

Company number: 44284

# **ATLAS ESTATES LIMITED**

**Annual report 2006**

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# ATLAS ESTATES LIMITED

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## **ATLAS ESTATES LIMITED**

Atlas Estates Limited (“Atlas”) is a closed-ended investment company incorporated in Guernsey. Atlas was admitted to the AIM market of the London Stock Exchange on 1 March 2006.

The Company invests in real estate assets situated in Central and Eastern Europe (“CEE”). Atlas currently operates in the Polish, Hungarian, Slovakian and Romanian real estate markets. Through an appropriate balance of income-generating properties and development projects, Atlas intends to provide investors with an attractive combination of yield and capital appreciation.

The Company’s investment objective is to generate attractive and recurring returns from a diversified portfolio of real estate assets located in economically attractive countries in CEE. The Company is targeting an overall return of 20 per cent. on an annualised basis and intends to employ leverage to enhance its returns although the extent of such leverage will vary on a property by property basis.

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

# ATLAS ESTATES LIMITED

## Chairman's Statement

I am pleased to present the first Atlas Estates Limited Report and Financial Statements. The Company was incorporated on 3 February 2006 and started trading upon its admission to AIM on 1 March 2006. At the time of IPO the Company stated that its objectives were to invest the money raised in a diversified portfolio, targeting an overall return of 20% per annum through a mix of dividend yield and capital growth.

2006 was a period of intense activity in which a large amount was achieved. The Company has delivered on its promises by reporting an increase in adjusted Net Asset Value per share of 14.6%, after paying a dividend of 4.16 eurocents per share and to date having invested or committed to invest €123 million or 75% of the net funds raised at IPO.

Going into 2007 we are considering the possibility of listing the Company's shares on the Warsaw Stock Exchange, in addition to its listing on AIM. The Company has significant assets in Poland and enjoys a high degree of name recognition due to the high profile nature of those assets.

## Performance and dividend

The Company's main sources of revenue are rental income from letting its investment properties and income from the sale of the residential apartments that it develops. The period under review saw high sales volumes of these apartments with nearly 400 having been sold or reserved by the period end. However, the income from these sales cannot be recognised as revenue in the Group results until the construction of the apartments has been completed.

As we anticipated at flotation, the first operating period to 31 December 2006 generated a reported loss of €9.51 million before tax, resulting in a loss per share of 21.8 eurocents. Offsetting this, net asset value was increased by €2.98 million, net of tax, from property revaluation and €2.85 million from positive exchange movements that were taken directly to reserves. The payment of a performance fee to the Property Manager was charged to the Income Statement for the period whereas €40 million of value created from the development portfolio which remained off balance sheet due to the requirements of accounting standards. This will be credited to the Income Statement as the income from residential sales is recognised.

The valuation of the large undeveloped area of land at Vajnory, Bratislava, Slovakia is arrived at after using a number of subjective assumptions. At IPO the land was valued in line with local market trading practices based on anticipated developable areas feasible on this site assuming receipt of zoning and permits resulting in a value being placed on the asset of €44.3 million (Atlas has a 78.25% interest). International Financial Reporting Standards require that the land be valued on the basis of its physical condition as at the balance sheet date. As zoning is in the process of being finalised this results in a lower value of €33.2 million as at IPO, but rising to €39.5 million as at the balance sheet date. The difference in the values at IPO has resulted in an item of goodwill arising on acquisition accounting that has been charged to the income statement.

At IPO we set out our dividend policy for the Company's formative years. In October, shareholders received an interim dividend of 4.16 eurocents per share. The Board proposes the payment of a further interim dividend for 2006 of 8.32 eurocents per share, giving a total of 12.48 eurocents per share for 2006. This represents an annualised yield of 3% on the initial flotation price of €5 per share, in line with the commitment we made at the time of the IPO. Payment will be made on 29 June 2007 to shareholders on the register on 15 June 2007.

## Adjusted Net Asset Value (NAV)

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

# ATLAS ESTATES LIMITED

## Chairman's Statement – continued

- Yielding assets let to paying tenants – classed as investment properties with valuation movements being recognised in the Income Statement;
- Property, plant and equipment operated by the Group to produce income, such as the Hilton hotel or land held for the development of yielding assets (PPE) – revaluation movements are taken direct to reserves, net of notional 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.

Our independent valuers re-value the entire property portfolio on a bi-annual basis. This measures the total value added during the financial period and is included in the basis for the Property Manager's performance assessment and fee calculations.

Strong off plan sales of apartments and the overall growth of the markets in which we operate, have seen the value of our remaining development land holdings increase significantly over their book cost. Such land is valued on a residual value basis and so no profit is taken to reflect the stage of development of each site.

The adjusted NAV of the Group has risen sharply over the period to 31 December 2006. NAV immediately following the IPO (net of the costs of listing) was €4.72 per share (£3.22 per share\*\*). Including the uplift in the value of the development portfolio, which cannot be credited to the balance sheet at this time, adjusted NAV per share has increased to €5.42 (£3.66 per share\*) or by 14.6%.

The following table sets out the impact on NAV per share of the re-valuation of land assets that cannot be reflected in the reported balance sheet due to accounting standards:

<b>Valuation of development land in property, plant and equipment and inventory</b>	<b>Book cost to Group as shown in the Balance Sheet €'000</b>	<b>Independent Value at 31 December 2006 €'000</b>	<b>Gross increase in value not recognised in the Balance Sheet €'000</b>
Development land at cost to the Group	100,925	152,010	51,085
Attributable to minority interest partners	(9,296)	(11,126)	(1,830)
	91,629	140,884	49,255
<b>Net asset value</b>	<b>Net asset value €'000</b>	<b>NAV per share €</b>	<b>NAV per share £</b>
Basic net asset value per balance sheet	222,574	€4.59	*£3.10
Atlas share of increase in valuation of development land	49,255		
Deferred tax on increase in valuation of development land at local rates	(9,256)		
<b>Adjusted net asset value</b>	<b>262,573</b>	<b>€5.42</b>	<b>*£3.66</b>
<b>Net asset value at IPO (after costs)</b>	<b>232,916</b>	<b>€4.73</b>	<b>**£3.22</b>

\* - translated at the rate of €1.4799:£1 as at 2 April 2007

\*\* - translated at the rate as at 1 March 2006, the date of IPO of €1.4663:£1

# ATLAS ESTATES LIMITED

## Chairman's Statement – continued

Included in the Income Statement is a sum of €5.61 million, of which arising from the revaluation of the Group's investment properties €2.21 million is included in our share of the post tax results of joint ventures. A sum of €3.68 million in respect of properties that are classified as fixed assets (the Hilton Hotel and land held to be developed into yielding assets) has been credited to the revaluation reserve.

### Share Buy Back

In July we stated our plans to buy back up to 5% of the share capital. At the time that we instigated the buy back the Directors felt there was an unjustified discount in the share price as compared to underlying net asset value ("NAV") per share. In addition to returning capital to shareholders, the Directors believed that this discount to NAV made buying back the shares for cancellation an effective use of capital for the remaining shareholders.

To date 945,000 shares, representing 1.9% of the Company's issued share capital, have been purchased at an average price of £2.87. As the Company's share price has recently returned to trading at levels at or above the flotation price the buy back programme has been suspended.

### Progress since IPO

The Group has made significant progress since its IPO.

- Invested or committed €123 million or 75% of IPO proceeds,
- Secured 14 transactions across 4 countries,
- Sold, subject to completion of the development, a total of 436 apartments as at the date of this report with an end value of €55 million,
- Increased income generating areas by 108,000 square metres through further acquisitions and completion and opening of the Warsaw Hilton hotel complex,
- Fully established management operations in the four countries in which we have property,
- Started to acquire assets in major secondary cities.

The markets in which we operate have become more popular for real estate investors looking to achieve higher returns than those currently achievable in Western Europe. As Central and Eastern Europe continues to develop due to the accession of many countries to EU membership and increasing levels of disposable income, competition increases for the prime development opportunities in many of the region's capital cities. However, we have continued to source quality, off market investment and development opportunities using the skills of our experienced management team.

### Central and Eastern Europe

Our chosen area of investment continues to present many opportunities to secure high total returns for our shareholders. GDP growth throughout Central and Eastern Europe has consistently outperformed that of Western Europe in recent years, with the exception of possibly Ireland and Greece. This trend is forecast to continue into the foreseeable future as the region's economies continue to expand and develop.

Membership of the EU, greater personal wealth created both domestically and as a result of population movements and the growing emergence of business activity in capital and many major secondary cities has produced a vibrant real estate market in the region.

Yields on investment properties have compressed over recent years but are still above those of comparable assets in Western Europe. Capital values continue to increase as yields reduce further, but underlying rental values are still some way behind those of more mature real estate markets. In most cities in the region rents show signs of increasing as the demand for space is strong.

# ATLAS ESTATES LIMITED

## Chairman's Statement – continued

The trend in apartments is away from the older, existing stock toward newer Western style developments. This provides opportunities for those with development capabilities to exploit the need for new premises with pre-lets now more readily available. The sector specific demand varies from country to country and is increasingly being seen in regional centres outside the capital cities.

There is a growing demand for new, modern living accommodation. As residents have more disposable income and mortgage finance becomes more readily available there is an increasing desire to move away from old, dated apartment blocks. This is helping to increase sales prices for all apartment types and related space. Whilst land and construction costs have also increased, margins in most cities have improved.

### Prospects

Atlas has demonstrated its ability to source excellent off-market opportunities. These have been generated by both the management team's region-wide contact base and the presence of local managers in each of the territories in which we have assets. This local management presence is a key factor in the success of Atlas.

In spite of the region as a whole becoming more competitive with an increasing number of investors active in CEE we believe that through our dedicated teams of property professionals that have lived and worked in these markets for some time, we can identify, appraise and secure transactions at terms that are more favourable than those that are offered in the open market. The local resource also provides an experienced delivery team that has knowledge of the different construction and sales requirements in the different markets.

The Review of the Property Manager details the progress that we are making in executing our development plans and in securing maximum returns from our yielding assets. We have a strong pipeline of varied opportunities that span all sectors of the real estate market, both in countries in which we have assets already and areas where we have not previously had dealings. Our on-the-ground management teams are now sourcing transactions away from the capital cities where we see the potential for higher returns in the medium term.

In 2007 we have already completed three further transactions that are not reflected in the results that I have detailed above. These comprise the Millennium Plaza, a 37,000 square metre office and retail tower in the centre of Warsaw, the Golden Tulip Hotel, a modern hotel in the centre of Bucharest and a 50% interest in the Volan development site in the centre of Budapest. All were off market transactions and are assets that will contribute greatly to future profitability and capital growth. It is the Board's intention to maintain the dividend policy established at IPO with payments in regard of 2007 to produce a yield of 5% on the initial IPO share price.

I must thank my fellow Board members, the directors and staff of the Property Manager and our team of advisors for their continued enterprise and skill in establishing our operating base and moving the Company forward. I am looking forward to the year ahead with confidence in the prospects for the Company.

**Quentin Spicer**

11 June 2007



# ATLAS ESTATES LIMITED

## Review of the Property Manager

In this review we present operating results for the eleven month period ended 31 December 2006. This follows the incorporation of Atlas on 3 February 2006 and its subsequent admission to AIM on 1 March 2006.

Atlas Estates Limited was created from the contribution of three entities' property assets in the Central and Eastern European region. Between them the three founder shareholders had operated in the region for up to seven years and contributed a seed portfolio with a net value of €68 million, for which they received shares in the new Company. Upon admission Atlas raised a further €164.4 million (net of costs) for further investment into new projects in the region.

Atlas appointed Atlas Management Company Limited ("AMC") to oversee the operation of its portfolio and advise on new investment opportunities. AMC was formed specifically for this purpose from the management teams that had previously operated the seed portfolio for the founder shareholders. To date 75% of the funds raised at IPO have been invested or committed (excluding that used to buy back the Company's shares). This is in line with our original timetable that envisaged full investment within 18 months of admission.

Not only have we succeeded in sourcing new opportunities but we have been able to generate added value through the active management of the yielding asset portfolio and started to crystallise the value of the development projects by selling and beginning construction of hundreds of apartments.

The property portfolio is kept under constant review to ensure that we are working toward our stated strategy of creating a balanced portfolio that will provide future capital growth, the potential to enhance investment value through active and entrepreneurial management and the ability to deliver attractive development margins.

We continuously monitor the territories in which we are invested analysing the economics of the region and the key measures of the sectors in which we operate to ensure that we do not become over exposed to, or reliant on, any one particular area. We evaluate the risks and rewards associated with a particular country or sector in order to maximise our return on investment and therefore the return to our shareholders.

We believe that we are creating a portfolio that will provide a balance of above market returns on yielding assets and a sustainable source of development gains from projects of varying maturities.

### **Property portfolio review – assets held at 31 December 2006**

#### **Poland**

##### **Warsaw Hilton**

This is the first Hilton in Poland and opened on 19 March 2007. Located in the central Wola district of Warsaw, the hotel provides modern, spacious accommodation targeting both business travellers and tourists alike.

The Hilton has 313 rooms and suites and has the largest convention centre facility in the Warsaw hotel market. The hotel is managed on Atlas's behalf by Hilton under a long term management agreement that provides for base and incentive fees linked to the performance of the hotel.

The complex also includes a 4,000 m<sup>2</sup> Holmes Place health club and spa and a casino, both of which are leased directly from Atlas. Direct lease agreements have also been completed for a collection of smaller retail units included in the fabric of the complex. A specialised operator is contracted to manage the 240 space underground car park.

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## Review of the Property Manager – continued

The Hilton management team is headed by individuals with extensive experience in CEE. They were on site for a number of months prior to opening, installing systems, training staff and taking reservations for rooms and functions in 2007.

The Hotel has all the required features to be extremely successful. The combination of the Hilton brand, the comfort of the accommodation and the superior facilities being offered to the market provide confidence for the success of the venture. Recent years have also seen a vast improvement in the Warsaw hotel market in general with occupancy and room rates rising steadily.

### Platinum Towers, Warsaw

The Platinum Towers adjoins the Hilton complex in the heart of a city that has undergone rapid expansion and redevelopment and experienced significant economic growth and wealth generation.

#### Platinum Towers – Residential

These two towers will provide approximately 24,000 m<sup>2</sup> of living accommodation split into a total of 383 apartments. The towers, each spanning 22 floors, will also house a number of ground floor commercial units. Residents of the Towers will be able to benefit from the facilities of the Hilton hotel, including the Holmes Place health club.

Atlas has the necessary building permits for this development, has opened a fully furnished show apartment and has commenced construction of both Towers.

