

ATLAS ESTATES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

Atlas Estates Limited
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Company number: 44284

ATLAS ESTATES LIMITED

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Introduction

Atlas Estates Limited (“Atlas” or the “Company”) is a Guernsey incorporated closed-ended investment company investing in real estate in Central and Eastern European countries (“CEE”). Atlas shares were admitted to trading on the Alternative Investment Market (“AIM”) on 1 March 2006 and on 12 February 2008 the Company was admitted to the Warsaw Stock Exchange (WSE). On 15 October 2010 the Board of Directors announced that the Special Resolution to cancel admission of the Company’s ordinary shares to trading on the AIM market of the London Stock Exchange was passed at an Extraordinary General Meeting of shareholders.

The Company and its subsidiary undertakings (the “Group”) invest in real estate assets in CEE excluding the former USSR. The Group currently operates in the Polish, Hungarian, Romanian and Bulgarian real estate markets investing in yielding assets and development projects.

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

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Financial Highlights

Selected Consolidated Financial Items	Year ended 31 December 2010 €'000	Year ended 31 December 2009 €'000
Revenues	100,763	47,279
Gross profit	20,472	15,549
Decrease in value of investment properties	(16,198)	(35,558)
Loss from operations	(7,958)	(47,132)
Loss before tax	(15,028)	(57,023)
Loss for the year	(12,453)	(49,218)
Loss attributable to owners of the parent	(12,493)	(48,677)
Cash flow from operating activities	20,652	(10,424)
Cash flow from investing activities	(1,219)	339
Cash flow from financing activities	(20,381)	12,212
Net increase/ (decrease) in cash	1,985	(2,237)
Non-current assets	275,290	280,558
Current assets	100,363	156,151
Total assets	402,125	463,300
Current liabilities	(90,161)	(211,942)
Non-current liabilities	(185,339)	(118,016)
Total liabilities	(295,895)	(349,402)
Net assets	106,230	113,898
Issued capital and reserves attributable to owners of the parent	105,736	113,166
Number of shares outstanding	46,852,014	46,852,014
Loss per share basic (eurocents)	(26.7)	(103.9)
Basic net asset value per share (€)	2.25	2.42
Adjusted net asset value (€'000) (1)	137,942	138,360
Adjusted net asset value per share (€)	2.94	2.95

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

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Chairman's Statement

Dear shareholders,

I am pleased to report the consolidated financial results for Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings ("the Group") for the year ended 31 December 2010. This period has been very challenging for investors in properties located in the Central and Eastern Europe ("CEE") region, due to the continuing adverse impact of the global economic environment.

The major factors affecting the Group are limited access to capital, lack of any meaningful recovery in property values and instability in the economies in the CEE region. Long term development of the assets comprising the Group's portfolio is dependent upon access to capital. The banks that previously financed growth in the CEE region are seeking to reduce their exposure to the CEE region, in response to falling property valuations and economic instability. In particular they are seeking to reduce loans provided for the acquisition of land for development.

In this environment the Group's strategy has become defensive, focusing on maintaining its relationships with its banks, tight costs control, selected investments in capital expenditures and planning and ensuring projects are completed on time and within budgets.

Atlas was subject to a takeover offer by Fragiolig Holdings Limited ("Fragiolig"), a wholly owned subsidiary of the Izaki Group, during the second quarter of 2010 (the 'Offer'). The Izaki Group is an Israel-based real estate development entity, which was a major shareholder in the Company at the time of the offer and, together with RP Capital Group, owns and manages Atlas Management Company ("AMC"), the Company's appointed Property Manager.

The Offer was a mandatory cash offer to acquire 100% of the share capital of the Company at a price of £0.90 (or 3.98 PLN) as required under Rule 9 of the UK City Code on Takeovers and Mergers. On 16 April 2010 the terms of the Offer were announced. The Offer was declared unconditional in all respects on 12 May 2010 and closed on 21 June 2010, at which time the Izaki Group, together with its concert parties, controlled 93.59% of the issued share capital of the Company.

During the Company's Annual General Meeting of shareholders held on 16 June 2010, the board of directors resigned and was replaced by the incumbent board of directors (the "Board").

Delisting from AIM (Alternative Investment Market)

On 15 October 2010 the Board of Directors announced that the Special Resolution to cancel admission of the Company's ordinary shares to trading on the AIM market of the London Stock Exchange was passed at an Extraordinary General Meeting of shareholders.

Reported Results

The Group has also reported a decrease in basic net asset value from €113.9 million to €106.2 million. The decrease principally arises from the following material movements:

- €13.6 million fall in value of investment properties in 2010 as result of €16.2 million drop in market value offset by positive foreign currencies exchange movements of €2.6 million. The decrease in property valuation have arisen across all the markets in which the Company holds investment properties and reflects increasing yields, falling rentals and lower occupancy rates as well as the underlying weakness in each economy;

offset mainly by:

- €5.2 million increase in value of property, plant and equipment due to €2.1 million increase in market value as well as positive foreign currencies exchange movements of €2.9 million. This increase in property valuation for the hotels of the Group mainly reflects Hilton performing ahead of the market in adverse trading conditions from reduced business travel;
- €12.8 million – repayment of prior year bank loan on Capital Art project.

At the operating level the Group has reported an increase in gross profit at €20.5 million for the year ended 31 December 2010 as compared to €15.5 million for the year ended 31 December 2009. This has arisen principally from sale of apartments in Capital Art and Platinum projects.

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Financing, Liquidity and Forecasts

The Group has refinanced loans attributable to several of its properties and is negotiating on several others. Negotiations have been protracted, as a result of the difficulties being faced by international banks and falling asset values. It has also refinanced or extended some of its loans, as detailed below in the note 24 to the consolidated financial information.

As a direct result of its tighter control and sale of apartments in the Polish market, the Group has reported a smaller loss before taxation for the twelve months ended 31 December 2010 compared to the 2009. The Directors consider that the current outlook, while better than the 2009 position, especially in Poland, still presents operating and financing challenges in terms of the markets in which the Group operates.

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial information for the year ended 31 December 2010, as set out in note 1.

Investing Policy

The Company actively invests in a portfolio of real estate assets across a range of property types throughout Central and Eastern Europe (CEE).

The Company targets countries within the CEE which possess attractive investment fundamentals including political and economic stability, strong GDP growth and low inflation. The Company may also make investments in countries which attract increasing foreign direct investment from being part of, or from being expected to join, the EU. The Company shall not invest in states of the former USSR.

The Company makes investments both on its own and, where appropriate, with joint venture partners in residential, industrial, retail, office and leisure properties in order to create an appropriately balanced portfolio of income-generating properties and development projects. There are no set restrictions on either sector or geographical spread of investments within the Company's stated investment region.

The Company may employ leverage to enhance returns on equity although the extent of such leverage will vary on a property by property basis. Wherever possible, the Directors intend to seek financing on a nonrecourse, asset by asset basis. The Company has no set limit on its overall level of gearing, however it is anticipated that the Company shall employ a gearing ratio of up to 75 per cent of the total value of its interest in income-generating properties within its property portfolio.

The Company seeks to provide Shareholders with an attractive overall return through a combination of income and long term appreciation of the Company's assets.

In order for the Company to achieve its long term investing policy, the Board's short term investment strategy is cash focussed with new development activity in relation to parts of its portfolio being selectively deferred but with current active projects displaying good sales being progressed on time and on budget and being brought to a conclusion to achieve intended returns. No dividends are expected to be paid in the short term.

Disposal of interests in Slovakia

Atlas announced on 3 November 2009 that it had signed an agreement for the sale of its entire investment interests throughout Slovakia (the "Slovakia Portfolio"), comprising 3 sites: one in Bratislava and two in Kosice, which were held in a joint venture in which Atlas had a 50 per cent interest. The Group is expected to realise €8 million in net proceeds from the sale of the Slovakia Portfolio. The combined impact of ceasing to consolidate its share of debt in the joint venture and the receipt of the cash consideration will reduce the Group's overall debt by some €20.5 million pending any reinvestment of the cash proceeds. The Board intends to utilise the net proceeds to fund the development of the Group's remaining assets, with particular focus on the assets located in Warsaw, Poland, where the Group has a strong presence and is likely to realise value from development activity within the next two to three years. This contrasts with the projects in Slovakia, which would have required the investment of large amounts of capital with returns arising only in the long term.

The disposal of Atlas' interests in Slovakia has two stages. The first stage was completed in November 2009 and proceeds of €0.9 million were received during 2009. The second stage was due for completion within 70 days of the

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signing of the contract, when a further €7.1 million was due to be received. On 18 January 2010 the Company announced that due to delays by the purchaser in obtaining a relevant consent from the loan provider to the joint venture, the completion of the sale of investments in Slovakia did not take place by the due date. It is still the intention of the Company to proceed with the sale and purchase of the remainder of the portfolio. The financing bank notified the Company of its approval of the transaction and a number of steps have been taken to finalise the transaction as soon as practicable. We will keep the market closely updated on the progress of this transaction.

The Board of Directors of the Company announced in October 2010 that the sale of two of the three investments in the Slovakian portfolio has been completed, however, the sale and purchase of Circle Slovakia s.r.o. the company which holds the investment in Bratislava known as Nove Vajnory which forms part of the abovementioned portfolio, had not been completed as of the date of this report. Atlas did not get any formal notification concerning change in the intention of the parties, and negotiations are continuing, although at the current stage the final outcome of such negotiations, including its timing, cannot be determined. At the same time the Board of Directors announced that the non-completion of the abovementioned transaction triggers the default of the loan granted to the Circle Slovakia s.r.o. by Investkredit Bank AG with its seat in Vienna. In the event of any claims against the Company or its subsidiaries or in the event of the Company or its subsidiaries suffering any damages, as a result of non-completion of the abovementioned transaction the Company will consider taking legal actions against the relevant parties.

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

In the twelve months to 31 December 2010, NAV per share, as reported in the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), has decreased to €2.25 per share from €2.42 per share at 31 December 2009. The adjusted NAV per share, which includes valuation gains, net of deferred tax on development properties held in inventory and land held under operating lease, but not recognised at fair value in the balance sheet, has remained stable of the level of €2.94 per share.

An independent valuation of the entire property portfolio is carried out on a semi-annual basis. At 31 December 2010 this has been undertaken by King Sturge acting as independent experts. This assessed the total movement in value during the financial year and is included in the basis for the Property Manager's performance assessment and fee calculations.

The change in value of the development land holdings over their book cost reflects the latent value within the project, which is over and above the book cost. These land holdings are valued on a residual value and comparative basis. Profit is taken upon completion of the project and when the risks and rewards of ownership of an apartment or property are transferred to the client.

A key indicator of performance is the net asset value of the Group. The following table sets out the impact on NAV per share of the revaluation of land assets that cannot be reflected in the reported balance sheet due to accounting standards.

	Book cost to Group as shown in the Balance Sheet €'000	Independent Value at 31 December 2010 €'000	Movement In value €'000
Development land assets and land held under operating lease included in total assets at cost to the Group	87,743	122,896	35,153
Attributable to non-controlling interest partners	(2,016)	(2,040)	(24)
Company share of increase in valuation of development land and land held under operating lease	85,727	120,856	35,129
Deferred tax on increase in valuation of development land and land held under operating lease			(2,645)
Basic net asset value per balance sheet			105,458
Adjusted net asset value			137,942
Number of ordinary shares in issue at 31 December 2010			46,852,014
Adjusted net asset value per share as at 31 December 2010			2.94
Adjusted net asset value per share as at 31 December 2009			2.95
Net asset value per share at IPO (after costs)			4.73

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Further analysis of the Company's NAV is contained in the Property Manager's review below.

Corporate Governance

The Group applies a robust corporate governance structure, which is vital in the current economic conditions. This is important as there is a clear link between high quality corporate governance and shareholder value creation. Details of the Group's corporate governance structure are given on page 29.

Central and Eastern Europe

Since 2009 the world economy has begun to show signs of stabilisation, which can also be seen in some of the CEE markets, mainly in Poland, which has delivered one of the better performances of any country within the EU. However, countries such as Hungary, Romania and Bulgaria are still struggling to emerge from the crisis and it is premature to judge whether their recovery will indeed accelerate over the foreseeable future. On the background of the above, the Company has relatively enjoyed its Polish exposure which accounts for the majority of its assets and activities.

In the longer term the Company remains committed to its strategy of investment in this region, as we believe that the markets will continue to offer growth rates ahead of those to be offered in the more developed markets in Western Europe. The Company has benefited in 2006 and 2007 from the growth in these markets. It has experienced a limited reversal in these markets for the past three years, but, as in any cyclical business, it is important investors and management are able to take a longer term view. This will allow the Company to benefit from the next positive stage in the property and economic cycle.

Risks and uncertainties

The Board and the Property Manager continually assess and monitor the key risks of the business. The principal risks and uncertainties that could have a material impact on the Group's performance are summarised in the Property Manager's Report on pages 9 and 18 below.

Changes in Non-executive Directors

Changes in Non-executive Directors are presented in the Director's Report.

Prospects

The Company intends to continue to invest resources and management attention in its income producing assets in order to drive occupancy and improve cashflows.

With the recovery in Poland the Company is also focusing on driving its sales activities in several residential projects in Warsaw as presented in the Review of the Property Manager.

Andrew Fox
CHAIRMAN
21 March 2011

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Review of the Property Manager

In this review we present the financial and operating results for the twelve months ended 31 December 2010. Atlas Management Company Limited ("AMC") is the Property Manager appointed by the Company to oversee the operation and management of Atlas' portfolio and advise on new investment opportunities. At 31 December 2010, the Company held a portfolio of 21 properties comprising 10 investment properties of which 8 are income yielding properties and 2 are held for capital appreciation, 2 hotels and 9 development properties.

The CEE region suffered from the effects of the global credit crunch in 2009, however in 2010 GDP is recovering in CEE countries where the Company operates. As a result of these uncertainties and changing conditions, management have taken measures to mitigate risks across the portfolio. This has included reducing costs and staffing levels and putting on hold high risk investment activity. We are working closely with our banks to ensure that they are fully informed of developments in the portfolio.

The credit and housing crisis began in 2007 and accelerated into a global crisis in 2008 and 2009. This has led to significant asset price falls and a de-leveraging cycle. Unprecedented interventions by governments have provided short term relief, but economic uncertainty will continue until asset price declines are stopped and financial stability and confidence returns. Management have successfully controlled operations during these turbulent times. Key development projects have been completed on time and to plan.

Markets and Key Properties

Poland

This is the major market of operation for the Group, with the majority of its portfolio located in Poland. The Polish economy has been one of the most resilient in Europe with GDP growth of 3.4% for 2010 (and 1.7% in 2009). There had been significant increases in property prices in previous years. These were reversed in 2009, which showed significant drop in assets values. So far, 2010 has shown a trend of stabilization at the lower level of valuations. With access to credit still restricted property prices have yet to show any upwards movement.

Hilton Hotel, Warsaw

The Hilton Hotel in the Wola district of Warsaw is a prestigious asset. Occupancy rates have recovered over the last year, and room rates have stabilised. For the Hilton this is reflected in occupancy rates for the year ended 31 December 2010 at 69% compared to 64% in 2009. The hotel has also experienced an increase in banqueting and conference activity during the period.

Platinum Towers

With its construction finished, a total of 355 apartments were pre-sold out of 396, and 324 apartments were already handed over by 31 December 2010. This residential development alongside the Hilton Hotel provides a unique development in the city. It is planned to build an office tower in the future, which will enhance the attractiveness of this site. In the twelve months of 2010 €5.7 million gross profit was recognised on the hand over of 298 apartments.

Capital Art Apartments

The Capital Art Apartments development in Warsaw is a significant development in the Wola district of Warsaw close to the city centre. It is a three stage development which will release 739 apartments in the city with parking and amenities, including retail facilities.

With both stage 1 and 2 completed, the Company has, to date, sold 218 out of 219 apartments in stage 1, with a further 204 out of 300 apartments in stage 2 having been pre-sold. This project is being developed in three stages. The third stage is currently in advance planning stages. Total handover of apartments in the 2010 reached 184 with €3.6 million gross profit recognised in the accounts.

Other properties in Poland

The Group's portfolio also contains valuable land assets in Warsaw. The Company plans two new developments in Warsaw (on Żoliborz and Mokotów). These new residential developments are planned to commence in Q2 2011 and they will release 463 apartments in total.

The Group also owns two investment properties in Poland. The Millennium Plaza in Warsaw has been affected by an adverse office rental market, but we are seeing slow increase in the interest of potential clients for its retail and office space. The Sadowa office building in Gdansk has had no significant changes in occupancy rate (92% as of 31 December 2010 compared to 95% as of 31 December 2009).

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Hungary

In Hungary, the Group portfolio comprises seven properties, all of which are located in Budapest. Five are income producing assets. It is anticipated that some of these properties may be redeveloped in the future. The Hungarian economy has suffered adversely from the global credit crisis and lack of liquidity available for development projects. As a result, Atlas has stopped development activity and, on its income yielding assets, has experienced client losses and pricing pressures. GDP in Hungary slightly improved by 0.6% in 2010 as compared to decline of 6.3% in 2009.

There has been a loss of key clients at the Ikarus Business Park as a result of the economic pressures. The Group continues to actively market the vacant space in its properties in difficult market conditions. The Atrium Homes development property is a two-stage development. The construction of stage 1 has been put on hold due to current economic conditions.

