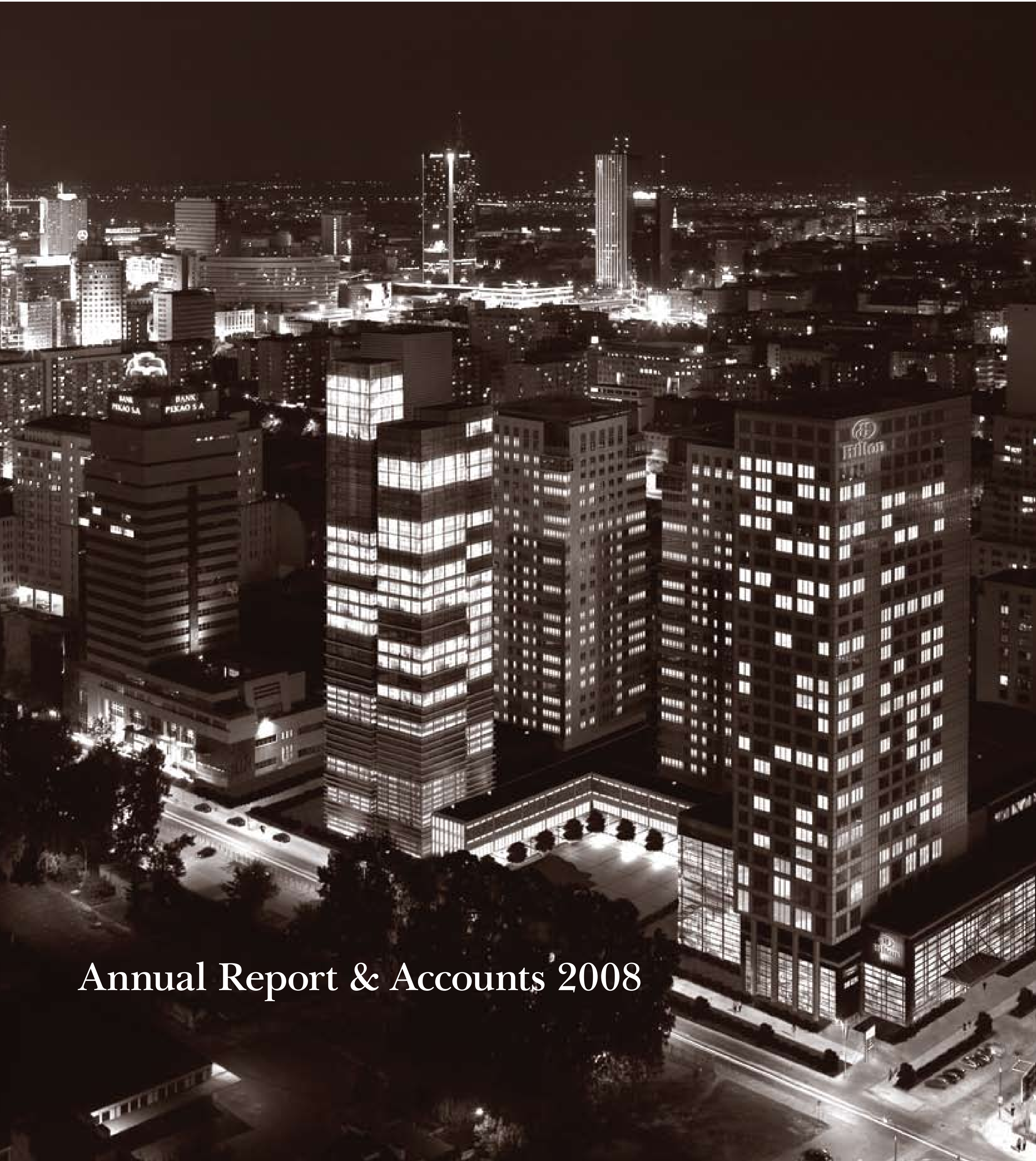
ATLAS
ESTATES



Annual Report & Accounts 2008

Contents

Business Review
01 Highlights
02 Chairman's Statement
06 Property Manager's Report
13 Property Portfolio

Corporate Governance
20 Directors – Atlas Estates Limited
21 Directors – Property Manager, Atlas Management Company Limited
22 Directors' Report
27 Corporate Governance Review
30 Directors' Remuneration Report
33 Declaration of the Board of Directors

Financial Statements
34 Independent Auditors' Report
35 Consolidated Income Statement
36 Consolidated Balance Sheet
37 Consolidated Statement of Changes in Equity
38 Consolidated Cash Flow Statement
39 Statement of Accounting Policies
46 Notes to the Consolidated Financial Statements
IBC Advisors

Geographical Overview

Poland
02
Investment Property Assets

05
Development Property Assets

01
Hotel Asset

Slovakia
03
Development Property Assets

Hungary
05
Investment Property Assets

02
Development Property Assets

Romania
02
Development Property Assets

01
Hotel Asset

Bulgaria
01
Investment Property Asset

Highlights

Atlas Estates Limited ("Atlas" or the "Company") is a closed-ended investment company incorporated in Guernsey. The Company began trading and was admitted to the AIM market of the London Stock Exchange on 1 March 2006. On 12 February 2008 the Company was also admitted to the Warsaw Stock Exchange and share trading commenced.

The Company and its subsidiary undertakings (the "Group") invest in real estate assets in Central and Eastern Europe ("CEE") excluding the former USSR. The Group currently operates in the Polish, Hungarian, Slovakian, Romanian and Bulgarian real estate markets.

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.

Selected Consolidated Financial Items	Year ended 31 December 2008 €'000	Year ended 31 December 2007 €'000
Revenues	51,875	27,375
Gross profit	16,591	6,727
(Decrease)/increase in value of investment properties	(4,495)	36,160
(Loss)/profit from operations	(3,902)	17,076
(Loss)/profit before tax	(40,850)	11,351
(Loss)/profit for the year	(39,697)	8,256
(Loss)/profit attributable to equity shareholders	(39,694)	8,196
Net cash outflow from operating activities	(29,140)	(16,230)
Cash flow from investing activities	(2,099)	(119,827)
Cash flow from financing activities	18,823	110,873
Net decrease in cash	(19,573)	(27,811)
Non-current assets	337,053	362,393
Current assets	178,981	169,107
Total assets	516,034	531,500
Current liabilities	(149,560)	(81,336)
Non-current liabilities	(192,635)	(226,048)
Total liabilities	(342,195)	(307,384)
Net assets	173,839	224,116
Shareholders' equity attributable to equity holders of the Company	172,566	223,377
Number of shares outstanding	46,852,014	44,978,081
(Loss)/earnings per share basic (eurocents)	(86.6)	17.0
Basic net asset value per share (€)	3.68	4.98
Adjusted net asset value (€'000)[1]	206,981	285,969
Adjusted net asset value per share (€)	4.42	6.36

1 "Adjusted net asset value" 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.

Chairman's Statement

Dear shareholders,
I am pleased to announce the consolidated financial results for Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings ("the Group") for the year ended 31 December 2008. Against a backdrop of very challenging ongoing conditions in the global markets, the Company has been able to achieve certain key objectives.

In the second half of 2008, the well-documented knock-on effects of the global economic downturn and credit crunch accelerated particularly in the aftermath of the collapse of Lehman Brothers. Inevitably, the Company's activities have not been immune. In our home markets, as is the case elsewhere in Europe, the impact has been demonstrated through low transactional volumes, a significant reduction in the availability of credit and reductions in GDP growth.

The results for the year 2008 have been adversely 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 16.5% from the 31 December 2007 rate of exchange to 31 December 2008 rate of exchange. The fall in value of the functional currencies has resulted in foreign exchange losses of €22.2 million in the income statement (2007: gain of €0.5 million) and €17.9 million (2007: gain of €11.7 million) in reserves for the year ended 31 December 2008. Of the loss in the income statement, €24.5 million (2007: gain €1.9 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.

Recently, the Company has had to refinance several of its properties with its banks. Negotiations have been more difficult, which reflects the pressures being faced by international banks, but the Company has been successful in refinancing many of its loans, as detailed below.

The Directors continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2008. Disclosure of the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2008 is included in the Directors' Report and in the statement of accounting policies.

Strategy
The Group's strategy is to invest in the developing markets of Central and Eastern Europe ("CEE") excluding the former Soviet Union and since IPO the Company has developed a significant portfolio of assets. The economies of Poland, Hungary, Slovakia, Romania and Bulgaria, in which the Group operates, have been impacted by the adverse effects of the global economic crisis. Although Poland, where 64% of the Company's assets are located, appears the most resilient economy in the region, Hungary, in which the Company also has interests (13%), has had to seek financial support from the International Monetary Fund ("IMF"). Despite the challenging environment, the projects that the Company is currently developing are well placed to meet the ongoing demand for quality residential, office and retail properties.

The Company's strategy, since its IPO in London in 2006, has been to invest the funds raised in acquiring quality assets that have the potential for growth. These initial targets have been achieved within the timeframe stated at IPO. Over the next three to five years, taking account of more uncertain market conditions, the Company will be seeking to realise value through property disposals and the completion of its ongoing development projects.

Chief Executive Officer ("CEO") of Atlas Management Company Limited ("AMC" or the "Property Manager")
In April 2008, the Company announced that Mr. Amos Pickel, the Chief Executive Officer of AMC, the Company's property manager, had resigned. He was replaced in September 2008 by Mr. Nahman Tsabar, a civil engineer, who brings to the Company more than 30 years of experience in construction and development, which includes significant expertise in planning, procurement and project management, gained across a number of sectors and geographies, including infrastructure, civil works programmes and aviation, particularly within the emerging markets. Since his appointment Mr. Tsabar has quickly been able to provide the leadership that the Group requires in these difficult economic conditions.

Refinancing and construction loans
In the current financial market conditions, gaining access to capital has become more difficult and, as highlighted in the quarterly announcements during 2008, enhancing liquidity and the retention of cash is a key priority. Both of these objectives are vital for operations as they will underpin our drive to progress the projects we currently have under development through to completion, whilst at the same time supporting growth.

