail facilities. This project is an early planning phase.	100%
Apartamenty przy Krasińskiego	Development in the Żoliborz district of Warsaw. The first stage of this development included 303 apartments as well as parking and amenities and retail facilities. The construction of the first stage was completed in 2013. As of 31 December 2017 all apartments were sold and only 2 retail units were available for sale. The second stage of this successful development project released 123 apartments as well as parking and retail facilities. The construction commenced in November 2015 and was completed in August 2017. As of 31 December 2017 only 3 retail units and 5 apartments were available for sale. Remaining apartments and retails were either sold (8 apartments and 1 retail) or presold (110 apartments and 4 retails).	100%
Millennium Plaza	39,138 square meters of office and retail space in the central business district of Warsaw.	100%
Sadowa office building	6,872 square meters office building close to the city centre of Gdańsk.	100%
Capital Art Apartments	The *Capital Art Apartments* project in Warsaw is another development in Warsaw close to the city center. It is a four stage development with 784 apartments as well as parking and amenities, including retail facilities. As of 31 December 2017 all apartments were sold or presold, whereas 3 retail units remain available for sale and one is presold.	100%
Hungary		
Ikarus Business Park	283,000 square meters plot with 110,000 square meters of built business space and 70,000 of currently lettable, located in the 16th district, a suburban area of Budapest	100%
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 78 room hotel in central Bucharest.	100%
Bulgaria		
The Atlas House	Office building in Sofia's city center 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.

Registered office

Atlas Estates Limited
3rd Floor, 1 Le Truchot
St Peter Port
Guernsey GY1 1WD
Company number: 44284

Directors and Senior Management of the Atlas Management Company Limited, the Property Manager

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.
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 12 February 2018 the Directors of Atlas were notified by AMC that due to personal circumstances Mr Reuven Havar will cease to fulfil his role as CEO of AMC with immediate effect.

Directors' Report

The Directors present their report and the audited financial statements for the twelve months ended 31 December 2017.

Results and dividends

The results of the Company for the year are set out in the statement of comprehensive income on page 37 and show a profit after tax attributable to equity shareholders of €27.8 million (2016: loss after tax of €1.1 million).

The Company has not declared a dividend for 2017 (2016: €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 Group's organisational structure in the year ended 31 December 2017. A list of the operating subsidiaries of the Company subject to consolidation is included within note 18 of the financial statements.

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.

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 statements of this report on pages 45 to 47.

Going concern

The Group has managed to obtain profit for the year of €11.6 million (compared to profit of €2.3 million in 2016).

As at 31 December 2017 the Group held land and building assets with a market value of €174 million, compared to associated external debt of €94 million (€179 million and €120 million respectively in 2016). 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 2017, the Directors have taken into account the fact that the Group is in a net current liability position. However, in considering the group's net current liability position in the context of ongoing working capital management we note the following:

- Deferred income included in current liabilities of €13.3m in relation to sales deposits will be released to the income statement in the subsequent period as sales are completed rather than representing a future cash outflow,
- Property development inventories included in current assets are held at cost and are forecasted to realise cash revenues in excess of this carrying value in future period,
- The classification of one short-term loan of €3.7m based on the payment terms was extended until 30 June 2021 by an annex signed post year-end. Separately, the Felikon loan of €12.9m is fully ring fenced, so it will not generate cash outflows to the Group above the value of the Felikon property.

Within trade payables of the Group is a performance fee payable to the Property Manager. Details are provided on page 35. The payment terms of this fee are subject to consultation between the parties, and the actual payment will be subject to available cash flows of the Group.
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, favourable arrangements for the payment timetable for the AMC performance fee 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 Company's and consolidated financial statements for the year ended 31 December 2017.

Company website

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

Auditors

The Directors confirm that as at 26 March 2018:

- 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 14 July 2017 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 2017.

The consolidated financial statements of the Group for 2017 were audited by BDO LLP on the basis of an engagement letter dated 20 January 2018. The consolidated financial statements of the Group for 2016 were audited by BDO LLP on the basis of an engagement letter concluded on 20 January 2017.

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	2017 €'000	2016 €'000
Audit of individual and consolidated annual financial statements	135	138
Review of interim individual and consolidated financial statements	31	34
Tax services	-	-
Other compliance services	-	-
Total	**166**	**172**

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 as discussed in note 18 of the financial statements.

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

Significant Agreements and Capital Commitments

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) Sp. z o.o. and Kalter Sp. z o.o. ("General Contractor") for the construction of multi-apartment residential building (*Apartamenty przy Krasińskiego*, the second stage) in Warsaw. The total value of contract amounted to PLN 30.0 million (excluding VAT). The completion of the General Contractor obligation occurred on time i.e. till 31 August 2017. As a result PLN 30.0 million was paid in respect of this agreement till 31 December 2017. The contract is now fully settled, the cash held in deposit was released to the general contractor in January 2018.

Details of the bank financing agreements are disclosed as required in note 23 to the consolidated financial statements.

Related party transactions

Related party transactions (also terms of the transactions with majority shareholder) are stated within note 14 of the financial statements of this report and note 28 of the consolidated financial statements.

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 2017

In 2017 the Company did not issue any guarantees or sureties for the benefit of its subsidiaries/ or other parties.

The table below presents a list of guarantees, warranties and other types of security received by the Group from contracting parties as at 31 December 2017:

Company	Contractor's name	Type of security	currency	(000)
Atlas Estates (Przasnyska 9) Sp. z o.o.	Kalter sp. z o.o.	Bank guarantee	PLN	1,500
Capital Art. Apartments AEP Sp. z o.o. sp. j.	Unibep S.A.	Bank guarantee	PLN	2,626
Atlas Estates (Millennium) Sp. z o.o.	Several tenants	Bank guarantee	PLN	1,896
Atlas Estates (Sadowa) Sp. z o.o.	Several tenants	Bank guarantee	PLN	1,056
Properpol Sp. z o.o.	Jeronimo Martins Polska S.A.	Bank guarantee	EUR	44
Zielono AEP Sp z o.o.	Unibep S.A.	Insurance guarantee	PLN	100

A list of other types of security issued by the Company's subsidiaries in 2017 is presented below

In 2017 in execution of obligations resulting from a loan agreement (the "Agreement") between the Company's subsidiary Atlas Estates (Millennium) Sp. z o.o. (the "Borrower") and Bank Zachodni WBK S.A (the "Lender") the following collaterals were established:

1. contractual mortgage over *Millennium Plaza* (i.e. "Building" located on the plot of land nos. 19/2, 22 and 29/3 for which District Court for Warszawa – Mokotów in Warsaw, VI Division of Land and Mortgage Registers maintains the land and mortgage register No. WA1M/00127335/7 and No. 28/2, for which the District Court for Warszawa-Mokotów in Warsaw, VI Division of Land and Mortgage Register maintains land and mortgage register No. WA1M/00201201/2 as well as the premises located in the Building for which the District Court for Warszawa-Mokotów in Warsaw, VI Division of Land and Mortgage Register maintains land and mortgage register Nos.: WA1M/00287612/2, WA1M/00287613/9, WA1M/00287614/6, WA1M/00287615/3, WA1M/00287616/0, WA1M/00287617/7, WA1M/00287618/4, WA1M/00287619/1, WA1M/00287936/9, WA1M/00287937/6) in favour of the Lender up to amount of € 38,137,500.00;
2. financial pledges over all 100 shares in the Borrower;
3. registered pledges over all 100 shares in the Borrower up to the maximum secured amount of € 35,287,500.00;
4. registered pledges over the set of movables and rights of the Borrower up to the maximum secured amount of € 35,287,500.00.