Romania

The Group's portfolio contains three properties in Romania, including the Golden Tulip Hotel and two significant land banks. The Romanian economy has declined this year by 1.9% (compared to decline of 7.1% in 2009). This contrasts with the high levels of GDP growth seen in recent years. IMF funding has been provided to support the economy. In difficult trading conditions, occupancy rates at the Golden Tulip have fallen to 54% in 2010 compared to 57% in 2009. The Group has undertaken cost control measures to mitigate the current loss of business at the hotel operation.

Bulgaria

The Group holds one rental property in Sofia. This office building has had no significant changes in tenancies during the period (ca. 85% in both 2010 and 2009).

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Financial Review

With the credit crunch and economic downturn, financial control and tight control of costs and spending have become vital and of even greater importance to the business.

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

Portfolio valuation and valuation methods

An independent valuation of the entire property portfolio is carried out on a semi-annual basis by independent valuation experts. Independent valuations may also be performed when a new property is acquired. The most recent valuation was performed at 31 December 2010 by independent real estate advisors, King Sturge.

Loans

As at 31 December 2010, the Company's share of bank debt associated with the portfolio of the Group was €246 million (31 December 2009: €260 million). Loans and valuations may be analysed as follows for those periods in which valuations were undertaken:

	Loans 2010	Valuation 2010	Loan to Value Ratio 2010	Loans 2009	Valuation 2009	Loan to Value Ratio 2009
	€'000	€'000		€'000	€'000	
Investment property	117,439	145,710	80.6%	117,234	159,182	73.7%
Hotels	64,254	107,550	59.7%	66,727	104,050	64.1%
Development property in construction	29,957	28,100	106.6%	43,015	118,140	36.4%
Other development property	21,644	46,600	46.4%	20,774	33,384	62.2%
	233,294	327,960	71.1%	247,750	414,756	59.7%
Liabilities disclosed as held for sale	12,368	21,854	56.6%	12,240	21,855	56.0%
Total	245,662	349,814	70.2%	259,990	436,611	59.7%

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2010 due to the treatment under IFRS of land held under operating leases and development property.

The decrease in valuation of development property in construction from 2009 to 2010 is mainly a result of repayment of the loan on Capital Art project as well as significant decrease of inventory balance in Platinum Towers due to sale of apartments.

The increase in valuation of other development properties from 2009 to 2010 is due to additional collateral on bank loan in Atlas Estates (Kokoszki) Sp. z o.o.

The gearing ratio is 67% (as presented in note 1.2 to the consolidated financial statements) based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratios remained at the similar level as compared to 31 December 2009.

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Debt financing

The Group has its principal facilities with Erste Bank, Investkredit Bank and Raiffeisen Bank. The financial covenants within the Group's secured debt facilities fall into two main categories: annual Loan to Value ("LTV") tests and interest (and debt) service cover ratios ("ISCR" and "DSCR") based on audited financial statements for each subsidiary.

Summary of loans by bank at 31 December 2010 gross of joint venture share and adjusted for effects of the cross-collateralisation agreement:

Bank/ Company	Country	Loan Currency	Balance in local currency thousand	Balance in EUR thousand ⁽²⁾	Years to Maturity	Basis of interest
<u>InvestKredit</u>						
HGC	Poland	Euro	61,444	61,444	5	3mth EURIBOR
Zielono	Poland	Pln	13,005	3,284	-	3mth WIBOR
Immobul	Bulgaria	Euro	5,530	5,530	7	3mth EURIBOR
<u>Total InvestKredit</u>				70,258		
<u>Erste Bank</u>						
Millenium	Poland	Euro	61,657	61,657	6	3mth EURIBOR
Ligetvaros	Hungary	Euro	3,925	3,925	11	3mth EURIBOR
Voluntari	Romania	Euro	12,953	12,953	2	3mth EURIBOR
Solaris	Romania	Euro	13,495	13,495	2	3mth EURIBOR
<u>Total Erste Bank</u>				92,030		
<u>Raiffeisen</u>						
Platinum Towers	Poland	Pln	118,638	29,957	-	1mth WIBOR
Kokoszki	Poland	Pln	39,704	10,026	<1	1mth WIBOR
<u>Total Reiffeisen</u>				39,983		
<u>ING Bank</u>						
Sadowa	Poland	Euro	6,399	6,399	10	1mth EURIBOR
<u>Bank PEKAO</u>						
Cybernetyki ⁽¹⁾	Poland	Pln	13,847	3,496	<1	1mth WIBOR
<u>MKB Bank</u>						
Ikarus (Felikon)	Hungary	Euro	14,455	14,455	6	Fixed
<u>Volksbank</u>						
Volan ⁽¹⁾	Hungary	Euro	6,237	6,237	-	3mth EURIBOR
<u>FHB Kereskedelmi Bank</u>						
Metropol	Hungary	Euro	2,794	2,794	7	3mth EURIBOR
<u>Alpha Bank</u>						
Golden Tulip	Romania	Euro	3,443	3,443	6	3mth LIBOR

(1) gross of joint venture share

(2) the balance differs from the total bank loans and overdrafts included in the consolidated balance sheet as at 31 December 2010 due to the treatment under IFRS of direct issue costs

Key changes in 2010

On 25 January 2010 the Company announced that its Hungarian subsidiary Cap East Kft, which owns the Metropol office building in Budapest, had signed a credit facility for €3.1 million with FHB Kereskedelmi Bank Zft. This loan will be

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utilised as working capital for operations and to fund the development of its portfolio (€2.8 million as of 31 December 2010).

On 24 February 2010 the Atlas Group companies Atlas Estates (Millennium) Sp. z o.o., Ligetvaros Kft, Atlas Solaris SRL and World Real Estate SRL signed an amendment agreement with Erste Bank. This agreement created a cross collateralisation arrangement between these 4 companies with respect to the loans provided by Erste Bank. In return for this cross collateralisation the bank agreed to waive any claims for any breaches of covenants which were in existence. A new covenant of interest service coverage has been included, with a priority of payments list, reduced margins on each loan and extension of maturity dates for the two Romanian land loans to 31 December 2012. A new LTV covenant comes into effect from 1 January 2013 (€91.9 million as of 31 December 2010).

The Group has successfully negotiated an extension of the land loan for the Kokoszki plot in Gdansk to 29 July 2011 (€10.0 million as of 31 December 2010).

Update on current status

In the preparation of the consolidated financial statements for the year ended 31 December 2010, the directors have reclassified two loans totaling €20.0 million within the financial statements from non current liabilities to current liabilities as bank loans and overdrafts due within one year or on demand, where covenant breaches or defaults on these loans arose. The banks are aware of the technical breaches and defaults and have not asked for repayment of the loans. The current status is as follows:

- Atlas House, Sofia (€ 5.5 million) The Company has also received a waiver from the lender for the LTV covenant breach, however the waiver was not signed at the date of this report;
- Felikon (€ 14.5 million)- this asset has breached its DSCR and DSRA covenants, but currently there are advanced negotiations on a re-structure of the loan to include a holiday period from principal and interest payments in order to stabilize its cash flow.

In addition there are four loans that are classified as bank loans and overdrafts due within one year or on demand in the amount of €38.1 million. Following negotiations are ongoing with the banks on refinancing terms:

- Platinum Towers project (€30.0 million) - the loan attributable to this project is overdue as of 31 December 2010 however on 16 February 2011 the Company signed the extension of the loan resulting in capital repayment from December 2011 until March 2012;
- The land loan on Zielono (€3.3 million) – the Company received an offer from the bank for the loan prolongation until either June 2011 or December 2011, which is currently being considered by the Company;
- Cybernetyki (€1.7 million) – The Company received signed term sheet to the existing agreement that prolongs repayment of the loan until June 2011 and was granted a new construction loan of €64 million;
- Volan project (€3.1 million) - the loan attributable to this project is overdue however, the Company has received an extension offer from the bank which has yet to be signed and concluded.

Review of the operational performance and key items on the Income Statement

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

	Property Rental € millions	Development Properties € millions	Hotel Operations € millions	Other € millions	Year ended 31 December 2010 € millions	Year ended 31 December 2009 € millions
Revenue	12.3	70.7	17.7	0.0	100.7	47.3
Cost of operations	(5.4)	(61.6)	(12.4)	(0.9)	(80.3)	(31.7)
Gross profit	6.9	9.1	5.3	(0.9)	20.5	15.6
Administrative expenses	(1.0)	(1.3)	(3.3)	(4.5)	(10.1)	(10.4)
Gross profit less administrative expenses	5.9	7.8	2.1	(5.4)	10.4	5.2
Gross profit %	56%	13%	30%	n/a	20%	33%
Gross profit less administrative expenses %	48%	11%	12%	n/a	10%	11%

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Revenue

Total revenues for year ended 31 December 2010 were €100.7 million compared to €47.3 million for the year ended 31 December 2009. The Group's principal revenue streams are income from the sale of the residential apartments that the Group develops, property rental income and sales from its hotel operations. As the Group maintains a diversified portfolio of real estate investments, seasonality or cyclical nature of yielded income or results is also highly diversified. The available portfolio of assets for lease, the systematic execution and sale of residential projects and the geographical reach of the Group's portfolio has, to a significant extent, resulted in stable levels of income being earned.

Property Rental

	2010 € millions	2009 € millions	Change year on year 2010 v 2009 € millions	Translation foreign exchange effect € millions	Operational change 2010 v 2009 € millions
Revenue	12.3	13.3	(1.0)	0.7	(1.7)
Cost of operations	(5.4)	(5.2)	(0.2)	(0.3)	0.1
Gross profit	6.9	8.1	(1.2)	0.4	(1.6)
Administrative expenses	(1.0)	(0.9)	(0.1)	-	(0.1)
Gross profit less administrative expenses	5.9	7.2	(1.3)	0.4	(1.7)

The revenue of the Group has been affected principally by the loss of tenants and falling rental levels at its two largest properties the Millennium Plaza and Ikarus Industrial Park.

Development Properties

	2010 € millions	2009 € millions	Change year on year 2010 v 2009 € millions	Translation foreign exchange effect € millions	Operational change 2010 v 2009 € millions
Revenue	70.7	17.4	53.3	1.4	51.9
Cost of operations	(61.6)	(16.3)	(45.3)	(1.3)	(44.0)
Gross profit	9.1	1.1	8.0	0.1	7.9
Administrative expenses	(1.3)	(1.3)	(0.0)	-	-
Gross profit less administrative expenses	7.8	(0.2)	8.0	0.1	7.9

Sales are only recognised when apartments have been handed over to new owners with the full price of the apartment received by the Group. As a result the economic risks and rewards were transferred to the new owner and in accordance with the Group's accounting policy the revenue and associated costs of these apartment sales are recognised in the income statement.

The increase in results for 12 months of 2010 is due to new sales of apartments being recognized in Platinum Towers and Capital Art Apartments stage 2 projects compared to Capital Art Apartments Stage 1 sales only included in the comparatives (see table below).

Apartment sales in developments in Warsaw

	Capital Art Apartments stage 1	Capital Art Apartments stage 2	Platinum Towers
Total apartments for sale	219	300	396
Pre sales of apartments to date	218	204	355
Sales completions in 2008	99	-	-
Sales completions in 2009	107	-	26
Sales completions in 2010	8	176	298
Total sales completions	214	176	324
Pre sales in 2009	21	95	31
Pre sales in 2010	4	28	31

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At Capital Art Apartments, for the year ended 31 December 2010, revenue of €24.5 million and gross profit of €3.6 million (2009: €0.4 million) have been recognised on the sales of 184 apartments.

For Platinum Towers, for the year ended 31 December 2010, of the 396 available apartments completed sales were represented by 298 apartments. This resulted in sales of €46.1 million and a gross profit of €5.1 million being recognised in the income statement (2009: €4.9 million and €0.7 million respectively).

Hotel operations

	2010 € millions	2009 € millions	Change year on year 2010 v 2009 € millions	Translation foreign exchange effect € millions	Operational change 2010 v 2009 € millions
Revenue	17.7	16.6	1.1	1.3	(0.2)
Cost of operations	(12.4)	(10.2)	(2.2)	(0.8)	(1.4)
Gross profit	5.3	6.4	(1.1)	0.5	(1.6)
Administrative expenses	(3.3)	(2.9)	(0.4)	0.2	(0.6)
Gross profit less administrative expenses	2.0	3.5	(1.5)	0.7	(2.2)

The Hilton in Warsaw has seen an occupancy rate of 69% for the year ended 31 December 2010 compared to 64% in 2009.

Occupancy rates at the Golden Tulip Hotel in Bucharest, Romania were 54% for the year ended 31 December 2010 compared to 57% in 2009.

The operational change in gross profit of hotel operations is mainly caused by significant increase of costs of operations in Hilton Hotel due to inventory capitalization (CCU) in 2009.

Cost of operations

Cost of operations was €80.3 million in the year ended 31 December 2010, compared to €31.7 million in 2009. The increase is principally due to the sales of apartments recognised in Platinum Towers and Capital Art Apartments Stage 2.

Administrative expenses

Administrative expenses maintained at the same level.

Valuation movement

The Group has reported a loss on valuation of investment properties of €16.2 million for 2010 (2009: €35.6 million) in the consolidated income statement. This decrease reflects the economic crisis and fall in valuations in properties in the CEE region.

Other operating income and expenses

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

Impairment of inventory and property, plant and equipment

Provisions for impairment of inventory of €0.2 million (2009: €9.9 million) and hotel impairment of €18 million have been reported in the consolidated income statement. These provisions arise on potential loss of value on sales contracts for apartment sales and parking spaces and due to the fair value less costs of sale of assets being less than the carrying value of inventory, as well as when the cost of the inventory is higher than the valuation of King Sturge. The impairment represents impairment of Romanian hotel due to decrease in external valuation.

Finance income and costs

The income statement includes finance costs of €112 million for the year ended 31 December 2010, compared with €10.6 million in 2009, representing mainly interests on bank loans and related bank charges.

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Foreign exchange

There have been significant fluctuations in exchange rates in the underlying currencies in the countries in which the Group operates and owns assets. A summary of exchange rates by country for average and closing rates against the reporting currency as applied in the financial statements are set out below.

	Polish Zloty	Hungarian Forint	Romanian Lei	Slovakian Crown	Bulgarian Lev
Closing rates					
31 December 2010	3.9603	278.75	4.2848	n/a	1.95583
31 December 2009	4.1082	270.84	4.2282	n/a	1.95583
% Change	(3.6%)	2.9%	1.3%	n/a	0.0%
Average rates					
Year 2010	3.9946	275.41	4.2099	n/a	1.95583
Year 2009	4.3273	280.58	4.2373	n/a	1.95583
% Change	(7.7%)	(1.8%)	(0.6%)	n/a	0.0%

Net Asset Value

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

- Yielding assets let to paying tenants – classed as investment properties with valuation movements being recognised in the Income Statement;
- Property, plant and equipment operated by the Group to produce income, such as the Hilton hotel or land held for development of yielding assets (PPE) – revaluation movements are taken directly to reserves, net of deferred tax; and
- Property developments, including the land on which they will be built – held as inventory with no increase in value recognised in the financial statements.

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

	NAV 2010 € millions	NAV per share 2010 €	NAV 2009 € millions	NAV per share 2009 €
Basic NAV	105.5	2.25	113.2	2.42
Development land valuation increase	35.1	-	31.1	-
Deferred tax	(2.6)	-	(5.9)	-
Adjusted NAV	138.0	2.94	138.4	2.95

Notes:

The number of shares in issue as at 31 December 2010 and 2009 is 46,852,014.

Included in the income statement is a loss of €16.2 million (2009: loss €35.6 million) arising from the revaluation of the Group's investment properties and €1.8 million arising from impairment write off in the Golden Tulip Hotel. The total revaluation reserve of €9.0 million (2009: €6.9 million) represents the revaluation of the Hilton Hotel and the Golden Tulip Hotel.

The Property Manager's basic and performance fees are determined by the adjusted NAV. For the twelve months to 31 December 2010 the combined fee payable to AMC was €2.7 million (€4.1 million to 31 December 2009).

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Ongoing activities

During the twelve months of 2010, the Company continued to identify ways by which it can generate added value through the active management of its yielding asset portfolio. It has also continued to crystallise the value of development projects by the pre-selling of apartments under construction and by the completion of development property in the course of construction.

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

A key management objective is controlling and reducing construction costs and schedules at its development projects, particularly in the light of global variations in commodity prices and the increase of labour costs in the region. Another key objective is the refinancing of the portfolio, the securing of construction loans and the evaluation of various fund raising opportunities.

Financial management, operational management and material risks

The management team continuously monitors the territories in which the Company is invested, analysing the economics of the region and the key measures of the sectors in which it operates to ensure that it maintains its strategy and does not become over-exposed to, or reliant on, any one particular area. At the same time, it evaluates the risks and rewards associated with a particular country, or sector, in order to maximise return on investment and therefore the return it can deliver to shareholders.

The Company is publicly listed on WSE and until recently it was also listed on AIM. In continuing to fulfill its obligations to its shareholders and the markets, together with maintaining its policy of maximum disclosure and timely reporting, it is continually improving and developing its financial management and operational infrastructure and capability. Experienced operational teams are in place in each country, where there is significant activity, otherwise a central operational team and investment committee monitor and control investments and major operational matters. As such, the management team continually reviews its operating structures to optimise the efficiency and effectiveness of its network, which is particularly important given the current environment.

We continue to enhance our internal control and reporting procedures and IT systems in order to generate appropriate, timely management information for the ongoing assessment of the Group's performance. There is in operation a financial reporting system which provides the Group with the required reporting framework, financial management and internal control.

Global economic conditions

The Board and AMC have closely monitored the effects that the current global economic conditions have on the business and will continue to take steps to mitigate, as far as possible, any adverse impact that may result for the business.