The completion of the refinancing of the Hilton Hotel, Warsaw and securing of a new construction loan to complete the Platinum Towers development were significant achievements for the Company and particularly notable within the context of the current difficult conditions in the financial markets. On 25 July 2008, the Company refinanced the loan secured against its Hilton Hotel and Conferencing Centre asset in Warsaw, extending its facility with

Investkredit Bank AG from €51.4 million to €65 million. The additional funding is being deployed in progressing the Group's development pipeline. Additionally, on 12 August 2008, the Company obtained a Polish Zloty 174 million (circa €37 million) facility relating to the construction of its Platinum Towers residential development in the Wola district in Warsaw. The loan is provided by Raiffeisen Bank Polska S.A. and is secured against its Platinum Towers residential asset. It is being deployed in the construction of the development.

All land and building assets and associated debts are ring-fenced in unique, specific, corporate vehicles. In all cases the market values of the assets held exceed the external debt. In spite of the successful refinancing of certain facilities as described in the previous paragraph, the Directors recognise that economic difficulties facing some of the banks could have an adverse impact on the individual corporate vehicles' ability to obtain the ongoing funding they require. This being the case, 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; however, any such repossessions could deprive the Group of its equity investment in specific corporate vehicles. There are unencumbered assets which could potentially be leveraged or sold (given time in the present difficult markets) to raise additional finance to mitigate such risks.

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

In the 12 months to 31 December 2008, NAV per share, as reported in the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), has decreased by 26.1% to €3.68 per share. 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 decreased by 30.5% to €4.42 per share.

An independent valuation of the entire property portfolio is carried out on a semi-annual basis between Cushman & Wakefield and Colliers International acting as independent experts. This assessed the total value added 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 2008 €'000	Movement in value €'000
Development land assets and land held under operating lease included in total assets at cost to the Group	172,195	215,258	43,063
Attributable to minority interest partners	(1,867)	(2,554)	(687)
Company share of increase in valuation of development land and land held under operating lease	**170,328**	**212,704**	**42,376**
Deferred tax on increase in valuation of development land and land held under operating lease at local rates			(7,961)
Basic net asset value per balance sheet			172,566
Adjusted net asset value			**206,981**
Number of ordinary shares in issue at 31 December 2008			46,852,014
Adjusted net asset value per share as at 31 December 2008			4.42
Adjusted net asset value per share as at 31 December 2007			6.36
Net asset value per share at IPO (after costs)			4.73

Further analysis of the Company's NAV is contained in the Property Manager's review on the next page.

Chairman's Statement
continued

"Against a backdrop of very challenging ongoing conditions in the global markets, the Company has been able to achieve certain key objectives."

AMC performance fee payment
AMC's performance fee in respect of the financial year ended 31 December 2007 was agreed by the Board at €7.037 million. The first €2.5 million of this amount was paid in cash by the Company to AMC in April 2008. As approved by shareholders at the Annual General Meeting on 27 June 2008, AMC received 1,430,954 new ordinary shares in settlement of the balance of the performance fee. These shares were issued on 11 July 2008.

AMC's performance fee in respect of the financial year ended 31 December 2008 will be €nil.

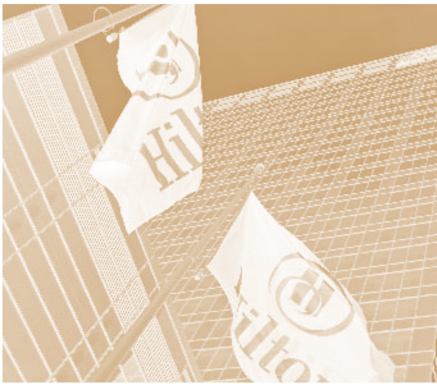
Extraordinary General Meeting ("EGM")
On 30 December 2008 the Company held an EGM on the cancellation of admission of all of the Company's shares to trading on the AIM market of the London Stock Exchange PLC. The resolution was not passed. This was part of the Company's objective to reduce its cost base and to focus efforts in its major market in Warsaw.

Millennium Plaza disposal
On 1 December 2008 the Company announced that the agreement regarding the sale of the Millennium Plaza, Warsaw, expired. The sale agreement was originally concluded on 11 January 2008 and amended on 1 October 2008. It was a preliminary agreement regarding the sale of 100% of the shares in Atlas Estates (Millennium) Sp. z o.o., the owner of the Millennium Plaza building, to Portfolio Real Estate 16 Sp. z o.o., a subsidiary of Akron Management CEE GmbH. The expiry occurred because the purchaser did not exercise his option to complete by 30 November 2008.

Dividend and dividend policy
On 3 March 2008, the Board announced that it had resolved to pay to shareholders a second dividend of 16.68 eurocents per share ("2007 Dividend") for the year ended 31 December 2007. As approved by shareholders at the AGM on 27 June 2008, the Board offered shareholders the choice of receiving the whole or part of the 2007 Dividend in new fully paid ordinary shares in the Company instead of cash ("the Scrip Dividend Offer"). The Board received acceptances for the Scrip Dividend Offer from holders of 7,478,694 ordinary shares in the Company, which resulted in the issue of 442,979 new ordinary shares (representing 0.945% of the current issued share capital of the Company, excluding shares held in treasury). These shares have been admitted to trading on AIM and WSE.

The changes in global economic conditions during 2008, particularly in the property and financial markets, are well documented. However, specifically, and of critical importance, is the effect that these changes are having on access to capital, which continues to be difficult. In order for the Company to achieve its strategic objectives, it is important that the Company is able to complete its development activity and to invest in market opportunities in an effective manner, without cash constraints. The Board therefore considers that it is in the Company's best interests to retain cash.

As previously announced, the Board has decided not to declare any dividend for 2008, believing that it is more prudent to invest its cash resources in bringing forward and completing its development programme in order to realise the value in these projects. The Company also aims to ensure that it is positioned to take advantage of opportunities that arise as a result of market conditions.



As previously stated, the Board will, in future years, determine the payment of dividends after taking account of the Company's distributable profits, sustainable cash flow (based on rental income, sales of residential developments units and sales of investment assets), the Company's debt, market conditions and the investment opportunities available to the Company. This will enable Atlas to pursue its strategic objectives and to maximise the value it can return to its shareholders.

Central and Eastern Europe

Our chosen area of investment continues to be CEE. GDP growth throughout CEE in recent years has outperformed that of Western Europe, with the exception of the Republic of Ireland and Greece. As stated above, the difficult market conditions have spread from Western Europe to CEE throughout 2008, accelerating towards the end of the year. GDP growth rates have slowed as the availability of credit has become very restricted and, as a result, investment and development activity in the real estate market has significantly reduced.

The Company has prudently managed its current investments in the region and continually monitors risks associated with its portfolio so that it is appropriately positioned in the context of the ongoing economic conditions. In the second half of 2008, yields on investment properties increased for the first time in many years, resulting in falling valuations. Yields on investment properties had compressed over many years in the CEE region, but still remain above those of comparable assets in Western Europe.

Prospects

During 2008, the global economic crisis has had a very significant impact on the economies and prospects in the CEE region. Economic growth has slowed as access to funding has become increasingly restricted and the ongoing economic uncertainty has affected investment.

It is not certain how the evolving financial crisis in the global markets will affect the economies where the Company is active in 2009. Management is constantly reviewing the economic conditions in each of its markets, in order to identify and analyse the measures required to mitigate the effects of potential risks to its activities. We believe, however, that the economic fundamentals in the region remain strong, particularly with regard to the demand for the quality office, residential and retail space that Atlas is currently developing and for which it has zoning and permissions in place for its land bank. It is these important market fundamentals that underpin our ongoing strategy and continued investment.

The Property Manager's review below details the progress that we are making in executing our development plans and in securing returns from our yielding assets. I would like to take the opportunity to thank my fellow Board members, the Directors and staff of the Property Manager and our team of advisors for their continued enterprise and skill in maintaining our operating base and moving the Company forward, particularly under the current difficult conditions.

Quentin Spicer
Chairman
20 March 2009

Property Manager's Report

In this review we present the financial and operating results for the 12 months ended 31 December 2008. AMC is the Property Manager appointed by the Company to oversee the operation and management of Atlas' portfolio, advice on new investment opportunities and to implement the Company's strategy. AMC, in line with the Company's original timetable, has fully invested the funds raised at IPO within 18 months of admission to trading on AIM and has actively managed this portfolio since then to optimise and preserve value.

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 management programmes and the ability to deliver strong development margins.

Changes in ownership structure of Property Manager

On 4 March 2008, the Board of AMC announced that Elran (D.D.) Real Estates Ltd ("Elran") had entered into an agreement with RP Capital Group ("RP") and BCRE Izaki Properties ("Izaki Group"), AMC's other shareholders, for the sale of Elran's 37.5% stake in AMC. As a result, RP now holds 51% and Izaki Group holds 49% of AMC. Gadi Dankner and Dori Dankner resigned their positions as directors of AMC and members of the Investment Committee on completion of the sale.

Rafael Berber, Roni Izaki and Saradhi Rajan remain as directors of AMC. Rafael Berber and Roni Izaki remain as members of the Investment Committee.

Financial review

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 does not become over exposed to, or reliant on, any one particular area. AMC continually evaluates the risks and rewards associated with a particular country, sector or asset class, in order to optimise its return on investment and therefore the return that the Company is able to deliver to shareholders over the longer term.

2008 has been a very challenging year for the Company given the instability in the global economic environment. In the first half, the valuation of the Group's portfolio increased. However, those gains have been subsequently reversed in the second half of 2008 as the effects of increasing yields, restricted bank lending and instability in the CEE and global economies took effect.