Additionally, alongside the above new loan, in 2017:

- the Company's subsidiary Atlas Estates (Millennium) Sp. z o.o ("Millennium") fulfilled all conditions precedents from the Agreement on the Amendment and Transfer of Loan (as described on page 10) and as a result Erste Bank AG relinquished any mortgage, lien, charge pledge, promissory note, letter of comfort or other security interest or any other type of guarantee granted by Millennium and/or third party for the benefit of Erste Bank to secure Erste Bank's claims under on in connection with the loan facility agreement dated 21 December 2006 or any other agreements;
- the Company's subsidiary Atlas Estates (Przasnyska 9) Sp. z o.o. fully repaid its loan facility extended by Bank Polska Kasa Opieki S.A and as a result of securities (as described below) were released.

Guarantees and sureties – changes in 2016

In 2016 the Company did not issue any guarantees or sureties for the benefit of its subsidiaries/ or other parties.

The table below presents a list of guarantees, warranties and other types of security received by the Group from contracting parties as at 31 December 2016:

Company	Contractor's name	Type of security	currency	(000)
Atlas Estates (Millennium) Sp. z o.o. sp. j.	Several tenants	Bank guarantee	PLN	1,670
Properpol Sp. z o.o.	Jeronimo Martins Polska S.A.	Bank guarantee	EUR	44
Zielono AEP Sp z o.o. SKA	Unibep S.A.	Insurance guarantee	PLN	3,110
Atlas Estates (Przasnyska 9) Sp. z o.o.	Kalter sp. z o.o.	Bank guarantee	PLN	1,500
Capital Art. Apartments AEP Sp. z o.o.	Unibep S.A.	Bank guarantee	PLN	2,626
Atlas Estates (Sadowa) Sp. z o.o.	Several tenants	Bank guarantee	PLN	137

A list of other types of security issued by the Company's subsidiaries in 2016 is presented below.

- On 16 May 2016 Atlas Estates (Przasnyska 9) Sp. z o.o. with its registered seat in Warsaw (the "Borrower") and Bank Polska Kasa Opieki S.A. with its seat in Warsaw (the "Lender ") established following collaterals:

1. a contractual mortgage up to the amount of PLN 64,350,000 ("Mortgage") over the right of perpetual usufruct of the real estate consisting of the plots of land no. 12/3, 12/4, 12/5 and 12/6 for which District Court for Warszawa – Mokotów in Warsaw, VI Division of Land and Mortgage Registers maintains the land and mortgage register WA1M/00203184/0 ("Real Estates") as the security for the repayment of the loan granted to the Borrower;
2. agreement on establishment and division of mortgage executed between the Borrower and the Lender, according to which in each case the Real Estates division will consist establishment of separate ownership, the Mortgage will be divided;
3. registered and financial pledge agreement executed between the Atlas Projects B.V. and the Lender over the 100 shares in the share capital of the Borrower, of the nominal value 50 PLN each share, of the joint nominal value of PLN 5,000 constituting 100 % shares in the share capital of the Borrower, the pledge secures repayment of the loan up to the maximum amount of PLN 64,350,000 and financial pledges secure respectively repayment of the loan up to the maximum amounts equal to PLN 62,100,000 and PLN 2,250,000;
4. registered and financial agreement executed between the Borrower and the Lender over the receivables under the bank account agreements; registered pledge secures repayment of the loan up to the maximum equal to

PLN 64,350,000 and financial pledges secure respectively repayment of the loan up to the maximum amounts of PLN 62,100,000 and PLN 2,250,000;
5. registered and financial pledge agreement executed between the Borrower and the Lender over the collection of assets; registered pledge secures repayment of the loan up to the maximum equal to PLN 64,350,000;
6. the security assignment of Borrower's rights and claims to the Lenders;
7. the subordination agreement;

Corporate governance review

Indication of corporate governance rules, which the Company adheres to and the place, where the rules are publicly available

In accordance with the WSE Rules, the Board resolved in January 2008, to the extent practicable and reasonable, to comply with the majority of the corporate governance rules defined in the Code of Best Practices for WSE Listed Companies ("Best Practice"). The current and binding text of Best Practices is available at the WSE official website concerning corporate governance in public companies: https://www.gpw.pl/best-practice, whereas, in 2016, the Company applied Best Practices in accordance with the version that was in effect in 2016, to which this declaration of the Board regarding compliance with Corporate Governance Rules refers to. In addition, the Company's shareholders may find "A statement on the company's compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016" at the Company's web site www.atlasestates.com, section concerning corporate governance maintained as part of the investor relations site.

Information on the Company non-compliance with applying Best Practices

The Company's compliance with certain principles is mainly limited by the differences between Guernsey and Polish legal systems, procedures and accepted practices.

According to the current status of compliance with the Best Practice, the Company does not apply 2 recommendations:

III.R.1. - The recommendation is not applied due to the size of the Company.
IV.R.2. - The Company will not comply with this rule since it is not in a position to provide technical infrastructure enabling secure participation in general meeting using electronic communication means. This rule is not applied with the exception of point 3) of the rule.

According to the current status of compliance with the Best Practice, the Company does not apply 15 detailed principles:

I.Z.1.3.and II.Z.1. - There is no formal division of duties and responsibilities among members of the Board of Directors since pursuant to the Articles of Association, Atlas Group's policy and its strategic direction are determined by the full Board. On the corporate website the formal schedule of matters reserved to the Board of Directors is disclosed.

I.Z.1.19. and IV.Z.13. - Atlas Estates Limited is Guernsey company and therefore the rules of the Commercial Companies Code do not apply, instead the Company applies Articles of Association according to which the Board of Directors shall determine under what conditions the books and documents of the Company shall be open to inspection.

I.Z.1.20.- Atlas Estates Limited 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.

II.Z.7. - The Company do not apply the Annex 1 to the "Commission Recommendation of ..." however the audit committee's terms of reference which are available on the corporate website are broadly consistent with Annex 1.