An impact of the economic uncertainty is the variations in exchange rates of countries in the region. AMC has been advising the Board on a regular basis with respect to financial performance and the effect of external factors on the business.

Financing and liquidity

Management has experienced a change in the approach and requirements of lenders for financing in the CEE region which has been reflected in the covenants that are applied to facilities, such as a reduction of loan to value ratio, increasing margins and an increase in levels of required pre-sales on development projects. Negotiation and completion of financing agreements is also taking longer than previously experienced. The management team see this as a potential risk to the ongoing development of the Company and as a result are devoting significant resource to the management of banking relationships and the monitoring of risk in this area.

Cash is managed both at local and head office levels, ensuring that rent collection is prompt, surplus cash is suitably invested or distributed to other parts of the Group, as necessary, and balances are held in the appropriate currency. The allocation of capital and investment decisions are reviewed and approved by local operational management, the executive team, the central finance and operational teams, by the investment committee of AMC and, finally, by Atlas' Board. This approach provides the Company with a rigorous risk management framework. Where possible, the Company will use debt facilities to finance its projects, which the Company will look to secure at appropriate times and when available, depending on the nature of the asset – yielding or development.

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Currency and foreign exchange

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

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

Conclusions

AMC's key strategic objective is the maximisation of value for the Company's shareholders, which it continues to work towards. Its teams are very experienced in the active management of investment and development property and provide the Company with a great deal of valuable local market knowledge and expertise. Good progress has been made with the sales of two key development projects in Warsaw, Platinum Towers and Capital Art Apartments.

The Company's key objectives in the current economic climate remain the minimisation of financial risks, optimising cash retention and operational effectiveness and enhancing the Group's liquidity, which will enable it to progress its portfolio of developments. The Company has a portfolio of strong underlying assets and a development pipeline that we believe will enable us to continue to meet the ongoing demand for the quality and specification of the space that Atlas delivers. In turn, we believe that this will position us to preserve and, over the longer term, create value that we aim to deliver to the shareholders, once stability and more certain economic conditions return to the markets, both within our target territories and across the global economy as a whole.

Reuven Havar
Chief Executive Officer
Atlas Management Company Limited
21 March 2011

Ziv Zviel
Chief Financial Officer
Atlas Management Company Limited

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Property Portfolio Information

Location/Property	Description	Company's ownership
Poland		
Hilton Hotel	First Hilton Hotel in Poland – a 4 star hotel with 314 luxury rooms, large conferencing facilities, 4,500 square meters Holmes Place health club and spa and casino and retail outlets. Location close to the central business district in Wola area of Warsaw.	100%
Platinum Towers	396 apartments in two towers; the residential development has been completed in the 3 rd quarter of 2009 with two residential towers and a piazza. Location close to the central business district in Wola area of Warsaw.	100%
Platinum Towers – offices	Land with zoning for an office scheme of class A office space planned over 42 floors.	100%
Properpol	Commercial area on the ground and first floors Platinum Towers with 1,842 square meters of gallery and 208 parking places almost fully let to tenants.	100%
Capital Art Apartments	739 apartment three stage development with Stage 1 completed in 4 th quarter 2008 with 218 out of 219 apartments pre sold. Stage 2 with the construction of 300 apartments completed in 2009, out of which 204 were already pre-sold and 176 handed over. Stage 3 construction will follow. Location close to the central business district in Wola area of Warsaw.	100%
Zielono	Land with zoning and building permit for 265 apartments. Construction will commence with appropriate financing. Location in a residential area of Warsaw.	76%
Millennium Tower	32,700 square metres of office and retail space in the central business district of Warsaw with 6,100 square meters of retail and 26,600 square meters of office space.	100%
Cybernetyki project	3,100 square metre plot of land zoned for 11,000 square metres and with building permit for residential development. Construction will commence with appropriate financing. Location in Mokotow district close to the central business district of Warsaw.	50%
Sadowa project	6,550 square metre office building with 92% occupancy close to the city centre of Gdansk.	100%
Kokoszki, Gdansk	430,000 square metre plot in Gdansk with zoning for construction of 130,000 square metres of mixed use development, situated on the outskirts of Gdansk.	100%
Hungary		
Ikarus Business Park	283,000 square metres plot with 110,000 square metres of built business space and 70,000 of currently lettable, located in the 16 th district, a suburban area of Budapest	100%
Metropol Office Centre	7,600 square metres office building in the 13 th district of central Budapest.	100%
Atrium Homes	Two phase development of 22,000 square meters of 456 apartments with 235 apartments in phase 1 with building permits, located in the 13 th district in central Budapest.	100%
Ligetvaros Centre	6,300 square metres of office/retail space with rights to build extra 6,400 square metres, located in the 7 th district, a central district in Budapest.	100%
Varosliget Centre	12,000 square metres plot in the 7 th district in central Budapest, with zoning for a mixed use development of 31,000 gross square metres.	100%

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Location/Property	Description	Company's ownership
Moszkva Square	1,000 square metres of office and retail space in the Buda district of the city.	100%
Romania		
Voluntari	99,116 square metres of land in three adjacent plots at the pre-zoning stage, in the north eastern suburbs of the city, known as Pipera.	100%
Solaris Project	32,000 square metres plot for re-zoning to mixed-use development in a central district of Bucharest	100%
Golden Tulip Hotel	4 star 83 room hotel in central Bucharest in the city centre of Bucharest	100%
Bulgaria		
The Atlas House	Office building in Sofia's city centre with 3,472 square metres of lettable area spread over eight floors.	100%

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Directors - Atlas Estates Limited

Andrew Fox
Chairman
Non-executive Director

Mr Fox graduated with a Bachelor of Commerce degree in 1999 and a Post Graduate Diploma in Finance, Banking and Investment Management in 2000, both from the University of Natal, South Africa. Mr Fox qualified as a member of the Association of Chartered Certified Accountants in 2003 and was admitted as a Fellow in 2009. Mr Fox joined Oak Trust (Guernsey) Limited in 2001 and was appointed a Director in 2006.

Mark Chasey
Non-executive Director
Chairman of Audit Committee

Mr Chasey graduated with a Bachelor of Commerce degree in 1979 and a Bachelor of Accountancy degree in 1981, both from the University of the Witwatersrand, South Africa. Having completed his articles with the accounting firm Pim Goldby in Johannesburg, Mr Chasey qualified as a member of the South African Institute of Chartered Accountants in 1984 and was Financial Controller at Femco Electric Motors Limited in Johannesburg from 1984 to 1988. After establishing his own liquidation business in Johannesburg in 1989, Mr Chasey joined Ernst and Young Trust Company (Jersey) Limited in 1997 and then, in 1999, went on to establish Oak Trust (Guernsey) Limited.

Guy Indig
Non-executive Director

Mr Indig graduated from Bar-Ilan University, Israel, with an LLB in 1990. In 2001 Mr Indig obtained an MBA from Tel-Aviv University. He also holds a Masters in Finance from the London Business School. Having practiced law for several years, in 2000 Mr Indig joined the Beny Steinmetz Group, a sizeable, global private equity group focused on real estate investments and natural resources. Mr Indig acted as an Investment Director in BSG's international Real Estate and Private Equity teams. Having completed a Masters in Finance degree at London Business School in 2005, Mr Indig joined the Royal Bank of Scotland and worked as a director in RBS' real estate finance division until 2008, focussing on asset-backed debt financing and investments throughout continental Europe and the UK. In 2008, Mr Indig was asked to join the Izaki Group as a Managing Director and he has since been leading the Izaki Group's European Real Estate and private equity investment activities.

Registered office

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

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

Alan Tidy

Non-executive Director

Mr Tidy is currently the Managing Director and major shareholder of a Jersey fiduciary services group which holds licenses and is regulated by the Jersey Financial Services Commission for trustee and funds services.

Mr Tidy was employed by the Zurich group for a number of years in their Jersey office, where he was responsible for the Zurich group's activities in the Channel Islands and for their trustee business; Zurich Trust Limited. Under Mr Tidy, Zurich's trustee business expanded from providing solely corporate pension scheme solutions into the provision of trust and company services to private clients and individual pension scheme arrangements.

Mr Tidy's career has been exclusively within the financial services industry, initially in London with Lloyds Bank and Charterhouse Japhet and then Bank America. He was seconded by Bank America to establish their private banking operation in Geneva, where he lived for five years and was then transferred to their San Francisco head office to work in the private banking division. He moved to Jersey to lead the Jardine Matheson group's international financial services businesses, where he established their international banking operation and their funds administration business. Mr Tidy was Managing Director of Matheson Trust Company (Jersey) Limited and Chief Operating Officer of Jardine Matheson Trust Corporation; a fiduciary services business which was developed into ten jurisdictions. He left Jardine Matheson when the business was sold to the Insinger de Beaufort group.

Ron Izaki

Director

Chairman of Investment Committee

Non-executive Director

Mr Izaki is the Chief Executive Officer and primary shareholder of the Izaki Group which was founded in 1948 and is now one of the leading real estate development firms in Israel. He has been involved in the development of thousands of apartments and millions of square feet of commercial and retail space in the USA, Israel and Western Europe. Mr Izaki is also a director of Brack RE, an international owner, developer and manager of real estate. He has a Bachelors Degree in civil engineering from the Israel Institute of Technology.

Reuven Havar

Chief Executive Officer

Mr Havar, has significant expertise in planning and development of large scale real estate projects. He has spent the past nine years with the Africa Israel Group, firstly as the CEO of operations for AFI-EUROPE in the Czech Republic from 2000 and then in Romania from 2006. Before joining the Africa Israel Group, Mr Havar was the CEO of the Pepsi Cola and juices central bottling plant in Bucharest between 1996 and 1998. Prior to which, Mr Havar served as an Israeli foreign diplomat assigned to the Economic Attache in Columbia and Venezuela (First Secretary for Economic Affairs) from 1994. He has also served as the CFO of M-Systems (a hi-tech company) between 1993 and 1994, during which the company listed on the NASDAQ. Mr Havar holds a BA and a MBA from Bar Ilan University in Israel.

Ziv Zviel

Chief Financial Officer

Mr Zviel joined Atlas Management Company Limited in October 2010 as its Chief Financial Officer. Prior to this and from 2009 Mr Zviel served as Chief Financial Officer and Treasurer of Deltathree, a telecom company traded in the NASDAQ stock exchange. From 2007 till then he served as VP of Finance of LivePerson, an Internet company publicly traded in the NASDAQ stock exchange. Prior to that, and from 2002, Mr Zviel served in a number of roles in Magic Software, a global software company traded in NASDAQ. Before that, and from 2000, Mr Zviel served as an audit manager in the Tel Aviv office of Ernst & Young.

Mr Zviel holds a first degree in accounting and economics and an MBA in Business Management, both from the Bar Ilan University in Israel.

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Directors' Report

The Directors present their report and the audited financial statements for the twelve months ended 31 December 2010.

Results and dividends

The results for the Group for the year are set out in the consolidated income statement on page 37 and show a loss after tax attributable to equity shareholders of €12.5 million (2009: loss after tax of €48.7 million).

The Company has not declared a dividend for 2010 (2009: €nil).

Activities and review of business

The Company is domiciled in Guernsey as a closed-ended investment company under Guernsey Law. The Company was admitted to the AIM market of the London Stock Exchange and commenced trading on 1 March 2006. In February 2008, the Company completed a listing on the Warsaw Stock Exchange.

On 15 October 2010 the Board of Directors announced that the Special Resolution to cancel admission of the Company's ordinary shares to trading on the AIM market of the London Stock Exchange was passed at an Extraordinary General Meeting of shareholders.

The principal activity of the Company and the Group is property investment and development throughout Central and Eastern Europe ("CEE"), together with the management of its properties. The development of the Group's business and future prospects, including a description of material risk factors and threats and information on the degree of the Group's exposure to such risks or threats, is considered in the Chairman's Statement on pages 5 to 8 and the Review of the Property Manager on pages 9 to 18.

There were no other significant changes in the Company's organisational structure occurred in the year ended 31 December 2010.

A list of the operating subsidiaries of the Company subject to consolidation is included within note 36 of the financial statements of this report, on page 83.

Investing Policy

The Company actively invests in a portfolio of real estate assets across a range of property types throughout CEE. However the strategy is mainly based on the progressive strengthening of the Company position in Poland and further development in the remaining markets in which the Company operates.

The Company targets countries within the CEE which possess attractive investment fundamentals including political and economic stability, strong GDP growth and low inflation. The Company may also make investments in countries which attract increasing foreign direct investment from being part of, or from being expected to join, the EU. The Company shall not invest in states of the former USSR.

The Company makes investments both on its own and, where appropriate, with joint venture partners in residential, industrial, retail, office and leisure properties in order to create an appropriately balanced portfolio of income-generating properties and development projects. There are no set restrictions on either sector or geographical spread of investments within the Company's stated investment region.

The Company may employ leverage to enhance returns on equity although the extent of such leverage will vary on a property by property basis. Wherever possible, the Directors intend to seek financing on non-recourse, asset by asset basis. The Company has no set limit on its overall level of gearing, however it is anticipated that the Company will employ a gearing ratio of up to 75 % of the total value of its interest in income-generating properties within its property portfolio.

The Company seeks to provide Shareholders with an attractive overall return through a combination of income and long term appreciation of the Company's assets.

The Board recognises that the current state of the credit markets and general downturn in the CEE economies in which the Company invests have had a negative effect on the overall value of the Group's portfolio, causing a slight decline in the Company's net asset value per share as compared to prior year. In order for the Company to achieve its long term investing policy, the Board's short term investment strategy is cash focussed with new development activity in relation to parts of its portfolio being selectively deferred but with current active projects displaying good sales being progressed on

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time and on budget and being brought to a conclusion to achieve intended returns. No dividends are expected to be paid in the short term.

Diversification

In order to hedge against risks, the Group intends to maintain a diversified portfolio of real estate investments. The diversification will have three aspects: firstly, the Group intends to diversify its geographical reach by investing in various countries in the CEE region; secondly, the Group intends to diversify the type of investment (e.g. residential development, office, commercial, etc.); and thirdly, the Group intends to stagger the development phases of its various projects (e.g. the purchase of land, the design phase, the construction phase, the marketing and sale process) in order to maintain stable levels of income earned.

As at 31 December 2010, the Company had investment assets in Poland, Romania, Hungary and Bulgaria. The Group also intends to continue its strategy of investing in non-capital cities in the countries in which it operates.

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 9 to 18. Apartments to date have been sold at prices in excess of the initial budget.

For yielding assets the measure of the yield of an asset relative to its cost to the Group is of key importance. Also the overall valuation of the portfolio will drive the value to the Company and ultimately the Company's share price. Details of total return targets and increases in net asset value per share are included within the Chairman's Statement and Review of the Property Manager.

The key financial risk policies are stated within the financial sections of this report on pages 52 to 57.

Going concern

As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment has been challenging. Despite this the Group has reported increase in gross profit from €15.5 million in 2009 to €20.5 million in 2010 and profit for the year excluding valuation losses of investment properties of €3.8 million (compared to loss of 13.6 million in 2009).

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

As at 31 December 2010 the Group held land and building assets with a market value of €350 million, compared to external debt of €246 million. Subject to the time lag in realising the value in these assets in order to generate cash, this "loan to value ratio" gives a strong indication of the Group's ability to generate sufficient cash in order to meet its financial obligations as they fall due. Any land and building assets and associated debts which are ring-fenced in unique, specific, corporate vehicles, which are subject to any repossession by the bank on default of loan terms would clear the outstanding debt and not result in additional finance liabilities for the Company or for the Group. There are also unencumbered assets which could potentially be leveraged to raise additional finance.

For the first time the Group has entered into a cross collateralisation agreement on four of its loans with one bank. This has been necessary due to covenant breaches on certain loans. As a result of the amendment agreement the bank has agreed to a waiver of all prior covenant breaches and improved terms and conditions for the Group.

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2010, the directors have taken into account the status of current negotiations on loans. These are disclosed in note 24 as part of the bank loans note and proves positive prospects for an improvement in expected repayments. The Company has also continued to provide funds to service interest and capital repayments on these loans on behalf of its subsidiary companies.

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

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2010.

Substantial shareholdings

As of 16 March 2011, the Board was aware of the following direct or indirect interest in 3% or more of the Company's ordinary share capital (excluding treasury shares). All shares have equal voting rights.

Table 1 – Significant Shareholders	Number of Shares held	Percentage of Issued Share Capital
HSBC Client Holdings Nominee (UK) Limited <636167> (Fragiolig Holdings Limited)	31,850,016	67.98
Euroclear Nominees account <EOCO1>	8,097,793	17.28
Forest Nominees <GC1>	6,536,925	13.95
TOTAL	46,484,734	99.21

Directors and Directors' share interests

The non-executive Directors who served during the year are detailed in Table 2 below. No Director had any direct interest in the share capital of the Company or any of its subsidiaries during the year or the preceding year.

Table 2 – Non-executive Directors	
Mr Quentin Spicer	Resigned 16 June 2010
Mr Michael John Stockwell	Resigned 16 June 2010
Mrs Shelagh Mason	Resigned 16 June 2010
Mr Andrew Fox	Appointed 16 June 2010
Mr Mark Chasey	Appointed 16 June 2010
Mr Guy Indig	Appointed 16 June 2010

Biographical details for all current Directors are set out on page 24.

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

The Remuneration Report contains details of Directors' remuneration, terms of their appointment and those of the Property Manager and is set out on pages 32 to 34. No other Director had, during the accounting year or in the period to 21 March 2011, any material beneficial interest in any significant contract in the Group's business.