Admission to WSE

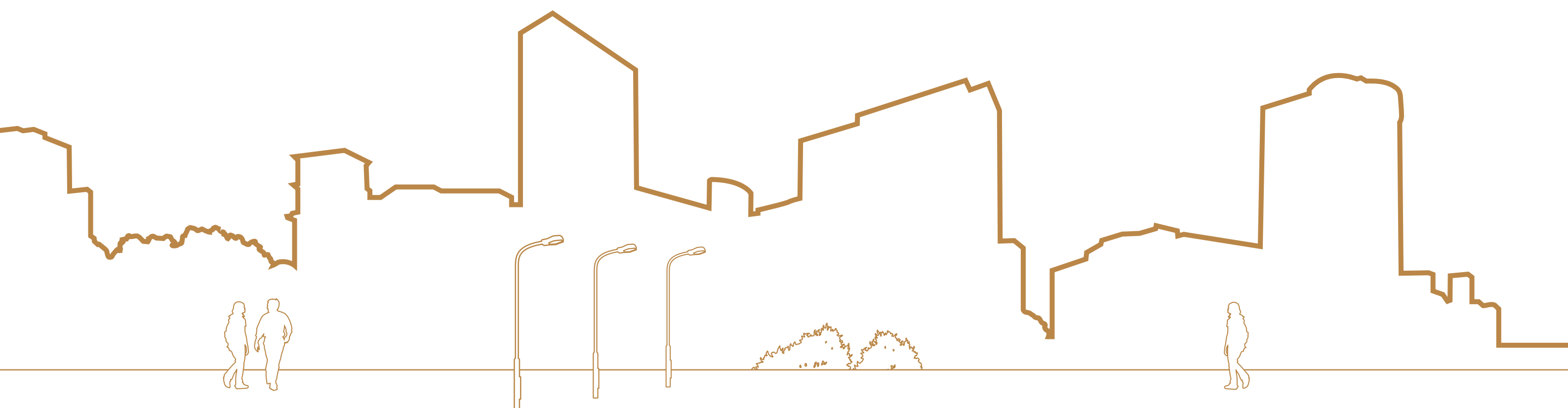
In February 2008, the Company completed a listing on the Warsaw Stock Exchange. In completing this listing, the Company has broadened its shareholder base and increased the liquidity of its shares. As 2008 progressed and the impact of the collapse in the global capital markets became more pronounced, access to funding has become significantly more difficult. However, AMC believes that over time, when greater clarity and stability returns to the capital markets, this listing may provide the Company with the opportunity to access additional capital, with which to further develop the business.

Portfolio valuation and valuation methods

An independent valuation of the entire property portfolio is carried out on a semi-annual basis (June and December) by independent experts. The year end valuation process has been undertaken by two external valuation experts, Cushman & Wakefield and Colliers International, independent international companies of real estate advisors. The gross market value of the property assets within the Company's portfolio, including valuation gains on development properties held in inventory and land held under lease but not recognised at fair value in the balance sheet, and including minority interest, was €558 million as at 31 December 2008. This compares to the valuation at 31 December 2007 of €555 million and at 30 June 2008 of €600 million.

As at 31 December 2008, the Company held a portfolio of 23 properties comprising 12 investment properties of which eight are income yielding properties and four are held for capital appreciation, two hotels and nine development properties.

» Investment properties were valued at €197 million at 31 December 2008, excluding minority interest and the share of joint venture partners, compared to €215 million at 31 December 2007 and €218 million at 30 June 2008. The fall in the second half 2008 was 10%,



	Loans 2008 €'000	Valuation 2008 €'000	Loan to value Ratio 2008	Loans 2007 €'000	Valuation 2007 €'000	Loan to value Ratio 2007
Investment property	116,325	196,745	59.1%	116,300	214,865	54.1%
Hotels	67,648	116,580	58.0%	47,989	125,040	38.4%
Development property in construction	30,969	109,614	28.3%	22,919	69,700	32.9%
Other development property	32,743	92,390	35.4%	31,280	99,107	31.2%
	247,685	**515,329**	**48.1%**	**218,488**	**508,712**	**42.9%**

reflecting the effect of increasing yields. In Poland the yields applied in the valuations increased by 1% to 8–8.5% and in Hungary by 1% to 9–9.5%.

» Hotel properties were valued at €117 million at 31 December 2008, excluding minority interest and the share of joint venture partners, compared to €125 million at 31 December 2007 and €136 million at 30 June 2008. The fall in the second half 2008 was 14%, reflecting the effect of increasing yields.

» Development properties were valued at €202 million at 31 December 2008, excluding minority interest and the share of joint venture partners, compared to €169 million at 31 December 2007 and €187 million at 30 June 2008. There has been an increase in value over the year of 20% reflecting the effect of the added value generated through the construction works and sales on the development properties in Warsaw.

Loans

As at 31 December 2008, the Company's share of bank debt associated with the portfolio of the Group was €248 million (31 December 2007: €218 million). The increase in debt has arisen principally from the utilisation of construction loans in the development of the Platinum Towers and Capital Art Apartments properties in Warsaw. The loan on the Hilton Hotel was refinanced also during the year to €65 million. Total facilities were €290 million (31 December 2007: €243 million). Loans and valuations for those periods in which valuations were undertaken, are given in the table above.

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2008 due to the treatment under IFRS of land held under operating leases and development property.

Loans maturing within one year have increased to €96 million at 31 December 2008 from €30 million at 31 December 2007. The increase has arisen from the natural ageing of debts and from the reclassification of two loans with covenant breaches. The banks are aware of the technical breaches and have not asked for repayment of the loans. In relation to the most material loan, the Group has received a written covenant waiver from its lender after the year end and the lender will continue to extend the €63.1 million facility. The breaches arise from lower valuations resulting in the breach of loan to value ratio covenants and from lower occupancy levels resulting in the breach of debt service coverage ratios.

Cash at bank and in hand was €15 million at 31 December 2008 (31 December 2007: €35 million). The gearing ratio is 135%, based upon net debt as a percentage of equity attributable to shareholders and is 57.4% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders).

Review of the Year Ended 31 December 2008 and Valuation of Assets

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

Property Manager's Report
continued

Review of the year ended 31 December 2008

	Property Rental €'000	Residential Sales €'000	Hotel Operations €'000	Other €'000	Year ended 31 December 2008 €'000	Year ended 31 December 2007 €'000
Revenue	17,094	12,961	21,435	385	51,875	27,375
Cost of operations	(6,921)	(12,744)	(14,982)	(637)	(35,284)	(20,648)
Gross profit/(loss)	**10,173**	**217**	**6,453**	**(252)**	**16,591**	**6,727**
Administrative expenses	(1,055)	(2,135)	(2,485)	(9,731)	(15,406)	(23,284)
Gross profit/(loss) less administrative expenses	**9,118**	**(1,918)**	**3,968**	**(9,983)**	**1,185**	**(16,557)**
Gross profit %	60%	2%	30%	n/a	32%	25%
Gross profit less administrative expenses %	53%	n/a	19%	n/a	2%	n/a

Revenue
Total revenue for the year ended 31 December was €51.9 million compared to €27.4 million for the year ended 31 December 2007. The Company's principal revenue streams are rental income, sales from its hotel operations, and income from the sale of the residential apartments that the Company develops. As the Company maintains a diversified portfolio of real estate investments, seasonality or cyclicality 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 Company's portfolio has, to a significant extent, resulted in stable levels of income being earned.

Development properties
To date, the Group has signed preliminary contracts to deliver 727 apartments with a total value of €109 million at its Platinum Towers and Capital Art Apartments projects in Warsaw and its Atrium Homes project in Budapest. Of these preliminary contracts, 85 were signed in the 12 months ended 31 December 2008 (23 in the three months ended 31 December 2008), and 99 were handed over to new owners in the last quarter of 2008.

Following the completion of construction works on stage 1 at Capital Art Apartments in the fourth quarter of 2008, the Company is recognising revenue on its development properties for the first time. These buildings include 219 apartments, of which 216 have been pre-sold. By 31 December 2008, 99 of these apartments had been handed over to new owners, with the full price of the apartment received by the Company. As a result, the economic risks and rewards have been 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. For the year ended 31 December 2008, revenue of €13 million and gross profit of €2.2 million have been recognised on the sales of the 99 apartments delivered for stage 1 of Capital Art Apartments.

Income producing assets
Revenue from income producing assets has increased to €17.1 million for the year ended 31 December 2008, from €13.9 million for 2007. The increase principally represents the effect of acquisitions made during 2007, which have been in operation for a full year in 2008. These acquisitions included the Millennium Plaza in Warsaw, Poland in March 2007, Sadowa Business Park in Gdansk, Poland in June 2007 and Atlas House in Sofia, Bulgaria in October 2007. The growth in gross profit less administrative expenses of properties held for the full 12 months throughout 2007 and 2008 was 20%.

Hotels
Revenue from hotels increased to €21.4 million for the year ended 31 December 2008 from €13.2 million for 2007. The two hotels were opened and acquired during 2007 – the Warsaw Hilton opened on 19 March 2007 and the Golden Tulip, Bucharest, was acquired in March 2007. The increase in revenues for the 12 months results from the operation of these hotels for a full year in 2008.

The Hilton in Warsaw has performed ahead of expectations in its second year of operation, with occupancy levels at 65%. The hotel's revenues are enhanced by income from the conferencing and banqueting facilities, together with the high quality Holmes Place fitness centre and the casino. The hotel is regarded as an ideal venue for corporate events in Central and Eastern Europe, with competitive room rates being offered in comparison to other countries in the region. For example, on 25 February 2009, the hotel hosted the Financial Times' Central and Eastern European Property Conference, which attracted more than 1,000 delegates.

The Golden Tulip Hotel in Bucharest, Romania had a difficult first quarter in 2008. Since then, however, performance has improved in the second half, following managerial changes. Average occupancy rates in 2008 were 65%.

Cost of operations
Cost of operations has been reclassified in 2008 to include all costs directly attributable to revenue generation. The following costs are included:

- For income producing assets, all costs that directly relate to the property and/or that are covered by service charge and other income;
- For hotels, all costs that directly relate to occupancy; and
- For development properties, all costs directly relating to sales, including sales costs and direct advertising expenditure.

	Polish Zloty	Hungarian Forint	Romanian Lei	Slovakian Crown	Bulgarian Lev
Current rate				Euro entry	
19 March 2009	4.5352	298.93	4.2948	30.126	1.95583
Closing rates					
31 December 2008	4.1724	264.78	3.9852	30.126	1.95583
31 December 2007	3.5820	253.35	3.6102	33.603	1.95583
% Change	(16.5%)	(4.5%)	(10.4%)	10.3%	n/a
30 June 2008	3.3542	237.03	3.6475	30.312	1.95583
% Change	6.4%	6.4%	(1.0%)	9.8%	n/a
Average rates					
Year 2008	3.5166	251.25	3.6827	31.291	1.95583
Year 2007	3.7829	251.40	3.3395	33.781	1.95583
% Change	7.0%	0.1%	(10.3%)	7.4%	n/a

Administrative expenses

Administrative expenses have been reclassified in 2008. The cost items included in administrative expenses include the following:

- For income producing assets, all costs that do not directly relate to tenants;
- For hotels, costs that are incurred whether the hotel is occupied or not;
- For development properties, all costs not directly related to sales; and
- Central overheads.

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: the costs associated with the Warsaw listing (€0.3 million for the year ended 31 December 2008, and €3.1 million for the year ended 31 December 2007); income and expenses for items that are recharged to contractors and other suppliers at cost; income and expenses relating to purchases and sales of subsidiaries that are not included in any other category; and other such items.