Sales of the apartments have been very strong. We currently have just 7 of the 196 apartments remaining in the first tower and have sold 68 of the 187 apartments of the second tower. Sales prices in the Warsaw market have increased substantially over the period to date with those at Platinum having risen by 100% since sales commenced.

#### Platinum Towers – Offices

As part of the Hilton/Platinum complex a third tower will be constructed. Office yields are continuing to compress in the Warsaw market and residential sales values are still rising. Project appraisals are currently being finalised to assess the more profitable use for the building. We have zoning for both residential and office use. An office scheme would provide a total lettable area of 23,000 m<sup>2</sup> of modern, Class A office space over 32 floors. Built as residential the tower would provide approximately 20,000 saleable square metres.

### Capital Art Apartments

The Capital Art Apartments will contain 850 apartments providing over 51,000 m<sup>2</sup> of modern living accommodation in the Wola district of Warsaw. The development will also house 1,700 m<sup>2</sup> of commercial space and 850 car parking spaces.

Construction has started on the first phase of 219 apartments and 179 have been sold already. The design of the second and third phases is currently being completed and the application for the building permits for these phases will be submitted shortly.

Atlas has constructed an on-site show apartment that has been a vital part of the marketing campaign that has led to such impressive sale figures.

### Zelino (formerly Nowy Zoliborz)

The Zelino project is situated in the more suburban residential area of Zoliborz in Warsaw. A total of 23,000 m<sup>2</sup> of residential space will be constructed providing 380 apartments, 850 m<sup>2</sup> of commercial space and 380 parking spaces. The demolition of the existing buildings is underway and we have applied for the building permit. Sales of these units will commence in Q2 2007 and demand is expected to be strong.

# ATLAS ESTATES LIMITED

## Review of the Property Manager – continued

### Hungary

#### Atrium Homes, Budapest

Atrium Homes is a residential development in the 13th district of Budapest. To be built in two phases the development will include nearly 25,000 m<sup>2</sup> of residential accommodation, split into 514 apartments over eight floors. The complex will also contain 454 underground parking spaces and an additional 5,801 m<sup>2</sup> of commercial space.

Building permits have been received for phase one that will house 239 apartments, part of the commercial area and two underground parking floors. The sale of apartments has commenced and to date 50 are in the process of being contracted. Construction will begin once pre-defined sales targets have been met.

#### Ikarus Business Park, Budapest

Ikarus Business Park is located in the 16th district of Budapest. It currently provides approximately 110,000 m<sup>2</sup> of flexible office, logistics and warehouse space to a mix of international and local users. Active management by AMC has increased the occupancy of the park from 62% at IPO to 74% currently. Major tenants include the Hungarian Government who use part of the site to store surplus grain and Skoda who operate their bus division in Hungary from the Park.

Atlas has recently secured grant funding from the Hungarian Government to redevelop a 7,000 m<sup>2</sup> building to provide modern warehouse space with integral office space. The grant will fund 40% of the estimated build cost of €1.3 million, providing space that is expected to add over €300,000 to net operating income.

The longer term aim for the park is to redevelop it for residential accommodation as it sits in the middle of an established residential neighbourhood. The park has a gross land area of 283,000 m<sup>2</sup> with only 110,000 m<sup>2</sup> currently used for commercial letting. Work continues with the municipality to obtain re-zoning.

#### Metropol Office Centre, Budapest

The Metropol Office Centre consists of 7,750 m<sup>2</sup> of modern office accommodation in the 13th district of Budapest, having been constructed by one of the founder shareholders. The Centre is well located to provide easy access to the centre of Budapest.

The property is fully let to five corporate tenants on a mix of leases with maturities of up to five years.

#### Ligetvaros Centre, Budapest

The Ligetvaros Centre is a mixed retail and office complex in the 7th district of Budapest. It sits in a popular, central location within Budapest affording easy access to the main shopping and tourist areas of the city.

The Centre provides 6,300 m<sup>2</sup> of mixed space that is currently 99% occupied. The retail areas are anchored by Kaiser Supermarkets (part of the SPAR International chain) and DM Drugstores, a major pharmacy chain in Hungary.

Construction is nearing completion to add a coffee shop to the Centre and Atlas has the ability to develop a further 3,800 m<sup>2</sup> of lettable space.

#### Varosliget

Varosliget adjoins the Ligetvaros Centre in a unique position near to central Budapest. It comprises a plot of 12,000 m<sup>2</sup> located a few hundred metres from Andrássy ut., the main artery in the centre of the city. Varosliget currently provides small business units at the lower end of the office and warehouse market.

# ATLAS ESTATES LIMITED

## Review of the Property Manager – continued

The longer term objective is to obtain a re-zoning to provide for up to 30,000 m<sup>2</sup> of office and residential space. Atlas owns 90% of the plot with the remaining 10% being held by the local municipality.

### **Moszkva Office Building, Budapest**

Situated in a prime location on the main square of the Buda side of the city, the asset comprises of 1,350 m<sup>2</sup> of office space over three floors. The property is fully occupied with 95% of the leases having a remaining term of at least seven years. Atlas acquired the property for a net initial yield of 8.75%.

## **Slovakia**

### **Nove Vajnory Project, Bratislava**

Nove Vajnory is an area of 877,000 m<sup>2</sup> of land on the outskirts of the city of Bratislava. The land was acquired from the municipality and is expected to provide approximately 4,000 apartments and 600 serviced plots for individual housing and commercial space. Atlas owns 78.25% of this development project with the remainder held by a local partner.

Atlas is currently working through the re-zoning process, working closely with both the Vajnory and Bratislava municipalities to agree matters including infrastructure, utilities and logistics provision and has to date received favourable responses to its plans.

### **Basta Project, Kosice**

Located in the centre of Kosice, the second largest city in Slovakia with a population of over 240,000, the site comprises 10,000 m<sup>2</sup> of land for redevelopment. Held in a 50/50 joint venture with Eastfield, the minority partner in the Vajnory project, the site has zoning for residential, retail, office and leisure uses.

## **Romania**

### **Solaris Project, Bucharest**

The Solaris Project is a 32,000 m<sup>2</sup> plot adjacent to Obor Square, one of Bucharest's main transport hubs and residential areas. It sits within a former industrial zone that is currently being redeveloped for residential and commercial use. Atlas has acquired the freehold ownership of the site and the existing buildings are currently being demolished to develop a mixed residential and retail scheme.

### **Voluntari Land, Bucharest**

Atlas has acquired a 60% interest in a plot of land in the northern outskirts of Bucharest. The plot is approximately 100,000 m<sup>2</sup> in size and has the possibility of future development for residential or commercial use.

## **Transactions since 31 December 2006**

### **Millennium Plaza, Warsaw – completed 26 March 2007**

The Plaza is centrally located in a prime position on one of Warsaw's major transport intersections. The asset consists of 37,300 m<sup>2</sup> of modern accommodation over a total of 28 floors, providing 6,100 m<sup>2</sup> of retail and 31,200 m<sup>2</sup> of office space. The asset is 95% let to a number of significant tenants that include Millennium Bank, one of the largest in Poland and ABG Software, an IT company listed on the Warsaw Stock Exchange.

# ATLAS ESTATES LIMITED

## Review of the Property Manager – continued

The property was secured in an off-market transaction at a price of €76 million that was agreed in 2006 and represents an initial yield to Atlas of 8%. As part of the revaluation of the whole portfolio at 31 December 2006, the market value of Millennium Plaza had increased to €90.05 million. As the transaction completed in March 2007 this increase in value will be credited to the Income Statement, net of deferred tax, in the period to June 2007. This is a good quality asset in a market that has seen considerable letting activity in recent years. Yields are continuing to compress and rental values are starting to increase, giving confidence that in addition to providing cash flow to the Group, we will experience capital growth in the coming years.

### **Volan Development, Budapest, Hungary – completed 26 March 2007**

The Volan site is located in central Budapest, close to Heroes Square, the West End Shopping Centre and the Hilton hotel. The 20,640 m<sup>2</sup> plot has been prepared for the development of a planned 89,000 m<sup>2</sup> of mixed residential, commercial, retail and leisure space. Atlas has acquired a 50% interest in the plot at a cost of €7.5 million.

### **Golden Tulip Hotel, Bucharest, Romania – completed 28 March 2007**

The Golden Tulip hotel is an 82 room, 3-4 star hotel located in central Bucharest. The hotel was built in 2005 and has been open and trading for 18 months. Its position near to Bucharest's main tourist attractions and business districts makes it a popular hotel, with occupation rates of 80% being achieved. Atlas has acquired the asset for €12 million with net operating income expected to be €1.2 million per annum and has received a cash backed guarantee of a 10% yield for three years. The asset is well located in a growing market. With EU accession the hotel sector of Bucharest is becoming busier providing scope for both income and capital growth.

### **Cybernetyki Land, Warsaw, Poland**

Atlas has acquired a 50% interest in a plot of land on Cybernetyki Street in the Mokotow district of Warsaw. The plot comprises of 3,098 square metres of developable land, in one of Warsaw's finest residential districts. We have submitted an application for a change of zoning to residential.

### **Sadowa Office Building, Gdansk, Poland – to complete in the coming months**

The Sadowa office building comprises 6,000 m<sup>2</sup> of recently refurbished office space in the centre of Gdansk in Northern Poland. The property, which is 91% let, was acquired for €7.35 million producing a yield on acquisition cost of 8.75%. A binding contract has been entered into to acquire this asset with completion anticipated soon.

### **Pipeline**

We have consistently had a strong pipeline of opportunities ranging from small individual land plots to large commercial premises to mixed portfolios. Our pipeline is sourced from many introductions, generated both from our local management teams and AMC senior management contacts. We also seek opportunities from traditional market sources but have a particular strength in our ability to generate off-market transactions. The combination of vast local knowledge, extensive investment and development experience as well as a streamlined investment approval process enables Atlas to respond quickly to opportunities as they arise, building sustainable relationships with property owners in the process.

In order to continue to achieve superior returns for our investors we have developed a pipeline that includes opportunities in capital and major secondary cities and further countries in the region. The pipeline reflects the strategy of building a balanced portfolio of yielding and development assets.

# ATLAS ESTATES LIMITED

## Review of the Property Manager – continued

### Portfolio valuation

As at 31 December 2006, the gross market value of the property assets within the portfolio was €329 million. Atlas share of this portfolio represented €312 million. The whole of the portfolio was valued by Cushman & Wakefield, an independent international company of real estate advisors. In the 11 month period under review to 31 December 2006 the Atlas' share of the portfolio increased by 25% or €61.96 million over IPO valuation or acquisition cost.

### Financial management

A considerable amount of progress has been made since March 2006 in developing the financial management infrastructure of the Group. We now have established finance teams in each territory of operation that are supervised by a centralised Group finance function.

A detailed system of internal control and reporting procedures continues to be developed to generate appropriate, timely management information for the ongoing assessment of the Group's performance. IT systems have been upgraded to allow for more cohesive and regular reporting and will be further enhanced to provide additional functionality and control.

Cash is managed both at local and head office levels, ensuring that any surplus is invested or distributed within the Group as necessary and balances are held in the appropriate currency.

The main financial risks faced by the Group are currency and interest rate exposures.

Currency 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.

Where possible we look to match the currency of the flow of income and outgoings. Rental income is received in both Euro and local currency and some operating expenses are incurred in local currency and planned for in advance. Development of residential projects has created receipts largely denoted in local currencies and so funding facilities are arranged accordingly. "Free cash" available for distribution within the Group is identified and appropriate forward exchange mechanisms put in place.

Where possible the Group will use debt facilities to finance the various projects. These will be secured at different points in time depending on the nature of the asset – yielding or development.

**Amos Pickel**  
**Chief Executive Officer**  
Atlas Management Company Limited  
11 June 2007

**Phil Holland**  
**Chief Financial Officer**  
Atlas Management Company (UK) Limited

# ATLAS ESTATES LIMITED

## Property portfolio information As at 11 June 2007

Location/Property	Description	Atlas ownership
<b>Poland</b>		
Hilton Hotel, Warsaw	First Hilton Hotel in Poland, 313 rooms and conference facilities	100%
Platinum Towers, Warsaw - residential	24,000 square metres in 383 apartments with building permits and pre-sales	100%
Platinum Towers, Warsaw - office	23,000 square metres of office space with zoning	100%
Capital Art Apartments, Warsaw Zelino (formerly Nowy Zoliborz), Warsaw	850 apartments with building permits and pre-sales	100%
Millennium Tower, Warsaw	Land with zoning for 380 apartments	76%
Cybernetyki Land, Warsaw	37,300 square metres of office and retail space	100%
Sadowa project, Gdansk (pending completion)	3,098 square metres of land with zoning for office development. To be changed to residential use	50%
	6,000 square metre office building with 91% occupancy	100%
<b>Hungary</b>		
Ikarus Business Park, Budapest	283,000 square metre plot with 110,000 square metres of lettable business space	100%
Metropol Office Centre, Budapest	7,750 square metre office building, 100% occupied, yield on acquisition price: 8.25%	100%
Atrium Homes, Budapest	514 apartments with building permits, marketing commenced and construction: to start in 2007	100%
Ligetvaros Centre, Budapest	6,300 square metres of office/retail space, 99% occupied with rights to build extra 3,800 square metres. Yield on acquisition price: 8%	100%
Varosliget Centre, Budapest	12,000 square metre plot in Central Budapest for residential development	100%
Volan Project, Budapest	20,640 square metre plot, zoning for 89,000 square metre mixed use scheme	50%
Moszkva Square, Budapest	1,350 square metres of office space yielding 8.75%	100%
<b>Slovakia</b>		
Nove Vajnory, Bratislava	877,000 square metres acquired from municipality for mixed use development	78.25%
Basta Project, Kosice	10,000 square metres for mixed use development in centre of Kosice, second largest city of Slovakia	50%
<b>Romania</b>		
Voluntari, Bucharest	100,000 square metres of land for potential residential development	60%
Solaris Project, Bucharest	32,000 square metre plot for residential development	100%
Golden Tulip Hotel, Bucharest	Centrally located, modern, 82 room hotel with business facilities	100%

# ATLAS ESTATES LIMITED

## Directors and advisors

Quentin Spicer  
Chairman  
Non-executive Director  
Aged 62

Mr Spicer, an English Solicitor and resident of Guernsey was head of the Property Department of Wedlake Bell in London before becoming Senior Partner of the Guernsey office in 1996. He is Chairman of a number of companies including ISIS Property Trust 2 Limited, RAB Special Situations Company Limited and European Value and Income Fund Limited.

Mr Spicer is also a non-executive Director of a number of property investment funds and is a member of the Institute of Directors.