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Directors' Responsibilities

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

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

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

Company website

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

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

Auditors

The Directors confirm that as at 21 March 2011:

- So far as they are aware, there is no material relevant information (that is, information needed by the Group's auditors, in connection with preparing their report) of which the Group's auditors are unaware;
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On 14 December 2010 the Audit Committee of the Company as the body authorized to make such decision reappointed the partnership BDO LLP, as the auditor of the financial reports of the Company for the year 2010.

The consolidated financial statements of the Group for 2010 were audited by BDO LLP on the basis of a contract concluded on 4 January 2011. The consolidated financial statements of the Group for 2009 were audited by BDO LLP on the basis of a contract concluded on 9 December 2009.

The total fees specified in the contract with the audit company, payable or paid for an audit and review of the financial statements and for other services are presented below:

Table 3 – Audit Company – fees		
	2010	2009
	€'000	€'000
Audit of individual and consolidated annual financial statements	330	315
Review of interim individual and consolidated financial statements	73	95
Tax services	158	11
Total	561	421

Annual General Meeting

The Annual General Meeting will be held on 15 June 2011.

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Information about court proceedings

As of 21 March 2010, the Company was not aware of any proceedings instigated before a court, a competent arbitration body or a public administration authority concerning liabilities or receivables of the Company, or its subsidiaries, whose joint value constitutes at least 10% the Company's equity capital, except for instituting legal proceeding against Atlas Estates (Millennium) Sp. z o.o.

Atlas Estates Limited ("AEL") was notified by its subsidiary Atlas Estates (Millennium) Sp. z o.o. with its seat in Warsaw ("AEM") that on 20 January 2011 AEM obtained from the court an invitation for a hearing of amicable settlement concerning a claim of Reform Company Sp. z o.o. in bankruptcy proceeding for payment of the amount of 66,791,250 PLN as the compensation of the damages which were caused to Reform Company Sp. z o.o. at execution of the transaction of sale of Millennium Plaza building. The parties invited for the amicable settlement are: AEM, Hendrik Johannes Keilman, Anandrous B.V with its seat in Amsterdam, Hocalar B.V with its seat in Rotterdam, DIR Mangement B.V with its seat in Amsterdam.

AEL hereby informs that in its opinion the motion of Reform Company Sp. z o.o. in bankruptcy for any payments is the result of the internal disputes between the shareholders of Reform Company Sp. z o.o. in bankruptcy.

AEM entered into the transaction of purchase of the Millennium Plaza building over 3 years ago in good faith and paid the fair price for the building. Based on the advice the Board has received from its legal advisors and the evidence as indicated in the motion for the amicable settlement, it is the Board's opinion that there is no substance, both factual and legal, to the above-mentioned claim.

Significant Agreements

In addition to the Property Management Agreement detailed in the Remuneration Report, the Group had the following significant agreements.

Agreement of 23 June 2008, between Capital Art Apartments and Eiffage Budownictwo MITEX S.A. as amended

Under the above agreement, Eiffage Budownictwo MITEX S.A. agreed to carry out construction works, as the general contractor, with regard to the second stage of the Capital Art Apartments Project ("CAA"). The value of the agreement was agreed as equivalent to a lump sum of the amount of PLN 40,680,931 plus VAT (€9.9 million plus VAT) for part of the works, increased by a sum based on a costs plus fee (fee equal to 8%) formula for the remaining works within the general contractor works. The maximum value of the contract was agreed by the Parties at 78,000,000 PLN plus VAT (€19.0 million plus VAT). The works were completed in December 2009. The 2nd stage of CAA has been finalized and we are going to settle the agreement with general contractor in March and April 2011. According to the final agreement the Company has to pay outstanding amount of c.a. PLN 4.5million.

Agreement of 4 September 2007, between Platinum Towers and HOCHTIEF Polska Sp. z o.o.

Under the above agreement, HOCHTIEF Polska Sp. z o.o. agreed to carry out construction works with regard to the Platinum Towers Project. The value of the agreement is PLN 179,655,000. The works were completed in September 2009. All the works according to this agreement have been finalized and now there are only guarantee works being performed. The Company has signed final agreement with the constructor in February 2011 and the contract will be settled within 6 months since March 2011.

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

Related party transactions

Related party transactions are stated within note 32 of the financial statements of this report, on page 81.

Credit and loan facilities, guarantees and sureties

On 25 January 2010 the Company announced that its Hungarian subsidiary Cap East Kft, which owns the Metropol office building in Budapest, had signed a credit facility for €3.1 million with FHB Kereskedelmi Bank Zft. This loan will be utilised as working capital for operations and to fund the development of its portfolio (€2.8 million as of 31 December 2010).

On 24 February 2010 the Atlas Group companies Atlas Estates (Millennium) Sp. z o.o., Ligetvaros Kft, Atlas Solaris SRL and World Real Estate SRL signed an amendment agreement with Erste Bank. This agreement created a cross collateralisation arrangement between these 4 companies with respect to the loans provided by Erste Bank. In return for this cross collateralisation the bank agreed to waive any claims for any breaches of covenants which were in existence. A new covenant of interest service coverage has been included, with a priority of payments list, reduced margins on

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each loan and extension of maturity dates for the two Romanian land loans to 31 December 2012. A new LTV covenant comes into effect from 1 January 2013 (€91.9 million as of 31 December 2010).

The Group has successfully negotiated an extension of the land loan for the Kokoszki plot in Gdansk to 29 July 2011 (€10.0 million as of 31 December 2010).

Update on current status

In the preparation of the consolidated financial statements for the year ended 31 December 2010, the directors have reclassified two loans totaling €20.0 million within the financial statements from non current liabilities to current liabilities as bank loans and overdrafts due within one year or on demand, where covenant breaches or defaults on these loans arose. The banks are aware of the technical breaches and defaults and have not asked for repayment of the loans. The current status is as follows:

- Atlas House, Sofia (€ 5.5 million) The Company has also received a waiver from the lender for the LTV covenant breach, however the waiver was not signed at the date of this report;
- Felikon (€ 14.5 million)- this asset has breached its DSCR and DSRA covenants, but currently there are advanced negotiations on a re-structure of the loan to include a holiday period from principal and interest payments in order to stabilize its cash flow.

In addition there are four loans that are classified as bank loans and overdrafts due within one year or on demand in the amount of €38.1 million. Following negotiations are ongoing with the banks on refinancing terms:

- Platinum Towers project (€30.0 million) - the loan attributable to this project is overdue as of 31 December 2010 however on 16 February 2011 the Company signed the extension of the loan resulting in capital repayment from December 2011 until March 2012;
- The land loan on Zielono (€3.3 million) – the Company received an offer from the bank for the loan prolongation until either June 2011 or December 2011, which is currently being considered by the Company;
- Cybernetyki (€1.7 million) – The Company received signed term sheet to the existing agreement that prolongs repayment of the loan until June 2011 and was granted a new construction loan of €64 million;
- Volan project (€3.1 million)- the loan attributable to this project is overdue however, the Company has received an extension offer from the bank which has yet to be signed and concluded.

Guarantees and sureties – events after the balance sheet date

On 16 February 2011 Platinum Towers AEP Spółka z ograniczoną odpowiedzialnością S.K.A. ('PT') signed the prolongation of the loan as granted to PT by Raiffeisen Bank Polska S.A. ('RB') on 27 July 2008 ("Facility Agreement").

At the day of signing amendment to the Facilities Agreement the total outstanding advances of all facilities equalled €29,284,785.

As the security for repayment of the mentioned facilities based on the agreement the joint cap mortgages over the unsold apartments in Capital Art Apartments 2 Project, owned by Atlas Estates Limited's ("AEL") subsidiary - Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością S.K.A was established in favour of RB. The value of the mortgaged asset based on the internal valuation is estimated around €18,937,959, which exceeds 10% of AEL's equity. The book value of the mortgaged asset equals €17,246,168. The total value of the secured receivables equals €43,927,177.

The repayment of the Facilities noted above is secured by the pledge in favor of RB over all PT's shares owned by AEP Sp. z o.o. (owning 100% of votes on shareholders meetings) and Atlas Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych as well as the rights and obligation of the general partner, i.e. AEP Sp. z o.o. were established. The nominal value of the pledged shares equals €3,875,969. The total value of the pledge equals €43,927,177.

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Corporate governance review

The Group aspires to apply high standards of corporate governance in all material areas of its business. The Board and, where delegated, the Property Manager use a comprehensive system of controls, checks and reporting requirements that they consider provide the capability to maintain these standards. The systems mentioned are being designed to meet the requirements of the Company and its business and to assess and manage the opportunities and risks that may arise. Whilst the Board is mindful of the guidance of the Combined Code, its systems will be suitable for a Company of its size, the small number of Directors that form the Board and the external management function provided by the Property Manager. In accordance with the WSE Rules, the Board resolved in January 2008, to the extent practicable and reasonable, to also comply with the majority of the corporate governance rules defined in the Code of Best Practices for WSE Listed Companies. The Company's compliance with certain principles is limited by the differences between Guernsey and Polish legal systems, procedures and accepted practices.

Structure and membership of the Company's Board

The Board of Directors comprises the non-executive Chairman and two further non-executive Directors. In June 2010 there was a change of the Board of Directors as presented in Directors Report. 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. The Board did not find it necessary to appoint a Senior Independent Director. The Board identifies majority of its non-executive Directors as being independent of the Company based on their level of involvement with the founder shareholders prior to the formation of the Group and their involvement in the day to day management of the Group on an ongoing basis. They provide strategic management and act as the final Investment Committee for all investment/divestment decisions. The executive and day to day management is provided by the Property Manager whose role and responsibilities are clearly defined in the Property Management Agreement.

The Board meets formally at least four times a year and regular contact is made between the Board and the Property Manager in the intervening periods. 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 third of the Board retire by rotation each year. Directors' terms of appointment provide for prior approval of the Board for the acceptance of any outside appointments. In the event of a request for approval the Director in question is asked to confirm and demonstrate that they can continue to commit sufficient time to the fulfilment of their duties.

Board committees

The Audit Committee comprises the whole of the Board and is chaired by Mr Mark Chasey. It meets at least three times a year to review the interim and year end financial statements prior to their submission to the Board and to review the appointment of the independent auditors and the scope, performance and remuneration of services provided by them. Procedures are in place for the approval of non-audit services provided by the Company's auditors. The auditors will not be awarded non-audit work unless the Company is satisfied, through enquiry, that the provision of such services would not prejudice the independence and objectivity of the auditor.

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

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

Table 4 - Attendance at meetings

No. of meetings in the year	Board	Committee meetings
	18	Audit 4
Mr Quentin Spicer	10	1
Mr Michael John Stockwell	9	1
Mrs Shelagh Mason	10	1
Mr Andrew Fox	7	3
Mr Mark Chasey	8	3
Mr Guy Indig	8	3

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

Property Manager

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

The Property Manager has a board ("PM board") comprising of a non-executive Chairman and one non-executive director. 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 Management 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 two of its non-executive directors to review and approve those investment and divestment opportunities that are presented to the Company for its approval and completion. The PM board collectively approves the appointment of senior management within the Property Manager, details of which are then reported to the Company.

Internal control

The Directors assume overall responsibility for the Group's system of internal control designed to safeguard shareholders' investments and the Group's assets and for reviewing its effectiveness. The system is regularly reviewed by the Board and accords with the Internal Control Guidance for Directors on the Combined Code. The controls are designed to identify and manage risks faced by the Group and not to totally eliminate the risk of failure to achieve business objectives. To this end internal controls provide reasonable, but not absolute assurance against material misstatement or loss. The implementation and operation of such systems has been delegated to the Property Manager and the processes are communicated regularly to all of their staff who are made aware of the areas for which they are responsible. Such systems include strategic planning, the appointment of appropriately qualified staff, regular reporting and monitoring of performance and effective control over capital expenditure and investment.

The Group's key internal controls are centred on a system of comprehensive reporting on all of its business activities. The Property Manager meets on a monthly basis to review the control systems and to assess the performance and position of the Group. A separate risk management process is operated that engages the Directors and senior management of the Company and Property Manager that is aimed at identifying areas of risk faced by the Group and assessing the likely impact on operating activities. Significant risks that are identified by this process are communicated to the Board with recommendations for actions to mitigate them. The Group uses independent agents to undertake any specialist analysis, investigation or action that is needed. The Board reports to shareholders at least annually that they have carried out a review of the system for internal controls.

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

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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 2010. The review took into account 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. The Board has decided to use the services of the external audit firm to advice on its internal controls. Information concerning the output of their work are being reported to the Board on periodical 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.

The non-executive directors have direct face-to-face contact with shareholders and are also regularly updated on major shareholder meetings and analysts or broker briefings.

The rights of the shareholders are subject to Guernsey Law and the Articles of Association of the Company.

The rules governing the change in the articles of the Company are subject to Guernsey Law and the Memorandum and Articles of Association of the Company.

Performance evaluation

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

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

Andrew Fox
Chairman

Mark Chasey
Director

Guy Indig
Director

21 March 2011

ATLAS ESTATES LIMITED

Remuneration Report

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

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

Non-executive Directors

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

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

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

Table 5 – Non-executive Directors' service contracts			
	Appointment Date	Term	Notice Period
Mr Quentin Spicer		Resigned 16 June 2010	N/A
Mr Michael John Stockwell		Resigned 16 June 2010	N/A
Mrs Shelagh Mason		Resigned 16 June 2010	N/A
Mr Andrew Fox	16 June 2010	Indefinite	30 days
Mr Mark Chasey	16 June 2010	Indefinite	30 days
Mr Guy Indig	16 June 2010	Indefinite	30 days

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

Table 6 – Directors' emoluments – representing fees only	2010
	€
Non-executive Directors	
Mr Quentin Spicer	31,562
Mr Michael John Stockwell	26,364
Mrs Shelagh Mason	23,072
Mr Andrew Fox	6,623
Mr Mark Chasey	6,623
Total	94,244

Table 6 – Directors' emoluments – representing fees only	2009
	€
Non-executive Directors	
Mr Quentin Spicer	63,866
Mr Michael John Stockwell	47,059
Mrs Shelagh Mason	52,661
Dr Helmut Tomanec	23,529
Total	187,115

Property Manager

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

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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 adjusted NAV (less any un-invested net proceeds of the IPO or any subsequent equity capital raising).

In addition, AMC is entitled to be reimbursed by the Company for all costs and expenses incurred by it in the performance of its obligations under the Property Management Agreement (not including its own internal operating costs).

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 adjusted NAV after the deduction of any dividends declared or to be declared but not yet paid in respect of that period.

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

AMC performance fee payment

AMC's performance fee in respect of the financial years ended 31 December 2010 and 31 December 2009 was €nil.

Term and Termination

The Property Management Agreement is to run for an initial seven year term from 24 February 2006 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. Upon termination of this Agreement, the Manager shall be entitled to receive all fees and other moneys accrued to it (and unpaid) and a performance fee.

Share schemes

On 23 February 2006 the Company executed and adopted a Warrant Instrument 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 from the period commencing 1 March 2007 and expire 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 £3.41 (€3.98 as at 31 December 2010). 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.

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Table 7 – Warrants issued					
	Granted	Transferred	At 31 Dec 2010	Date of grant	Date Exercisable
Rafael Berber	306,849	-		24 Feb 2006	1 March 2007
	306,849	-		24 Feb 2006	1 March 2008
	22,438	-		20 Mar 2006	1 March 2007
	22,438	-		20 Mar 2006	1 March 2008
Roni Izaki	306,849	-		24 Feb 2006	1 March 2007
	306,849	-		24 Feb 2006	1 March 2008
	22,438	-		20 Mar 2006	1 March 2007
	22,438	-		20 Mar 2006	1 March 2008
Dori Dankner	306,849	-		24 Feb 2006	1 March 2007
	306,849	-		24 Feb 2006	1 March 2008
	22,438	-		20 Mar 2006	1 March 2007
	22,438	-		20 Mar 2006	1 March 2008
Gadi Dankner	306,849	-		24 Feb 2006	1 March 2007
	306,849	-		24 Feb 2006	1 March 2008
	22,438	-		20 Mar 2006	1 March 2007
	22,438	-		20 Mar 2006	1 March 2008
D Saradhi Rajan	208,063	-		24 Feb 2006	1 March 2007
	208,063	-		24 Feb 2006	1 March 2008
	22,438	-		20 Mar 2006	1 March 2007
	22,438	-		20 Mar 2006	1 March 2008
Lou Silver	98,786	-		24 Feb 2006	1 March 2007
	98,786	-		24 Feb 2006	1 March 2008
Atlas	511,416	-		24 Feb 2006	1 March 2007
Management	511,416	-		24 Feb 2006	1 March 2008
Company	511,416	-		24 Feb 2006	1 March 2009
Limited	511,415	-		24 Feb 2006	1 March 2010
	37,396	-		20 Mar 2006	1 March 2007
	37,396	-		20 Mar 2006	1 March 2008
	37,396	-		20 Mar 2006	1 March 2009
	37,397	-		20 Mar 2006	1 March 2010

The warrants have been issued at nil cost to the recipients with an exercise price of £3.41 per share. These warrants are exercisable at any time during the period commencing on admission to trading on AIM (1 March 2006) and ending on the seventh anniversary of such admission. 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 year to 31 December 2010, the market price of the ordinary shares ranged PLN 2.54 and PLN 4.95 on WSE.