Finance income and costs

The income statement includes finance costs of €16.2 million for the year ended 31 December 2008, compared with €8 million in 2007, reflecting the effect of the increased external debt finance used to acquire new investment properties.

Foreign exchange

There have been significant changes 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 above.

The above demonstrates the weakening in the underlying currencies during the second half of 2008, as the effects of the global financial crisis spread into the CEE region. The current rates of exchange indicate a further weakening in the CEE region currencies. Slovakia entered the Eurozone in January 2009.

Property valuations have been adversely effected by these currency movements, in particular in the development assets which are predominately based in local currency. The large foreign exchange losses in the income statement represent exchange losses on bank loans denominated in Euros, which are recorded in the local functional currencies of the individual Group companies and then translated into Euros for consolidated financial reporting presentational purposes only.

The change in value of investment properties recorded in the consolidated income statements for the year ended 31 December 2008 of €4.5 million represents the effect of increasing yields across the region.

Other than as detailed above, there were no factors or events that significantly impacted the year ended 31 December 2008.

Net Asset Value

The Group's property assets are categorised into three classes, when accounted for in accordance with IFRS. The recognition of increases 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 direct to reserves, net of notional tax; and
- Property developments, including the land on which they will be built – held as inventory with no increase in value recognised in the financial statements.

The Company sets out on the next page the key measures relating to 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.

Property Manager's Report
continued

	NAV 2008 € millions	NAV per share 2008 €	NAV 2007 € millions	NAV per share 2007 €
Basic NAV	172.6	3.68	224.1	4.98
Development land valuation increase	42.4		75.7	
Deferred tax	(8.0)		(13.8)	
Adjusted NAV	207.0	4.42	286.0	6.36

Notes:
The number of shares in issue as at 31 December 2008 is 46,852,014 (31 December 2007: 44,978,081).
The number of warrants outstanding at 31 December 2008 and 2007 are 5,448,118.

Included in the income statement is a sum of €4.5 million arising from the revaluation of the Group's investment properties. The total revaluation reserve of €15.6 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 12 months to 31 December 2008 the combined fee payable to AMC was €5.7 million (€12.2 million to 31 December 2007).

Operational highlights

- The proceeds from the AIM IPO are now fully invested in a diverse portfolio of assets in Central and Eastern Europe. This equity, combined with bank debt, has resulted in gross assets of €515 million being attributable to the Company, based upon the latest independent valuation.

- Properties have been acquired in five countries: Poland, Hungary, Slovakia, Romania and Bulgaria. Our main focus has been in acquiring properties in the respective capital cities of Warsaw, Budapest, Bratislava, Bucharest and Sofia. The Company has also made an investment in Kosice, the second largest city in Slovakia. Additionally, two properties were acquired in Gdansk, Poland. These acquisitions were in line with the secondary objective of acquiring assets in cities other than capital cities.

- The Company completed its first development with the construction of the Hilton Hotel in the Wola district of Warsaw. During 2008 the hotel has performed ahead of expectation. The residential units in construction at the Platinum Towers development, located adjacent to the Hilton have attracted significant demand. Pre-completion apartment sales have exceeded expectations, with 327 apartments sold subject to completion. The development will be completed in phases during the fourth quarter of 2009 and the first quarter of 2010, when revenue from sales will be recognised. In February 2009, the Company topped out the two towers that comprise the residential element of the development, on time and to budget.

- At the Capital Art Apartments development in Warsaw, the Company has commenced construction of the first and second stages with sold and pre-sold apartments of 216 out of 219 in stage 1 and 117 apartments out of 300 apartments in stage 2. This project is being developed in three stages. The first stage was completed in the fourth quarter of 2008. Sales of 99 apartments were recognised as income for the first time. The Company also holds valuable land assets in Warsaw, for which it is acquiring zoning and permits for further development.

- In Hungary the Company has seven properties, all of which are located in Budapest. Four are income producing assets, including the Ikarus Industrial Park. It is anticipated that some of these properties may be redeveloped in the future. In February 2008 a new zoning plan was obtained for the Ligetvaros and Varosliget sites, allowing the development works to begin on these mixed-use projects. The Atrium Homes development property is a two-stage development. The construction of stage 1 has been delayed due to current economic conditions.

- In Slovakia the Group owns three development sites, one in Bratislava and two in Kosice. In Bratislava, the Group is awaiting approvals for rezoning of the land and is pleased with the progress being made on discussions with the local authorities. In Kosice, design works for a residential and office development are currently under way.

- The Company has three properties in Romania, including the Golden Tulip Hotel and two significant land banks which are now planned for redevelopment.

Ongoing activities

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

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.

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 strategy that it continues to progress 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 Company has completed almost three years as a quoted company and its first as a dual-listed entity in Warsaw and London. In continuing to fulfil its obligations to its shareholders and the markets, together with maintaining its policy of maximum disclosure and timely reporting, it is continually improving and developing its financial management and operational infrastructure and capability. Finance teams are operating in each of its major territories, with support across all countries provided by an experienced Group finance team. Experienced operational teams are in place in each country and 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. For this year's results we have used a new financial reporting system. This has been successfully implemented and it provides the Group with the required reporting systems, financial management and internal control. It is intended to extend this system in 2009 from financial reporting into management reporting, business planning and forecasting. As a result, the Company will have a fully integrated financial reporting and management reporting system.

Global economic conditions

The Board and AMC closely monitor the effects that the current global economic conditions have on the business and have and will continue to take steps to mitigate, as far as possible, any adverse impact that may result for the business. The main financial risks that have affected the Company in 2008 are the effect of the global liquidity crisis on the Company's ability to access capital and to realise value from forced property disposals amid weakening in the economies in the CEE region.

Among the demonstrations of the weakening conditions are the rapidly weakening exchange rates of countries in the region, together with a reduction in demand for new apartments in Poland and Hungary, where we have projects under construction and transactions are taking longer to reach completion. AMC has been advising the Board on a regular basis with respect to financial performance and the effect of external factors on the business.

The Board, through AMC, also regularly review construction costs and the effect on development project profits, particularly given the global variations in commodity prices and the increase of labour costs in the CEE region. The Company is constantly seeking ways to control costs and minimise increases.

Financing and liquidity

Management is experiencing 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. Although recent news regarding the willingness of banks in the CEE region to finance projects has been negative, AMC's management team, through its strong relationship management and connections, has been able to secure financing opportunities in the region. However, 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.

Despite the difficult conditions in the financial markets the Company has been able to refinance part of its portfolio and secured loans for the construction phase of its development projects. 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.

As at 31 December 2008, the Company's share of bank debt associated with the portfolio was €247.7 million, with cash at bank and in hand of €15.3 million. The gearing ratio is 135%, based upon net debt as a percentage of equity attributable to shareholders and is 57.4% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). Where possible, we refinance properties where valuations have increased, thereby releasing equity for further investment.

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 Euros 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.

Property Manager's Report

continued

The results for the year ended 31 December 2008 have been adversely 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 16.5% from the 31 December 2007 rate of exchange to 31 December 2008 rate of exchange. The fall in value of the functional currencies has resulted in foreign exchange losses of €22.2 million in the income statement (2007: gain of €0.5 million) and €17.9 million (2007: gain of €11.7 million) in reserves for the year ended 31 December 2008.

Conclusions

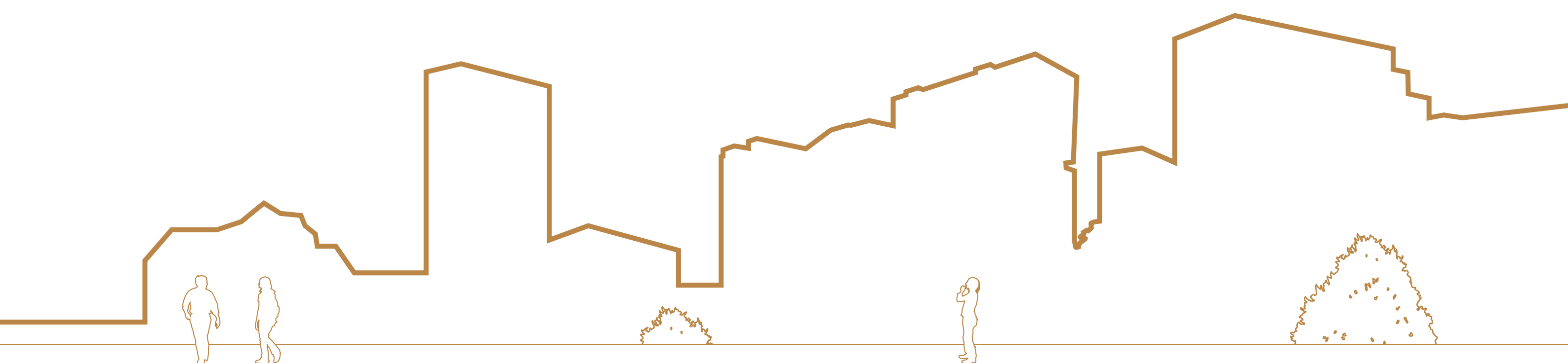
AMC's key strategic objective is the maximisation of value for the Company's shareholders, which it continues to work towards, despite the very challenging economic backdrop. Its teams located across its network of regional offices are very experienced in the active management of investment and development property and provide the Company with a great deal of valuable local market knowledge and expertise. Good progress continues to be made with the construction of our two key development projects in Warsaw, Platinum Towers and Capital Art Apartments and pre-sales activity has been very successful, underpinning our confidence in the medium and long-term market prospects.

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 our 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.

Nahman Tsabar
Chief Executive Officer
Atlas Management Company Limited

Michael Williamson
Chief Financial Officer
Atlas Management Company Limited
20 March 2009

Property Portfolio
Poland



Hilton Warsaw Hotel and Convention Centre

Opened on 19 March 2007, this is the first Hilton in Poland. Located in the central Wola district of Warsaw, the hotel provides modern, spacious accommodation for business travellers and tourists alike and is a clear demonstration of the Company's ability to attract high quality global brands as its partners.

The Hilton comprises 314 rooms and suites and has the largest convention centre facility in the Warsaw hotel market. The hotel is managed on the Company's behalf by Hilton under a long-term management agreement that provides for base and incentive fees linked to the performance of the hotel.

The complex also includes a 4,500 m^2 Holmes Place health club and spa and a casino, both of which are leased directly from the Company. Direct lease agreements have also been completed for a collection of smaller retail units included in the fabric of the complex. A specialist operator is contracted to manage the 240-space underground car park.