IV.Z.1. - The Articles provide that the Company's General Meeting shall be held in Guernsey or elsewhere. The determination of the location of the General Meeting is mainly driven by the need of ensuring administration assistance in accordance with the Guernsey Law. The Company's administrator is located in Guernsey and, therefore, the general meetings will be, most likely, held in Guernsey.

IV.Z.2. - Atlas Estates Limited 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.

IV.Z.3.- Atlas Estates Limited is incorporated under Guernsey law and there is no requirement under Guernsey law to permit media to attend general meetings. Accordingly, many Guernsey based fund administrators (corporate service providers) have adopted internal policies which do not permit the media to attend general meetings. In this regard, the internal policies of Intertrust Fund Services (Guernsey) Limited, the Company's administrator, do not permit media to attend meetings as a matter of standard practice and as Intertrust Fund Services (Guernsey) Limited co-ordinate the general meetings of the Company, such policy is adopted by the Company.

IV.Z.4.- Atlas Estates Limited is Guernsey company and therefore the rules of the Commercial Companies Code do not apply, instead the Company applies The Companies (Guernsey) Law. The Board of Directors (the "Board") may whenever it thinks fit and shall on the requisition in writing of one or more holders representing not less than one-tenth of the issued Share capital of the Company upon which all calls or other sums then due have been paid convene an extraordinary General Meeting. If there are not sufficient Directors capable of acting to call a general meeting, any Director may call a General Meeting. If there is no Director able to act, any two Shareholders may call a general meeting for the purpose of appointing Directors. The requisition shall be dated and shall state the object of the meeting and shall be signed by the requisitionists and deposited at the Company's registered office and may consist of several documents in like form each signed by one or more of the requisitionists. If the Board does not cause a meeting to be held within twenty-one days from the date of the requisition being so deposited the requisitionists or a majority of them in value may themselves convene the meeting. Any meeting convened by requisitionists shall be convened in the same manner (as nearly as possible) as that in which meetings are convened by the Board.

IV.Z.5.- Shareholders are not generally restricted from participating in General Meetings, but they may be restricted from voting in limited circumstances in accordance with Guernsey Law and Articles of Association. If, for example, they fail to comply with the obligation pursuant to Articles of Association to disclose the identity of any person (other than the registered shareholder) who has an interest in the shares they would be barred from voting. This may therefore mean that in certain circumstances the Company will not comply with this rule.

IV.Z.7.- The Chairman of general meeting may interrupt proceedings and adjourn the meeting, which can be reconvened at a later point . This would not be at the instruction of a shareholder but any request could be submitted to the Chairman at the meeting who would decide the action to be taken.

IV.Z.13.- Atlas Estates Limited is Guernsey company and therefore the rules of the Commercial Companies Code do not apply, instead the Company applies Articles of Association according to which the Board of Directors shall determine under what conditions the books and documents of the Company shall be open to inspection.

IV.Z.18.- Atlas Estates Limited share capital is divided into shares at nominal value of EUR0.01, which is below PLN 0.50 limit.

V.Z.2. and V.Z.6. - Pursuant to the Articles, the Company's Directors may take part in the discussion and vote in certain circumstances provided, however, that such Directors disclose their interest. Circumstances in which a director may vote notwithstanding their interest are presented in the Articles.

According to the current status of compliance with the Best Practice, the Company applies recommendations: II.R.1., II.R.2., II.R.3., II.R.4., II.R.5., II.R.6., II.R.7. however the Company added the following comment:
Recommendation concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates Limited as a Guernsey company has only one governing body– the Board of Directors.

According to the current status of compliance with the Best Practice, the Company applies below listed principles however the Company added the following comments:

I.Z.1.15. - Atlas Estates Limited Group has not adopted a diversity policy with respect to the Board of Directors and its key managers, however the process of selection of members of the Board of Directors and key managers is based on such elements as appropriate education, experience and expertise, as well as, the qualifications and competencies of candidates and in no way leads to the disqualification of any candidate due to the above-mentioned elements of a diversity policy.

II.Z.2. - Each Director of Atlas Estates Limited declare all directorship positions held and the Board of Directors consider and approve this at each meeting convened.

II.Z.3., II.Z.5., II.Z.6., II.Z.9., II.Z.10.1, II.Z.10.2, II.Z.10.3, II.Z.10.4, II.Z.11., III.Z.1., III.Z.2., III.Z.4., IV.Z.11., V.Z.5. - Rules concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates Limited as a Guernsey company has only one governing body – the Board of Directors.

III.Z.5. - Rule concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates Limited as a Guernsey company has only one governing body– the Board of Directors. There is an audit committee which reports to the Board of Directors.

VI.Z.1. and VI.Z.2. - The property investments held by Atlas Group are externally managed by Atlas Management Company Group ("AMC" or "Property Manager"). AMC has been established for the sole purpose of providing the property management and ancillary services to the Company. On signing the agreement with the Property Manager, the Company looked to structure a remuneration package that combined a management fee element with performance related rewards that motivate the Property Manager and align their interests with the performance and growth of the business and the long term enhancement of shareholder value. The details concerning remuneration package are disclosed in the Company's annual financial statements.

VI.Z.3. - The rule is applicable to Board of Directors regarding the fact that rule concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates Limited as a Guernsey company has only one governing body– the Board of Directors.

VI.Z.4. - Remuneration Report is part of the Company's annual report.

Financial statements' preparation process

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.

DIVISION OF RESPONSIBILITIES AND COMPETENCES IN THE PREPARATION OF FINANCIAL INFORMATION

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.

The Group's reporting department prepares financial statements, interim reports of the Group and the Company under the supervision of the Property Manager (CFO).

The Group's reports are drafted by highly qualified team of employees of the controlling and reporting departments on the basis of accounting information prepared by the financial and accounting department. The preparation process is supervised by the reporting department's mid-level management. The financial statements, before they are delivered to the independent auditor, are verified by Group Financial Reporting Manager, then by the Property Manager (CFO).

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 staff 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.

The internal financial control department operates on the basis of 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 Board of Directors.

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.

Significant shareholders

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	Voting Rights
Euroclear Nominees Limited <EOCO1>	40,298,191	86.01
Atlas International Holdings Limited	6,461,425	13.79
TOTAL	**46,759,616**	**99.80**

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	Voting Rights
Fragiolig Holdings Limited	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 RIG Investments Sarl and the ultimate controlling party by a virtue of ownership is Mr Ron Izaki.

Indication of the holders of any and all securities which give special control rights along with a description of these rights

The Company's share capital is divided into 46,852,014 shares which give equal rights to shareholders. Additionally the Company holds 3,470,000 treasury shares, which have no voting rights.