Approval

The Board approved the Remuneration Report without amendment. This report was approved by the Board of Directors on 21 March 2011 and signed on its behalf by:

Andrew Fox
Chairman
21 March 2011

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Declarations of the Board of Directors

Declaration concerning accounting policies

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

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

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

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

Andrew Fox
Chairman

Mark Chasey
Director

Guy Indig
Director

21 March 2011

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Independent Auditor's Report to the shareholders of Atlas Estates Limited

We have audited the financial statements of Atlas Estates Limited for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out on page therein.

We have reported separately on the company financial statements of Atlas Estates Limited for the year ended 31 December 2010.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work is undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities within the Directors' Report the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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, 2008. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

We read other information and consider the implications for our report if we become aware of any apparent misstatements within it. This other information comprises the Financial Highlights, Chairman's Statement, Review of the Property Manager, Property Portfolio Information, Directors' Report, Remuneration Report and the Declaration of the Board of Directors.

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 IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2010 and of its loss for the year then ended; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 2008; and
- the information given in the directors' report is consistent with the financial statements.

BDO LLP

Chartered Accountants and Registered Auditors

London

21 March 2011

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

ATLAS ESTATES LIMITED

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	2010 €'000	2009 €'000	Notes
Revenues	100,763	47,279	3
Cost of operations	(80,291)	(31,730)	4.1
Gross profit	20,472	15,549	
<i>Property manager fee</i>	(2,740)	(4,140)	
<i>Central administrative expenses</i>	(1,581)	(1,337)	
<i>Property related expenses</i>	(5,800)	(4,872)	
Administrative expenses	(10,121)	(10,349)	4.2
Decrease in value of investment properties	(16,198)	(35,558)	16
Other operating income	716	1,023	5
Other operating expense	(2,827)	(17,797)	6
Loss from operations	(7,958)	(47,132)	
Finance income	525	586	7
Finance costs	(11,255)	(10,607)	7
Finance costs - other gains and (losses) – foreign exchange	3,660	130	7
Loss before taxation	(15,028)	(57,023)	
Tax credit	2,575	7,805	8
Loss for the year	(12,453)	(49,218)	
Attributable to:			
Owners of the parent	(12,493)	(48,677)	
Non-controlling interests	40	(541)	
	(12,453)	(49,218)	
Loss per €0.01 ordinary share – basic (eurocents)	(26.7)	(103.9)	10
Loss per €0.01 ordinary share – diluted (eurocents)	(26.7)	(103.9)	10

All amounts relate to continuing operations.

The notes on pages 43 to 83 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	€'000	€'000
LOSS FOR THE PERIOD	(12,453)	(49,218)
Other comprehensive income:		
Revaluation of buildings	3,934	(10,852)
Deferred tax on revaluation of buildings	(788)	2,213
Exchange adjustments	2,187	(2,108)
Deferred tax on exchange adjustments	(555)	(5)
Other comprehensive income for the period (net of tax)	4,778	(10,752)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(7,675)	(59,970)
Total comprehensive income attributable to:		
Owners of the parent	(7,715)	(59,429)
Non-controlling interests	40	(541)
	(7,675)	(59,970)

The notes on pages 43 to 83 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	2010 €'000	2009 €'000	Notes
ASSETS			
Non-current assets			
Intangible assets	280	227	13
Land under operating lease - prepayments	12,749	13,166	14
Property, plant and equipment	98,331	95,525	15
Investment property	156,153	161,027	16
Other loans receivable	2,530	2,380	19
Deferred tax asset	5,248	8,233	26
	275,291	280,558	
Current assets			
Inventories	76,267	138,720	18
Trade and other receivables	9,060	4,380	19
Cash and cash equivalents	15,036	13,051	21
	100,363	156,151	
Non current assets classified as held for sale	26,472	26,591	20
	126,835	182,742	
TOTAL ASSETS	402,126	463,300	
Current liabilities			
Trade and other payables	(19,410)	(55,543)	23
Bank loans	(70,510)	(156,031)	24
Derivative financial instruments	(242)	(368)	25
	(90,162)	(211,942)	
Liabilities directly associated with non current assets held for sale	(20,395)	(19,444)	20
	(110,557)	(231,386)	
Non-current liabilities			
Other payables	(5,689)	(5,308)	23
Bank loans	(162,784)	(91,719)	24
Derivative financial instruments	(1,267)	(1,257)	25
Deferred tax liabilities	(15,599)	(19,732)	26
	(185,339)	(118,016)	
TOTAL LIABILITIES	(295,896)	(349,402)	
NET ASSETS	106,230	113,898	

The notes on pages 43 to 83 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	2010 €'000	2009 €'000	Notes
EQUITY			
Share capital account	6,268	6,268	27
Revaluation reserve	9,022	6,936	29
Other distributable reserve	194,817	194,817	29
Translation reserve	(5,163)	(6,795)	29
Accumulated loss	(99,486)	(88,060)	
Issued capital and reserves attributable to owners of the parent	105,458	113,166	
Non-controlling interests	772	732	30
TOTAL EQUITY	106,230	113,898	
Basic net asset value per share	€ 2.25	€2.42	

The notes on pages 43 to 83 form part of these consolidated financial statements. The financial statements on pages 37 to 83 were approved by the Board of Directors on 21 March 2011 and signed on its behalf by:

Andrew Fox
Chairman

Mark Chasey
Director

Guy Indig
Director

21 March 2011

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Share capital account	Other reserves	Accumulated loss	Total	Non- controlling interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000
As at 1 January 2009	6,268	205,710	(39,412)	172,566	1,273	173,839
Total comprehensive income for the year	-	(10,752)	(48,677)	(59,429)	(541)	(59,970)
Share based payments (note 28)	-	-	29	29	-	29
As at 31 December 2009	6,268	194,958	(88,060)	113,166	732	113,898
Total comprehensive income for the year	-	4,778	(12,493)	(7,715)	40	(7,675)
Transfer to retained earnings	-	(1,060)	1,060	-	-	-
Share based payments (note 28)	-	-	7	7	-	7
As at 31 December 2010	6,268	198,676	(99,486)	105,458	772	106,230

The notes on pages 43 to 83 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2010

	Note	2010 €'000	2009 €'000
Cash inflow generated from operations	22	28,444	2,446
Interest received		175	148
Interest paid		(7,587)	(12,227)
Tax paid		(380)	(791)
Net cash inflow/(outflow) from operating activities		20,652	(10,424)
Investing activities			
Disposal of subsidiary interest – net of cash disposed		-	792
Purchase of investment property		(554)	(268)
Purchase of property, plant and equipment		(707)	(233)
Proceeds from disposal of property, plant and equipment		142	69
Purchase of intangible assets – software		(100)	(21)
Net cash from/ (used) in investing activities		(1,219)	339
Financing activities			
New bank loans raised		3,531	27,972
Repayments of bank loans		(23,920)	(18,214)
New loans granted to JV partners		(98)	(259)
New loans received from non-controlling investors		106	2,713
Net cash from/ (used) in financing activities		(20,381)	12,212
Net increase/ (decrease) in cash and cash equivalents in the year		(948)	2,127
Effect of foreign exchange rates		2,933	(4,364)
Net increase/ (decrease) in cash and cash equivalents in the year		1,985	(2,237)
Cash and cash equivalents at the beginning of the year		13,051	15,288
Cash and cash equivalent at the end of the year		15,036	13,051
Cash and cash equivalents			
Cash and cash equivalents	21	15,205	13,265
Cash and cash equivalents held for sale	20	(169)	(214)
	21	15,036	13,051

The notes on pages 43 to 83 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

Year ended 31 December 2010

Basis of preparation

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

As described in the Chairman’s Statement and in the Review of the Property Manager, the economic environment has been challenging. Despite this the Group has reported an increase in gross profit from €15.5 million in 2009 to €20.5 million in 2010 and profit for the year excluding valuation losses of investment properties of €3.8 million (compared to loss of €136 million in 2009).

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

As at 31 December 2010 the Group held land and building assets with a market value of €350 million, compared to external debt of €246 million. Subject to the time lag in realising the value in these assets in order to generate cash, this “loan to value ratio” gives a strong indication of the Group’s ability to generate sufficient cash in order to meet its financial obligations as they fall due. Any land and building assets and associated debts which are ring-fenced in unique, specific, corporate vehicles, which are subject to any repossession by the bank on default of loan terms would clear the outstanding debt and not result in additional finance liabilities for the Company or for the Group. There are also unencumbered assets which could potentially be leveraged to raise additional financial.

For the first time the Group has entered into a cross collateralisation agreement on four of its loans with one bank. This has been necessary due to covenant breaches. As a result of the amendment agreement the bank has agreed to a waiver of all prior covenant breaches and improved terms and conditions for the Group.

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2010, the directors have taken into account the status of current negotiations on loans. These are disclosed in note 24 as part of the bank loans note and proves positive prospects for an improvement in expected repayments. The Company has also continued to provide funds to service interest and capital repayments on these loans on behalf of its subsidiary companies.

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

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2010.

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries up to 31 December 2010. 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 year are included from the effective date of acquisition or up to the effective date of disposal, as appropriate. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring the accounting policies used into line with those used by the Group.

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

The Group reports its interests in joint ventures 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 consolidated financial statements on a line-by-line basis.

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

Segmental reporting

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

Revenue recognition

Revenue comprises:

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

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

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

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

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

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

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

Share based payments

The cost of granting warrants to the Property Manager, its directors and employees is recognised through the income statement. A corresponding entry is made to equity. The Group has used the Black-Scholes option valuation model and the resulting fair 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 are the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

Gains and losses arising on the settlement of monetary items and on the re-translation of monetary items are included in the income statement for the year. Those that arise on the re-translation of non-monetary items carried at fair value are included in the income statement for the year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. 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 (none of which has the currency of hyperinflationary economy) are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated using the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

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

Leases

Where the Group is the lessee:

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

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

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

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

Where the land held under operating lease is part of an investment property, the operating lease contract for the land is treated as a finance lease in accordance with IAS 40. As a result, at the time the Group enters into the contract, the fair value of future payments under the lease contract is calculated and recognised as a

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

liability. Following the initial recognition, in subsequent accounting periods, the total value of investment property (including the land element) is revalued to fair value and the difference is included in the income statement.

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

Where the Group is the lessor:

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

Borrowing costs

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

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

Financial assets

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

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. As at 31 December 2010 and 2009, no financial assets at fair value through profit or loss were held by the Group.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables', 'other loan receivables' or 'loans receivable from non-controlling investors' in the balance sheet (note 19). Cash and cash equivalents (note 21) are classified as loans and receivables. Cash and cash equivalents are presented separately in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. As at 31 December 2010 and 2009, no available-for-sale financial assets were held by the Group.

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

Financial liabilities

(a) Fair value through profit and loss

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

Fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- (b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)
- (c) Inputs for the asset or liability that are not based on observable market data (Level 3)

Intangible assets

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

Property, plant and equipment

Land (except land under operating lease contracts) and buildings held for use in the supply of hotel services are stated in the balance sheet at their revalued amounts, being fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are performed on 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 statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

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

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

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

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

Goodwill

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

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

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.

Non-current assets held for sale

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

Investment property

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

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

Other loans receivable

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

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

Inventories 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.

Trade receivables

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

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted cash: bank deposits and customer deposits

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. As at 31 December 2010 and 2009, the Group had interest rate swaps categorised as financial liabilities at fair value through profit or loss.

Bank borrowings

Interest bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs. Subsequent to initial recognition, loans are recorded at amortised cost with interest being calculated using the effective interest rate method. 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Equity instruments

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

Treasury shares

The costs of purchasing Treasury shares are shown as a deduction against equity. The purchase of own shares does not lead to a gain or loss being recognised in the income statement.

Taxation

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

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

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

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

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

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

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

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

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

Dividends

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

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

Changes to accounting policies since the last period

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

- IFRS 3 (Revised) – Business combinations (effective for accounting periods beginning on or after 1 July 2009). IFRS 3 (Revised) has been endorsed for use in the EU.
- IFRIC 15 – Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009). IFRIC 15 was endorsed for use from periods beginning 1 January 2010 in the EU.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008). IFRIC 16 was endorsed for use from periods beginning 1 July 2009 in the EU.
- IFRIC17 – Distributions of non-cash assets to owners (effective for accounting periods beginning on or after 1 July 2009). IFRIC17 has been endorsed for use in the EU;
- IFRIC 18 – Transfer of Assets from Customers (effective for transfers of assets beginning on or after 1 July 2009). IFRIC18 has been endorsed for use in the EU;
- Amendment to IFRS1 'Additional Exemptions for First-time Adopters' (effective for accounting periods beginning on or after 1 January 2010). This amendment has been endorsed for use in the EU.
- IAS39 (amended) – Financial Instruments: Reclassification of Financial Assets: Effective Date and Transition (effective for accounting periods beginning on or after 1 July 2009). IAS39 (amended) has been endorsed for use in the EU.
- IAS39 (amended) – Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009) IAS39 (amended) has been endorsed for use in the EU.

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- IAS39 (amended) and IFRIC 9 (amended) – Embedded Derivatives (effective for accounting periods beginning on or after 30 June 2009). IAS39 (amended) has been endorsed for use in the EU;
- IAS27 Consolidated and Separate Financial Statements (amended) (effective for accounting periods beginning on or after 1 July 2009). This amendment has been endorsed for use in the EU.
- Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions (effective for accounting periods beginning on or after 1 January 2010). This amendment has been endorsed for use in the EU.
- In addition to the above, the IASB2009 annual improvement project includes further minor amendments to various accounting standards and is effective from various dates from 1 January 2010 onwards and has been endorsed for use in the EU.

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

- Revised IAS24 'Related Party Disclosures' (effective for accounting periods beginning on or after 1 January 2011). This revision has been endorsed for use in the EU. This revision will only impact disclosure and have no effect on the net assets or result of the Group.
- Amendment to IAS32 'Classification of Rights Issues' (effective for accounting periods beginning on or after 1 February 2010). This amendment has been endorsed for use in the EU.
- IFRIC19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for accounting periods beginning on or after 1 July 2010). This interpretation has been endorsed for use in the EU.
- Amendment to IFRIC14, 'Prepayments of a Minimum Funding Requirement' (effective for accounting periods beginning on or after 1 January 2011). This amendment has been endorsed for use in the EU.
- IFRS9 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2013). This standard has not yet been endorsed for use in the EU.
- Amendment to IFRS 1 Limited exemption from Comparative IFRS7 Disclosures for first time adopters (effective for accounting periods beginning on or after 1 July 2010). This amendment has been endorsed for use in the EU.
- Amendment to IFRS 7 'Disclosures – Transfers of Financial Assets' (effective for accounting periods beginning on or after 1 July 2011). This amendment has not yet been endorsed for use in the EU.
- Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets (effective for periods beginning on or after 1 January 2012). This amendment has not yet been endorsed for use in the EU.
- Improvements to IFRSs (2010) – Minor amendments to various accounting standards, effective for various dates from 1 January 2011 onwards. These amendments have been endorsed for use in the EU.

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1. Financial risk management

1.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Polish Zloty, Hungarian Forint, and Romanian Lei. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations. Slovakia entered the Eurozone on 1 January 2009 and Bulgarian Lev is pegged to the Euro as a fixed rate of 1.95583.

The results for the year 2010 have been impacted by the effects of the depreciating currencies in the Central and Eastern European markets. For the Company's investments in Poland, its major market, the Polish Zloty has depreciated by 3.6% from the 31 December 2009 rate of exchange to 31 December 2010 rate of exchange. This has been offset by the increase in value of Hungarian Forint and Romanian Lei by 2.9% and 1.3% respectively for the same period. The movements in value of the functional currencies has resulted in foreign exchange gains of €3.6 million in the income statement (2009: gain of €0.1 million) and €2.1 million gain (2009: loss of €2.1 million) in other comprehensive income for the year ended 31 December 2010. Of the gain in the income statement, €4.0 million gain (2009: gain of €0.7 million) is unrealised. It has arisen on monetary assets and liabilities denominated in foreign currencies, for example bank loans, which are translated at the rates prevailing on the balance sheet date.

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

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The tables below summarise the Group's exposure to foreign currency risk at 31 December 2010.

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

2010:	€ '000	PLN '000	HUF '000	RON '000	Other '000	Total '000
Trade and other receivables	237	7,374	826	576	63	9,076
Cash and cash equivalents	578	12,483	1,715	36	393	15,205
Other loans receivable	5,941	11	926	37	-	6,915
Total financial assets	6,756	19,868	3,467	649	456	31,196
Trade and other payables	(10,008)	(19,541)	(2,368)	(340)	(92)	(32,349)
Borrowings, including finance leases	(200,723)	(44,939)	-	-	-	(245,662)
Derivative financial instruments	-	-	(1,509)	-	-	(1,509)
Total financial liabilities	(210,731)	(64,480)	(3,877)	(340)	(92)	(279,520)
Net financial (liabilities) / assets	(203,975)	(44,612)	(410)	309	364	(248,324)
2009:	€ '000	PLN '000	HUF '000	RON '000	Other '000	Total '000
Trade and other receivables	362	2,846	680	541	51	4,480
Cash and cash equivalents	7,172	4,734	1,148	13	198	13,265
Other loans receivable	6,641	19	-	-	-	6,660
Total financial assets	14,175	7,599	1,828	554	249	24,405
Trade and other payables	(13,606)	(52,122)	(1,279)	(178)	(92)	(67,277)
Borrowings, including finance leases	(203,042)	(56,934)	-	-	(14)	(259,990)
Derivative financial instruments	-	(182)	(1,443)	-	-	(1,625)
Total financial liabilities	(216,648)	(109,238)	(2,722)	(178)	(107)	(328,893)
Net financial (liabilities) / assets	(202,473)	(101,639)	(894)	376	139	(304,491)

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

If the euro weakened/ strengthened by 10% against the Polish Zloty with all other variables held constant, post-tax loss for the year would have been €0.3 million higher/ lower (2009: post-tax loss for the year would have been €1.2 million higher / lower).