Mike Stockwell  
Non-executive Director  
Chairman of Audit Committee  
Aged 60

Mr Stockwell is a pension investment consultant for Kodak Limited responsible for asset allocation and investment manager appointments. He is a trustee and a member of the investment board of Kodak Limited's United Kingdom pension plan (asset size £1.1 billion).

Mr Stockwell has over 30 years experience in the pension investment area, including fifteen years as manager of one of the UK's top 100 pension funds. Previously, Mr Stockwell was European pensions investment Director for a large US multi-national with assets of over \$2.5 billion in some fifteen European countries.

Shelagh Mason  
Non-executive Director  
Aged 47

Mrs Mason is an English property solicitor with over 22 years experience in commercial property. Currently practising as Mason & Co in Guernsey she was previously a senior partner of Edge & Ellison (now part of Hammonds), responsible for Commercial Property. For two years until 2001 she was Chief Executive of Long Port Properties Limited, a property development company active throughout the United Kingdom and the Channel Islands.

Mrs Mason is a member of the Board of Directors of Standard Life Investment Property Income Trust, a property fund listed on both the London and Channel Islands Stock Exchanges and is a non-executive Director of Ptarmigan Property Limited, an AIM listed property fund.

Dr Helmut Tomanec  
Non-executive Director  
Aged 44

Dr Tomanec is Managing Director of Hallmark Properties GmbH, Vienna, a real estate advisory and management company, controlling 50% of its share capital.

Previously Dr Tomanec was an authorised officer of Volksbank and Managing Director of Immoconsult Leasing GmbH (its subsidiary) and was responsible for the bank's project finance, real estate development and finance lease activities in Austria and CEE. Prior to that Dr Tomanec was Chief Corporate counsel for Maculan International GmbH, Vienna where he was responsible for all subsidiaries and branch offices and construction agreements in various countries including Poland, Hungary and Slovakia and real estate developments in CEE.



# ATLAS ESTATES LIMITED

## Property Manager – Atlas Management Company Limited

### Directors and senior management

Rafael Berber  
Chairman of AMC  
Investment Committee  
member  
Aged 45

Mr Berber is a founding partner of RP Capital a London-based investment group founded in July 2004 and specialising in emerging markets. Prior to founding RP Capital, Mr Berber was formerly Vice Chairman of Global Capital Markets & Financing, Global Head of Equity Linked Products, and Global Head of Equity Trading and the Strategic Risk Group at Merrill Lynch. Mr Berber also led the development of Merrill Lynch's European emerging markets business.

Mr Berber holds an MBA in Finance from New York University and a Bachelors Degree in Economics from Tel Aviv University.

Gadi Dankner  
Vice Chairman of AMC  
Investment Committee  
member  
Aged 40

Mr Dankner has successfully executed numerous real estate projects in various countries, developing local real estate managerial platforms where developments have been located. As Chairman of Elran Real Estate, Mr Dankner, established a management team in Poland and structured Atlas's seed portfolio in that country.

In addition, he led the development of Elran's local operations in Spain and Slovakia and the development of Israel's first theme park.

Previously, Mr Dankner was a director and shareholder of Aut'oker, a Hungarian real estate development company which held major land reserves in Budapest and built and sold more than 815 apartments during Mr Dankner's three and a half year tenure.

Mr Dankner has a Masters degree in Business Administration from Northwestern and Tel Aviv University.

Ron Izaki  
Director  
Chairman of Investment  
Committee  
Aged 48

Mr Izaki is the chief executive officer and primary shareholder of the Izaki Group which was founded in 1948 and is now one of the leading real estate development firms in Israel. He has been involved in the development of thousands of apartments and millions of square feet of commercial and retail space in the USA, Israel and Western Europe.

Mr Izaki is also a director of Brack RE, an international owner, developer and manager of real estate. He has a Bachelors Degree in civil engineering from the Israel Institute of Technology.

Dori Dankner  
Director  
Investment Committee  
member  
Aged 46

Mr Dankner is the current Chairman of the Board of Directors of Elran Investments Ltd, a company traded on the Tel Aviv Stock Exchange. He has twenty years of real estate experience, establishing projects in Israel and Europe. Mr Dankner was part of Dankner Investments Ltd., a leading real estate company in Israel, which has built thousands of residential units and three shopping centres.

Mr Dankner has an MBA in Finance and International Business from New York University and a BSc in Industrial Engineering from Tel Aviv University.

D. Saradhi Rajan  
Director  
Aged 39

Mr Rajan is currently a Principal of RP Capital Group. Prior to joining RP, Mr Rajan had worked at Merrill Lynch in London and Hong Kong. Whilst in Hong Kong, he was responsible for the origination of corporate equity derivatives and private equity linked financing in South and South-East Asia. Prior to this, he worked as an investment banker at Lazard and Donaldson, Lufkin & Jenrette.

Mr Rajan was educated at The Doon School, has a Bachelors Degree in Commerce from Loyola College, University of Madras and is a Chartered Accountant.

# ATLAS ESTATES LIMITED

## Property Manager – Atlas Management Company Limited

### Directors and senior management – continued

Amos Pickel  
Director  
Chief Executive Officer  
Aged 40

Mr Pickel previously served as Chief Executive Officer and a member of the Board of Directors of Red Sea Hotels Limited, the multinational property investment and development company, from 1993 to 2006.

Mr. Pickel has a broad range of real estate experience ranging from commercial property investment and residential development to hotel investment and development. Under Mr. Pickel's management, Red Sea Hotels co-developed the Plaza Centers Shopping Mall Chain in Central and Eastern Europe and the Park Plaza Hotel Chain in Western Europe.

Mr. Pickel holds a Masters in Law from New York University and a BA in Law from Tel Aviv University.

Philip Holland  
Chief Financial Officer – Atlas  
Management Company (UK)  
Limited  
Aged 37

Mr Holland qualified as a Chartered Accountant in 1994 and since then has worked in the finance function of listed property companies for more than eleven years. Prior to joining AMC, Mr Holland was the divisional finance Director for Explore Living, the recently formed residential arm of Laing O'Rourke, the construction group. Prior to joining Laing O'Rourke, Mr Holland was retained by independent fund manager Teesland plc to assist in relation to the acquisition and integration of Property Fund Management plc. For the six years before taking up that role, Mr Holland was the group finance Director and company secretary of Estates & General plc until the company was taken private.

Mr Holland is a Chartered Accountant and has a BA (Hons) degree in Accounting and Finance from Lancaster University.

### Registered Office

Atlas Estates Limited  
Royal Bank Place  
1 Glatigny Esplanade  
St Peter Port  
Guernsey GY1 2HS

# ATLAS ESTATES LIMITED

## Advisors

### ***Administrator, Custodian and, Company Secretary***

RBSI Fund Services (Guernsey) Limited  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey GY1 2HS

### ***Property Manager***

Atlas Management Company Limited  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey GY1 2HS

### ***Nominated Advisor***

UBS Investment Bank  
1 Finsbury Avenue  
London  
EC2M 2PP

### ***Joint Stockbrokers***

UBS Investment Bank  
1 Finsbury Avenue  
London  
EC2M 2PP

Merrill Lynch International  
Merrill Lynch Financial Centre  
2 King Edward Street  
London EC1A 1HQ

### ***Corporate solicitors***

#### ***Solicitors to the Company as to English Law***

Nabarro Nathanson  
Lacon House  
Theobold's Road  
London  
WC1X 8RW

#### ***Guernsey Advocates to the Company***

Ozannes  
PO Box 186  
1 Le Marchant Street  
St Peter Port  
Guernsey GY1 4HP

### ***Auditors***

PricewaterhouseCoopers CI LLP  
National Westminster House  
Le Truchot  
St Peter Port  
Guernsey  
GY1 4ND

### ***Property Valuer***

Cushman & Wakefield Healey & Baker  
1052 Budapest  
De'ak Ferenc U. 15  
De'ak Palace  
Hungary

### ***Registrar***

Computershare Investor Services  
(Channel Islands) Limited  
Ordnance House  
31 Pier Road  
St. Helier  
Jersey  
JE4 8PW

### ***Public Relations***

Brunswick Group LLP  
16 Lincoln's Inn Fields  
London  
WC2A 3ED

# ATLAS ESTATES LIMITED

## Directors' report

The Directors present their report and the audited financial statements for the eleven month period ended 31 December 2006.

### Results and dividends

The results for the Group and Company for the period are set out in the income statements on page 31 and show a loss after tax attributable to equity shareholders of Group - €10.69 million and Company - €4.55 million.

The Directors have approved a second interim dividend of 8.32 eurocents per ordinary share, which will be paid on 29 June 2007 to shareholders on the register on 15 June 2007. This together with the interim dividend paid in October 2006 of 4.16 eurocents, makes a total dividend of 12.48 eurocents per ordinary share paid in respect of 2006.

### Activities and review of business

The Company was incorporated with limited liability in Guernsey on 3 February 2006 with registered number 44284 as a closed-ended investment company under Guernsey Law. The Company is domiciled in Guernsey. The Company was admitted to the AIM market of the London Stock Exchange and commenced trading on 1 March 2006.

The principal activity of the Company is property investment and development throughout Central and Eastern Europe, together with the management of its properties. The development of the Company's business and future prospects is considered in the Chairman's statement on pages 3 to 6 and the Review of the Property Manager on pages 7 to 12.

### Business environment

The property investment and development markets of Central and Eastern Europe are continuing to grow in popularity and in competition. GDP growth in the economies of the region still outperforms those of Western Europe, benefiting from increased foreign direct investment in real estate attracted by EU membership. Rising levels of disposable income are enabling local residents to upgrade their living accommodation, which combined with a strong international investor market is creating strong demand for residential property.

There is generally still a lack of supply of good quality commercial property throughout the region. CEE governments are still encouraging new development and investment with demand for commercial property increasing. A rapidly developing funding market is providing increasing access to attractive debt finance relative to underlying property yields.

### Strategy

The Group has three main aspects to its business:

- The acquisition and management of yielding assets;
- The development of yielding assets to retain in the Group's portfolio or for sale to the open market; and
- The development and sale of residential apartments.

The aim is to create a balanced portfolio of assets that provide a good secure source of recurring income from yielding assets and generate good capital returns from the sale of residential units.

### 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 7 to 12. All apartments have to date been sold at prices in excess of the initial budget. However, as sales so far have been "off plan" and developments are as yet incomplete, no comprehensive margin or return data has been capable of being prepared.

# ATLAS ESTATES LIMITED

## Directors' report – continued

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 of 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 Property Manager Review.

The key financial risk management policies are stated within the financial sections of this report on pages 35 to 44.

### Substantial shareholdings

At 11 June 2007, the following shareholders had notified the Company of an interest in 3% or more of its ordinary share capital:

<b>Table 1 – Notifiable interests</b>	<b>Number of shares</b>	<b>% held</b>
Elran (D.D.) Real Estate Limited	8,088,438	16.70%
Apollo Nominees Limited by order of UBS AG London Branch	4,373,326	9.03%
Merrill Lynch & Co. Inc.	4,362,927	9.01%
Rathbone Brothers Plc	3,989,967	8.24%
J. O. Hambro Capital Management Group Limited	3,356,864	6.93%
Henderson Global Investors Limited	3,070,000	6.34%

### Purchase of own shares

By a resolution passed on 23 February 2006, shareholders granted the Directors the authority to purchase a maximum of 14.99% of the Company's own shares for cancellation. These may be purchased at a minimum of €0.01 per share and a maximum of no more than 5% above the average mid-market price as derived from the Daily Official List for the five business days preceding the purchase. This authority will expire no later than 22 August 2007.

At times since Admission, the Company's shares have traded at a price that the Directors have considered to be below their true value. The Directors have felt it appropriate to buy back the Company's shares at a discount to their underlying value. A total of 945,000 shares have been bought back under the authority detailed above, at an average price of 287.37 pence per share.

At an Extraordinary General Meeting of the Company on 16 November 2006, shareholders approved an amendment to the Company's Articles of Association to allow any future shares purchased under any authority granted to the Directors, to be held as Treasury Shares in accordance with The Companies (Purchase of Own Shares) (Treasury Shares) Ordinance, 2006. No shares are currently held in Treasury.

### Directors and Directors' share interests

The Directors who served during the year are detailed in Table 2 below. No Director had any interest in the share capital of the Company or any of its subsidiaries during the period to 31 December 2006. On 21 May 2007, Mr Spicer acquired a beneficial interest in 14,785 ordinary shares.

# ATLAS ESTATES LIMITED

## Directors' report – continued

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**Table 2 – Directors'**

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Mr Quentin Spicer	Appointed 9 February 2006
Mr Michael Stockwell	Appointed 3 February 2006
Mrs Shelagh Mason	Appointed 3 February 2006
Dr Helmut Tomanec	Appointed 3 February 2006
Mr Janos Eros	Appointed 9 February 2006, Resigned 31 August 2006

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Biographical details for all Directors are set out on page 14.

The Directors retire by rotation and Mr Spicer and Mrs Mason, being so entitled and willing, offer themselves for re-election.

The Remuneration Report contains details of Directors' remuneration, terms of their appointment and those of the Property Manager and is set out on pages 26 to 28. No Director had during the accounting period or in the period to 7 June 2007, any material beneficial interest in any significant contract in the Group's business.

### Directors' responsibilities

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements comply with IFRS; 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 Company and 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Company website

To provide a portal for investor information in accordance with the requirements of AIM, the Company maintains a website accessed at [www.atlasestatesltd.com](http://www.atlasestatesltd.com).

The Directors are responsible for the maintenance and integrity of the website. There is, however, some uncertainty regarding the legal requirements of the website as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

### Auditors

The Directors confirm that as at 11 June 2007:

- so far as they are aware, there is no relevant information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and
- the Directors have taken all 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 Company's auditors are aware of that information.

PricewaterhouseCoopers CI LLP was appointed auditors to the Company on 20 September 2006.

# ATLAS ESTATES LIMITED

## Directors' report – continued

A resolution concerning the re-appointment of PricewaterhouseCoopers CI LLP as auditors and their remuneration will be submitted to the Annual General Meeting.

### Annual General Meeting

The notice of the Annual General Meeting is set out on pages 66 and 67. In addition to the ordinary business detailed therein, the following item will also be considered:

- a) Resolution 6 will be proposed as a special resolution to authorise the Company to purchase up to 7,262,367 ordinary shares in the market, representing approximately 14.99% of the issued ordinary share capital of the Company at 11 June 2007, at a price not less than the nominal value of the ordinary shares and not more than 5% above the average of the middle market quotations of the Company's ordinary shares derived from the London Stock Exchange Daily Official List for the 5 business days before the purchase is made. The authority will expire at the conclusion of next year's Annual General Meeting or 18 months after the passing of the resolution (whichever is the earlier) and it is presently intended that a resolution for the renewal of such authority will be proposed at each succeeding Annual General Meeting. The authority would only be exercised if the Directors believe that to do so would be in the best interests of shareholders generally. Warrants for an aggregate of 5,488,118 ordinary shares in the Company were outstanding as at 7 June 2007 representing 11.33% of the Company's issued share capital at that date and which would represent 13.33% of the Company's issued share capital if either the existing authority or the authority being sought at this Annual General Meeting were exercised in full.