Legal or statutory limitations in the exercise of voting rights

Each share gives right to one vote at the General Meeting of the Company as indicated above. Shareholders are not generally restricted from participating in General Meetings, but they may be restricted from voting in limited circumstances in accordance with the Companies (Guernsey) Law, 2008, as amended ("the Companies Law") and Articles of Association. If, for example, they fail to comply with the obligation pursuant to Articles of Association to disclose the identity of any person (other than the registered shareholder) who has an interest in the shares they would be barred from voting (disclosed by the Company as non-compliance with WSE Best Practice rule IV.Z.5 on page 25)

Limitations in the transfer of the ownership rights of the Company's securities

The Articles of Association provide certain limitations with regard to the transfer of the ownership rights to the Company's shares as stated in article 13 of these Articles. The Directors shall have power to implement such arrangements as they may, in their absolute discretion, think fit in order for any class of shares to be admitted to settlement by means of The National Depository for Securities' system.
The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any share which is not fully paid or on which the Company has a lien, provided, in the case of a listed share that this would not prevent dealings in the share from taking place on an open and proper basis. In addition, the Directors may refuse to register a transfer in respect of certificated shares if:

(i) it is not fully paid up;

(ii) it is in respect of more than one class of shares;

(iii) it is not delivered for registration to the Company's registered office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

The Board may comment in its absolute discretion and without giving a reason, refuse to register any allotment or transfer of shares in favour of more than four joint transferees or a child, bankrupt or person of unsound mind.
If the Board refuses to register the transfer of a share they shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee. The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any one year) as the Board may decide and either generally or in respect of a particular class of share provided that the Board may not suspend the registration of transfers of any participating security without the consent of the operator of the relevant system.

Terms for the appointment and removal of Directors and the description of their powers

Terms of appointment and removal of Directors are presented in the Company's Articles of Association in articles 23, 24 and 30. The current version of the Company's articles of Association is available at the Company website:

http://www.atlasestates.pl/en/investor-relations/corporate-governance

POWERS OF THE BOARD OF DIRECTORS

The Management Board exercises all powers in accordance with Guernsey Law and, the Company's Articles of Association (especially articles 27 and 28).

AUTHORISATION OF THE BOARD OF DIRECTORS TO MAKE DECISIONS CONCERNING THE ISSUE OF THE COMPANY'S SHARES

According to the Articles of Association (article 3) the unissued shares within the scope of the authorised capital (pursuant to a resolution of the General Meeting) are at the disposal of the Board, which has the unconditional authority to allot, grant options or warrants over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons on such terms and conditions and at such times as the Board determines but so that no share shall be allotted at a discount.

AUTHORISATION OF THE BOARD OF DIRECTORS TO MAKE DECISIONS CONCERNING THE REDEMPTION OF THE COMPANY'S SHARES

The Board has the power to issue redeemable shares pursuant to article 3.1 of the Articles of Association and may redeem any such shares in accordance with the terms of their issue.

Furthermore, the Board is authorised, on the basis of the article 8.4 of the Articles of Association to adopt a regulations governing the redemption of those redeemable shares.

Article 3.2(b) of the Articles of Association gives the company the power to buy back shares whether they are redeemable or not.

Annual General Meeting

The Annual General Meeting is usually scheduled in the period June/July. Detailed timing and agenda is communicated separately in accordance with WSE regulations and the Company's Articles of Association.

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.

Amendment of the Company's articles of association

The Company's articles can be altered in accordance with provisions of Part IV of the Companies Law. Any amendment of the articles of association of the Company may be done by a special resolution of the General Meeting or a written special resolution of the shareholders.

A special resolution requires a majority of no less than three-quarters of the votes recorded (including, where there is a poll, any votes cast by proxy) in order to be passed. In the case of a resolution passed at a General Meeting, notice specifying the intention to propose the resolution has to have been duly given in accordance with article 18 of the Company's articles.

Where the amendment of the Company's articles will result in the variation of the rights of a class of shares, the consent in writing of three-quarters of the nominal amount of the issued shares of that class or a special resolution of the holders of the shares of that class is required.

Structure and membership of the Company's Board

The Board of Directors comprises the non-executive Chairman and two further non-executive Directors. In 2017 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, i.e. Mr Andrew Fox and Mr Mark Chasey as independent Directors and Mr Guy Indig as non-independent Director. The Directors provide strategic management and act as the final decision makers 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.

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 18.

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

The Remuneration Report contains details of Directors' remuneration, terms of their appointment and those of the Property Manager and is set out on pages 31 to 32. No other Director had, during the accounting year or in the period to 26 March 2018, any material beneficial interest in any significant contract in the Group's business.

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 of Directors Meetings	**Audit Committee Meetings**
No. of meetings in the year	**9**	**3**
Mr Andrew Fox	4	2
Mr Mark Chasey	6	3
Mr Guy Indig	9	3

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

PROPERTY MANAGER

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

The Property Manager has a board ("PM board") comprising of 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.

The Board of Directors assessment of risk control, compliance, and management systems

The Board of Directors has a positive opinion on the Company's and Group's existing risk control, compliance and risk management systems as being appropriate for the size of the Group and the complexity of its operations. The Board has no reservations concerning the correctness of its compliance systems introduced and operating in the Group, nor regarding the risk management system which is of particular importance to the Company and the Group.

Assessment of the Company's compliance with disclosure obligations

In the disclosure policy, providing investors with confidential, current, and periodic information, the Management Board takes the current requirements of the law into account. In the opinion of the Board of Directors, in 2017, the Company properly performed its disclosure obligations arising out of the provisions of the law and the Best Practices of the WSE Listed Companies.

The Company's policies regarding sponsoring and charitable activities

The Company does not pursue sponsorship, charity or other similar activities.

Remuneration Report

The Directors present their report (the 'Report') on their remuneration, the fees payable to the Property Manager as well as details of payments to directors of subsidiary companies where the services are rendered or procured by external entities that has been prepared in a manner consistent with commonly accepted practice.

1) 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	3 months

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

Directors' emoluments – representing fees only	2017
	€
Non-executive Directors	
Mr Andrew Fox (GBP17,500)	20,000
Mr Mark Chasey (GBP17,500)	20,000
Mr Guy Indig (GBP20,000)	22,000
Total	**62,000**

Directors' emoluments – representing fees only	2016
	€
Non-executive Directors	
Mr Andrew Fox (GBP17,500)	21,000
Mr Mark Chasey (GBP17,500)	21,000
Mr Guy Indig (GBP20,000)	24,000
Total	**66,000**

2) Property Manager fees

Management 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 consideration of the services provided, AMC charged a management fee amounting to €1.6 million for the year ended 31 December 2017 (2016: €1.6 million).

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).

Performance fee
On signing the Property Management Agreement, the Company and AMC agreed upon performance related fee that motivates the Property Manager and align their interests with the performance and growth of the Atlas business and the long term enhancement of shareholder value. The Property Management agreement provides for a formal process of performance evaluation that is based on the collective performance of the Property Manager rather than on standalone companies' performance. These performance criteria are based on financial measures assessed over the life of the Property Management Agreement. Procedures are in place to review the approach and resources applied by the Property Manager and its performance throughout the year.