If the euro weakened/ strengthened by 10% against the Hungarian Forint with all other variables held constant, post-tax loss for the year would have been €0.1 million lower/ higher (2009 post-tax loss for the year would have been €0.9 million lower / higher).

If the euro weakened/ strengthened by 10% against the Romanian Lei with all other variables held constant, post-tax loss for the year would have been €0.2 million lower/ higher (2009: post-tax loss for the year would have been €1.8 million lower / higher).

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Slovakia entered the Eurozone in January 2009 and the Bulgarian Lev is pegged to the Euro at a fixed rate of exchange of 1.95583.

(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 24). Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group's cash flow and fair value interest rate risk is periodically monitored by the Property Manager. The Property Manager analyses its interest rate exposure on a dynamic basis. It takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are considered including refinancing, renewal of existing positions, alternative financing and hedging. The scenarios are reviewed on a periodic basis to verify that the maximum loss potential is within the limit given by management. During the years ended 31 December 2010 and 2009, the Group had two interest rate swap agreements to mitigate the cash flow and interest rate risk related to some of its borrowings.

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

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

An increase/ decrease in 100 basis points in interest yields would result in a decrease/ increase in the post-tax loss for the year of €2.0 million (2009: decrease/increase in the post-tax loss for the year of €1.7 million).

The Group has only one derivative financial liability, being an interest rate swap which falls into level 2 for fair value measurement.

(b) Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures with respect to rental customers, including outstanding receivables (note 19). Credit risk is managed on a local and group basis and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual and more frequent review. The Group has policies in place to ensure that where possible rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions. The utilisation of credit limits is regularly monitored.

The maximum credit risk exposure in relation to financial assets, being cash and cash equivalents and trade and other receivables is the carrying value of those assets for the year, namely €24.0 million (2009: €17.7 million).

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A significant amount of cash is held with the following banks which have the following rating as at 31 December 2010 and 2009:

Bank	Rating	2010 €'000	Rating	2009 €'000
Bank Pekao S.A.	A-	6,049	A-1	6,639
MeesPierson	A	202	A	3,788
ING Bank N.V.	A+	706	AA	156
Raiffeisen Bank	A	5,902	-	-
CIB	A-	405	-	-
		13,264		10,583

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

(c) Liquidity risk

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

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

	2010 €'000	2009 €'000
Financial assets – current		
Trade receivables – maturity within one year	9,076	4,480
Cash and cash equivalents – maturity within one year	15,205	13,265
	24,281	17,745
Financial liabilities – non-current borrowings		
Between 1 and 2 years	(29,299)	(5,293)
Between 2 and 5 years	(60,496)	(12,338)
Over 5 years	(72,989)	(74,088)
	(162,784)	(91,719)
Financial liabilities – current		
Borrowings	(82,878)	(168,271)
Trade and other payables – maturity within one year	(19,465)	(55,613)
	(102,343)	(223,884)

Included in trade and other payables are deposits received from customers from the pre-sale of apartments in development. These amount to €6.8 million (2009: €4.1 million) and will be released to the income statement upon completion of the development.

The status of current negotiations on loans is disclosed in note 24 as part of the bank loans note and proves positive prospects for an improvement in expected repayments.

The Directors have also taken into account the disposal of the Group's interests in Slovakia as announced on 3 November 2009. This is discussed in notes 20 and 31 as part of the assets held for sale and the disposals note. On completion of this transaction, the combined impact of ceasing to consolidate its share of debt in the joint venture and the receipt of the cash consideration will reduce the Group's overall debt by some €20.5 million pending any reinvestment of the cash proceeds.

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1.2 Capital risk management

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

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

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

The Group's longer term strategy is to maintain a gearing ratio below 75%. The gearing ratio as at 31 December 2010 was as follows.

	2010 €'000	2009 €'000
Total bank borrowings	(245,662)	(259,990)
Less: cash and cash equivalents	15,205	13,265
Net debt	(230,457)	(246,725)
Total equity attributable to owners of the parent	(105,458)	(113,166)
Total capital	(335,915)	(359,891)
Gearing ratio	66.8%	68.6%

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

(b) Inventory

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

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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. From the year ended 31 December 2009 the Group changed its valuers from Cushman & Wakefield and Colliers International to King Sturge to undertake an independent assessment of the net realisable value of its developments on a semi-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.

2.2 Critical judgments in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

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

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

3. Segmental information

3.1 Business segments

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

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

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

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The segment information provided to the property manager's executive management for the reportable segments for the year ended 31 December 2010 is as follows:

Year ended 31 December 2010	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	2010 €'000
Revenues	12,299	70,735	17,727	2	100,763
Cost of operations	(5,434)	(61,595)	(12,381)	(881)	(80,291)
Gross profit	6,865	9,140	5,346	(879)	20,472
Administrative expenses	(1,036)	(1,319)	(3,251)	(4,515)	(10,121)
Gross profit less administrative expenses	5,829	7,821	2,095	(5,394)	10,351
Other operating income	429	6	10	271	716
Other operating expenses	(101)	(1,022)	(1,919)	215	(2,827)
Impairment of assets held for sale	-	-	-	-	-
Decrease in value of investment properties	(16,198)	-	-	-	(16,198)
(Loss) / profit from operations	(10,041)	6,805	186	(4,908)	(7,958)
Finance income	51	404	12	58	525
Finance cost	(4,914)	(4,447)	(1,887)	(7)	(11,255)
Finance costs - other gains and (losses) – foreign exchange	1,835	(396)	2,209	12	3,660
Segment result before tax	(13,069)	2,366	520	(4,845)	(15,028)
Tax expense					2,575
Loss for the period as reported in the income statement					(12,453)
Attributable to non-controlling interests					(40)
Net loss attributable to owners of the parent					(12,493)

Year ended 31 December 2010	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	2010 €'000
Reportable segment assets	117,611	152,227	115,121	-	384,959
Unallocated assets				17,167	17,167
Total assets	117,611	152,227	115,121	17,167	402,126
Reportable segment liabilities	(127,801)	(89,095)	(77,646)	-	(294,542)
Unallocated liabilities				(1,354)	(1,354)
Total liabilities	(127,801)	(89,095)	(77,646)	(1,354)	(295,896)

Year ended 31 December 2010	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	2010 €'000	
					Reportable segments	Total Group
Other segment items						
Capital expenditure	144	47	617	461	1,269	1,269
Depreciation	52	106	2,719	21	2,898	2,898
Amortisation	12	-	39	54	105	105

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Year ended 31 December 2009	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	2009 €'000	
Revenues	13,253	17,358	16,599	69	47,279	
Cost of operations	(5,209)	(16,274)	(10,220)	(27)	(31,730)	
Gross profit / (loss)	8,044	1,084	6,379	42	15,549	
Administrative expenses	(842)	(1,337)	(2,942)	(5,228)	(10,349)	
Gross profit / (loss) administrative expenses	7,202	(253)	3,437	(5,186)	5,200	
Other operating income	195	15	165	648	1,023	
Other operating expenses	(102)	(76)	(75)	(138)	(391)	
Impairment of assets held for sale	-	(5,930)	-	-	(5,930)	
Decrease in value of investment properties	(35,558)	-	-	-	(35,558)	
Impairment of inventory	-	(9,890)	-	-	(9,890)	
Loss on sale of joint venture interests	(1,586)	-	-	-	(1,586)	
Loss from operations	(29,849)	(16,134)	3,527	(4,676)	(47,132)	
Finance income	71	309	11	195	586	
Finance cost	(6,118)	(1,850)	(2,625)	(14)	(10,607)	
Finance costs - other gains and (losses) – foreign exchange	(124)	(538)	776	16	130	
Segment result before tax	(36,020)	(18,213)	1,689	(4,479)	(57,023)	
Tax expense					7,805	
Loss for the period as reported in the income statement					(49,218)	

Year ended 31 December 2009	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	2009 €'000	
Reportable segment assets	167,070	172,691	110,603	-	450,364	
Unallocated assets					12,936	
Total assets					463,300	
Reportable segment liabilities	(130,038)	(137,956)	(79,093)	-	(347,087)	
Unallocated liabilities					(2,315)	
Total liabilities					(349,402)	

Year ended 31 December 2009	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	2009 €'000	
					Reportable segments	Total Group
Capital expenditure	302	126	79	17	524	524
Depreciation	55	184	2,309	31	2,579	2,579
Amortisation	8	2	35	11	56	56

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There are immaterial sales between the business segments.

Unallocated costs represent corporate expenses. Segment assets include investment property, property, plant and equipment, intangible assets, inventories, debtors and operating cash.

Segment liabilities comprise operating liabilities and financing liabilities.

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

Unallocated liabilities include accrued costs and deferred taxation liabilities within the Company and selected sub-holding companies as at the balance sheet date. Unallocated liabilities also include borrowings, as these are non-operating activities.

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

- Poland,
- Hungary,
- Bulgaria,
- Romania, and
- Slovakia (portfolio partly sold on 2 November 2009)

Year ended 31 December 2010	Revenue €'000	Non current assets €'000	Capital expenditure €'000	Depreciation €'000	Amortisation €'000
Poland	94,656	207,854	1,032	2,636	51
Hungary	4,417	38,850	137	39	2
Slovakia	-	25	-	-	-
Bulgaria	-	5,020	17	10	-
Romania	1,129	20,405	39	202	52
Unallocated	561	7,722	45	12	-
Total	100,763	279,876	1,270	2,899	105

Year ended 31 December 2009	Revenue €'000	Non-current assets €'000	Capital expenditure €'000	Depreciation €'000	Amortisation €'000
Poland	40,247	206,025	235	2,250	50
Hungary	4,867	42,594	172	35	5
Slovakia	15	143	113	15	-
Bulgaria	764	5,834	2	10	-
Romania	1,386	22,836	2	254	1
	47,279	277,432	411	2,564	56
Unallocated		7,549		15	-
Total	47,279	284,981	524	2,579	56

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Analysis of expenditure

4.1 Cost of operations

	2010 €'000	2009 €'000
Costs of sale of residential property	61,913	15,138
Utilities, services rendered and other costs	10,551	8,480
Legal and professional expenses	2,327	1,141
Staff costs	5,286	4,869
Sales and direct advertising costs	1,574	1,207
Depreciation and amortisation	851	895
Reversal of impairment on inventory	(2,211)	-
Cost of operations	80,291	31,730

4.2 Administrative expenses

	2010 €'000	2009 €'000
Audit and tax services		
- Fees payable to the Group's auditor for the audit of the Company and its consolidated financial statements	277	295
Fees payable to the Group's auditor for the other services:		
- Audit of subsidiaries of the Company pursuant to legislation	53	20
- Non audit services – interim reviews	73	95
- Non audit services – taxation services	158	11
Other professional services	228	364
Incentive and management fee	2,740	4,140
Other professional fees	1,633	961
Utilities, services rendered and other costs	1,162	1,269
Share based payments (note 28)	7	29
Staff costs	1,233	1,346
Depreciation and amortisation	2,152	1,740
Other administrative expenses	405	79
Administrative expenses	10,121	10,349

	2010 €'000	2009 €'000
Atlas Estates Limited	2,722	4,217
Subsidiaries and other companies	7,399	6,132
Administrative expenses	10,121	10,349

4.3 Employee benefit expenses

	2010 €'000	2009 €'000
Wages and salaries	6,174	5,911
Social security costs	697	650
Employee benefit expenses	6,871	6,561

Average number of employees	323	340
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Other operating income

	2010 €'000	2009 €'000
Income from recharged expenses	-	82
Income from penalty charges, interest and fees	-	78
Other operating income	716	863
Other operating income	716	1,023

6. Other operating expenses

	2010 €'000	2009 €'000
Costs of recharged expenses	87	-
Penalty charges, interest and fees	232	112
Other operating expenses	65	279
Loss on sale of joint venture interests	-	1,586
Loss on sale of non current assets	483	-
Write down of assets held for sale to net realisable value	-	5,930
Impairment on inventory	154	9,890
Impairment on property, plant and equipment	1,806	-
Other operating expenses	2,827	17,797

7. Finance income and finance costs – net

	2010 €'000	2009 €'000
Interest payable on bank borrowings	(10,367)	(9,752)
Interest payable on other loans	(75)	(113)
Loss on interest rate derivative	(108)	(10)
Other similar charges	(705)	(732)
Finance costs	(11,255)	(10,607)
Finance income – interest income	525	586
Finance costs, excluding foreign exchange – net	(10,730)	(10,021)
Unrealised foreign exchange gains	5,339	857
Unrealised foreign exchange losses	(1,306)	(172)
Realised foreign exchange gains	303	558
Realised foreign exchange losses	(676)	(1,113)
Other gains and (losses) – foreign exchange	3,660	130
Finance costs, including foreign exchange – net	(7,070)	(9,891)

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8. Tax credit

	2010 €'000	2009 €'000
Continuing operations		
Current tax expense		
Current tax on profits for the year	(68)	(501)
Adjustment in respect of prior periods	47	(302)
Total current tax	<u>(21)</u>	<u>(803)</u>
Deferred tax	2,596	8,608
Tax credit for the year	<u>2,575</u>	<u>7,805</u>

Tax on items charged to equity

	2010 €'000	2009 €'000
Deferred tax on revaluations surplus	(788)	2,213
Deferred tax on exchange movements offset in reserves	(555)	(5)
	<u>(1,343)</u>	<u>2,208</u>

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:

	2010 €'000	2009 €'000
Loss before tax	<u>(15,028)</u>	<u>(57,023)</u>
Tax on loss at average country rate – 18% (2009: 19%)	2,733	10,834
Factors affecting charge:		
Permanent differences	236	(3,263)
Utilisation of brought forward tax losses	100	23
Deferred tax not recognised on losses before tax in current year	(490)	(1,503)
Adjustments in respect of prior years	47	(302)
Write down of a deferred tax asset	(1,857)	-
Benefits arising from previously unrecognised deferred tax asset	64	2,016
Change in local tax rates	1,742	-
Tax credit for year	<u>2,575</u>	<u>7,805</u>

There is an unrecognised gross deferred tax asset in relation to losses of €1.1 million (2009 €5.7 million).

9. Dividends

There were no dividends declared or paid in the year ended 31 December 2010 and 31 December 2009.

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10. 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 year.

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 earnings 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:

Year ended 31 December 2010	(Loss)	Weighted average number of shares	Per share amount
Continuing operations	€'000		Eurocents
Basic (LPS)			
Loss attributable to equity shareholders of the Company	(12,493)	46,852,014	(26.7)
Effect of dilutive securities			
Share warrants	-	-	-
Diluted (LPS)			
Adjusted loss	(12,493)	46,852,014	(26.7)
<hr/>			
Year ended 31 December 2009	(Loss)	Weighted average number of shares	Per share amount
Continuing operations	€'000		Eurocents
Basic (LPS)			
Loss attributable to equity shareholders of the Company	(48,677)	46,852,014	(103.9)
Effect of dilutive securities			
Share warrants	-	-	-
Diluted (LPS)			
Adjusted loss	(48,677)	46,852,014	(103.9)

The outstanding share warrants exercise price exceeds current market value; therefore the warrants are not dilutive. As a result, diluted loss per share equals basic loss per share.

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11. Goodwill

	2010 €'000	2009 €'000
Cost		
At beginning of year	1,550	1,550
Adjustments to fair value of considerations paid in prior periods (see note 31)	-	-
Acquisitions through business combinations (see note 31)	-	-
At end of year	1,550	1,550
Aggregate impairment		
At beginning of year	(1,550)	(1,550)
Impairment charge in relation to acquired goodwill (see note 31)	-	-
Negative goodwill realised on acquisitions (see note 31)	-	-
At end of year	(1,550)	(1,550)
Net book amount at end of year	-	-

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.

12. Joint ventures

As detailed in note 36, the group has a 50% interest in several jointly controlled entities, which have been accounted for by proportional consolidation. The following amounts have been recognised in the Group's balance sheet relating to these joint ventures:

	2010 €'000	2009 €'000
Non-current assets	152	339
Current assets	30,782	30,611
Current liabilities	(17,918)	(17,014)
Non-current liabilities	(9,679)	(9,999)
Net assets	3,337	3,937
Income	8	21
Expenses	(1,501)	(787)
Loss after tax	(1,493)	(766)

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13. Intangible assets

	Computer software	Other	Total
	€'000	€'000	€'000
Cost			
At 1 January 2009	463	411	874
Additions	23	-	23
Transfer	-	(416)	(416)
Disposals	(1)	-	(1)
Exchange adjustments	7	5	12
At 31 December 2009	492	-	492
Additions	100	-	100
Transfer	-	-	-
Disposals	-	-	-
Exchange adjustments	16	-	16
At 31 December 2010	608	-	608
Accumulated amortisation			
At 1 January 2009	(208)	(56)	(264)
Transfer	-	57	57
Charge for the year	(52)	-	(52)
Exchange adjustments	(5)	(1)	(6)
At 31 December 2009	(265)	-	(265)
Transfer	-	-	-
Charge for the year	(54)	-	(54)
Exchange adjustments	(9)	-	(9)
At 31 December 2010	(328)	-	(328)
Net book value at 31 December 2010	280	-	280
Net book value at 31 December 2009	227	-	227
Net book value at 31 December 2008	255	355	610

14. Land under operating lease - prepayments

Land under operating lease - prepayments of €18.5 million arose under business combinations during 2006. During the year ended 31 December 2010 minor additions took place of €0.3 million (2009: €nil million) and amortisation of €0.2 million (2009: €0.2 million) was charged to the income statement, as well as exchange adjustments of €0.6 million (2009: €0.3 million) were credited to other reserves. In addition, following a review of land used for the development of Platinum Towers, the land held under operating lease in the amount of €1.2 million (2009: €3.3 million) was transferred to Platinum Towers and included within inventory. The net book value of land held under operating lease – prepayments at 31 December 2010 is €12.7 million (2009: €13.2 million).