The Hilton management team is led by individuals with extensive experience in the CEE region. They were on site for a number of months prior to opening, installing systems, training staff and taking reservations for rooms and functions in 2007 and continue to oversee the hotel's operations.

The hotel is well positioned to be highly successful, with the combination of the Hilton brand and the quality of the accommodation and facilities being offered to the market giving the Company confidence for the asset's future prospects. Recent years have also seen a vast improvement in the Warsaw hotel market in general, with occupancy and room rates rising steadily.

Since its opening, the Hilton Warsaw has outperformed expectations, due in part to the strong hotel market in Warsaw and also through additional income generated by the largest convention centre in the city. It is recognised as one of the top performing hotels in Warsaw.

Platinum Towers, Warsaw

The Platinum Towers residential and office development adjoins the Hilton complex in the heart of a city that has undergone rapid expansion and redevelopment, resulting from significant economic growth and wealth generation.

Platinum Towers – Residential, Warsaw

When development works complete, these two towers will provide approximately 26,000 m^2 of living accommodation and retail area divided into 387 apartments and 2,000 m^2 of retail and offices. The towers span 22 floors and will also house a number of ground-floor commercial units. Residents of the towers will be able to benefit from the facilities of the Hilton hotel.

Both towers topped out on schedule in February 2009 and sales of the apartments have been very strong. To the date of this report, 139 out of 189 apartments have been sold in the second tower, while the first tower is 95% pre-sold. We are in the process of completing the sale of all remaining apartments.

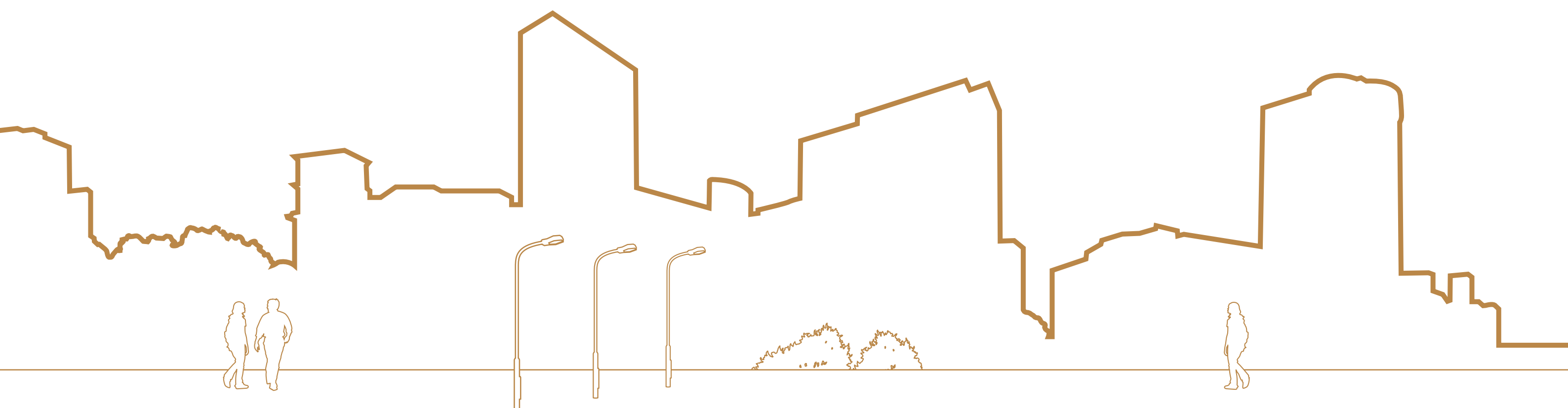
Platinum Towers – Offices, Warsaw

As part of the Hilton/Platinum complex a third tower will be constructed. Project appraisals are currently being finalised to assess the most profitable use for the building, as the Company has zoning for both residential and office uses. An office scheme would provide a total lettable area of 22,500 m^2 of modern, Class A office space over 32 floors. The tower would provide approximately 17,500 saleable m^2 as a mixed-use residential and commercial scheme.

Capital Art Apartments Project, Warsaw

The Capital Art Apartments project will deliver approximately 760 apartments, providing more than 46,000 m^2 of modern living accommodation in the Wola district of Warsaw. The development will also house 1,700 m^2 of commercial space and 800 car parking spaces.

There are three stages of planned construction. For the first time, the Company is recognising revenue on its development properties following the completion, in the fourth quarter of 2008, of construction works on stage 1 at Capital Art Apartments. These buildings include 219 apartments, of which 216 have been pre-sold. By 31 December 2008, 99 of these apartments had been handed over to new owners, with the full price of the apartment received by the Company. For the year ended 31 December 2008,



revenue of €13 million and gross profit of €2.2 million have been recognised on the sales of the 99 apartments delivered for stage 1 of Capital Art Apartments.

Construction of the second stage is continuing according to schedule and preliminary sales agreements have been signed for 117 of the 300 apartments available.

Zielono Project, Warsaw
The Zielono Project (formally Nowy Zoliborz) is situated in a more suburban residential area of Warsaw. The total plot area is 12,454 m^2 and zoning has been obtained for 265 apartments and additional commercial space. The demolition of the existing buildings has been completed and the Company has received the relevant building permit and is planning to commence construction in 2009.

Millennium Plaza, Warsaw
Millennium Plaza is centrally located in a prime position on one of Warsaw's major transport intersections. The asset comprises 32,700 m^2 of modern accommodation over a total of 28 floors, providing 6,100 m^2 of retail and 26,600 m^2 of net office space.

Cybernetyki Project, Warsaw
This asset comprises a 3,100 m^2 plot of land that Atlas acquired with zoning for an office development. After purchase, the Company has undertaken a rezoning process and obtained planning consent for the development of 11,000 m^2 of residential and commercial space. The Company holds the land in a 50:50 partnership with the Edmond de Rothschild Real Estate Fund.

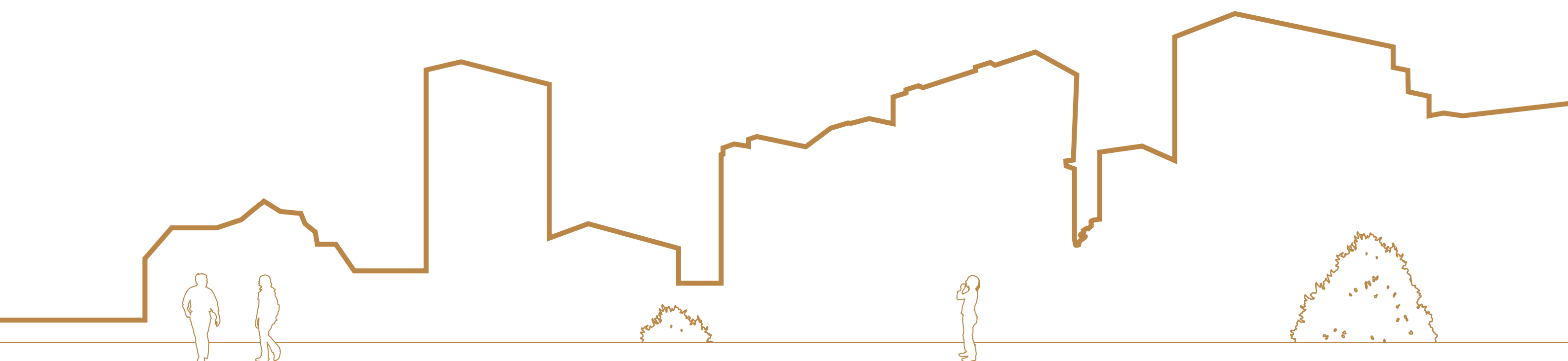
Sadowa Office Building, Gdansk
The Sadowa Office building is a modern office asset comprising 7,471 gross m^2 of high quality office space over six floors. The property occupancy level is at 99% with 6,550 m^2 of net leasable office space.

Kokoszki, Gdansk
The Company has put in place the building rights for the development of a 130,000 m^2 mixed-use development on this 430,000 m^2 plot in the Kokoszki district of Gdansk at the beginning of September 2007.

Poland

Location/Property	Description	Ownership
Hilton Hotel	First Hilton Hotel in Poland, 314 rooms and conference facilities	100%
Platinum Towers	387 apartments in two towers and a third tower with 22,500 m^2 of office space. The two residential towers are with building permits and pre-sales	100%
Capital Art Apartments	760 apartments with building permits and pre-sales. Three stage development with stage 1 completed in 4th quarter 2008 with 216 out of 219 apartments pre sold	100%
Zielono	Land with zoning for 265 apartments	76%
Millennium Plaza	32,700 m^2 of office and retail space	100%
Cybernetyki project	3,100 m^2 plot of land zoned for 11,000 m^2 of residential development	50%
Sadowa project	6,550 m^2 office building with 99% occupancy	100%
Kokoszki, Gdansk	430,000 m^2 plot in Gdansk with zoning for construction of 130,000 m^2 of mixed use development	90%

Property Portfolio
Hungary



Atrium Homes, Budapest
Atrium Homes is a residential development in the 13th district of Budapest. The development is planned to be constructed across two phases and will provide approximately 22,000 m² of residential accommodation, split into 456 apartments over eight floors. The complex will also contain 456 underground parking spaces and an additional 5,800 m² of commercial space.

The Company has secured the requisite building permits for phase one of the development, which will deliver 235 apartments, plus commercial space and two underground parking floors. Pre-sales of the apartments have commenced, with 65 apartments already sold.

Ikarus Business Park, Budapest
Ikarus Business Park is located in the 16th district of Budapest. It currently provides approximately 110,000 m² of flexible office, logistics and warehouse space to a mix of international and local tenants. Active asset management by AMC has increased the occupancy of the park from 62% at IPO to 74% currently.

In 2008 the Company secured grant funding from the Hungarian Government to redevelop a 7,000 m² building to provide modern warehouse space with integral office space. The grant funded 40% of the estimated build cost of €1.3 million. Works on this building were finished by the end of March 2008.

Over the longer term, the Company intends to redevelop the park for mixed-use as it is located within an established residential neighbourhood. The park has a gross land area of 283,000 m², but currently contains only 110,000 m² of built areas. The Company continues to work with the municipality to obtain rezoning permits.

Metropol Office Centre, Budapest
The Metropol Office Centre provides 7,600 m² of modern office accommodation in the 13th district of Budapest and was originally constructed by one of the Company's founder shareholders. It is well located to provide easy access to the centre of Budapest.