In addition to the management fee, 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's performance fee accrual in respect of the financial year ended 31 December 2017 is €8.6 million (2016: €nil).

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 percent 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.

3) Members of the subsidiaries' Management Boards

The following entities serve as members of the subsidiaries' Management Board in addition to the Property Manger mentioned above:
- Euryton Trust Management B.V., Dorsha B.V. (representing Dutch subsidiaries) appointed for indefinite period with 6 weeks' notice period at the fixed fee of €69,500 (plus VAT- the fee also includes administration services provided to the subsidiaries);
- TMF Curacao N.V (representing Atlas Estates Antilles B.V.) appointed for indefinite period with 3 months' notice period at the fixed annual fee of USD1,500;

The following entities procure services of Directors to the subsidiaries' Management Board in addition to the Property Manger mentioned above:
- Altea Management S.A. (representing Luxembourg subsidiaries) appointed for indefinite period with 3 months' notice period at the fixed annual fee of €6,000 (plus VAT).
-Cyproman Services Limited (representing Fernwood Limited) appointed for indefinite period with no notice period at the fixed annual fee of €1,400 (plus VAT);

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

26 March 2018

ATLAS ESTATES LIMITED

Declarations of the Board of Directors

Declaration concerning accounting policies

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

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

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

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

Mark Chasey
Chairman

Andrew Fox
Director

Guy Indig
Director

26 March 2018

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ATLAS ESTATES LIMITED

Opinion

We have audited the financial statements of Atlas Estates Limited ("the Parent Company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

<u>Use of our report</u>

This report is made solely to the Parent Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

The Parent Company is a holding company with transactions and accounting estimates being either non-complex, or, with reference to work performed on the group financial statements as a whole, not requiring further significant judgement and therefore no significant allocation of resources in the audit. We have determined therefore that there are no key audit matters to communicate in our report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality for Atlas Estates Limited has been calculated as €1,138,000 based on 1% of total assets (2016: €1,650,000 based on 2%) on the basis that the Parent Company is a holding company. Performance materiality was calculated at €853,500 (2016:€1,237,500) based on 75% of materiality, which was deemed appropriate with reference to the quality of internal controls and our historic experience of limited accounting adjustments identified in the course of our previous audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €22,500 (2016: €33,000), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

Other information

The other information comprises the information included in the Parent Company Financial Statements, including Financial Highlights, Chairman's Statement and Review of the Property Manager, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the regulations of the Warsaw Stock Exchange

In our opinion, the information contained in the Directors' Report on the Parent Company's activities complies with the requirements of the regulations of the Warsaw Stock Exchange issuers and is consistent with the information presented in the accompanying financial statements.

Based on our knowledge obtained during the audit about the Parent Company and its environment we have identified no material misstatements in the Directors' Report on the Parent Company's activities.

The Parent Company's Management Board and members of its Audit Committee are responsible for the preparation of a declaration on the application of corporate governance in accordance with regulations of the Warsaw Stock Exchange.

In connection with our audit of the financial statements it was our responsibility to read the declaration on the application of corporate governance, constituting a separate section of the Directors' Report on the Parent Company's activities.

In our opinion, the declaration on the application of corporate governance contains the information specified in paragraph 91 section 5 point 4 letters a, b, g, j, k and l of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information provided by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2014 Journal of Laws, item 133 with subsequent amendments).

Information provided in paragraph 91 section 5 point 4 letters a, b, g, j, k and l of the Regulation contained in the statement on the application of corporate governance are in accordance with the applicable regulations and information contained in the Parent Company Financial Statements.

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 Parent 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the board of directors, we were appointed by members at the Annual General Meeting on 27 June 2008 to audit the financial statements for the year ending 31 December 2008 and re-appointed by members at each subsequent annual General Meeting. The period of total uninterrupted engagement is 10 years, covering the years ending 31 December 2008 to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Parent Company and its controlled undertakings and we remain independent of the Parent Company and its controlled undertakings in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

We have reported separately on the consolidated financial statements of Atlas Estates Limited for the year ended 31 December 2017. That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.

Ian Clayden
For and on behalf of BDO LLP, recognised auditor
London, United Kingdom
26 March 2018

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

ATLAS ESTATES LIMITED

STATEMENT OF COMPREHENSIVE (LOSS)/ INCOME
For the year ended 31 December 2017

	2017 €'000	2016 €'000	Notes
Revenues	-	-	
Cost of operations	-	-	
Gross profit	**-**	**-**	
Administrative expenses	(10,102)	(1,371)	3
Other operating income	31,837	-	4
Other operating expenses	-	(1,074)	5
Profit/ (Loss) from operations	**21,735**	**(2,445)**	
Finance income	6,171	1,408	6
Finance costs	(56)	(56)	6
Other (losses) and gains – foreign exchange	-	(9)	6
Profit/ (Loss) before taxation	**27,850**	**(1,102)**	
Tax expense	-	-	
Profit/ (Loss) for the year	**27,850**	**(1,102)**	
Total comprehensive income/ (loss) for the year	**27,850**	**(1,102)**	
(Loss)/ Profit per €0.01 ordinary share - basic (eurocents)	59.4	(2.4)	7
(Loss)/ Profit per €0.01 ordinary share - diluted (eurocents)	59.4	(2.4)	7

All amounts relate to continuing operations.

The notes on pages 41 to 53 form part of these financial statements.

ATLAS ESTATES LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	2017 €'000	2016 €'000	Notes
ASSETS			
Non-current assets			
Investment in subsidiaries	125,433	89,930	8
Loans receivable from subsidiaries	58	180	9
	125,491	**90,110**	
Current assets			
Trade and other receivables	82	7	9
Cash and cash equivalents	278	113	10
	360	**120**	
TOTAL ASSETS	**125,851**	**90,230**	
Non-current liabilities			
Other payables	(4,162)	(3,709)	11
	(4,162)	**(3,709)**	
Current liabilities			
Trade and other payables	(11,281)	(3,963)	11
TOTAL LIABILITIES	**(15,443)**	**(7,672)**	
NET ASSETS	**110,408**	**82,558**	
EQUITY			
Share capital account	6,268	6,268	12
Other distributable reserve	194,817	194,817	13
Accumulated loss	(90,677)	(118,527)	
TOTAL EQUITY	**110,408**	**82,558**	

The notes on pages 41 to 53 form part of these financial statements. The financial statements on pages 37 to 53 were approved by the Board of Directors on 26 March 2018 and signed on its behalf by:

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

26 March 2018

ATLAS ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2017

	Share capital account	Other distributable reserve	Accumulated loss	Total
	€'000	**€'000**	**€'000**	**€'000**
As at 1 January 2016	6,268	194,817	(117,425)	83,660
Total comprehensive loss for the year	-	-	(1,102)	(1,102)
As at 31 December 2016	**6,268**	**194,817**	**(118,527)**	**82,558**
Total comprehensive income for the year	-	-	27,850	27,850
As at 31 December 2017	**6,268**	**194,817**	**(90,677)**	**110,408**

The notes on pages 41 to 53 form part of these financial statements.