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15. Property, plant and equipment

	Buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
Cost or valuation				
At 1 January 2009	103,060	10,238	303	113,601
Transfer	-	(62)	-	(62)
Additions at cost	49	160	24	233
Exchange adjustments	692	329	16	1,037
Disposals	-	(40)	(127)	(167)
Revaluation	(10,852)	-	-	(10,852)
At 31 December 2009	92,949	10,625	216	103,790
Additions at cost	88	590	29	707
Exchange adjustments	2,879	261	1	3,141
Disposals	-	(140)	(98)	(238)
Write offs	(1,806)	-	-	(1,806)
Revaluation	3,934	-	-	3,934
At 31 December 2010	98,044	11,336	148	109,528
Accumulated depreciation				
At 1 January 2009	(3,949)	(1,517)	(100)	(5,566)
Charge for the year	(1,546)	(787)	(68)	(2,401)
Transfer	-	5	-	5
Exchange adjustments	(116)	(255)	(21)	(392)
Disposals	-	18	71	89
At 31 December 2009	(5,611)	(2,536)	(118)	(8,265)
Charge for the year	(1,871)	(851)	(38)	(2,760)
Exchange adjustments	(193)	(79)	(2)	(274)
Disposals	13	29	60	102
At 31 December 2010	(7,662)	(3,437)	(98)	(11,197)
Net book value at 31 December 2010	90,382	7,899	50	98,331
Net book value at 31 December 2009	87,338	8,089	98	95,525
Net book value at 31 December 2008	99,111	8,721	203	108,035

Buildings were valued as at 31 December 2010 by qualified professional valuers working for the company of King Sturge, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors ("RICS"). 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 29).

The Group has pledged property, plant and equipment of €96.2 million (31 December 2009: €93.2million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €64.2 million (31 December 2009: €66.7 million) are secured on these properties (note 24).

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

	2010 €'000	2009 €'000
Cost	86,830	85,888
Accumulated depreciation	(7,141)	(5,271)
At 31 December	79,689	80,617

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16. Investment property

	2010 €'000	2009 €'000
At beginning of the year	161,027	198,677
Disposals (note 31.4)	-	(2,725)
Disposals- others	(94)	-
Transfers from other asset categories	8,441	2,229
Capitalised subsequent expenditure	554	268
Exchange movements	2,425	(1,862)
PV of annual perpetual usufruct fees	(2)	(2)
Fair value losses	(16,198)	(35,558)
Total	156,153	161,027

The fair value of the Group's investment property at 31 December 2010 has been arrived at on the basis of a valuation carried out at that date by King Sturge. 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 investment property of €145.7 million (2009: €152.8 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €117.4 million (2009: €117.2 million) are secured on these investment properties (note 24).

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €13.3 million (2009: €13.3 million). Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to €5.4 million (2009 – €5.2 million). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to €1.0 million (2009 – €0.8 million).

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

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

The future aggregate minimum lease receipts under non-cancellable operating leases as at 31 December 2010 are as follows:

	2010 €'000	2009 €'000
No later than one year	10,202	9,712
Later than one year and no later than 5 years	14,698	15,789
Later than 5 years	2,053	2,516
Total	26,953	28,017

18. Inventories

	2010 €'000	2009 €'000
Land held for development	57,044	63,055
Construction expenditures	6,503	30,465
Completed properties	33,197	65,817
Hotel inventory	1,274	1,238
Freehold and leasehold properties held for resale	98,018	160,575
Less assets classified as held for sale and shown in current assets (note 20)	(21,751)	(21,855)
As at 31 December 2010	76,267	138,720

€62.0 million (2009: €15.1 million) of inventories was released to cost of operations in the income statement during the year. In 2010 €2.1 million was recognised in the income statement in relation to the reversal of impairment on inventories. In 2009 €9.9 million was recognised in the income statement in relation to

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impairment on inventories. All inventories are held at cost with the exception of €27.8 million, which are held at net realisable value (2009: €29.1 million).

Bank borrowings are secured on inventory for the value of €70.0 million (2009: €76.0 million) (note 24).

19. Trade and other receivables

	2010	2009
	€'000	€'000
Amounts falling due within one year:		
Trade receivables	7,223	2,800
Less: provision for impairment of receivables	(1,633)	(1,394)
Trade receivables – net	5,590	1,406
Other receivables	2,440	2,033
Prepayments and accrued income	1,046	1,041
	9,076	4,480
Less assets classified as held for sale and shown in current assets (note 20)	(16)	(100)
At 31 December 2010	9,060	4,380
Non-current – other loans receivable:		
Loans to non-controlling investors	6,915	6,641
Other non-current trade and other receivables	-	19
	6,915	6,660
Less assets classified as held for sale and shown in current assets (note 20)	(4,385)	(4,280)
As at 31 December 2010	2,530	2,380

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

Loans to non-controlling investors are interest-bearing, with interest charged at EURIBOR plus an agreed margin. These loans have no agreed maturity date and are not considered impaired.

The book values of trade and other receivables, other loans receivable and loans receivable from non-controlling investors are considered to be approximately equal to their fair value.

As at 31 December 2010, current trade receivables of €1.6 million (2009: €1.4 million) were impaired. Bad debts of €0.04 million as at 31 December 2010 (2009: €0.04 million) were written off. The ageing of the impaired receivables is as follows:

	2010	2009
	€'000	€'000
0 to 3 months	-	-
3 to 6 months	-	-
Over 6 months	(1,633)	(1,394)
At 31 December 2010	(1,633)	(1,394)

As of 31 December 2010, current trade receivables of €0.5 million (2009: €0.2 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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

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	2010	2009
	€'000	€'000
Euro	237	362
Polish Zloty	7,374	2,846
Hungarian Forint	826	680
Romanian Lei	576	541
Other currencies	63	51
At 31 December 2010	9,076	4,480

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

	2010	2009
	€'000	€'000
At beginning of year	(1,394)	(1,447)
Provision for impairment of trade receivables	(274)	(307)
Trade receivables written off during the year as uncollectible	35	40
Reversal of unused provision	-	268
Exchange adjustments	-	52
At end of year	(1,633)	(1,394)

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

The maximum amount of exposure of the Group to credit risk at the balance sheet date approximates the total of net trade and other receivables plus loans to non-controlling investors.

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

On 3 November 2009 Atlas announced an agreement for the sale of its entire investment interests throughout Slovakia (the "Slovakia Portfolio"), comprising one site in Bratislava and two sites in Kosice. The Group realised €0.9 million in net proceeds from the first stage of the sale and is expecting to realise a further €7.1 million on completion of the second stage. It is anticipated that the net proceeds will be utilised to fund the development of the Group's remaining assets, with particular focus on the assets located in Warsaw, Poland, where the Group has a strong presence and is likely to realise value from development activity within the next two to three years. This contrasts with the projects in Slovakia, which would have required the investment of large amounts of capital with returns arising in the long term.

The assets and liabilities directly associated with this sale were separately classified as of 31 December 2010. €5.9 million (2009: €5.9 million) was recognised as a provision for the value of the development land held in Slovakia. The major classes of assets and liabilities held for sale were as follows:

	31 December 2010	31 December 2009
	€'000	€'000
Assets:		
Deferred tax asset	151	142
Inventories	21,751	21,855
Trade and other receivables	16	100
Shareholder loan receivable	4,385	4,280
Cash and cash equivalents	169	214
Total assets classified as held for sale	26,472	26,591
	31 December 2010	31 December 2009
	€'000	€'000
Liabilities:		
Trade and other payables	(7,250)	(6,426)
Bank loans	(12,368)	(12,240)
Deferred tax liabilities	(777)	(778)
Total liabilities directly associated with assets classified as held for sale	(20,395)	(19,444)

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21. Cash and cash equivalents

	2010 €'000	2009 €'000
Cash and cash equivalents		
Cash and cash equivalents	13,779	11,740
Short term bank deposits	1,426	1,525
	15,205	13,265
Less assets classified as held for sale and shown in current assets (note 20)	(169)	(214)
At 31 December 2010	15,036	13,051

The effective interest rate on the short term call deposit was 3.5% (2009: 3.08%) and this deposit is immediately available.

Included in cash and cash equivalents is €12.7 million (2009: €6.1 million) restricted cash relating to restricted proceeds, security and customer deposits and loan financing.

22. Cash generated from operations

	2010 €'000	2009 €'000
Loss for the year	(12,453)	(49,216)
Adjustments for:		
Effects of foreign currency	(4,074)	(685)
Finance costs	10,804	10,607
Finance income	(524)	(586)
Tax credit	(2,575)	(7,805)
Provision for receivables	(239)	16
Depreciation of property, plant and equipment	2,760	2,579
Amortisation charges	241	52
(Gain) / loss on sale of property plant and equipment	88	10
Decrease in the value of investment property	16,198	35,558
Charge relating to share based payments	7	29
Loss of sale of joint venture interests	-	1,586
Write down of assets held for sale to net realisable value	-	5,831
(Reversal of impairment)/ Impairment on inventory	(2,057)	9,890
Property, plant and equipment write off	1,806	-
	9,982	7,966
Changes in working capital		
Increase in inventory	57,596	(9,325)
Decrease in trade and other receivables	(4,268)	2,512
Increase in trade and other payables	(34,866)	1,293
	18,462	(5,520)
Cash inflow/ (outflow) generated from operations	28,444	2,446

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23. Trade and other payables

	2010 €'000	2009 €'000
Current		
Trade payables	(3,879)	(3,684)
Other tax and social security	(740)	(615)
Other creditors	(3,315)	(4,068)
Accruals and deferred income	(11,531)	(47,246)
	(19,465)	(55,613)
Less payables directly associated with assets held for sale (note 20)	55	70
At 31 December 2010	(19,410)	(55,543)
Non-current – other payables		
Loans from non-controlling investors	(10,162)	(9,114)
Other non-current trade and other payables	(2,722)	(2,550)
	(12,884)	(11,664)
Less payables directly associated with assets held for sale (note 20)	7,195	6,356
At 31 December 2010	(5,689)	(5,308)
Total trade and other payables	(32,349)	67,277
Less payables directly associated with assets held for sale (note 20)	7,250	6,426
At 31 December 2010	(25,099)	(60,851)

The loans from non-controlling investors were unsecured and bore interest between 2.69% and 2.74% (2009: 2.55% and 6.43%) per annum. The book value of the loans is considered to be approximately equal to their fair value. They are repayable within one to two years.

24. Bank loans

	2010 €'000	2009 €'000
Current		
<i>Bank loans and overdrafts due within one year or on demand</i>		
Secured	(70,510)	(156,031)
Non-current		
<i>Repayable within two years</i>		
Secured	(29,299)	(5,293)
<i>Repayable within three to five years</i>		
Secured	(60,496)	(12,338)
<i>Repayable after five years</i>		
Secured	(72,989)	(74,088)
	(162,784)	(91,719)
Total	(233,294)	(247,750)
Bank loans directly associated with assets classified as held for sale (note 20)	(12,368)	(12,240)
Total	(245,662)	(259,990)

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

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

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Key changes in 2010

On 25 January 2010 the Company announced that its Hungarian subsidiary Cap East Kft, which owns the Metropol office building in Budapest, had signed a credit facility for €3.1 million with FHB Kereskedelmi Bank Zft. This loan will be utilised as working capital for operations and to fund the development of its portfolio (€2.8 million as of 31 December 2010).

On 24 February 2010 the Atlas Group companies Atlas Estates (Millennium) Sp. z o.o., Ligetvaros Kft, Atlas Solaris SRL and World Real Estate SRL signed an amendment agreement with Erste Bank. This agreement created a cross collateralisation arrangement between these 4 companies with respect to the loans provided by Erste Bank. In return for this cross collateralisation the bank agreed to waive any claims for any breaches of covenants which were in existence. A new covenant of interest service coverage has been included, with a priority of payments list, reduced margins on each loan and extension of maturity dates for the two Romanian land loans to 31 December 2012. A new LTV covenant comes into effect from 1 January 2013 (€91.9 million as of 31 December 2010).

The Group has successfully negotiated an extension of the land loan for the Kokoszki plot in Gdansk to 29 July 2011 (€10.0 million as of 31 December 2010).

Update on current status

In the preparation of the consolidated financial statements for the year ended 31 December 2010, the directors have reclassified two loans totaling €20.0 million within the financial statements from non current liabilities to current liabilities as bank loans and overdrafts due within one year or on demand, where covenant breaches or defaults on these loans arose. The banks are aware of the technical breaches and defaults and have not asked for repayment of the loans. The current status is as follows:

- Atlas House, Sofia (€ 5.5 million) The Company has also received a waiver from the lender for the LTV covenant breach, however the waiver was not signed at the date of this report;
- Felikon (€ 14.5 million)- this asset has breached its DSCR and DSRA covenants, but currently there are advanced negotiations on a re-structure of the loan to include a holiday period from principal and interest payments in order to stabilize its cash flow.

In addition there are four loans that are classified as bank loans and overdrafts due within one year or on demand in the amount of €38.1 million. Following negotiations are ongoing with the banks on refinancing terms:

- Platinum Towers project (€30.0 million) - the loan attributable to this project is overdue as of 31 December 2010 however on 16 February 2011 the Company signed the extension of the loan resulting in capital repayment from December 2011 until March 2012;
- The land loan on Zielono (€3.3 million) – the Company received an offer from the bank for the loan prolongation until either June 2011 or December 2011, which is currently being considered by the Company;
- Cybernetyki (€1.7 million) – The Company received signed term sheet to the existing agreement that prolongs repayment of the loan until June 2011 and was granted a new construction loan of €64 million;
- Volan project (€3.1 million)- the loan attributable to this project is overdue however, the Company has received an extension offer from the bank which has yet to be signed and concluded.

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Lender	Total Available Amount €'000	Total Amount Due €'000	Expiration Dates	Collateral
Raiffeisen Bank Polska S.A.	41,049	39,983	October 2010 – July 2011	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
Investkredit Bank AG	70,258	70,258	December 2010 – September 2017	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
Erste Bank	92,030	92,030	December 2012 – December 2021	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances and / or shares
ING Bank	6,399	6,399	May 2021	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
PEKAO S.A.	1,748	1,748	January 2011	Mortgage over the asset together with assignment or pledge of the associated bank balances and insurance rights
MKB Bank	14,455	14,455	March 2017	Mortgage over the asset together with assignment or pledge of the associated receivables and shares
Volksbank	3,118	3,118	April 2010	Mortgage over the asset together with a pledge on the associated shares
Alpha Bank Romania SA	3,443	3,443	August 2016	Mortgage over the asset together with assignment or pledge of the associated bank balances and insurance rights
FHB Kereskedelmi Bank Zártkörűen Működő Részvénytársaság.	2,794	2,794	December 2017	Mortgage over the asset together with assignment or pledge of the associated receivables and shares
Total	235,294	234,228		

The Total Amount Due in the table above differs from the total bank loans and overdrafts included in the consolidated balance sheet as at 31 December 2010 due to the treatment under IFRS of direct issue costs.

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

		Euro	Zloty
Bank loans	2010	2.31%-6.19%	6.86%-13.00%
Bank loans	2009	1.93%-6.19%	4.93%-13.74%

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	Other €'000	Total €'000
Bank loans and overdrafts – 31 December 2010	200,723	44,939	-	245,662
Bank loans and overdrafts – 31 December 2009	203,042	56,933	15	259,990

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The Group has the following undrawn borrowing facilities:

Floating rate:	Euro 2010 €'000	Euro 2009 €'000
Expiring beyond one year	1.066	-

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

	2010 €'000	2009 €'000
Trade receivables	16,222	2,831
Cash and cash equivalents	4,572	4,532
Total carrying amount of financial assets for which collateral was established to guarantee repayment of bank liabilities	20,794	7,363

25. Derivative financial liabilities

	2010 €'000	2009 €'000
<i>Derivatives not designated as hedging instruments:</i>		
- Interest rate swaps	(1,509)	(1,625)
Total financial instruments classified as held for trading	(1,509)	(1,625)
<i>Less non-current portion:</i>		
- Interest rate swaps	1,267	1,257
Current portion	(242)	(368)

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cash flows. The fair value of the Group's interest rate derivatives is based on broker quotes. The maximum exposure to credit risk at the balance sheet date is the fair value of the derivative assets in the balance sheet.