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

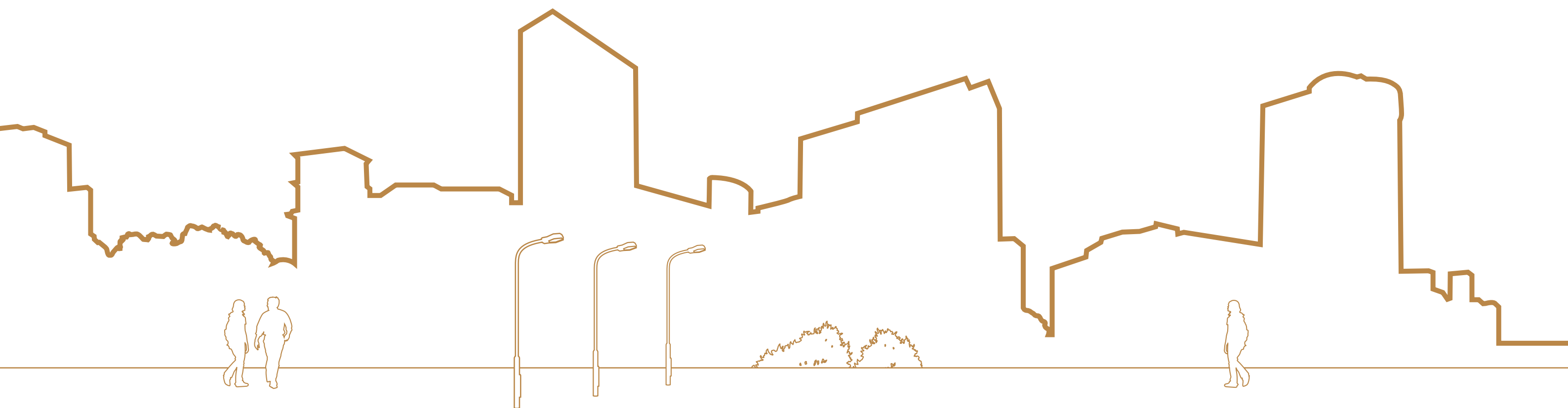
Ligetvaros Centre, Budapest
The Ligetvaros Centre is a mixed-use complex, providing retail and office space in the 7th district of Budapest. It is situated in a popular, central location within Budapest, offering easy access to the main shopping and tourist areas of the city.

The Centre provides 6,300 m² of mixed-use space, which is currently 99% occupied. The retail areas are anchored by Kaiser Supermarkets (part of the SPAR International chain) and DM Drugstores, a major pharmacy chain in Hungary.

In February 2008, the Company obtained a new zoning plan for the Varosliget-Ligetvaros project in Budapest, Hungary. This new zoning plan authorises the construction of a mixed-use development on the site with a gross total building area of 37,200 m², comprising 32,800 m² of newly built space and 4,400 m² of renovated existing buildings situated on the site. The development will form part of the Varosliget project (26,400 m²); the remaining space (6,400 m²) will be part of additional lettable area constructed at the Ligetvaros Centre.

Varosliget, Budapest
Varosliget adjoins the Ligetvaros Centre in a unique position near to central Budapest. It comprises a plot of 12,000 m², located a few hundred metres from Andrassy Street, a well-known central area. Varosliget currently provides small business units at the lower end of the office and warehouse market. The Company owns 90% of the plot with the remaining 10% being held by the local municipality.

On 4 February 2008, the municipal authorities for Budapest's 7th district approved a new zoning plan for the Varosliget-Ligetvaros Centre. According to the new zoning, the Company will be able to develop a mixed-use project on the Varosliget property of approximately 31,000 m² gross. Most of the development will comprise newly built space. In 2008 the Company filed an application requesting the approval of the intended purposes of the developments in accordance with the new zoning plan.



Moszkva Office Building, Budapest
Situated in a prime location on the main square of the Buda side of the city, the asset comprises 1,000 m² of office space, spread over three floors. The property is fully occupied with 95% of the leases having a term to expiry of at least seven years.

Volan Project, Budapest
The Volan site is located in central Budapest, close to Heroes Square, the West End Shopping Centre and the Hilton hotel. The 20,640 m² plot has been prepared for the development of a planned 89,000 m² mixed-use project comprising residential, office, retail and leisure space. The Company has a 50% interest in the plot.

The Company has concluded a significant review of the conceptual design. The new design builds in the flexibility to develop most of the site as offices, residential, retail and commercial. The Company has obtained building permits for the first stage of the project.

Hungary

Location/Property	Description	Ownership
Ikarus Business Park	283,000 m² plot with 110,000 m² of lettable business space	100%
Metropol Office Centre	7,600 m² office building, 100% occupied	100%
Atrium Homes	456 apartments with building permits, marketing commenced and pre-sales	100%
Ligetvaros Centre	6,300 m² of office/retail space, 99% occupied, rights to build extra 6,400 m²	100%
Varosliget Centre	12,000 m² plot in Central Budapest, with zoning for residential development of 31,000 gross m²	100%
Moszkva Square	1,000 m² of office space	100%
Volan Project	20,640 m² plot, zoning for 89,000 m² mixed use scheme	50%

Property Portfolio
Slovakia, Romania and Bulgaria

SLOVAKIA

Nove Vajnory Project, Bratislava
Nove Vajnory is a plot of land, totalling 879,000 m^2 of land on the outskirts of the city of Bratislava. The land was acquired about three years ago from the Bratislava municipality. It is currently zoned for sports and recreation and previously served as a sports airfield. The Company is intending to change the zoning of the land to provide approximately 1,100,000 m^2 of mixed-use space. Since the Company acquired the property, it has been working on various aspects of planning and obtained necessary approvals from various authorities. The new master plan for Bratislava was adopted in September 2007, which facilitates a rezoning application. The Company holds 50% of the project.

Basta Project, Kosice
Located in the centre of Kosice, the second largest city in Slovakia with a population of over 240,000, the site comprises 7,202 m^2 of land for residential and commercial use redevelopment. Held in a 50/50 joint venture with Eastfield, the partner in the Vajnory project, the site has zoning for residential, retail, office and leisure uses. Work is being done on the conceptual design of the project.

Bastion Project, Kosice
Located in the centre of Kosice, the site comprises 2,806 m^2 of land for office and commercial use redevelopment. Held in a 50/50 joint venture with Eastfield, the partner in the Vajnory project, the site has zoning for residential, retail, office and leisure uses. Work is complete on the conceptual design of the project and the project awaits completion of financing before construction commences.

ROMANIA

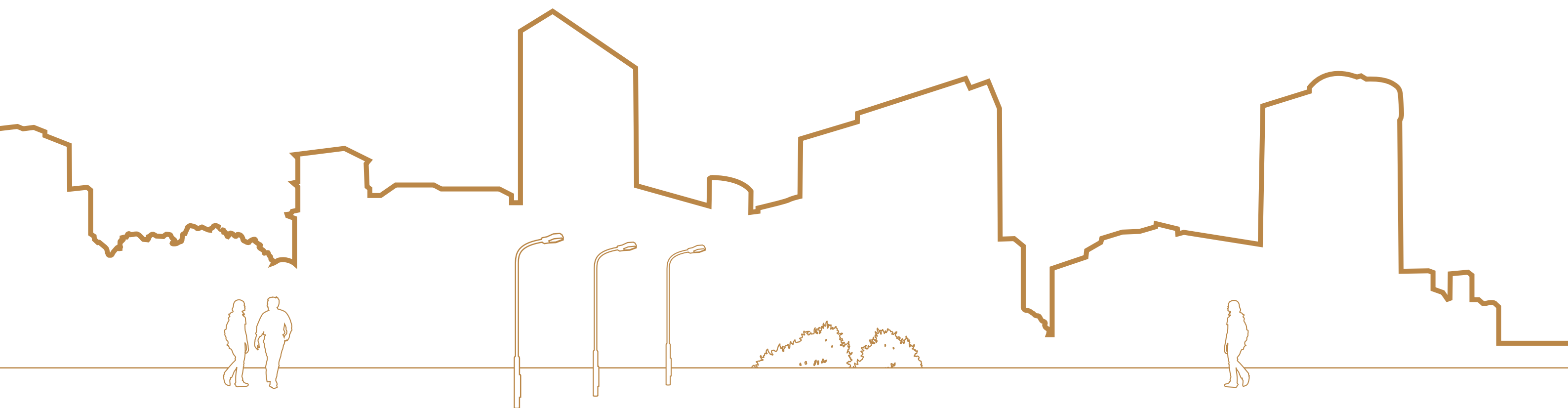
Solaris Project, Bucharest
The Solaris Project is a 32,000 m^2 plot adjacent to Obor Square, one of Bucharest's main transport hubs and residential areas. It is located within a former industrial zone that is currently being redeveloped for residential and commercial use. The Company has acquired the freehold ownership of the site and the existing buildings have been demolished to allow for the development of a mixed residential and retail scheme.

We have commenced the rezoning works for the plot and conceptual design is in progress.

Voluntari Land, Bucharest
The Voluntari Land project comprises three adjacent plots with a total area of 99,116 m^2, located in the Voluntari district of Bucharest.

The Company continues to make progress on the overall master plan for the area and new projects are being constructed nearby. The rezoning works are in progress and the conceptual design is being prepared.

Golden Tulip Hotel, Bucharest
The Golden Tulip Hotel is an 83-bedroom, four-star hotel in central Bucharest. It was built in 2005 and was acquired by the Company in March 2007. It is situated near to the main tourist attractions and business districts, where occupancy rates currently average approximately 80%.



BULGARIA

The Atlas House, Sofia

The Atlas House is a 97%-occupied office building, located in Sofia's city centre, less than 1 km from the Central Business District. The building has 3,472 m² of net leasable area spread over eight floors. The purchase of the Atlas House was completed in October 2007.