ATLAS ESTATES LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2017

	Year ended 31 December 2017 €'000	Year ended 31 December 2016 €'000	Notes
Profit/ (Loss) for the year	**27,850**	**(1,102)**	
Adjustments for:			
Effects of foreign currency	-	-	
Finance costs	53	54	
Finance income	(6,171)	(1,408)	
Profit on sale of interest in subsidiary	(80)	-	
(Reversal of impairment)/ Impairment on investments	(31,755)	1,070	
	(10,103)	**(1,386)**	
Changes in working capital			
Decrease/ (Increase) in trade and other receivables	7	(1)	
Increase/ (Decrease) in trade and other payables	8,868	(3,960)	
Net cash used in operating activities	**(1,228)**	**(5,347)**	
Investing activities			
New loans advanced to subsidiaries	(9)	(2,873)	
Repayment of loans receivable from subsidiaries	132	5,815	
Dividend income from subsidiary	6,170	1,400	
Cash contribution to subsidiary undertaking	(3,750)	(3,500)	
Net cash from investing activities	**2,543**	**842**	
Financing activities			
Loan received from majority shareholder	3,750	3,500	
Loan received from subsidiary	400	-	
Loan repayments to majority shareholder	(5,300)	-	
Net cash (used in)/ from financing activities	**(1,150)**	**3,500**	
Net increase/ (decrease) in cash and cash equivalents in the year as a result of cashflows	**165**	**(1,005)**	
Effect of foreign exchange rates	-	-	
Net increase/ (decrease) in cash and cash equivalents in the year	**165**	**(1,005)**	
Cash and cash equivalents at the beginning of the year	**113**	**1,118**	
Cash and cash equivalents at the end of the year	**278**	**113**	
Cash and cash equivalents			
Cash at bank and in hand	278	113	10
Bank overdrafts	-	-	
	278	**113**	10

The notes on pages 41 to 53 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

Basis of preparation

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

The going concern of the Company is dependent on the going concern of its subsidiaries. As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment still continues to present a lot of challenges for the Company and its management. The Company obtained a profit for the year of €27.8 million as compared to prior year loss of €1.1 million.

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

As at 31 December 2017 the Group held land and building assets with a market value of €174 million, compared to external debt of €94 million (€179 million and €120 million respectively in 2016). 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 2017, the directors have taken into account the fact that the Group is in a net current liability position.

However, in considering the group's net current liability position in the context of ongoing working capital management we note the following:

- Deferred income included in current liabilities of €13.3m in relation to sales deposits will be released to the income statement in the subsequent period as sales are completed rather than representing a future cash outflow,
- Property development inventories included in current assets are held at cost and are forecasted to realise cash revenues in excess of this carrying value in future period,
- The classification of one short-term loan of €3.7m based on the payment terms was extended until 30 June 2021 by an annex signed post year-end. Separately, the Felikon loan of €12.9m is fully ring fenced, so it will not generate cash outflows to the Group above the value of the Felikon property.

Within trade payables of the Group is a performance fee payable to the Property Manager. Details are provided on page 32. The payment terms of this fee are subject to consultation between the parties, and the actual payment will be subject to available cash flows of the Group

Although, 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.

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, favourable arrangements for the payment timetable for the AMC performance fee and the future financing of the Group. They show that the Group will have sufficient facilities for its ongoing operations.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

The financial statements present the individual financial data of the Company for the year ended 31 December 2017. The financial information is prepared in Euro and presented in thousands of Euro (“€’000”). Atlas Estates Limited also prepares separate consolidated financial statements, which incorporate the financial statements of the Company and its subsidiaries up to 31 December 2017.

Foreign currencies

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

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

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

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

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2017	4.1709	310.14	4.6597	1.95583
31 December 2016	4.4240	311.02	4.5411	1.95583
% Change	-6%	0%	3%	0%
Average rates				
Year 2017	4.2576	309.21	4.6359	1.95583
Year 2016	4.3625	311.46	4.5173	1.95583
% Change	-2%	-1%	3%	0%

Finance income

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

Financial assets

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

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

Impairment

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

The recoverable value of the Company’s investments in the subsidiaries is assessed by comparing the consolidated Adjusted Net Asset Value of the Group with the net assets attributable to the Company.

Investments in subsidiaries

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

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

Other loans receivable

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

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. As at 31 December 2017 and 2016, no such financial liabilities were held by the Company.

Trade payables

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

Equity instruments

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

Treasury shares

The costs of purchasing Treasury shares are shown as a deduction against equity. The purchase 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.

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 2016.

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:

- Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)
- Disclosure Initiative: Amendments to IAS 7

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:

(a) IFRS 9 'Financial Instruments' (effective date for accounting periods from 1 January 2018).
(b) IFRS 16 'Leases' (effective date for accounting periods from 1 January 2019). This amendment has not yet been endorsed for use in the EU.
(c) Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective date for accounting periods from 1 January 2019). This amendment has not yet been endorsed for use in the EU.
(d) Amendments to IAS 40: Transfers of Investment Property (effective date for accounting periods from 1 January 2018). This amendment has not yet been endorsed for use in the EU.
(e) IFRIC 22 Foreign Currency Transactions and Advance Consideration, (effective date for accounting periods from 1 January 2018). This amendment has not yet been endorsed for use in the EU.
(f) IFRIC 23 Uncertainty over Income Tax Treatments (effective date for accounting periods from 1 January 2019). This amendment has not yet been endorsed for use in the EU.

The Group and the Company has already assessed the impact of IFRS 15 'Revenue from contracts with Customers' (effective date for accounting periods from 1 January 2018) as well as Clarifications to IFRS 15 'Revenue from Contracts with Customers' (effective date for accounting periods from 1 January 2018) and concluded that it will not have any significant impact on its consolidated results or financial position in the future.

NOTES TO THE FINANCIAL STATEMENTS

1.Financial risk management

1.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

2017	**€'000**	**PLN'000**	**Other'000**	**Total'000**
Loans receivable from subsidiaries	58	-	-	58
Trade receivables	82	-	-	82
Cash and cash equivalents	278	-	-	278
Total financial assets	**418**	**-**	**-**	**418**
Trade and other payables	(15,412)	-	(31)	(15,443)
Total financial liabilities	**(15,412)**	**-**	**(31)**	**(15,443)**
Net financial assets / (liabilities)	**(14,994)**	**-**	**(31)**	**(15,025)**

2016	**€'000**	**PLN'000**	**Other'000**	**Total'000**
Loans receivable from subsidiaries	180	-	-	180
Trade receivables	-	-	7	7
Cash and cash equivalents	113	-	-	113
Total financial assets	**293**	**-**	**7**	**300**
Trade and other payables	(7,672)	-	-	(7,672)
Total financial liabilities	**(7,672)**	**-**	**-**	**(7,672)**
Net financial assets / (liabilities)	**(7,379)**	**-**	**7**	**(7,372)**

NOTES TO THE FINANCIAL STATEMENTS

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

If the euro weakened / strengthened by 10% against either of the Polish Zloty, Hungarian Forint or Romanian Lei, with all other variables held constant, post-tax loss for the year would have remained the same (2016: post-tax loss for the year would have remained the same).