The Directors would consider holding as treasury shares any shares the Company repurchases pursuant to the authority provided by this resolution. In relation to any repurchased shares held in treasury, unless such shares are subsequently cancelled, earnings per share will be increased only on a temporary basis until such time as the shares are subsequently sold out of treasury.

This resolution complies with the current guidelines issued by the investor protection committees and the Directors will have regard to any guidelines issued by investor protection committees which may be published at the time of any such purchase, holding or resale of treasury shares.

**Quentin Spicer**  
**Chairman**  
11 June 2007

**Shelagh Mason**  
**Director**

# ATLAS ESTATES LIMITED

## Corporate governance review

The Company aspires to apply the highest possible standards of corporate governance in all areas of its business. The Board and where delegated the Property Manager, are developing a comprehensive system of controls, checks and reporting requirements that they feel will provide the ability to maintain these standards. The systems are being designed to meet the requirements of the Company and its business and to assess and manage the opportunities and risks that may arise. Whilst the Board is mindful of the guidance of the Combined Code wherever possible, its governance procedures will be suitable for a Company of its size, the small number of Directors that form the Board and will include the external management function provided by the Property Manager.

### Structure and membership of the Atlas Board

The Board of Directors comprises the non-executive Chairman and three further non-executive Directors. There is a clear separation of the role of the Chairman and the Property Manager, governed by the Property Management Agreement that was entered into on 24 February 2006. In view of the delegation of the executive management to the Property Manager, the Board feel it is appropriate that the Chairman also be appointed as Senior Independent Director.

The Board identifies all of its non-executive Directors as being independent of the Company. They have no involvement in the day to day management of the Group on an ongoing basis and had no previous involvement with the founder shareholders prior to the formation of the Group. They provide strategic management and act as the final Investment Committee for all investment/divestment decisions. The executive and day to day management is provided by the Property Manager whose role and responsibilities are clearly defined in the Property Manager Agreement.

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

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

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

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

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

Appointments to the Board are subject to a formal process of selection involving the Board as a whole. The Directors are appointed for indefinite terms and a minimum of 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.



# ATLAS ESTATES LIMITED

## Corporate governance review – continued

### Board committees

The Audit Committee comprises the whole of the Board and is chaired by Mr Stockwell. It meets at least three times a year to review the interim and year end financial statements prior to their submission to the Board and to review the appointment of the 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 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 Manager Agreement provides for the remuneration of the Manager and the Board as a whole considers any further appointments.

**Table 3 - Attendance at meetings**

No. of meetings in the period	Board	Committee meetings	
		Audit	Investment
	18	3	3
Mr Quentin Spicer	15	3	3
Mr Michael Stockwell	11	3	3
Mrs Shelagh Mason	16	2	1
Dr Helmut Tomanec	14	2	3
Mr Janos Eros (resigned 31 August 2006)	7	-	-

### Property Manager

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

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

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

# ATLAS ESTATES LIMITED

## Corporate governance review – continued

### Internal control

The Directors assume overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The system is regularly reviewed by the Board and accords with the Internal Control Guidance for Directors on the Combined Code as updated by the Turnbull Committee in October 2005. 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 management reporting on all of its business activities. The Property Manager meets on a monthly basis to review the control systems and to assess the performance and position of the Group. A separate risk management process is operated that engages the Directors and senior management of the Company and Property Manager and 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.

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

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

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

In accordance with the procedures outlined in this report, the Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 December 2006. The review took account of material developments that have taken place since the year end and considered the need for an internal audit function. The Board resolved that due to the size of the Company an internal audit function would be inappropriate but will review this need on an annual basis.

### Shareholder relations

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

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

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

# ATLAS ESTATES LIMITED

## Corporate governance review – continued

### Going concern

After making enquiries, the view of the Directors is that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

### Performance evaluation

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

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

### Statement of compliance

The Board complied as best as possible with the provisions of the Combined Code throughout the period under review. With the exception of the provisions listed below and in the Remuneration Report, the Company has complied throughout the period ended 31 December 2006 with the provisions set out in Section 1 of the Code.

As allowed by provision A.4.1, no Nominations Committee was formed due to the small number of Directors forming the Board.

Code provision A.7.1 requires that non-executive appointments are for a fixed term. The Board is of the view that this 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.

Due to its contractual relationship with the Property Manager and the non-executive status of each member of the Board no Remuneration Committee was formed as required by provision B.2.1.

The Board is working toward compliance with the new AIM rules issued in February 2007. The development of a new website is well progressed that will enable better publication of Company documents and announcements.

Details of those Directors seeking re-election at the Company's Annual General Meeting can be found on page 20.

# ATLAS ESTATES LIMITED

## Remuneration report

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

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

The Report has been divided into two sections, one for information that is subject to audit by the Company's Auditors and one that is not.

### Unaudited information

#### Non-executive Directors

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

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

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

**Table 4 – Non-executive Directors' service contracts**

	Contract Date	Term	Notice Period
Mr Quentin Spicer	9 February 2006	Indefinite	90 days
Mr Michael Stockwell	3 February 2006	Indefinite	90 days
Mrs Shelagh Mason	3 February 2006	Indefinite	90 days
Dr Helmut Tomanec	3 February 2006	Indefinite	90 days
Mr Janos Eros*	9 February 2006	Indefinite	90 days

\* - Mr Eros resigned on 31 August 2006

#### Property Manager

On signing the Property Manager Agreement, the Company sought to structure a remuneration package that combined a basic 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 Property Manager's remuneration package comprises three main elements:

#### Basic fee

In consideration of the services to be provided by AMC, AMC will receive an annual management fee of 2 per cent. of the previous year's closing NAV (less any un-invested net proceeds of the IPO or any subsequent equity capital raising) subject to a minimum fee in each of the two periods to 31 December 2007 equivalent to an annual payment of €4.6 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).

# ATLAS ESTATES LIMITED

## Remuneration report – continued

### Performance fee

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

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

### Term and Termination

The Property Management Agreement is to run for an initial seven year term and may be terminated thereafter on 12 months notice by either party. The agreement may be terminated at any time for reasons of material breach by either party not remedied within a 90 day period (21 days if the breach relates to non-payment of sums due to the Property Manager) or on the insolvency of either party. The Company may also terminate the Agreement in the event that any of the AMC Shareholders sells (other than to certain categories of intra-group permitted transferees) more than 49 per cent. of their respective shareholdings in AMC as at the date of Admission or in the event that the AMC Shareholders (or their permitted transferees) between them cease to own collectively at least 75 per cent. of the issued share capital of AMC. The Company also has the right to terminate the agreement in the event that it becomes tax resident in the United Kingdom for any reason.

### Share schemes

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

The exercise price of each of the Warrants is €5 (five euros). The exercise price and number of Ordinary Shares relating to such Warrants will be subject to adjustment in respect of dilution events, including the payment by the Company of cash or special dividends (in an amount equal to a 15% yield on the placing price), any amalgamation, reorganisation, reclassification, consolidation, merger or sale of all or substantially all of the Group’s assets and other dilutive events. The Warrants are freely transferable.

### Audited information

The total amounts of Directors’ remuneration were as follows:

<b>Table 5 – Directors’ emoluments – representing fees only</b>	<b>2006</b>
	€
<b>Non-executive Directors</b>	
Mr Quentin Spicer	43,560
Mr Michael Stockwell	50,932
Mrs Shelagh Mason	44,325
Dr Helmut Tomanec	44,294
Mr Janos Eros	44,345
<b>Total</b>	<b>227,456</b>

# ATLAS ESTATES LIMITED

## Remuneration report – continued

**Table 6 – Warrants issued**

	Granted	Transferred	At 31 Dec 2006	Date of grant	Date of transfer	Date Exercisable
Rafael Berber	306,849	-	306,849	24 Feb 2006		1 March 2007
	306,849	-	306,849	24 Feb 2006		1 March 2008
	22,438		22,438	20 Mar 2006		1 March 2007
	22,438		22,438	20 Mar 2006		1 March 2008
Roni Izaki	306,849	-	306,849	24 Feb 2006		1 March 2007
	306,849	-	306,849	24 Feb 2006		1 March 2008
	22,438		22,438	20 Mar 2006		1 March 2007
	22,438		22,438	20 Mar 2006		1 March 2008
Dori Dankner	306,849	-	306,849	24 Feb 2006		1 March 2007
	306,849	-	306,849	24 Feb 2006		1 March 2008
	22,438		22,438	20 Mar 2006		1 March 2007
	22,438		22,438	20 Mar 2006		1 March 2008
Gadi Dankner	306,849		306,849	24 Feb 2006		1 March 2007
	306,849		306,849	24 Feb 2006		1 March 2008
	22,438		22,438	20 Mar 2006		1 March 2007
	22,438		22,438	20 Mar 2006		1 March 2008
D Saradhi Rajan	306,849	(98,786)	208,063	24 Feb 2006	10 May 2006	1 March 2007
	306,849	(98,786)	208,063	24 Feb 2006	10 May 2006	1 March 2008
	22,438		22,438	20 Mar 2006		1 March 2007
	22,438		22,438	20 Mar 2006		1 March 2008
Lou Silver		98,786	98,786		10 May 2006	1 March 2007
		98,786	98,786		10 May 2006	1 March 2008
Atlas Management Company Limited	511,416		511,416	24 Feb 2006		1 March 2007
	511,416		511,416	24 Feb 2006		1 March 2008
	511,416		511,416	24 Feb 2006		1 March 2009
	511,415		511,415	24 Feb 2006		1 March 2010
	37,396		37,396	20 Mar 2006		1 March 2007
	37,396		37,396	20 Mar 2006		1 March 2008
	37,396		37,396	20 Mar 2006		1 March 2009
	37,397		37,397	20 Mar 2006		1 March 2010

The warrants have been issued at nil cost to the recipients. There are no performance criteria for execution and execution can be undertaken on or after the date of exercise as detailed above or immediately upon a Change of Control of the Company. None of the terms and conditions of the warrants has been varied in the period.

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

During the period to 31 December 2006, the market price of the ordinary shares ranged between £3.55 and £2.44.

### Approval

The Board approved the remuneration report without amendment. This report was approved by the Board of Directors on 11 June 2007 and signed on its behalf by:

Quentin Spicer  
Director  
11 June 2007

# ATLAS ESTATES LIMITED

## Independent auditors' report to the members of Atlas Estates Limited

We have audited the consolidated financial statements of Atlas Estates Limited for the period ended 31 December 2006 which comprise the Income Statements, the Balance Sheets, the Statements of Changes in Equity, the Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 64 of The Companies (Guernsey) Law, 1994 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only that listed on the Contents Page within the financial statements.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's and Company's affairs as at 31 December 2006 and of the Group's loss and cash flows for the period then ended;
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 1994; and
- the information given in the Directors' Report is consistent with the financial statements.

### PricewaterhouseCoopers CI LLP

Chartered Accountants  
Guernsey, Channel Islands  
11 June 2007

# **ATLAS ESTATES LIMITED**

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# ATLAS ESTATES LIMITED

## INCOME STATEMENTS

Eleven months ended 31 December 2006

	<b>Group 2006 €'000</b>	<b>Company 2006 €'000</b>	<b>Notes</b>
<b>Continuing Operations</b>			
<b>Revenue</b>	<b>5,321</b>	-	3
Cost of sales	(2,482)	-	
<b>Gross profit</b>	<b>2,839</b>	-	
Administrative expenses	(16,331)	(11,037)	6
Other operating income	(580)	-	
Other operating expenses	650	-	
Increase in value of investment properties	5,612	-	13
Other losses - net	(167)	(231)	5
Goodwill arising on acquisitions	(1,956)	-	10
<b>Operating loss</b>	<b>(9,933)</b>	<b>(11,268)</b>	
Finance income	2,507	6,727	4
Finance costs	(1,663)	(9)	4
<b>Loss on ordinary activities before taxation</b>	<b>(9,089)</b>	<b>(4,550)</b>	6
Tax on loss on ordinary activities	(1,540)	-	7
<b>Loss for the period</b>	<b>(10,629)</b>	<b>(4,550)</b>	
<b>Attributable to:</b>			
Equity shareholders	(10,690)	(4,550)	
Minority interests	61	-	
	(10,629)	(4,550)	
Loss per €0.01 ordinary share - basic	21.8 eurocents	n/a	9
Loss per €0.01 ordinary share - diluted	21.8 eurocents	n/a	9

# ATLAS ESTATES LIMITED

## BALANCE SHEETS

31 December 2006

	Group 2006 €'000	Company 2006 €'000	Notes
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	162	-	11
Property, plant and equipment	107,240	-	12
Investment property	67,585	-	13
Other loans receivable	327	-	
Deferred tax asset	1,121	-	20
Investment in subsidiaries	-	21,220	14
Loans receivable from subsidiaries	-	173,304	
	<b>176,435</b>	<b>194,524</b>	
<b>Current assets</b>			
Inventory	99,205	-	15
Trade and other receivables	22,241	310	16
Cash and cash equivalents	62,672	48,276	17
	<b>184,118</b>	<b>48,586</b>	
<b>TOTAL ASSETS</b>	<b>360,553</b>	<b>243,110</b>	
<b>Current liabilities</b>			
Trade and other payables	(30,024)	(20,228)	18
Bank overdrafts and loans	(2,892)	-	19
	<b>(32,916)</b>	<b>(20,228)</b>	
<b>Non-current liabilities</b>			
Other payables	(6,047)	-	18
Bank loans	(76,170)	-	19
Deferred tax liabilities	(21,558)	-	20
	<b>(103,775)</b>	<b>-</b>	
<b>TOTAL LIABILITIES</b>	<b>(136,691)</b>	<b>(20,228)</b>	
<b>NET ASSETS</b>	<b>223,862</b>	<b>222,882</b>	
<b>EQUITY</b>			
Share capital	484	484	21
Revaluation reserve	2,981	-	23
Other distributable reserve	226,406	226,406	23
Other reserves	2,851	-	23
Loss	(10,148)	(4,008)	
<b>Equity attributable to equity holders of the parent</b>	<b>222,574</b>	<b>222,882</b>	
<b>Minority interests</b>	<b>1,288</b>	<b>-</b>	<b>24</b>
<b>TOTAL EQUITY</b>	<b>223,862</b>	<b>222,882</b>	
Basic net asset value per share	€4.59	n/a	
Adjusted net asset value per share (see page 4)	€5.42	n/a	