Slovakia

Location/Property	Description	Ownership
Nove Vajnory	879,000 m² of land acquired from municipality, under rezoning for mixed use development	50%
Basta Project[1]	7,202 m² of land for residential and commercial use development in centre of Kosice, second city of Slovakia, with zoning	50%
Bastion Project[1]	2,806 m² of land for office and commercial use development in centre of Kosice, second city of Slovakia, with zoning	50%

Romania

Location/Property	Description	Ownership
Voluntari	99,116 m² of land in three adjacent plots	100%
Solaris Project	32,000 m² plot for rezoning to mixed-use development	100%
Golden Tulip Hotel	Four star 83 room hotel in central Bucharest	100%

Bulgaria

Location/Property	Description	Ownership
The Atlas House	Office building in Sofia's city centre with 3,472 m² of lettable area spread over eight floors	100%

1 The Basta and Bastion projects are both part of the Basta project as presented in the past.

Directors
Atlas Estates Limited

Quentin Spicer
Chairman
Non-executive Director

Mr Spicer, an English Solicitor and resident of Guernsey was head of the Property Department of Wedlake Bell in London before becoming Senior Partner of the Guernsey office in 1996. He is Chairman of a number of companies including IRP Property Investments Limited (previously ISIS Property Trust 2 Limited) and RAB Special Situations Company Limited. Mr Spicer is also a non-executive director of a number of property investment funds and is a member of the Institute of Directors.

Mike Stockwell
Non-executive Director
Chairman of Audit Committee

Mr Stockwell is a pension investment consultant for Kodak Limited responsible for asset allocation and investment manager appointments. He is a trustee and a member of the investment board of Kodak Limited's United Kingdom pension plan (asset size £1.1 billion). Mr Stockwell has over 30 years experience in the pension investment area, including 15 years as manager of one of the UK's top 100 pension funds. Previously, Mr Stockwell was European pensions investment director for a large US multi-national with assets of over $2.5 billion in some fifteen European countries.

Shelagh Mason
Non-executive Director

Mrs Mason is an English property solicitor with over 25 years experience in commercial property. She currently practises as Mason & Co in Guernsey specialising in English commercial property. Her last position in the United Kingdom was as a senior partner of Edge & Ellison (now part of Hammonds). For two years until 2001 she was Chief Executive of Long Port Properties Limited, a property development company active throughout the United Kingdom and the Channel Islands. Mrs Mason is a member of the Board of Directors of Standard Life Investment Property Income Trust, a property fund listed on both the London Stock Exchange and the Channel Islands Stock Exchanges and is a non-executive director of PFB Regional Office Fund and PFB Data Centre Fund and of G.Res 1 Limited, a residential property investment company. She is Chairman of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association.

Dr Helmut Tomanec
Non-executive Director

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

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

Directors

Property Manager, Atlas Management Company Limited

Directors and senior management[1]

Rafael Berber
Chairman of AMC
Investment Committee member

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

Ron Izaki
Director
Chairman of Investment Committee

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.

D. Saradhi Rajan
Director

Mr Rajan is currently a Principal of RP Capital Group. Prior to joining RP, Mr Rajan had worked at Merrill Lynch in London and Hong Kong. Whilst in Hong Kong, he was responsible for the origination of corporate equity derivatives and private equity linked financing in South and South-East Asia. Prior to this, he worked as an investment banker at Lazard and Donaldson, Lufkin & Jenrette. Mr Rajan was educated at The Doon School, has a Bachelors Degree in Commerce from Loyola College, University of Madras and is a Chartered Accountant.

Nahman Tsabar
Director
Chief Executive Officer

Prior to joining AMC, Mr. Tsabar was the CEO of OCIF Investment and Development Limited from 2007. Before joining OCIF, Mr Tsabar was President and CEO of Tahal Group, part of the GTC group, which is a leader in Build-Own-Transfer/Build-Own-Operate ("BOT/BOO") projects across a number of emerging markets, including Romania, Serbia, Poland, Russia, Turkey, India and China. Prior to this, he was CEO of Solel Boneh Development and Roads Limited, the largest contracting firm based in the Middle East and active worldwide, with 500 staff. From 1998 to 2000, Mr. Tsabar was Vice President of Ashtrom International Limited, an international construction company, where he was responsible for the company's operations in Jamaica, Turkey, Eastern Europe and the CIS. Prior to 1998, Mr. Tsabar spent 20 years in aviation construction.

Michael Williamson
Chief Financial Officer

Mr. Williamson is a Chartered Accountant and holds a BSc (Econ) in Economics from the University of Wales. He has held divisional Finance Director positions in the pharmaceutical companies GlaxoSmithKline and Sanofi-Aventis. He was Group Finance Director with the FTSE listed group MFI Plc and has held CFO positions with other listed companies.

1 On 4 March 2008, Dori Danker and Gadi Danker resigned their positions as directors of AMC and members of the Investment Committee.

Directors Report

The Directors present their report and the audited financial statements for the 12 months ended 31 December 2008.

Results and dividends

The results for the Group for the year are set out in the income statement on page 35 and show a loss after tax attributable to equity shareholders of €39.7 million (2007: profit after tax of €8.2 million).

The Company has not declared a dividend for 2008.

On 3 March 2008, the Board announced that it had resolved to pay to shareholders a second dividend of 16.68 eurocents per share ("2007 Dividend") for the year ended 31 December 2007. As approved by shareholders at the Annual General Meeting on 27 June 2008, the Board offered shareholders the choice of receiving the whole or part of the 2007 Dividend in new fully paid ordinary shares in the Company instead of cash ("the Scrip Dividend Offer"). The Board received acceptances for the Scrip Dividend Offer from holders of 7,478,694 ordinary shares in the Company, which resulted in the issue of 442,979 new ordinary shares (representing 0.945% of the current issued share capital of the Company, excluding shares held in treasury). These shares have been admitted to trading on AIM and Warsaw Stock Exchange ("WSE").

Activities and review of business

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

The principal activity of the Company and the Group is property investment and development throughout 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 2 to 5 and the Review of the Property Manager on pages 6 to 12.

On 1 August 2008, the Group acquired an additional 20% of the share capital of its Kokoszki joint venture, Atlas Estates CF Plus 1 Sp. z o.o., for a cash consideration of PLN 600,000 (€186,509). On each of 3 September 2008, 2 October 2008, 6 November 2008 and 10 December 2008 the Group acquired a further 5% holding for a total cash consideration of PLN 600,000 (€163,889). At 31 December 2008, the Group's holding in Atlas Estates CF Plus 1 Sp. z o.o. was 90%. Two new entities were also established in Slovakia in 2008. No other changes in the Company's organisational structure occurred in the year ended 31 December 2008.

A list of the operating subsidiaries of the Company subject to consolidation is included within note 35 of the financial statements of this report, on pages 74 and 75.

Business environment

In the second half of 2008 the Group experienced the effect of the global economic crisis and credit crunch in the Central and Eastern European markets in which it operates. This has been demonstrated in low levels of transactional volumes, lack of available credit and reductions in GDP growth. Recently the Group has had to refinance several of its properties with its banks. The negotiations have been difficult reflecting the pressures being faced by international banks. The Group has been successful in refinancing many of its assets with significant changes in loan terms.

Strategy

The Group's strategy has been to invest in the developing markets of CEE excluding the former Soviet Union and since IPO the Company has developed a significant portfolio of assets. The economies of Poland, Hungary, Slovakia, Romania and Bulgaria, in which the Group operates, have been impacted by the adverse effects of the global economic crisis. Although Poland, where 64% of the Company's assets are located, appears the most resilient economy in the region, Hungary, in which the Company also has interests (13%), has had to seek financial support from the International Monetary Fund ("IMF"). Despite the challenging environment, the projects that the Company is currently developing are well placed to meet the ongoing demand for quality residential, office and retail properties.

The Company's strategy, since its IPO in London in 2006, has been to invest the funds raised in acquiring quality assets with potential for growth. These targets have been achieved within the timeframe stated at IPO. Over the next three to five years, taking account of more uncertain market conditions, the Company will be seeking to realise value through property disposals and the completion of its ongoing development projects.

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 2008, the Company has investment assets in Poland, Romania, Slovakia, Hungary and Bulgaria, but the Company intends to use its experiences in other dynamically developing markets. This strategy will allow the Group to further geographically diversify its operations and achieve an appropriate scale of its operations. 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 6 to 12. All 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 46 to 49.

Going concern

As described in the Chairman's Statement and in the Review of the Property Manager, the current economic environment is challenging and the Group has reported an operating loss for the year ended 31 December 2008 and a significant fall in net asset value as at 31 December 2008. The Directors consider that the outlook presents significant 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 2008 the Group held land and building assets with a market value of €515 million, compared to external debt of €248 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. All land and building assets and associated debts are ring-fenced in unique, specific, corporate vehicles. In all cases the market values of the assets held exceed the external debt. This being the case, 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.

In the preparation of the consolidated financial statements for the year ended 31 December 2008, the Directors have reclassified an additional two loans, totalling €67.6 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 on these loans existed and the bank had not given a waiver on the breach of covenant at 31 December 2008. The banks are aware of the technical breaches and have not asked for repayment of the loans. One of the breaches arises from a lower valuation resulting in the breach of the loan to value ratio covenant and one from lower occupancy levels resulting in the breach of the debt service coverage ratio. Loans maturing within one year have increased to €96 million at 31 December 2008 from €30 million at 31 December 2007.

The principal loan reclassified from non current to current liabilities relates to the loan on Atlas Estates (Millennium) Sp. z o.o. Following the year end the Group received a written covenant waiver from its lender in relation to the covenant breach at Atlas Estates (Millennium) Sp. z o.o. The lender will continue to extend the €63.1 million facility to the Company and the 2009 business plan brings the asset back within the ratio limit. This is disclosed in note 32.1 on financing as part of the post balance sheet events note.

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2008, the Directors have taken into account the status of current negotiations on loans. These are disclosed in note 32.1 on financing as part of the post balance sheet events note.

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 2008.

The financial statements do not include any adjustments that would result if the going concern basis of preparation were to become no longer appropriate.

Directors Report

continued

Substantial shareholdings

As of 18 March 2009, to the Company's best knowledge and belief, the following shareholders had a direct or indirect interest in 3% or more of the Company's ordinary share capital. All shares have equal voting rights.

Table 1 – Notifiable interests

Shareholder	Number of Shares	%
BBHISL Nominees Limited	6,594,509	14.08
Chetwynd Nominees Limited	5,560,576	11.87
Forest Nominees Limited	6,536,925	13.95
Lynchwood Nominees Limited	9,997,733	21.34
Roy Nominees Limited	6,730,623	14.37
The Bank of New York (Nominees) Limited	3,827,613	8.17
BNY Mellon Nominees Limited	1,600,000	3.42
Total		**87.20**

Purchase of own shares

By a resolution passed on 27 June 2008, shareholders granted the Directors the authority to purchase a maximum of 14.99% of the Company's own shares. These may be purchased at a minimum of €0.01 per share and a maximum of no more than 5% above the average mid-market price as derived from the Daily Official List for the five business days preceding the purchase. This authority was not exercised during 2008.