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

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

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

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

An increase in 100 basis points in interest yields would result in a decrease in the post-tax profit for Company for the year of €41 thousand (2016: increase in the post-tax loss for the year of €35 thousand). A decrease in 100 basis points in interest yields would result in an increase in post-tax profit for the year of €41 thousand (2016: decrease in post-tax loss for the year of €35 thousand).

(b) Credit risk

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

As at 31 December 2017, the Company had one major counterparty, ABN AMRO (Guernsey) Limited. Given that ABN AMRO is a high-credit-quality financial institution, with a rating of A+ in 2017 and A+ in 2016, as well as the short-term nature of those investments, the credit risk associated with cash and cash equivalents is estimated as low. The maximum exposure of the Company in respect of cash and cash equivalents and outstanding receivables is equal to their gross value at the balance sheet date.

(c) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

1.2 Capital risk management

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

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

2. Critical accounting estimates and judgements

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

Impairment of investments in the Company's subsidiaries

In assessing the carrying value of the Company's investments in its subsidiaries, the management consider the adjusted net asset value of the Group. The adjusted net asset value takes the basic net assets as per the consolidated financial statements and adjusts these for the fair value of the property portfolio which is not included in the reported balance sheet due to the accounting standard requirements. To calculate the fair value of the property portfolio the Property Manager engages qualified experts to assist in its assessment. A valuation of the entire property portfolio is carried out on an annual basis by external and internal experts. 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.

3. Administrative expenses

	2017	**2016**
	€'000	**€'000**
Audit and tax services		
- Fees payable to the Group's auditor for the audit of the Company and its consolidated financial statements	(87)	(91)
Fees payable to the Group's auditor for the other services:		
- Non audit services – interim reviews	(31)	(34)
Incentive and management fee	(9,568)	(1,002)
Legal and other professional fees	(208)	(159)
Insurance cost	(146)	(19)
Staff costs	(62)	(66)
Administrative expenses	**(10,102)**	**(1,371)**

4. Other operating income

	2017	**2016**
	€'000	**€'000**
Profit on sale of interest in subsidiary	80	-
Reversal of impairment of investments in subsidiaries	31,755	-
Other operating income	2	-
Other operating income	**31,837**	**-**

5. Other operating expenses

	2017	**2016**
	€'000	**€'000**
Impairment of investments in subsidiaries	-	(1,070)
Other expenses	-	(4)
Other operating expenses	**-**	**(1,074)**

NOTES TO THE FINANCIAL STATEMENTS

6. Finance income and finance costs – net

	2017 €'000	2016 €'000
Bank and other similar charges	(3)	(2)
Interest payable on loan received from subsidiary (note 14 c)	(53)	(54)
Finance costs	**(56)**	**(56)**
Interest receivable on subsidiary loans (notes 14 b, 14 d)	1	8
Dividend income from subsidiary- Atlas Finance Limited	6,170	1,400
Finance income	**6,171**	**1,408**
Finance income, excluding foreign exchange – net	**6,115**	**1,352**
Unrealised foreign exchange gains	-	-
Unrealised foreign exchange losses	-	-
Realised foreign exchange gains	-	-
Realised foreign exchange losses	-	(9)
Other gains and (losses) – foreign exchange	**-**	**(9)**
Finance income, including foreign exchange – net	**6,115**	**1,343**

7. 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.

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

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

Year ended 31 December 2017	**Profit**	**Weighted average number of shares**	**Per share amount**
Continuing operations	**€'000**		**Eurocents**
Basic EPS			
Profit attributable to equity shareholders of the Company	27,850	46,852,014	59.4
Diluted EPS			
Adjusted profit	**27,850**	**46,852,014**	**59.4**

Year ended 31 December 2016	**Loss**	**Weighted average number of shares**	**Per share amount**
Continuing operations	**€'000**		**Eurocents**
Basic LPS			
Loss attributable to equity shareholders of the Company	(1,102)	46,852,014	(2.4)
Diluted LPS			
Adjusted loss	**(1,102)**	**46,852,014**	**(2.4)**

NOTES TO THE FINANCIAL STATEMENTS

8. Investments in subsidiaries

	2017 €'000	2016 €'000
Shares in subsidiary undertakings		
Cost		
At beginning of period	213,933	210,433
Additions in year (note 14e)	3,750	3,500
Disposals	(2)	-
At the end of the period	**217,681**	**213,933**
Impairment		
At beginning of period	(124,003)	(122,933)
Additions	-	(1,070)
Reversal	31,755	-
At the end of the period	**(92,248)**	**(124,003)**
As at 31 December	**125,433**	**89,930**

Investments in subsidiary undertakings are stated at cost. Cost is recognised as the nominal value of the company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings. A list of principal subsidiary undertakings and joint ventures is given at note 18.

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

In 2017: €31.7 million was recognised in other operating income in respect of reversal of impairment of investment in subsidiaries. In 2016: €1.1 million was recognised in other operating expenses in respect of impairment of investment in subsidiaries.

The method applied to assign value to the company's investments is fair value less costs to sell and has been based on the property valuations assessed by independent experts and, where appropriate, management. In assessing the value of each investment the Company has considered not only the asset value recognised in the books of the individual entities but also the valuation amount of elements held at cost. Substantially, this has resulted in the carrying values of investments and loans receivable from subsidiaries being compared to the adjusted net asset value of the Group. Therefore in 2017 significant increase of the fair value of the investments in subsidiaries was noted above which resulted in the Company's net assets increase by €27.8 million in line with the increase of the adjusted net assets of the Group from €82.6 million as of 31 December 2016 to €110.4 million as of 31 December 2017.

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

9. Trade and other receivables

	2017 €'000	2016 €'000
Amounts falling due within one year:		
Amounts due from subsidiary	82	-
Other third party receivables	-	7
As at 31 December	**82**	**7**
Non-current – loans receivable from subsidiaries:		
Loans receivable from subsidiaries	58	180
As at 31 December	**58**	**180**

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

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

The book values of trade and other receivables, other loans receivable and loans receivable from subsidiaries are considered to be approximately equal to their fair value.
For fair value considerations see note 8.