An analysis of derivative financial instruments' maturity is as follows:

	2010 €'000	2009 €'000
Up to 3 months	(61)	(92)
3 to 6 months	(61)	(92)
6 to 12 months	(120)	(184)
Later than one year and not later than 5 years	(1,267)	(1,257)
Total financial instruments classified as held for trading	(1,509)	(1,625)

26. Deferred tax

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

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

	2010 €'000	2009 €'000
At beginning of the year	(12,134)	(23,763)
Acquisitions through business combinations	-	-
Disposals through business combinations	-	260
Credited to income statement	2,596	8,608
Credited/ (charged) to other comprehensive income	(1,343)	2,208
Exchange differences	(99)	553
	(10,980)	(12,134)
Less deferred tax classified as held for sale and shown in current assets (note 20)	629	635
At 31 December 2010	(10,351)	(11,499)

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

Deferred tax liabilities – non-current	Accelerated tax depreciation and other	Revaluation and fair value adjustments on acquisition	Total
	€'000	€'000	€'000
At 1 January 2009	(3,581)	(25,540)	(29,121)
Disposals through business combinations	-	303	303
Profit and loss (charge)/ credit (Charged)/ credited to other comprehensive income	(561)	6,377	5,816
Exchange differences	(5)	2,213	2,208
Less classified as held for sale and shown in current assets (note 20)	(46)	330	284
	916	(138)	778
At 31 December 2009	(3,277)	(16,455)	(19,732)
Profit and loss (charge)/ credit (Charged)/ credited to other comprehensive income	184	5,074	5,258
Exchange differences	-	(788)	(788)
	(49)	(288)	(337)
	(4,058)	(12,319)	(16,377)
Less classified as held for sale and shown in current assets (note 20)	938	(160)	778
At 31 December 2010	(3,120)	(12,479)	(15,599)
Deferred tax assets – non-current	Tax losses	Other	Total
	€'000	€'000	€'000
At 1 January 2009	1,804	3,554	5,358
Disposals through business combinations (Charged)/ credited to the income statement	(42)	-	(42)
Exchange movements	2,974	(181)	2,793
	241	26	267
Less classified as held for sale and shown in current assets (note 20)	(143)	-	(143)
At 31 December 2009	4,834	3,399	8,233
Profit and loss (charge)/ credit Credited/ (charged) to the other comprehensive income	(3,396)	735	(2,661)
Exchange differences	-	(555)	(555)
	88	151	239
	1,669	3,730	5,399
Less classified as held for sale and shown in current assets (note 20)	(151)	-	(151)
At 31 December 2010	1,518	3,730	5,248

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

	2010 €'000	2009 €'000
Fair value reserves in shareholders' equity		
Revaluation of property, plant and equipment	(778)	2,213
Exchange movements offset in reserves	(555)	(5)
	(1,343)	2,208

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

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

27. Share capital account

	Number of shares	Ordinary shares - share capital account €'000	Total €'000
Authorised			
Ordinary shares of €0.01 each	100,000,000	1,000	1,000
Issued and fully paid			
At 1 January 2008	44,978,081	484	484
Issued as part settlement of the performance fee	1,430,954	4,537	4,537
Issued under the Scrip Dividend Offer	442,979	1,247	1,247
As at 31 December 2008, 2009 and 2010	46,852,014	6,268	6,268

During 2007, 3,470,000 ordinary shares of €0.01 each with an aggregate nominal value of €34,700 were purchased and are held in Treasury. Distributable reserves were reduced by €16,023,000, being the consideration paid for these shares.

On 11 July 2008 the Company issued 1,430,954 new ordinary shares to AMC as part settlement of the performance fee earned by AMC under the Property Management Agreement ("PMA") for the financial year ending 31 December 2007. €4,537,442 (or £3,629,953 at the agreed exchange rate of £1 equalling €1.25) was settled by the issue to AMC of 1,430,954 new ordinary shares issued as follows:

- 699,141 new ordinary shares issued at £2.6842 per ordinary share (being the price per ordinary share calculated by the formula set out in the PMA using data derived from the London Stock Exchange Daily Official List) in settlement of one third of the 2007 performance fee as Atlas is entitled to do under the terms of the PMA; and
- 731,813 new ordinary shares issued at £2.3958 per ordinary share (being the price per ordinary share calculated as the average closing price of the ordinary shares for the 45 days prior to (but not including) the date (being 15 May 2008) of the results for the first quarter of 2008).

This had been approved at the AGM held on 24 June 2008.

On 28 July 2008 the Company announced that it had issued 442,979 new ordinary shares under the Scrip Dividend Offer, which had been approved at the AGM held on 24 June 2008.

28. 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 offer or

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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.

The exercise price of each of the Warrants is £3.41 (€3.98 as at 31 December 2010). 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	24 February 2006	20 March 2006
Share price at grant date	£3.41	£3.41
Exercise price	£3.41	£3.41
Number of recipients	7	6
Warrants issued	5,114,153	373,965
Vesting period	1 - 4 years	1 - 4 years
Expected volatility	15%	15%
Option life	7 years	7 years
Expected life	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 employee services received in exchange for the grant of the warrants is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the warrants granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of warrants that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the warrants are exercised.

In 2010, the fair value of the benefit of the total warrants in issue of €7.0 thousand (2009: €29.0 thousand) has been charged to the income statement.

29. Other reserves

The Other Reserves column included in the Consolidated Statement of Changes in Equity includes the Group's Revaluation Reserve, Other Distributable Reserve and Translation Reserve. The Revaluation Reserve includes amounts relating to revaluation of buildings and the related deferred tax. The Other Distributable Reserve includes amounts relating to cancellation of share premium, shares bought back and cancelled or held in Treasury, and dividends paid. The Translation Reserve includes exchange adjustments and the related deferred tax. The Group's Revaluation Reserve and Translation Reserve represent unrealised gains and losses and therefore are not distributable.

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	Revaluation reserve	Other distributable reserve	Translation reserve	Total
	€'000	€'000	€'000	€'000
At 1 January 2009	15,575	194,817	(4,682)	205,710
Revaluation – gross (note 15)	(10,852)	-	-	(10,852)
Revaluation – tax (note 26)	2,213	-	-	2,213
Exchange differences – gross	-	-	(2,108)	(2,108)
Exchange differences – tax (note 26)	-	-	(5)	(5)
At 31 December 2009	6,936	194,817	(6,795)	194,958
Revaluation – gross (note 15)	3,934	-	-	3,934
Revaluation – tax (note 26)	(788)	-	-	(788)
Exchange differences – gross	-	-	2,187	2,187
Exchange differences – tax (note 26)	-	-	(555)	(555)
Transfer to retained earnings	(1,060)	-	-	(1,060)
At 31 December 2010	9,022	194,817	(5,163)	198,676

The amount standing to the credit of the revaluation reserve, in respect of land and buildings, 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 will be crystallised within retained earnings.

30. Non-controlling interests

	2010 €'000	2009 €'000
At beginning of the year	732	1,273
Share of net loss of subsidiaries	40	(541)
	772	732

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

31.1 Acquisitions and investments during the year ended 31 December 2010

No significant acquisitions and investments took place during the year 2010.

31.2 Disposals of subsidiary undertakings and interests in joint ventures during the year ended 31 December 2010

No disposals of subsidiary undertakings and interests in joint ventures took place during the year 2010.

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31.3 Acquisitions and investments during the year ended 31 December 2009

On each of 15 January 2009 and 9 February 2009, the Group acquired an additional 5% of the share capital of its Kokoszki subsidiary, Atlas Estates (Kokoszki) Sp. z o.o., for a total cash consideration of PLN 300,000 (€68,000). At 31 December 2009, the Group's holding in Atlas Estates (Kokoszki) Sp. z o.o. was 100%. These transactions have been accounted for using the purchase method of accounting.

	Book value €'000	Fair value adjustments €'000	Fair value €'000
Share of net assets acquired			
Investment property	1,428	-	1,498
Trade and other receivables	1	-	1
Cash	5	-	5
Trade and other payables	(656)	-	(656)
Deferred tax liabilities	23	-	23
Bank loans	(803)	-	(803)
	68	-	68
Goodwill			-
Total consideration			68
Satisfied by:			
Equity			-
Cash			68
			68

The increased holding is treated as if it was held by the group throughout the entire period.

31.4 Disposals of subsidiary undertakings and interests in joint ventures during the year ended 31 December 2009

In November 2009 the Group sold assets relating to its interest in the Eastfield Group, Slovakia. The Directors do not consider this to be a discontinued operation and accordingly no specific disclosures are made in the financial statements. The loss on disposal of these operations was determined as follows:

	2009 € '000
Consideration received:	
Cash	853
Cash disposed of	(61)
Net assets disposed of (other than cash):	
PPE	(42)
Investment property	(2,725)
Trade and other receivables	(572)
Trade and other payables	961
	(2,378)
Pre- tax loss on disposal	(1,586)
Related tax credit	317
Post tax loss	(1,269)

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32. Related party transactions

(a) Fragiolig is a wholly owned subsidiary of the Izaki Group, an Israel-based real estate development firm and founding shareholder of Atlas. The Izaki Group, together with RP Capital Group, also own and manage Atlas Management Company Limited ("AMC"), which provides executive management services to Atlas. The Board of Directors of Atlas announced that on 1 July 2010 it received notice from Fragiolig advising that as a result of the settlement on 28 June 2010 (the "Final Settlement") of the last subscriptions received in connection with the offer by Fragiolig for the entire issued and to be issued share capital of the Company not already owned by Fragiolig or persons acting in concert with it (the "Offer"), as announced by the Company on 24 June 2010, following the closing of the Offer, Fragiolig has interests in a total of 31,761,877 ordinary shares in the Company representing 67.79% of the Company's issued share capital. Fragiolig together with its concert parties currently hold 43,849,609 shares in the Company, representing 93.59% in the Company's share capital and carry 43,849,609 votes at the meeting of the shareholders of the Company, which represents 93.59% of the total number of the votes at such meeting.

(b) Key management compensation

	2010	2009
	€'000	€'000
Fees for non-executive directors	94	187

The Company has appointed AMC to manage its property portfolio. In consideration of the services provided, AMC received a management fee of €2.7 million for the year ended 31 December 2010 (2009: €4.1 million). Under the agreement, AMC are entitled to a performance fee based on the increase in value of the properties over the 12 month period to 31 December 2010. No performance fee is due for the year ended 31 December 2010 (2009: €nil).

AMC also received €nil million (2009: €0.04 million) in relation to lease agreements for office space in Poland and Hungary.

As of 31 December 2010, €2.6 million included in current trade and other payables was due to AMC (2009: €2.2 million).

(d) Under the loan agreement of 18 May 2007, EdR Real Estate (Eastern Europe) Finance S.a.r.l, which is also a shareholder in Atlas Estates (Cybernetyki) Sp. z o.o., has extended a loan facility of €3,954,050 to Atlas Estates (Cybernetyki) Sp. z o.o. for the purpose of covering ongoing investment and business expenses. The loan facility is to be repaid by 31 December 2020 and bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. In 2010 the lender charged €68,597 as interest (2009: €81,398). As of 31 December 2010 Atlas Estates (Cybernetyki) Sp. z o.o. has drawn the loan facility plus associated interest in the amount of €3,089,836 (31 December 2009: €2,539,050).

(e) Under the loan agreement of 1 August 2005 and annex dated 10 August 2005, Dellwood Company Limited, which is also a shareholder in Zielono Sp. z o.o., has extended a loan facility of PLN 2,850,000 (€637,641) to Zielono Sp. z o.o. for the purpose of covering ongoing investment and business expenses. The loan facility is to be repaid within 60 days from the receipt of a demand of payment and bears interest at a variable rate equal to the sum of WIBOR and the lender's margin. In 2010 the lender charged €13,080 as interest (2009: €22,704). As of 31 December 2010 Zielono Sp z o.o. has drawn the loan facility plus associated interest in the amount of €482,140 (31 December 2009: €345,972).

(f) Shasha Transport Ltd, which are also shareholders in Atlas and Shasha Zrt (previously: Atlas Estates Kaduri Shasha Zrt), have extended loan facilities to Atlas and Shasha Zrt for the purpose of covering ongoing investment and business expenses. The loan facility has no repayment date and bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. In 2010 the lender charged €46,856 as interest (2009: €58,176). As of 31 December 2010 Atlas and Shasha Zrt has drawn the loan facilities plus associated interest in the amount of €1,876,972 (31 December 2009: €1,804,498).

(g) Under the loan agreement of 29 September 2005, Kendalside Limited, which is also a shareholder in Circle Slovakia s.r.o., has extended a loan facility of €6,042,106 to Circle Slovakia for the acquisition of a property. This facility was extended by €3,000,000 on 1 December 2008. The loan facility is to be repaid by 31 August 2013, and bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. In 2010 the lender charged €274,788 as interest (2009: €265,562). As of 31 December 2010 Circle Slovakia has drawn the loan facility plus associated interest amount of €13,169,054 (31 December 2009: €11,520,208). This loan is included within assets held for sale as shown in note 20.

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33. Post balance sheet events

33.1 Financing

Details of bank financing post balance sheet events have been included in note 24 .

Guarantees and sureties – events after the balance sheet date

On 16 February 2011 Platinum Towers AEP Spółka z ograniczoną odpowiedzialnością S.K.A. ('PT') signed the prolongation of the loan as granted to PT by Raiffeisen Bank Polska S.A. ('RB').

At the day of signing the amendment to the Facilities Agreement the total outstanding advances of all facilities equalled €29,284,785.

As the security for repayment of the mentioned facilities based on the agreement the joint cap mortgages over the unsold apartments in Capital Art Apartments 2 Project, owned by Atlas Estates Limited's ("AEL") subsidiary - Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością S.K.A was established in favour of RB. The value of the mortgaged asset based on the internal valuation is estimated around €18,937,959, which exceeds 10% of AEL's equity. The book value of the mortgaged asset equals €17,246,168. The total value of the secured receivables equals €43,927,177.

The repayment of the Facilities noted above is secured by the pledge in favor of RB over all PT's shares owned by AEP Sp. z o.o. (owning 100% of votes on shareholders meetings) and Atlas Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych as well as the rights and obligation of the general partner, i.e. AEP Sp. z o.o. were established. The nominal value of the pledged shares equals €3,875,969. The total value of the pledge equals €43,927,177.

34. Significant Agreements

No new significant agreements have been entered into.

35. Other items

35.1 Information about court proceedings

As of 21 March 2011, the Company was not aware of any proceedings instigated before a court, a competent arbitration body or a public administration authority concerning liabilities or receivables of the Company, or its subsidiaries, whose joint value constitutes at least 10% the Company's equity capital, except for instituting legal proceeding against Atlas Estates (Millennium) Sp. z o.o.

Atlas Estates Limited ("AEL") was notified by its subsidiary Atlas Estates (Millennium) Sp. z o.o. with its seat in Warsaw ("AEM") that on 20 January 2011 AEM obtained from the court an invitation for a hearing of amicable settlement concerning a claim of Reform Company Sp. z o.o. in bankruptcy proceeding for payment of the amount of 66,791,250 PLN as the compensation of the damages which were caused to Reform Company Sp. z o.o. at execution of the transaction on the sale of the Millennium Plaza building. The parties invited for the amicable settlement are: AEM, Hendrik Johannes Keilman, Anandrous B.V with its seat in Amsterdam, Hocalar B.V with its seat in Rotterdam and DIR Mangement B.V with its seat in Amsterdam.

AEL hereby informs that in its opinion the motion of Reform Company Sp. z o.o. in bankruptcy for any payments is the result of the internal disputes between the shareholders of Reform Company Sp. z o.o. in bankruptcy.

AEM entered into the transaction for the purchase of the Millennium Plaza building over 3 years ago in good faith and paid the fair price for the building. Based on the advice the Board has received from its legal advisors and the evidences as indicated in the motion for the amicable settlement, it is the Board opinion that there is no material background, both factual and legal, to the above-mentioned claim.

35.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2010.

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36. Principal subsidiary companies and joint ventures

The table below lists the current operating companies of the Group. In addition, the Group owns other entities which have no operating activities. All Group companies are consolidated.

No new subsidiary undertakings were acquired and no investments were made in any additional joint ventures during the period ended 31 December 2010. Two new entities were established, one in Poland, one in Cyprus.

Country of incorporation	Name of subsidiary/joint venture entity	Status	Percentage of nominal value of issued shares and voting rights held by the Company
Holland	Atlas Estates Cooperatief U.A.	Holding	100%
Holland	Atlas Estates Investment B.V.	Holding	100%
Holland	Trilby B.V.	Holding	100%
Guernsey	Atlas Finance (Guernsey) Limited	Holding	100%
Netherlands			
Antilles	Atlas Estates Antilles B.V.	Holding	100%
Cyprus	Darenisto Limited	Holding	100%
Cyprus	Kalipi Holdings Limited	Holding	100%
Cyprus	Fernwood Limited	Holding	100%
Poland	AEP Sp. z o.o.	Management	100%
Poland	Platinum Towers AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Zielono Sp. z o.o.	Development	76%
Poland	Properpol Sp z o.o.	Investment	100%
Poland	Atlas Estates (Millennium) Sp. z o.o.	Investment	100%
Poland	Atlas Estates (Sadowa) Sp. z o.o.	Investment	100%
Poland	Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Grzybowska Centrum Atlas Re Project BV SK	Holding	100%
Poland	HGC S.A.	Hotel operation	100%
Poland	HPO Sp. z o.o.	Development	100%
Poland	Atlas Estates (Cybernetyki) Sp. z o.o.	Development	50%
Poland	Atlas Estates (Kokoszki) Sp. z o.o.	Development	100%
Poland	Atlas FIZ AN	Holding	100%
Hungary	CI-2005 Investment Kft.	Development	100%
Hungary	Cap East Kft.	Investment	100%
Hungary	Felikon Kft.	Investment	100%
Hungary	Ligetváros Kft	Investment	100%
Hungary	Városliget Center Kft	Development	100%
Hungary	Atlas Estates (Moszkva) Kft.	Investment	100%
Hungary	Atlas and Shasha Zrt	Development	50%
Romania	World Real Estate SRL	Investment	100%
Romania	Megarom Line SRL	Development	100%
Romania	D.N.B. - Victoria Towers SRL	Hotel operation	100%
Bulgaria	Immobul EOOD	Investment	100%
Slovakia	Circle Slovakia, s.r.o.	Development	50%