The financial statements were approved by the Board of Directors on 11 June 2007 and signed on its behalf by:

**Quentin Spicer**  
Chairman

**Shelagh Mason**  
Director

# ATLAS ESTATES LIMITED

## STATEMENTS OF CHANGES IN EQUITY

Eleven months ended 31 December 2006

Group	Share capital €'000	Other reserves €'000	Retained earnings €'000	Total €'000	Minority interest €'000	Total equity €'000
<b>As at 3 February 2006</b>	-	-	-	-	-	-
Issue of shares	493	246,472	-	246,965	-	246,965
Costs of issue of shares	-	(14,049)	-	(14,049)	-	(14,049)
Minority arising on acquisition	-	-	-	-	1,255	1,255
Cancellation of share premium account (see below)	-	-	-	-	-	-
Shares bought back and cancelled	(9)	(3,977)	-	(3,986)	-	(3,986)
Result for the period	-	-	(10,690)	(10,690)	61	(10,629)
Exchange adjustments	-	3,152	-	3,152	(31)	3,121
Revaluation of properties	-	3,680	-	3,680	-	3,680
Deferred tax on exchange adjustments	-	(301)	-	(301)	3	(298)
Deferred tax on revaluation of properties	-	(699)	-	(699)	-	(699)
Share based payments	-	-	542	542	-	542
Dividends paid	-	(2,040)	-	(2,040)	-	(2,040)
<b>As at 31 December 2006</b>	<b>484</b>	<b>232,238</b>	<b>(10,148)</b>	<b>222,574</b>	<b>1,288</b>	<b>223,862</b>

Company	Share capital €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
<b>As at 3 February 2006</b>	-	-	-	-
Issue of shares	493	246,472	-	246,965
Costs of issue of shares	-	(14,049)	-	(14,049)
Cancellation of share premium account (see below)	-	-	-	-
Shares bought back and cancelled	(9)	(3,977)	-	(3,986)
Result for the period	-	-	(4,550)	(4,550)
Share based payment	-	-	542	542
Dividends paid	-	(2,040)	-	(2,040)
<b>As at 31 December 2006</b>	<b>484</b>	<b>226,406</b>	<b>(4,008)</b>	<b>222,882</b>

By a resolution passed on 7 July 2006 at the Royal Court in Guernsey the amount standing to the credit of the share premium account of the Company following completion of the issue of the Placing Shares (less any issue expenses set off against the share premium account) was cancelled and the amount of the share premium account so cancelled was credited as a distributable reserve to be established in the books of the Company which shall be capable of being applied in any manner in which the Company's profits available for distribution (as determined in accordance with the Guernsey Law) are able to be applied, including the purchase of the Company's own shares and the payment of dividends.

# ATLAS ESTATES LIMITED

## CASH FLOW STATEMENTS

Eleven months ended 31 December 2006

<b>Continuing operations</b>	<b>Group 2006 €'000</b>	<b>Company 2006 €'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax for the period	(9,089)	(4,550)
Adjustments for:		
Finance costs	1,663	9
Finance income	(2,507)	(6,727)
<b>Operating loss</b>	<b>(9,933)</b>	<b>(11,268)</b>
Depreciation of property, plant and equipment	192	-
Amortisation of intangible assets	21	-
Gain on sale of property, plant and equipment	(74)	-
Net goodwill arising on acquisitions charged to the income statement	1,956	-
Increase in the value of investment properties	(5,612)	-
Effects of foreign exchange	167	-
Charge relating to share based payments	542	542
	<b>(12,741)</b>	<b>(10,726)</b>
<b>Changes in working capital</b>		
Increase in inventory	(5,168)	-
Increase in trade and other receivables	(1,114)	(271)
Increase in trade and other payables	7,282	6,087
	<b>(1,000)</b>	<b>5,816</b>
<b>Cash outflow generated from operations</b>	<b>(11,741)</b>	<b>(4,910)</b>
Interest received	2,457	2,432
Interest paid	(1,592)	(9)
Tax paid	(128)	-
<b>Net cash outflow from operating activities</b>	<b>(11,004)</b>	<b>(2,487)</b>
<b>Investing activities</b>		
Acquisition of subsidiaries – net of cash acquired	(53,099)	(15,712)
Amounts placed on escrow in relation to property acquisitions	(1,800)	-
Deposits paid to secure future property acquisitions	(15,024)	-
Purchase of investment property	(12,821)	-
Purchase of property, plant and equipment	(17,260)	-
Proceeds from disposal of property, plant and equipment	169	-
Purchase of intangible assets - software	(183)	-
Loans to subsidiary undertakings	-	(91,860)
<b>Net cash used in investing activities</b>	<b>(100,018)</b>	<b>(107,572)</b>
<b>Financing activities</b>		
Dividends paid	(2,079)	(2,079)
Payments to acquire or redeem the entity's own shares	(3,986)	(3,986)
Share issue costs paid	(14,049)	(14,049)
Proceeds on issue of shares	178,451	178,450
New bank loans and overdrafts raised	10,329	-
New loans granted to partners	(327)	-
Net loans received from minority investors	2,286	-
<b>Net cash from financing activities</b>	<b>170,625</b>	<b>158,336</b>
<b>Net increase in cash and cash equivalents in the period</b>	<b>59,603</b>	<b>48,277</b>
Effect of foreign exchange rates	3,069	-
<b>Cash and cash equivalents at 31 December</b>	<b>62,672</b>	<b>48,277</b>

# ATLAS ESTATES LIMITED

## STATEMENT OF ACCOUNTING POLICIES

Eleven months ended 31 December 2006

### ***Basis of preparation***

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRIC interpretations endorsed by the European Union and therefore comply with Article 4 of the EU IAS Regulation. The consolidated financial statements have been prepared on an historical cost basis as amended by the revaluation of investment properties and land and buildings. The principal accounting policies are set out below.

### ***Basis of consolidation***

The consolidated financial information incorporates the financial statements of the Company and its subsidiaries up to 31 December 2006. Subsidiaries are those entities that are controlled by the Company. Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries and joint ventures acquired or disposed of during the period are included from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring the accounting policies used into line with those used by the Group.

The interest of minority shareholders is stated at the minority’s proportion of the fair value of the assets and any liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group’s share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined with the equivalent items in the results on a line-by-line basis.

The consolidated financial information is prepared in Euro and presented in thousands of Euro (“€’000”).

### ***Segmental reporting***

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that differ from those segments operating in other economic environments.

The Group’s primary reporting segments are business activity and its secondary reporting segments are geographical.

### ***Revenue recognition***

Revenue comprises rental income, service charge and other recoveries from tenants and the supply of utilities to tenants of the Group’s investment and trading properties and proceeds of the sale of residential apartments developed by the Group.

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

# ATLAS ESTATES LIMITED

## STATEMENT OF ACCOUNTING POLICIES – continued

Rental income is recognised on an accruals basis. Changes to rental income that arise from reviews to open market rental values or increases that are indexed linked on a periodic basis are recognised from the date on which the adjustment became due. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property. Lease incentives are allocated evenly over the life of the lease.

Revenue from the sale of housing units is recognised when the risks and rewards of ownership have been transferred to the buyer and provided that the Company has no further substantial acts to complete under the contract.

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

### ***Share based payments***

The cost of granting warrants to the Property Manager, its directors and employees is recognised through the income statement. The Group has used the Black-Scholes option valuation model and the resulting value is amortised through the income statement over the vesting period of the warrants.

### ***Foreign currencies***

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

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

Gains and losses arising on the settlement of monetary items and on the re-translation of monetary items are included in the income statement for the period. Those that arise on the re-translation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items any exchange component of that gain or loss is also recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated using the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

# ATLAS ESTATES LIMITED

## STATEMENT OF ACCOUNTING POLICIES – continued

### ***Leases***

Where the Group is the lessee:

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

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

Where the Group is the lessor:

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

### ***Borrowing costs***

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

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

### ***Intangible assets***

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

### ***Property, plant and equipment***

Land and buildings held for use in the supply of hotel services are stated in the balance sheet at their revalued amounts, being fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are performed on a semi-annual basis.

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

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

# ATLAS ESTATES LIMITED

## STATEMENT OF ACCOUNTING POLICIES – continued

Properties in the course of construction for rental are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. These assets will be transferred to Investment Property when they are ready for their intended use and will be carried on the same basis as other investment property assets.

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

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

Perpetual usufruct – included in land and buildings	over the life of the usufruct
Plant and equipment	10% to 33% per annum
Motor vehicles	20% per annum

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

### ***Goodwill***

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

### ***Impairment***

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

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

### ***Investment Property***

Investment properties are those that are held either to earn rental income or for capital appreciation or both. Such properties are initially stated at cost, including any related transaction costs. After initial recognition, investment properties are carried at their fair value based on a professional valuation made at each reporting date.

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

### ***Inventories of housing units***

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



# ATLAS ESTATES LIMITED

## STATEMENT OF ACCOUNTING POLICIES – continued

### ***Trade receivables***

Trade receivables do not carry interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### ***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. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### ***Restricted bank deposits***

Restricted bank deposits consist of deposits in banks that the Group pledged to secure banking facilities for the Group and to which the Group does not have access.

### ***Financial liabilities and equity***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### ***Bank borrowings***

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### ***Trade payables***

Trade payables are not interest bearing and are stated at their nominal value.

### ***Equity instruments***

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

### ***Taxation***

The Company has obtained exempt company status in Guernsey under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that it is exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable in Guernsey. The Company is, therefore, only liable to a fixed fee of £600 per annum. The Directors intend to conduct the Company's affairs such that it continues to remain eligible for exemption.

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

# ATLAS ESTATES LIMITED

## STATEMENT OF ACCOUNTING POLICIES – continued

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

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

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

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

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

### ***Dividends***

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

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

### ***Derivative instruments***

The only derivative instruments utilised by the Group are interest rate swaps and caps. The Group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of existing debt facilities available to the Group in line with the Group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts. Termination payments are taken to the income statement as they are incurred.

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Financial risk management

#### 1.1 Financial risk factors

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

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

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

#### (a) Market risk

##### (i) Foreign exchange risk

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

To date the Group has not entered into any currency hedging transactions.

The tables below summarise the Group's exposure to foreign currency risk at 31 December 2006.

The Group's assets and liabilities at carrying amounts are included in the table below, categorised by the currency at their carrying amount in €'000.

	€	PLN	HUF	SKK	RON	Other	Total
Intangible assets	-	153	9	-	-	-	162
Investment property	67,585	-	-	-	-	-	67,585
Property, plant and equipment	1,695	105,382	114	49	-	-	107,240
Inventories	-	33,738	5,903	37,564	22,000	-	99,205
Trade receivables	4,227	2,182	5,591	147	92	10,002	22,241
Cash and cash equivalents	47,741	5,550	1,162	628	40	7,551	62,672
Other loans receivable	327	-	-	-	-	-	327
Deferred tax asset	-	1,003	53	-	65	-	1,121
<b>Total assets</b>	<b>121,575</b>	<b>148,008</b>	<b>12,832</b>	<b>38,388</b>	<b>22,197</b>	<b>17,553</b>	<b>360,553</b>
Trade and other payables	(22,075)	(8,821)	(1,408)	(3,671)	(96)	-	(36,071)
Borrowings, including finance leases	(69,874)	(9,188)	-	-	-	-	(79,062)
Deferred income tax	-	(11,786)	(5,728)	(1,248)	(2,796)	-	(21,558)
<b>Total liabilities</b>	<b>(91,949)</b>	<b>(29,795)</b>	<b>(7,136)</b>	<b>(4,919)</b>	<b>(2,892)</b>	<b>-</b>	<b>(136,691)</b>
<b>Net assets</b>	<b>29,626</b>	<b>118,213</b>	<b>5,696</b>	<b>33,469</b>	<b>19,305</b>	<b>17,553</b>	<b>223,862</b>

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

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

The Group manages foreign currency risk on an overall basis. The sensitivity analysis prepared by management for foreign currency risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The tables above present financial assets and liabilities denominated in foreign currencies held by the Group in 2006 used to monitor foreign currency risk at the reporting dates:

If the euro weakened/strengthened by 10% against the Polish Zloty with all other variables held constant, post-tax loss for the period would have been €268,919 lower or €328,679 higher.

If the euro weakened/strengthened by 10% against the Hungarian Forint with all other variables held constant, post-tax loss for the period would have been €106,567 higher or €130,249 lower.

If the euro weakened/strengthened by 10% against the Slovak Crown with all other variables held constant, post-tax loss for the period would have been €257,434 higher or €314,461 lower.

If the euro weakened/strengthened by 10% against the Romanian Lei with all other variables held constant, post-tax loss for the period would have been €35,280 lower or €43,120 higher.

### (ii) Price risk

The Group is exposed to property price and property rentals risk. The Group is not exposed to the market risk with respect to financial instruments as it does not hold any equity securities.

### (iii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from long-term borrowings (Note 19). Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

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

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

The sensitivity analysis 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 an increase in the post-tax loss for the period of €430,121. A decrease in 100 basis points in interest yields would result in a decrease in post tax loss for the period of €430,121.

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

### (b) Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures with respect to rental customers, including outstanding receivables. Credit risk is managed on a local and group basis and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual and more frequent review. The Group has policies in place to ensure that where possible rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions. The utilisation of credit limits is regularly monitored.

### (c) Liquidity risk

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

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

	<b>Group 2006 €'000</b>
<b>Financial assets – current</b>	
Trade receivables – maturity within one year	22,241
Cash and cash equivalents – maturity within one year	62,672
	<b>84,913</b>
<b>Financial liabilities – non-current borrowings</b>	
Between 1 and 2 years	(22,579)
Between 2 and 5 years	(15,755)
Over 5 years	(37,836)
	<b>(76,170)</b>
<b>Financial liabilities – current</b>	
Borrowings	(2,892)
Trade and other payables – maturity within one year	(30,024)
	<b>(32,916)</b>

### 1.2 Capital risk management

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

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

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

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

The Group's longer term strategy is to maintain a gearing ratio within 50% to 70%. The gearing ratio as at 31 December 2006 was as follows and is low, as cash raised at the IPO was awaiting investment:

	<b>Group 2006 €'000</b>
Total borrowings	(79,062)
Less: cash and cash equivalents	62,672
<b>Net debt</b>	<b>(16,390)</b>
Total equity	(223,862)
<b>Total capital</b>	<b>(240,252)</b>
Gearing ratio	6.8%

### 2. Critical accounting estimates and judgements

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

#### 2.1 Critical accounting estimates and assumptions

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

##### *(a) Estimate of fair value of investment properties*

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

##### *(b) Inventory*

One of the Group's main activities is the development and sale of residential apartments. The process of obtaining zoning and permits may in itself take some time. This period is then added to by the time taken to construct the apartments. In this time the costs of the land and the construction are recorded within inventory. The Group continually reviews the net realisable value of its development properties against the cumulative costs that are held on its balance sheet. To enable this review, management have appointed an appropriately qualified engineer to monitor and control the costs of construction.