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

	2017 €'000	2016 €'000
Euro	82	-
Other	-	7
	82	**7**

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

10. Cash and cash equivalents

	2017 €'000	2016 €'000
Cash and cash equivalents	278	113
	278	**113**

11. Trade and other payables

	2017 €'000	2016 €'000
Current		
Amounts due to Atlas Management Company Group in respect of management and performance fee	(9,218)	(342)
Trade payables	(113)	(119)
Other creditors	-	(2)
Loan from majority shareholder (note 14f)	(1,950)	(3,500)
	(11,281)	**(3,963)**
Non-current		
Loan from subsidiary- HGC Gretna Investments Sp. z o.o. Sp. J.(note 14c)	(4,162)	(3,709)
	(4,162)	**(3,709)**
Total trade and other payables	**(15,443)**	**(7,672)**

Loan payable to majority shareholder is no interest bearing with maturity date 28 February 2018 as of 31 December 2017, which was extended to 30 May 2018.

Loan payable to the subsidiary is interest-bearing, with interest charged at EURIBOR plus an agreed margin. This loan has agreed maturity date in 2045.

12. Share capital account

	Number of shares	Ordinary shares - share capital account €'000	Total €'000
Authorised			
Ordinary shares of €0.01 each	100,000,000	1,000	**1,000**
Issued and fully paid			
As at 31 December 2016 and 2017	46,852,014	6,268	6,268

During 2007, 3,470,000 ordinary shares of €0.01 each with aggregate nominal value of €34,700 were purchased and held in Treasury.

13. Other distributable reserve

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

	€'000
At 31 December 2016 and 2017	**194,817**

14. Related party transactions

(a) Key management compensation

	2017	2016
	€'000	€'000
Fees for non-executive directors	62	66

The Company has appointed AMC, a company under common control, to manage its property portfolio. In consideration of the services provided, AMC charged a management fee of €1.0 million for the year ended 31 December 2017 (2016: €1.0 million). Under the agreement, AMC is also 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 €8.6 million for the year ended 31 December 2017. For the year ended 31 December 2016 performance fee amounted €nil million.

As of 31 December 2017, €9.2 million included in current trade and other payables was due to AMC (2016: €0.3 million). In 2017 €0.7 million was paid to AMC in respect of management and performance fees (in 2016: €5.0 million).

(b) The loan receivable from the subsidiary (Atlas Estates Investment BV) is interest bearing and the Company charged its subsidiary €0.5 thousand as interest (2016: €6.9 thousand). As at 31 December 2017 the loan balances including capitalised interest due from subsidiary was fully repaid (2016: €132.4 thousand).

(c) The loan payable to the subsidiary (HGC Gretna Investments Sp. z o.o Sp. J.) is interest bearing and the Company was charged €53 thousand as interest (2016: €54 thousand as interest). As at 31 December 2017 the loan balance including capitalised interest due to subsidiary amounted to €4.2 million (as of 31 December 2016: €3.7 million).

(d) The loan receivable from the subsidiary (Atlas Estates Antilles B.V.) is interest bearing and the Company charged €0.6 thousand (2016: €0.5 thousand) as interest. As at 31 December 2017 the loan balance including capitalised interest due from subsidiary amounted to €57.9 thousand (2016: €48.1 thousand).

(f) In November 2016 Atlas Estates Limited ("AEL") received a loan from its majority shareholder Fragiolig Holdings Limited ("Fragiolig") amounting to €3.5 million. The loan repayment date was 30 January 2017 however in it was subsequently extended to 30 May 2018. In March 2017 AEL received an additional €3.75 million and as a result the loan amount was increased to €7.25 million. In September and November 2017 AEL executed several repayments totalling €5.3 million therefore as of 31 December 2017 the loan balance amounted to €1.95 million. The loan bears no interest until the repayment date.

Moreover on 31 January 2017 AEL concluded an option agreement with Fragiolig based on which AEL granted to Fragiolig an option to acquire (through AEL's subsidiaries) whole or part of the partnership interest in the partnership in its indirect subsidiary- HPO AEP Sp. z o.o. Sp. j. with its seat in Warsaw ("HPO"). As of 31 December 2017, the option had an expiry date of 28 February 2018. This expiry date was extended until 30 May 2018 on 27 February 2018 . Upon execution of the option by Fragiolig, AEL would sell the whole or part of partnership interest in HPO for the price determined in a valuation conducted by an evaluation firm appointed by AEL in consultation with Fragiolig.

(g) The ultimate parent company is RIG Investments Sarl and the ultimate controlling party by a virtue of ownership is Mr Ron Izaki.

15. Post balance sheet events

There are no significant post balance sheet events that require disclosure, except for the matter described in note 14 f.

16. Significant Agreements

In 2016 the Company entered into settlement agreement (as described in note 17.1). In 2017 the Company did not enter into any significant agreements.

17. Other items

17.1 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 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 in previous financial statements). According to the provisions of the Settlement AEL and AEI B.V. obliged themselves to pay to the Plaintiffs the total amount of 10,437,475 Israeli shekels (equivalent of approx. €2.5 million). Payment of the above amount exhaust above mentioned claims of Stronginfo Consultants Ltd and Columbia Enterprises Ltd.

As of 31 December 2016 all amounts due were paid in accordance with the settlement agreement.

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

17.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2017.

18. Principal subsidiary companies and joint ventures

The table on the next page 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 a 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.

No new subsidiary undertakings were acquired and no significant investments were made in any additional joint ventures during the period ended 31 December 2017 and 2016.

In 2016 Atlas completed sale of Hungarian subsidiary – Cap Ease Kft, the owner of Metropol project. The Group realized €1.8 million in net proceeds.

In April 2016 Atlas was obliged to refund part of the price received in relation with the sale of Ligetvaros and Varosliget in amount of €0.1 million. The loss on disposal of these operations amounting to €0.1 million was recognised in the consolidated financial statements for the year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

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%
Holland	Atlas Residential BV	Holding	100%
Holland	Atlas HPO BV	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	AEP Sp. z o.o. 2 SKA	Holding	100%
Poland	AEP Sp. z o.o. 3 SKA	Holding	100%
Poland	Platinum Towers AEP Sp. z o.o. SKA	Development	100%
Poland	Zielono AEP Sp. z o.o. 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 Sp. z o.o. Sp. j.	Development	100%
Poland	HGC Gretna Investments Sp. z o.o. Sp. j.	Hotel operation	100%
Poland	Mantezja 3Sp. z o.o.	Hotel operation	100%
Poland	HPO AEP Sp. z o.o. Sp. j.	Development	100%
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	Gretna Investments Sp. z o.o.	Holding	100%
Poland	Gretna Investments Sp. z o.o. 4 SKA	Holding	100%
Hungary	CI-2005 Investment Kft.	Development	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%
Luxembourg	Gretna SCSP	Holding	100%
Luxembourg	Residential SCSP	Holding	100%
Luxembourg	Gretna Projects Sarl	Holding	100%
Luxembourg	HPO SCSP	Holding	100%
Luxembourg	Residential Projects Sarl	Holding	100%