The costs that have been incurred and are projected to be incurred are benchmarked against those available in the market to ensure that best value is received. A strict tendering process is adhered to when procuring construction services and the costs are controlled locally on a monthly basis. In addition to this, the Group retains Cushman & Wakefield to undertake an independent assessment of the net realisable value of its developments on a bi-annual basis.

##### *(c) Income taxes*

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

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 2.2 Critical judgments in applying the Group's accounting policies

#### *Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of goods or services. If these portions can be sold separately, or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

### 3. Business and geographical segments

#### Primary reporting format – Business segments

For management purposes, the Group is currently organised into three operating divisions – the ownership and management of investment property, the development and sale of residential property and the ownership and operation of a hotel. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	<b>Property rental</b>	<b>Residential sales</b>	<b>Hotel operations</b>	<b>2006</b>
<b>Continuing operations</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Revenue</b>	<b>5,321</b>	-	-	<b>5,321</b>
<b>Segment result</b>	<b>4,712</b>	<b>(413)</b>	<b>(1,127)</b>	<b>3,172</b>
Unallocated costs				<b>(13,105)</b>
<b>Operating loss</b>				<b>(9,933)</b>
Finance costs				<b>(1,663)</b>
Finance income				<b>2,507</b>
<b>Loss before tax</b>				<b>(9,089)</b>
Tax on loss on ordinary activities				<b>(1,540)</b>
<b>Loss for the period</b>				<b>(10,629)</b>
Profit attributable to minority interests				<b>(61)</b>
<b>Net profit attributable to equity shareholders</b>				<b>(10,690)</b>

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

<b>Segment assets</b>	<b>63,295</b>	<b>111,589</b>	<b>101,626</b>	<b>276,150</b>
Share of joint venture assets				3,253
Unallocated assets				80,790
<b>Total assets</b>				<b>360,553</b>
<b>Segment liabilities</b>	<b>(20,842)</b>	<b>(42,977)</b>	<b>(49,668)</b>	<b>(113,487)</b>
Share of joint venture liabilities				(783)
Unallocated liabilities				(22,421)
<b>Total liabilities</b>				<b>(136,691)</b>
<b>Other segment items</b>				
Capital expenditure	228	8,728	85,145	
Depreciation	29	66	93	
Amortisation	16	1	3	

There are immaterial sales between the business segments. Unallocated costs represent corporate expenses. Segment assets include property, plant and equipment, goodwill, inventories, debtors and operating cash. Segment liabilities comprise operating liabilities and exclude taxation. Capital expenditure comprises additions to property, plant and equipment and investment properties and includes additions from acquisitions through business combinations.

Unallocated assets represent cash balances held by the Company and those of selected sub-holding companies, deposits paid for potential future property acquisitions and a land holding with no designated use as at the balance sheet date.

Unallocated liabilities include accrued costs within the Company, and deferred consideration for land holdings with no designated use as at the balance sheet date.

### Secondary reporting format – geographical segments

The Group manages its business segments on a region wide basis. The operations are based in four main countries within the Group's region of focus with mainly cash balances being held by the Parent Company. The five principal territories are:

- Poland,
- Hungary,
- Slovakia,
- Romania, and
- Guernsey.



# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

Continuing operations	Revenue €'000	Segment assets €'000	Capital expenditure €'000	Depreciation €'000	Amortisation €'000
Poland	243	159,658	95,638	147	5
Hungary	5,078	69,381	228	29	16
Slovakia	-	37,799	64	16	-
Romania	-	31,052	-	-	-
Guernsey	-	48,586	-	-	-
	<b>5,321</b>	<b>346,476</b>	<b>95,930</b>	<b>192</b>	<b>21</b>
Investment in joint ventures		3,253			
Unallocated assets		10,824			
		<b>360,553</b>			

Analysis of revenue by category continuing operations	2006 €'000
Rental income	5,321
Sales of apartments	-
Other	-
<b>Total</b>	<b>5,321</b>

#### 4. Finance income - net

	Group 2006 €'000	Company 2006 €'000
Interest payable on bank borrowings	(992)	-
Interest payable on other loans	(157)	-
Other similar charges	(514)	(9)
<b>Finance costs</b>	<b>(1,663)</b>	<b>(9)</b>
<b>Finance income</b>	<b>2,507</b>	<b>6,727</b>
<b>Finance income – net</b>	<b>844</b>	<b>6,718</b>

#### 5. Other losses – net

	Group 2006 €'000	Company 2006 €'000
Unrealised foreign exchange gains	3,062	-
Unrealised foreign exchange losses	(2,066)	(231)
Realised foreign exchange gains	312	-
Realised foreign exchange losses	(1,475)	-
	<b>(167)</b>	<b>(231)</b>

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 6. Loss on ordinary activities before taxation

The following items have been included in arriving at operating loss:

	<b>Group 2006 €'000</b>	<b>Company 2006 €'000</b>
Staff costs	1,133	230
Amortisation of intangible assets	21	-
Depreciation of property, plant and equipment – owned assets	192	-
Net goodwill	1,956	-
Profit on disposal of fixed assets	(74)	-
Repairs and maintenance expenditure on property, plant and equipment	15	-
Net exchange differences on foreign currency borrowing less deposits	167	-

### Services provided by the Group's auditor and network firms

During the period the Group (including its overseas subsidiaries) obtained the following services from the group's auditor at costs as detailed below:

	<b>Group 2006 €'000</b>	<b>Company 2006 €'000</b>
Audit services		
Statutory audit	(350)	(71)
Tax services		
Advisory services	(77)	-
	<b>(427)</b>	<b>(71)</b>

### Employee benefit expenses

	<b>Group 2006 €'000</b>	<b>Company 2006 €'000</b>
Wages and salaries	914	230
Social security costs	186	-
Pension costs	33	-
	<b>1,133</b>	<b>230</b>
Number of employees	<b>76</b>	<b>4</b>

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 7. Tax on profit on ordinary activities

	<b>Group 2006 €'000</b>
<b>Continuing operations</b>	
Current tax	(128)
Deferred tax	(1,412)
<b>Taxation</b>	<b>(1,540)</b>
<b>Tax on items charged to equity</b>	
	<b>Group 2006 €'000</b>
Deferred tax on exchange movements offset in reserves	(301)
Deferred tax on revaluations	(699)
	<b>(1,000)</b>

No tax charge arises in the Company due to its tax exempt status under Guernsey Law.

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

	<b>Group 2006 €'000</b>
Loss on ordinary activities before tax	(9,089)
Tax on loss on ordinary activities at average country rate – 19%	(1,727)
Factors affecting charge:	
Temporary differences	2,136
Utilisation of brought forward tax losses	(135)
Adjustment to deferred tax for previous periods relating to a change in tax rates in the year	557
Deferred tax not recognised on losses	645
Differences in local tax rates	64
<b>Tax charge for period</b>	<b>1,540</b>

### 8. Dividends

	<b>Group 2006 €'000</b>	<b>Company 2006 €'000</b>
Interim paid – 4.16 eurocents per ordinary share	2,040	2,040

In addition the directors have approved a second interim dividend in respect of the financial period ending 31 December 2006 of 8.32 eurocents per share which will absorb an estimated €4,030,880 of shareholders funds. It will be paid on 29 June 2007 to shareholders who are on the register of members on 15 June 2007.

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 9. Loss per share

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

For diluted 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 loss per share reflects the impact were the outstanding share warrants to be exercised.

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

	Loss €'000	Weighted average number of shares	Per share amount Eurocents
<b>Continuing operations</b>			
<b>Basic EPS</b>			
Loss attributable to equity shareholders	(10,690)	48,849,966	(21.8)
<b>Effect of dilutive securities</b>			
Share warrants	-	-	
<hr/>			
<b>Diluted EPS</b>			
Adjusted loss	(10,690)	48,849,966	(21.8)

### 10. Goodwill

	<b>2006</b> €'000
<b>Cost</b>	
At 3 February 2006	-
Acquisitions through business combinations (see note 25)	1,956
<hr/>	
<b>At 31 December 2006</b>	<b>1,956</b>
<hr/>	
<b>Aggregate impairment</b>	
At 3 February 2006	-
Impairment charge	(1,956)
<hr/>	
<b>At 31 December 2006</b>	<b>(1,956)</b>
<hr/>	
<b>Net book amount at 31 December 2006</b>	<b>-</b>

The underlying assets and liabilities of the Group relate to its property assets and development projects. Such assets and liabilities were independently valued as at their acquisition date. Accordingly, the Directors feel that the value of any acquired goodwill is impaired with reference to market values.

Analysis of amounts charged to the Income Statement

	<b>2006</b> €'000
Impairment charge in relation to acquired goodwill	13,354
Negative goodwill realised on acquisitions (see note 25)	(11,398)
<hr/>	
<b>Net charge to the Income Statement</b>	<b>1,956</b>

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 11. Intangible assets

Group	Computer software €'000
<b>Cost or valuation</b>	
At 3 February 2006	-
Acquisitions through business combinations	5
Additions	183
Exchange adjustments	(5)
<b>At 31 December 2006</b>	<b>183</b>
<b>Amortisation</b>	
At 3 February 2006	-
Charge for the period	(21)
<b>At 31 December 2006</b>	<b>(21)</b>
<b>Net book value at 31 December 2006</b>	<b>162</b>

### 12. Property, plant and equipment

Group	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
<b>Cost or valuation</b>				
At 3 February 2006	-	-	-	-
Acquisitions through business combinations	85,931	113	113	86,157
Additions at cost	16,909	305	46	17,260
Exchange adjustments	427	(2)	5	430
Disposals	(7)	(29)	(72)	(108)
Revaluation	3,680	-	-	3,680
<b>At 31 December 2006</b>	<b>106,940</b>	<b>387</b>	<b>92</b>	<b>107,419</b>
<b>Accumulated depreciation</b>				
At 3 February 2006	-	-	-	-
Charge for the year	(96)	(80)	(16)	(192)
Disposals	2	10	1	13
<b>At 31 December 2006</b>	<b>(94)</b>	<b>(70)</b>	<b>(15)</b>	<b>(179)</b>
<b>Net book value at 31 December 2006</b>	<b>106,846</b>	<b>317</b>	<b>77</b>	<b>107,240</b>

Land and buildings were valued as at 31 December 2006 by qualified professional valuers working for the company of Cushman & Wakefield, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors. All properties were valued on the basis of Market Value and the valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. For all properties, valuations were based on current prices in an active market. The resulting revaluation adjustments, net of applicable deferred taxes, have been taken to the revaluation reserve in shareholders equity (note 23).

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

The Company does not have any property, plant and equipment.

Bank borrowings are secured on land and buildings for the value of €36,275,186 (note 19).

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

	<b>2006</b> <b>€'000</b>
Cost	103,739
Accumulated depreciation	(179)
<b>At 31 December 2006</b>	<b>103,560</b>

### 13. Investment property

	<b>Group</b> <b>2006</b> <b>€'000</b>
At 3 February 2006	-
Acquisitions through business combinations	49,545
Additions	12,483
Capitalised subsequent expenditure	338
Exchange movements	(393)
Fair value gains including share of joint ventures	5,612
<b>At 31 December 2006</b>	<b>67,585</b>

The fair value of the Group's investment property at 31 December 2006 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The Group has pledged some of its investment property to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €13,739,747 are secured on investment properties (note 19).

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €5.32 million. Direct operating expenses arising on the investment property in the period amounted to €0.61 million. Of this, €0.01 million related to non-rental producing investment property.

### 14. Investments

	<b>Group</b> <b>€'000</b>	<b>Company</b> <b>€'000</b>
<b>Fixed asset investments</b>		
Shares in Group undertakings		
At 3 February 2006	-	-
Additions in the period	-	21,220
<b>At 31 December 2006</b>	<b>-</b>	<b>21,220</b>

Investments in Group 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.

# ATLAS ESTATES LIMITED

A list of principal subsidiary undertakings and joint ventures is given on page 64.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 15. Inventories

	<b>Group 2006 €'000</b>	<b>Company 2006 €'000</b>
Land held for development	89,182	-
Construction expenditures	10,023	-
<b>Freehold and leasehold properties held for resale</b>	<b>99,205</b>	<b>-</b>

The Group consumed €nil of inventories during the period.

Bank borrowings are secured on land for the value of €29,047,869 (note 19).

### 16. Trade and other receivables

	<b>Group 2006 €'000</b>	<b>Company 2006 €'000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	1,949	263
Less: provision for impairment of receivables	(1,393)	-
<b>Trade debtors – net</b>	<b>556</b>	<b>263</b>
Other debtors	11,304	-
Prepayments and accrued income	10,381	47
	<b>22,241</b>	<b>310</b>

### 17. Cash and cash equivalents

	<b>Group 2006 €'000</b>	<b>Company 2006 €'000</b>
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	55,952	48,276
Short term bank deposits	6,720	-
	<b>62,672</b>	<b>48,276</b>

The effective interest rate on the short term call deposit was 3.65% and this deposit is immediately available.

### 18. Trade and other payables

	<b>Group €'000</b>	<b>Company €'000</b>
<b>Current</b>		
Trade payables	(2,835)	(5,645)
Other tax and social security	(300)	-
Other creditors	(17,240)	(14,209)
Accruals and deferred income	(9,649)	(374)
	<b>(30,024)</b>	<b>(20,228)</b>
<b>Non-current</b>		
Other creditors	(6,047)	-
	<b>(6,047)</b>	<b>-</b>
	<b>(36,071)</b>	<b>(20,228)</b>

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 19. Financial liabilities - Borrowings

	Group €'000	Company €'000
<b>Current</b>		
<i>Bank loans and overdrafts due within one year or on demand</i>		
Secured	(2,892)	-
<b>Non-current</b>		
<i>Repayable within two years</i>		
Secured	(22,579)	-
<i>Repayable within three to five years</i>		
Secured	(15,755)	-
<i>Repayable after five years</i>		
Secured	(37,836)	-
	(76,170)	-
<b>Total</b>	<b>(79,062)</b>	<b>-</b>

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

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

	Euro	Zloty
Bank loans	5.75% to 6.10%	6.44%

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

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

	Euro €'000	Zloty €'000	Total €'000
Bank overdrafts	526	-	526
Bank loans	69,348	9,188	78,536
<b>Total</b>	<b>69,874</b>	<b>9,188</b>	<b>79,062</b>

The Group has the following undrawn borrowing facilities:

<b>Floating rate:</b>	<b>Euro €'000</b>
Expiring beyond one year	13,791



# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 20. Deferred tax

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

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

	<b>Group</b> <b>€'000</b>	<b>Company</b> <b>€'000</b>
At 3 February 2006	-	-
Acquisitions through business combinations	(17,880)	-
Charged to the income statement	(1,412)	-
Charged to equity	(1,000)	-
Exchange differences	(145)	-
<b>At 31 December 2006</b>	<b>(20,437)</b>	<b>-</b>

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

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

<b>Deferred tax liabilities - non current</b>	<b>Accelerated tax depreciation</b> <b>€'000</b>	<b>Other</b> <b>€'000</b>	<b>Total</b> <b>€'000</b>
At 3 February 2006	-	-	-
Acquisitions through business combinations	-	(17,986)	(17,986)
Profit and loss charge/(credit)	(48)	(2,354)	(2,402)
Charged to equity	-	(1,000)	(1,000)
Other	-	(170)	(170)
<b>At 31 December 2006</b>	<b>(48)</b>	<b>(21,510)</b>	<b>(21,558)</b>

<b>Deferred tax assets - non current</b>	<b>Tax losses</b> <b>€'000</b>	<b>Other</b> <b>€'000</b>	<b>Total</b> <b>€'000</b>
At 3 February 2006	-	-	-
Acquisitions through business combinations	19	87	106
Charged to the income statement	841	149	990
Other	-	25	25
<b>At 31 December 2006</b>	<b>860</b>	<b>261</b>	<b>1,121</b>

The deferred income tax charged to equity during the period is as follows:

	<b>Group</b> <b>€'000</b>	<b>Company</b> <b>€'000</b>
Fair value reserves in shareholders' equity		
Revaluation of land and buildings	(699)	-
Exchange movements offset in reserves	(301)	-
	(1,000)	-

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 21. Share capital and premium

	Number of shares	Ordinary shares €'000	Share premium €'000	Total €'000
<b>Authorised</b>				
Ordinary shares of €0.01 each	100,000,000	1,000	-	1,000
<b>Issued and fully paid</b>				
At 3 February 2006	-	-	-	-
Issued to founder shareholders (note c)	13,702,981	137	68,378	68,515
Issued at IPO (notes c and d)	35,690,100	356	178,094	178,450
Cost of issue of shares	-	-	(14,049)	(14,049)
Cancellation of share premium account (note e)	-	-	(232,423)	(232,423)
Shares bought back and cancelled	(945,000)	(9)	-	(9)
<b>As at 31 December 2006</b>	<b>48,448,081</b>	<b>484</b>	<b>-</b>	<b>484</b>

The Company was incorporated with an authorised share capital of €15,000 divided into 1.5 million Ordinary Shares of which two Ordinary Shares were issued nil paid. Since incorporation the following alterations to the Company's share capital have occurred:

(a) on 23 February 2006 the authorised share capital of the Company was increased from €15,000 to €1,000,000 by the creation of an additional 98,500,000 Ordinary Shares.

(b) on 1 March 2006, upon admission to AIM, 34,790,100 shares were issued for cash at a value of €5 each,

(c) on 1 March 2006, upon admission to AIM, 13,702,981 shares were issued at a value of €5 per share in exchange for an interest in a portfolio of property assets.

(d) on 20 March 2006, a further 900,000 shares were issued for cash at a value of €5 per share under the terms of the Greenshoe provisions of the Placing Agreement pursuant to the Company's admission to trading on AIM.

(e) by a resolution passed on 7 July 2006 at the Royal Court in Guernsey the amount standing to the credit of the share premium account of the Company following completion of the issue of the Placing Shares (less any issue expenses set off against the share premium account) was cancelled and the amount of the share premium account so cancelled was credited as a distributable reserve to be established in the books of the Company which shall be capable of being applied in any manner in which the Company's profits available for distribution (as determined in accordance with the Guernsey Law) are able to be applied, including the purchase of the Company's own shares and the payment of dividends.

(f) pursuant to the Articles and in accordance with section 5 of the Companies (Purchase of Own Shares) Ordinance, 1998 (the "Ordinance"), the Company is authorised to make market purchases (as defined by section 18 of the Ordinance) of up to 14.99 per cent. of the Company's Ordinary Shares in issue following Admission. Further to such authority, the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is €0.01 and the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is an amount equal to 105 per cent. of the average of the market values for an Ordinary Share taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the Ordinary Share is purchased. This authority expires not later than 18 months from the date on which the resolution was passed unless such authority is renewed prior to such time and, the Company may make a contract to purchase Ordinary Shares under the authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

The Company exercised this authority between July and November 2006 to make market purchases of its own shares for cancellation. A total of 945,000 shares have been bought back under the authority detailed above at an average price of 287.37 pence per share.

(g) On 16 November 2006 the Company amended its Articles of Association to allow any further shares purchased under the authority referred to at (e) above to be held by the Company as Treasury shares in accordance with The Companies (Purchase of Own Shares) (Treasury Shares) Ordinance, 2006. To date no such purchases have been made and the Company is not currently holding any shares in Treasury.

(h) Upon admission to AIM on 1 March 2006 the Company issued warrants to subscribe for 5,114,153 of its shares to the Property Manager and its directors. Warrants for a further 37,965 were issued upon exercise of the Greenshoe on 15 March 2006. Outstanding warrants over 5,488,118 Ordinary shares of €0.01 each were in issue at 31 December 2006 with exercise dates ranging from 1 March 2007 to 1 March 2013 and having an exercise price of €5.00. Details of the grant and exercise dates and exercise price of warrants issued can be found in Table 6 on page 28.

### 22. Share based payment

On 23 February 2006 the Company executed and adopted a Warrant Instrument and thereby constituted up to 5,114,153 Warrants that were issued on 24 February 2006 conditional upon the Company's admission to AIM on 1 March 2006. This was increased by 373,965 on 20 March 2006 upon the exercise of the Greenshoe provisions of the placing agreement. The Warrants are exercisable during the period commencing on Admission to AIM and expiring on the earlier of: (i) seven years from Admission; or, (ii) upon an offeror becoming entitled to acquire the entire issued share capital of the Company. Each of the Warrant Recipients has agreed to certain restrictions on his/its ability to exercise or transfer the Warrants held by him/it. These restrictions are set out in Table 6 on page 28.

The exercise price of each of the Warrants is €5. The exercise price and number of Ordinary Shares relating to such Warrants will be subject to adjustment in respect of dilution events, including the payment by the Company of cash or special dividends, any amalgamation, reorganisation, reclassification, consolidation, merger or sale of all or substantially all of the Group's assets and other dilutive events. The Warrants are freely transferable.

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

Grant date	1 March 2006	20 March 2006
Share price at grant date	€5.00	€5.00
Exercise price	€5.00	€5.00
Number of recipients	6	6
Warrants issued	5,114,153	373,965
Vesting period	1 year	1 year
Expected volatility	15%	15%
Option life (years)	7 years	7 years
Expected life (years)	7 years	7 years
Risk free rate	4.3%	4.3%
Expected dividends expressed as a dividend yield	8.29%	8.29%
Possibility of ceasing employment before vesting	Nil	Nil
Fair value per warrant option	18 eurocents	18 eurocents

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

The fair value of the benefit of the total warrants in issue of €542,000 has been charged to the income statement.

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 23. Other reserves

Group	Land and buildings revaluation €'000	Other distributable reserve €'000	Translation €'000	Total €'000
At 3 February 2006	-	-	-	-
Cancellation of share premium (note 21e)	-	232,423	-	232,423
Shares bought back and cancelled (note 21f)	-	(3,977)	-	(3,977)
Revaluation – gross (note 12)	3,680	-	-	3,680
Revaluation – tax (note 20)	(699)	-	-	(699)
Dividend paid (note 8)	-	(2,040)	-	(2,040)
Exchange differences – gross (note 5)	-	-	3,152	3,152
Exchange differences – tax (note 20)	-	-	(301)	(301)
	<b>2,981</b>	<b>226,406</b>	<b>2,851</b>	<b>232,238</b>

The amount standing to the credit of the land and buildings revaluation reserve is not a realised gain and is therefore not a distributable reserve. Upon the sale of the underlying assets the amount standing to the credit of the reserve with regard to the asset disposed of will be crystallised within retained earnings.

Company	Other distributable reserve €'000	Total €'000
At 3 February 2006	-	-
Cancellation of share premium (note 21e)	232,423	232,423
Shares bought back and cancelled (note 21f)	(3,977)	(3,977)
Dividend paid (note 8)	(2,040)	(2,040)
	<b>226,406</b>	<b>226,406</b>

### 24. Minority interest

	Group 2006 €'000	Company 2006 €'000
At 3 February 2006	-	-
Acquisitions through business combinations	1,255	-
Share of net profit of subsidiaries	61	-
Exchange adjustments	(28)	-
	<b>1,288</b>	<b>-</b>

### 25. Acquisition of subsidiary undertakings

(a) As described in the Admission Document on the successful admission of the Company to AIM on 1 March 2006, various acquisition contracts were completed for the acquisition of the Seed Portfolio. The consideration for these acquisitions was €68.515 million via the issue of shares in Atlas Estates Limited and €15.795 million in cash. These transactions have been accounted for by the purchase method of accounting.

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

	Book Value €'000	Fair value adjustment €'000	Fair value €'000
<b>Net assets acquired</b>			
Intangible assets	3	-	3
Property, plant and equipment	14,456	13,684	28,140
Investment property	37,400	-	37,400
Deferred tax assets	106	-	106
Loans due from associates	6,105	-	6,105
Inventory	50,912	14,770	65,682
Trade and other receivables	1,938	-	1,938
Cash	3,117	-	3,117
Shareholder loans payable	(72,252)	63,008	(9,244)
Bank loan	(46,474)	-	(46,474)
Trade and other payables	(3,891)	-	(3,891)
Deferred tax liabilities	(3,037)	(5,406)	(8,443)
Overdrafts	(805)	-	(805)
Current tax liabilities	(25)	-	(25)
<b>Net assets</b>	<b>(12,447)</b>	<b>86,056</b>	<b>73,609</b>
Minority interests			<b>(1,255)</b>
Goodwill			<b>11,956</b>
<b>Total consideration</b>			<b>84,310</b>
Satisfied by:			
Equity			<b>68,515</b>
Cash			<b>15,795</b>
			<b>84,310</b>

The fair value adjustments relate to the adjustment to recognise property assets at their market value as at the date of acquisition, to provide for deferred tax on such revaluations and to remove vendor shareholder loans acquired by the Group.

Details of the turnover and profit after tax and minority interest included in the Group results for the period for the companies acquired are:

Company	Interest acquired	Turnover	Profit after tax and minority interests
Atlas Estates Investments B.V.	100.00%	-	(428)
Trilby B.V.	33.33%	-	(16)
HGC Sp. z o.o.	33.33%	-	(694)
HPO Sp. z o.o.	33.33%	-	(252)
Grzybowska Centrum Sp. z o.o.	33.33%	-	(473)
Platinum Towers Sp. z o.o.	33.33%	-	(222)
DPM Sp. z o.o.	50.00%	9	(471)
Capital Art Apartments Sp. z o.o.	100.00%	56	(464)
Nowy Zoliborz Sp. z o.o.	76.00%	176	(140)
Properpol Sp. z o.o.	100.00%	-	(155)
Circle Slovakia S.R.O.	78.25%	-	884
Darenisto Limited	100.00%	-	(31)
Felikon Kft	100.00%	14	1,261
Cap East Kft	100.00%	762	347
CI-2005 Investment Kft	100.00%	3,475	(292)

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

As detailed at note 25(b) below, Atlas acquired the remaining interest in a number of the above companies on 9 May 2006. These companies were either intermediary holding companies or development companies and did not trade within the period 1 March 2006 to 8 May 2006. Therefore the above results, which are included within the Group results for the period, represent the result of those companies for the equivalent 11 month period for which the Group was in existence.

(b) On 9 May 2006, the Group acquired the remaining 66.67% of Trilby B.V., HPA Sp z o.o. and 50% of DPM Sp z o.o. for a cash consideration of €36.003 million. This group of companies owns and manages various property assets in Poland in which the Group acquired on 1 March 2006 and is included in the table above. The table below sets out the book and fair value of the interest acquired on 9 May 2006. The transaction has been accounted for by the purchase method of accounting.

	Book Value €'000	Fair value adjustments €'000	Fair value €'000
<b>Net assets acquired</b>			
Intangible assets	1	-	1
Property, plant and equipment	29,990	27,969	57,959
Shareholder loans receivable	459	(459)	-
Inventory	3,471	2,884	6,355
Trade and other receivables	1,957	-	1,957
Cash	460	-	460
Shareholder loans payable	(17,009)	16,875	(134)
Banks loan	(13,347)	-	(13,347)
Trade and other payables	(4,661)	-	(4,661)
Deferred tax liabilities	-	(5,862)	(5,862)
Overdrafts	(368)	-	(368)
Current tax liabilities	(19)	-	(19)
	934	41,407	42,341
Goodwill			(6,338)
<b>Total consideration</b>			<b>36,003</b>
Satisfied by:			
Cash			<b>36,003</b>

The fair value adjustments relate to the adjustment to recognise property assets at their market value as at the date of acquisition, to provide for deferred tax on such revaluations and to remove inter company balances. They also reflect the adjustment necessary to reflect that an element of shareholder loans outstanding to the credit of the vendors were purchased by Atlas as part of the above transaction.

Please see note 25(a) for details of the turnover and profit after tax and minority interest included in the Group results and those for the equivalent financial period for which the Group was in existence for the acquired companies.

(c) On 8 June 2006, the Group acquired the entire share capital of Ligetvaros Kft and Varosliget Kft for a cash consideration of €3.828 million. These companies own and manage property assets in Budapest, Hungary. This transaction has been accounted for using the purchase method of accounting.

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

	Book Value €'000	Fair value adjustments €'000	Fair value €'000
<b>Net assets acquired</b>			
Intangible assets	1	-	1
Property, plant and equipment	58	-	58
Investment property	11,800	-	11,800
Investments in associates	267	-	267
Shareholder loans receivable	251	-	251
Trade and other receivables	272	-	272
Cash	289	-	289
Shareholder loans payable	(494)	236	(258)
Banks Loan	(7,740)	-	(7,740)
Trade and other payables	(597)	-	(597)
Deferred tax liabilities	(885)	-	(885)
	3,222	236	3,458
Goodwill			370
<b>Total consideration</b>			<b>3,828</b>
Satisfied by:			
Cash			3,828

The fair value adjustments relate to the adjustment to recognise property assets at their market value as at the date of acquisition, to provide for deferred tax on such revaluations and to remove inter company balances.

The companies acquired, contributed turnover of €819,000 and profit after tax of €18,000 to the Group results for the period. It is not practicable to present results for the period equivalent to that for which Group accounts were prepared due to the substantial changes in the financing companies that arose on acquisition.

(d) On 10 October 2006, the Group acquired a 50% interest in the share capital of Slovak Investment and Development for a cash consideration of €1.373 million. This company has investments in land assets in Kosice, Slovakia. This transaction has been accounted for using the purchase method of accounting.

	Book Value €'000	Fair value adjustments €'000	Fair value €'000
<b>Net assets acquired</b>			
Investment property	343	-	343
Trade and other receivables	94	-	94
Cash	15	-	15
Shareholder loans payable	(14)	-	(14)
Trade and other payables	(94)	-	(94)
	344	-	344
Goodwill			1,029
<b>Total consideration</b>			<b>1,373</b>
Satisfied by:			
Cash			1,373

Other than the acquisition of land assets, for which acquisition costs were capitalised, the companies did not trade in the period from their incorporation in October 2006 to 31 December 2006. Due to the revaluation of the property, the companies contributed €1,800,000 to profit after tax and minority interest of the Group.

(e) On 31 December 2006, the Group acquired the entire share capital of Megarom Line srl for a consideration of €14.154 million. This was settled post year end. This company owns land assets in Bucharest, Romania. This transaction has been accounted for using the purchase method of accounting.

# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

	Book Value €'000	Fair value adjustments €'000	Fair value €'000
<b>Net assets acquired</b>			
Inventory	4,524	17,476	<b>22,000</b>
Trade and other receivables	240	(240)	-
Cash	20	-	<b>20</b>
Shareholder loans payable	(4,730)	4,730	-
Trade and other payables	(9)	-	<b>(9)</b>
Deferred tax liabilities	-	(2,796)	<b>(2,796)</b>
	45	19,170	<b>19,215</b>
Goodwill			<b>(5,061)</b>
Total consideration			<b>14,154</b>

Satisfied by:

Deferred consideration - paid in cash 2007	<b>14,154</b>
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The fair value adjustments relate to the adjustment to recognise property assets at their market value as at the date of acquisition, to provide for deferred tax on such revaluations and to remove inter company balances. They also reflect the adjustment necessary to reflect that an element of shareholder loans outstanding to the credit of the vendors were purchased by Atlas as part of the above transaction.

The company did not trade from its incorporation in May 2006 until it acquired its land holdings on 14 December 2006. The costs of acquisition were capitalised and there was no impact on the Income Statement for the period.

### 26. Related party transactions

(a) As described at Note 25 (a) above, on 1 March 2006 the Company completed the acquisition of a number of corporate entities from the founder shareholders of the Group. The nature of these acquisitions was detailed in the Admission Document that accompanied the Company's admission to AIM on that date. The following shareholders had an interest in those acquisitions, the consideration for which was settled in shares and/or cash:

Shareholder	Consideration due		Satisfied by:
	Shares		Cash
Elran Real Estate Limited	38,249,828	38,249,828	-
Silverrock Commerce Limited	9,654,255	9,654,255	-
BCRE Izaki Properties BV	8,183,581	8,183,581	-
Brack Cap Re Development BV	3,770,220	3,770,220	-
RP Explorer Master Fund	4,102,792	3,325,096	777,696
RP Partners Fund	4,102,792	3,325,096	777,696
Lanos Enterprises Limited	1,110,547	1,110,547	-
Emerald International Investments Limited	896,281	896,281	-

There were no balances outstanding as at 31 December 2006.

(b) The RP Explorer Master Fund and RP Partners Fund are funds that are managed by R P Capital Group. The RP Capital Group is also the holder of 42.5% of the share capital of Atlas Management Company Limited. As detailed in the Admission Document that accompanied the Company's admission to AIM on 1 March 2006, RP Capital Group received a structuring fee of 1% of the total new equity raised at Admission. This totalled an amount of £1,217,032. No balance was outstanding as at 31 December 2006.

(c) Silverrock Commerce Limited is an investment subsidiary of Osterreichische Volksbanken-Aktiengesellschaft (OVAG), an Austrian Bank. Throughout the period to 31 December 2006 OVAG provided loan facilities to a number of Atlas projects and investments. All such facilities were entered into on an arms length basis with market standard commercial terms. At exchange rates prevailing on 31 December 2006 a total of €65,323,057 was due to the OVAG Group.



# ATLAS ESTATES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued

(d) During the period the Group made a short term loan of €500,000 to one of its minority partners. The loan was made at arms length and carried an interest rate of Euribor plus 3%. At 31 December 2006 an amount of €17,000 remained outstanding.

### 27. Post balance sheet events

(a) On 26 March 2007 the Atlas Estates Group completed the following transactions:

#### **The Millennium Plaza, Warsaw, Poland**

The Millennium Plaza is a prominent office building in central Warsaw. The building provides a total of 37,200 square metres of office and retail space. The acquisition price was €76 million (including costs). Atlas has financed the transaction by securing a mortgage loan for €64.8 million at a margin of 1.15% over Euribor, with the balance being paid in cash.

#### **Volan Development Project, Budapest, Hungary**

An area of 20,640 square metres of land in Central Budapest. Atlas acquired a 50% holding in a joint venture company that acquired the land on 27 March 2007. Atlas advanced €5.5 million in cash for its stake. The land was valued at €15 million and the company assumed associated bank debt of €4 million.

(b) On 29 March 2007 Atlas completed the acquisition of the Golden Tulip hotel in Bucharest, Romania, via the purchase of 100% of the share capital of Kalipi Holdings Limited a company incorporated in Cyprus. Kalipi in turn owns 100% of the hotel owning company and the hotel management company. Atlas paid €7.5 million in cash for the shares. It is not practicable at this time to disclose the net assets that were acquired as the audit of the financial statements of the companies acquired is ongoing.

(c) On 31 May 2007 Atlas entered into a 50:50 joint venture with EdR Real Estate (Eastern Europe) S.C.A.SICAR that then completed the acquisition of the Cybernetyki project in Warsaw, Poland. This asset comprised of a 3,100 square metre plot of land currently zoned for office development, but to be re-zoned to allow residential development. The joint venture paid €6.5 million for the land.

# ATLAS ESTATES LIMITED

## Principal subsidiary companies

Country of incorporation	Name of subsidiary entity	Status	Percentage of nominal value of issued shares and voting rights held by Atlas Group
Holland	Atlas Estates Cooperatief U.A.	Holding	100%
Holland	Atlas Estates Investments B.V.	Holding	100%
Holland	Trilby B.V.	Holding	100%
Cyprus	Darenisto Limited	Holding	100%
Cyprus	Kalipi Holdings Limited	Holding	100%
Poland	DPM Sp. z o.o.	Management	100%
Poland	Platinum Towers Sp. z o.o.	Development	100%
Poland	Nowy Zoliborz Sp. z o.o.	Development	76%
Poland	Properpol Sp z o.o.	Management	100%
Poland	Atlas Estates (Millennium ) Sp. z o.o.	Investment	100%
Poland	Capital Apartments Sp. z o.o.	Development	100%
Poland	Grzybowska Centrum Sp. z o.o.	Holding	100%
Poland	HGC S.A.	Hotel operation	100%
Poland	HPO Sp Zoo	Development	100%
Poland	Atlas Estates (Cybernetyki) Sp z o.o.	Development	100%
Hungary	CI-2005 Investment Kft.	Development	100%
Hungary	Cap East Kft.	Investment	100%
Hungary	Felikon kft.	Investment	100%
Hungary	Ligetváros Kft	Investment	100%
Hungary	Városliget Center Kft	Development	100%
Hungary	Atlas Estates (Moszkva) Kft.	Holding	100%
Hungary	Atlas Estates (Dekan) Kft.	Investment	100%
Hungary	Atlas Estates (Vagany) Kft.	Holding	100%
Hungary	Atlas Estates Kaduri Shasha Kft.	Development	50%
Slovakia	Circle Slovakia s.r.o.	Development	78.25%
Slovakia	Eastfield Atlas a.s.	Holding	50%
Slovakia	Slovak Trade Company s.r.o	Development	50%
Slovakia	WBS a.s.	Development	50%
Romania	World Real Estate SRL	Development	60%
Romania	Megarom Line SRL	Development	100%
Romania	DNB Victoria Towers SRL	Hotel operation	100%
Romania	DNB Victoria Tower Hotel Management SRL	Management	100%

The above lists the current operating subsidiaries of the Group. A full list including dormant subsidiary undertakings is not included due to the excessive length of such a statement. All subsidiaries are consolidated.

# ATLAS ESTATES LIMITED

## SHAREHOLDER INFORMATION

### Payment of dividends

The Company offers payment of dividends in either Euro or Sterling. For payments in Sterling the Company will convert the Euro value payable per share at the exchange rate ruling on the record date for notifications received by that date of payments to be made in Sterling. To take advantage of this facility, please contact Computershare Investor Services (CI) Limited, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW.

If you would like your dividends paid directly into your bank account, you should contact Computershare Investor Services PLC for a dividend mandate form. This will enable your dividends to be paid directly into your nominated account, using the Bankers Automated Clearing System (BACS). Your dividend voucher will be mailed to you separately. This method also avoids the risk of dividend cheques being delayed or lost in the post.

### Shareholder enquiries

All administrative enquiries relating to shareholdings, such as queries concerning dividend payments, notification of change of address or loss of a share certificate should be addressed to the Company's Registrar:

Computershare Investor Services (Channel Islands) Limited  
Ordnance House  
31 Pier Road  
St. Helier  
Jersey JE4 8PW

### Financial calendar 2007

Annual General Meeting  
Second interim dividend

Interim results 2007

25 July 2007

Record date: 15 June 2007

Payment date: 29 June 2007

September 2007

# ATLAS ESTATES LIMITED

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the first Annual General Meeting of Atlas Estates Limited will be held at Royal Bank Place, 1 Gategny Esplanade, St Peter Port, Guernsey on 25 July 2007 at 9.00am for the following purposes:

To consider and, if thought fit, pass the following as Ordinary Resolutions:

- (1) To receive and consider the accounts and the reports of the Directors and Auditors for the period ended 31 December 2006
- (2) To reappoint PricewaterhouseCoopers CI LLP as Auditors of the Company until the conclusion of the next General Meeting of the Company at which Accounts are laid before the Members and to authorise the Directors to determine the remuneration of the Auditors.
- (3) To consider the re-appointment of Quentin Spicer who has retired in accordance with Article 99, and offers himself for re-appointment
- (4) To consider the re-appointment of Shelagh Mason who has retired in accordance with Article 101(1), and offers herself for re-appointment

### Special Business

- (5) Pursuant to the provisions of Rule 8 of the AIM Rules of the London Stock Exchange, to approve the investing strategy of the Company, set out in the Director's report for the period ended 31 December 2006, until the next General Meeting of the Company.

### Special Resolution

- (6) **THAT**, in accordance with Section 5 of the Companies (Purchase of Own Shares) Ordinance, 1998, the Company be and hereby is generally and unconditionally authorised to make one or more market purchases (as defined in Section 18 of the Companies (Purchase of Own Shares) Ordinance, 1998) of ordinary shares ("Ordinary Shares") of €0.01 each in the capital of the Company on such terms and in such manner as the directors of the Company may from time to time determine, provided that:
  - (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is 7,262,367 (being the number representing approximately 14.99 per cent. of the issued Ordinary Share capital of the Company on the date of the notice convening the meeting at which this resolution is proposed);
  - (ii) the minimum price payable by the Company for each Ordinary Share is €0.01 and the maximum price payable by the Company for each Ordinary Share is an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is purchased;
  - (iii) subject to paragraph iv, this authority shall expire at the earlier of the conclusion of the next annual general meeting of the Company to be held in 2008 or on the date which is 18 months from the date of the passing of this resolution; and

# ATLAS ESTATES LIMITED

(iv) notwithstanding paragraph (iii), the Company may make a contract to purchase Ordinary Shares under this authority before the expiry of this authority which will or may be executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary Shares in pursuance of any such contract after such expiry.

**BY ORDER OF THE BOARD**

Registered Office:  
Royal Bank Place  
1 Glatigny Esplanade  
St Peter Port  
Guernsey

RBSI Fund Services (Guernsey) Limited  
Company Secretary  
11 June 2007

**Notes:**

1. A member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.
2. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (CI) Limited, Ordnance House, 31 Pier Road, St Helier, Jersey, JE4 8PW not later than 9.00am on 23 July 2007.
3. Completing and returning a form of proxy will not prevent a member from attending in person at the Meeting and voting should he or she so wish.
4. To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members not later than 9.00am on 23 July 2007. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.



# ATLAS ESTATES LIMITED

## Form of proxy

(PLEASE USE BLOCK CAPITALS)

I/We, (name in full) \_\_\_\_\_  
 (BLOCK LETTERS PLEASE)

of (address in full) \_\_\_\_\_  
 being (a) member(s) of Atlas Estates Limited, hereby appoint the Chairman of the meeting or the Company Secretary or \*(note 1) \_\_\_\_\_  
 as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held on 25 July 2007, on the following Resolutions to be submitted to the meeting and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain.

	<b>Ordinary Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Withheld</b>
1.	To adopt the accounts and the reports of the Directors and Auditors for the period ended 31 December 2006.			
2.	To reappoint PricewaterhouseCoopers CI LLP as Auditors of the Company until the conclusion of the next General Meeting of the Company at which Accounts are laid before the Members and to authorise the Directors to determine the remuneration of the Auditors.			
3.	To re-appoint of Quentin Spicer who has retired in accordance with Article 99, and offers himself for re-appointment.			
4.	To re-appoint Shelagh Mason who has retired in accordance with Article 101(1), and offers herself for re-appointment.			
	<b>Special Business</b>			
5.	To approve the investing strategy of the Company, set out in the Director's report for the period ended 31 December 2006, until the next General meeting of the Company.			
	<b>Special Resolution</b>	<b>For</b>	<b>Against</b>	<b>Withheld</b>
6.	To allow the Directors to make market purchases of Ordinary Shares.			

Signed: \_\_\_\_\_ Name in Capitals: \_\_\_\_\_

Date: \_\_\_\_\_



# ATLAS ESTATES LIMITED

## Form of proxy (continued)

### NOTES:

1. A member may appoint a proxy of his own choice. If such an appointment is made, delete the words the chairman of the meeting/ the Company Secretary and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated.
4. If this form is returned without indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
5. To be valid, this form must be completed and deposited at Computershare Investor Services (CI) Limited, Ordnance House, 31 Pier Road, St Helier, Jersey, JE4 8PW not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.