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. Mr Spicer acquired a beneficial interest in 14,785 shares in the Company in 2007.

Table 2 – Non-executive Directors

Mr Quentin Spicer	Appointed 9 February 2006
Mr Michael John Stockwell	Appointed 3 February 2006
Mrs Shelagh Mason	Appointed 3 February 2006
Dr Helmut Tomanec	Appointed 3 February 2006

Biographical details for all Directors are set out on page 20.

The Directors retire by rotation and Mr. Stockwell, being so entitled and willing, offers himself for re-election.

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

The Remuneration Report contains details of Directors' remuneration, terms of their appointment and those of the Property Manager and is set out on pages 30 to 32. No other Director had, during the accounting year or in the period to 20 March 2009, any material beneficial interest in any significant contract in the Group's business.

Directors' responsibilities

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

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

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

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

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

Auditors
The Directors confirm that as at 20 March 2009:

» So far as they are aware, there is no 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; and

» The auditing firm (qualified auditor of financial statements) who audited the consolidated annual financial statements has been selected in compliance with the provisions of the law and that this firm and the qualified auditors who performed the audit met the conditions to issue an impartial and independent opinion on the audited consolidated annual financial statements in accordance with the applicable provisions of national law.

The consolidated financial statements of the Group for 2008 were audited by BDO Novus Limited and BDO Stoy Hayward LLP on the basis of a contract concluded on 5 December 2008. The consolidated financial statements of the Group for 2007 were audited by PricewaterhouseCoopers LLP on the basis of a contract concluded on 5 December 2007.

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

	2008 €'000	2007 €'000
Audit of individual and consolidated annual financial statements	**328**	931
Review of individual and consolidated financial statements	**101**	151
Tax services	**90**	251
Other services	**–**	1,200
Total	**519**	2,533

A resolution concerning the reappointment of BDO Novus Limited and BDO Stoy Hayward LLP as auditors and their remuneration will be submitted to the Annual General Meeting.

Annual General Meeting
The Annual General Meeting will be held on 24 June 2009.

Significant agreements
In addition to the Property Management Agreement detailed below, the Group has 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. The value of the agreement was agreed as equivalent to a lump sum of the amount of PLN 40,680,931 plus VAT (€9.8 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 PLN 78 million plus VAT (€18.7 million plus VAT). The completion of the works according to the above agreement shall take place not later than 30 October 2009.

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. Expected date of finishing construction works is third quarter 2009.

Related party transactions
Related party transactions are stated within note 31 of the financial statements of this report, on pages 72 to 73.

Directors Report
continued

Credit and loan facilities, guarantees and sureties
Under the loan agreement of 24 October 2008, Grzybowska Centrum Sp. z o.o. ("GC"), a subsidiary of Atlas Estates Limited ("AEL"), extended a loan facility of €4.4 million to AEL. The loan facility was to be repaid before 15 October 2009 and bore interest at a variable rate equal to the sum of EURIBOR and the lender's margin. On 10 December 2008, GC redeemed AEL of all obligations resulting from the loan agreement, including interest incurred to that date, and AEL wrote off the related creditor balance of €4.4 million.

No other new loans were advanced in the year ended 31 December 2008. The following guarantees and sureties were granted during the year ended 31 December 2008.

HGC refinancing
HGC S.A. ("HGC"), a subsidiary of Atlas Estates Limited ("Atlas"), concluded an amendment agreement to a credit facility agreement dated 8 April 2004 with Investkredit Bank AG (the "Amendment"). The guarantees of Atlas remained unchanged and are equal to €45 million.

Platinum Towers new construction loan
Platinum Towers Sp. z o.o. ("Platinum"), a subsidiary of Atlas, concluded a credit facility agreement (the "Agreement") dated 24 July 2008 with Raiffeisen Bank Polska S.A. (the "Bank"). The credit facility is secured by a registered pledge established pursuant to the agreement dated 24 July 2008 concluded between the Bank and a subsidiary of Atlas, Atlas Estates Investment B.V. The pledge encumbers 30,700 shares, with the nominal value of PLN 500 each, of Platinum, a subsidiary of Atlas, which are held by Atlas Estates Investment B.V. The encumbered shares constitute 100% of Platinum's share capital and entitle the holder to 100% of votes at the shareholders' meeting of Platinum. The pledge secures the Bank's claims arising from the Agreement up to PLN 261 million. The shares in Platinum are a long term capital investment of Atlas' subsidiary. The value of the pledged assets registered in the book of accounts kept by Atlas Estates Investment B.V. is €5,895,972.

Atlas Estates Investment B.V.
An understanding was given to Investkredit Bank AG by Atlas Estates Investment B.V. that invested money would not be withdrawn without the prior approval of Investkredit Bank AG and to cover all costs not covered by the current sales proceeds or by the loan as granted to the company Capital Art Apartments Sp. z o.o.

Quentin Spicer
Chairman

Shelagh Mason
Director

20 March 2009

Corporate Governance Review

The Group aspires to apply the highest possible standards of corporate governance in all 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 wherever possible, 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, to also comply with the majority of the corporate governance rules defined in the Code of Best Practices for WSE Listed Companies. However, 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 three further non-executive Directors. There is a clear separation of the role of the Chairman and the Property Manager, governed by the Property Management Agreement that was entered into on 24 February 2006. The Board did not find it necessary to appoint a Senior Independent Director. The Board identifies all 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 Stockwell. It meets at least three times a year to review the interim and year end financial statements prior to their submission to the Board and to review the appointment of the 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 audit.

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

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

Corporate Governance Review
continued

Table 4 – Attendance at meetings

	Board	Committee meetings Audit
No. of meetings in the year	18	4
Mr Quentin Spicer	17	4
Mr Michael John Stockwell	15	4
Mrs Shelagh Mason	17	3
Dr Helmut Tomanec	17	4

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 two further non-executive Directors. It meets formally at least four times a year and more regularly when required to do so to review its requirements under the terms of the Property 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.

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 2008. The review took account of material developments that have taken place since the year end and considered the need for an internal audit function. The Board resolved that due to the size of the Company an internal audit function would be inappropriate but will review this need on an annual basis.

Shareholder relations

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

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

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

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.

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

Quentin Spicer
Chairman

Shelagh Mason
Director

20 March 2009

Directors 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.

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

Unaudited information

Non-executive Directors

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

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

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

Table 5 – Non-executive Directors' service contracts

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

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 and align their interests with the performance and growth of the business and the long-term enhancement of shareholder value.

The Property Manager remuneration package comprises three main elements:

Basic fee

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

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

Performance fee

In addition, AMC will receive a performance fee payable if the Total Shareholder Return in any year exceeds 12% (adjusted to make up for any prior years where the Total Shareholder Return was negative – "the Hurdle Rate"). Once this threshold is exceeded, AMC is entitled to receive a fee equal to 25% of the amount by which the Total Shareholder Return for the relevant financial period exceeds the Hurdle Rate for such period multiplied by the previous year's closing 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 year ended 31 December 2007 was agreed by the Board at €7.037 million. The first €2.5 million of this amount was paid in cash by the Company to AMC in April 2008. As approved by shareholders at the AGM on 27 June 2008, AMC received 1,430,954 new ordinary shares in settlement of the balance of the performance fee. These shares were issued on 11 July 2008. AMC's performance fee in respect of the financial year ended 31 December 2008 will be €nil.

Term and termination

The Property Management Agreement is to run for an initial seven year term and may be terminated thereafter on 12 months' notice by either party. The agreement may be terminated at any time for reasons of material breach by either party not remedied within a 90 day period (21 days if the breach relates to non-payment of sums due to the Property Manager) or on the insolvency of either party. The Company may also terminate the Agreement in the event that any of the AMC Shareholders sells (other than to certain categories of intra-group permitted transferees) more than 49% 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% 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 during the period commencing 1 March 2007 and expiring on the earlier of: (i) 28 February 2013; or, (ii) upon an offer or becoming entitled to acquire the entire issued share capital of the Company.

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

Audited information

The total amounts for Directors' remuneration were as follows:

Table 6 – Directors' emoluments – representing fees only

	2008 €
Non-executive Directors	
Mr Quentin Spicer	86,845
Mr Michael John Stockwell	73,883
Mrs Shelagh Mason	67,402
Dr Helmut Tomanec	67,402
Total	295,532

Directors Remuneration Report

continued

Table 7 – Warrants issued

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

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

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

During the year to 31 December 2008, the market price of the ordinary shares ranged between £0.16 and £2.94.

Approval
The Board approved the Remuneration Report without amendment. This report was approved by the Board of Directors on 20 March 2009 and signed on its behalf by:

Quentin Spicer
Director

20 March 2009

Declaration of the Board of Directors

The Board of Directors of Atlas Estates Limited hereby declare that, to the best of their knowledge, the consolidated annual financial statements and report and the comparable information have been prepared in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM, with the rules of the WSE, and with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation. The consolidated annual financial statements and report give a true, fair and clear view of the assets, liabilities, financial position and net result of the Group.

The annual report includes a fair review of the development of the business and important events impacting it, as well as a description of the principal risks and uncertainties of the business.

Quentin Spicer
Chairman

Michael Stockwell
Director

Shelagh Mason
Director

Dr Helmut Tomanec
Director

20 March 2009

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

We have audited the group financial statements of Atlas Estates Limited for the year ended 31 December 2008 which comprise the consolidated income statement, 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 therein.

We have reported separately on the company financial statements of Atlas Estates Limited for the year ended 31 December 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with The Companies (Guernsey) Law, 2008 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the consolidated financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. 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. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of The Companies (Guernsey) Law, 2008 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of The Companies (Guernsey) Law, 2008 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 group'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 group 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 2008 and of its loss for the year then ended;
» the financial statements 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 Stoy Hayward LLP
Chartered Accountants and Registered Auditors
London

20 March 2009

BDO Novus Limited
Chartered Accountants
Guernsey

20 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 €'000	2007 (Restated) €'000
Revenues	3	**51,875**	27,375
Cost of operations	4.1	**(35,284)**	(20,648)
Gross profit		**16,591**	6,727
Administrative expenses	4.2	**(15,406)**	(23,284)
Other operating income	5	**1,164**	3,513
Other operating expenses	6	**(1,974)**	(6,228)
(Decrease)/increase in value of investment properties	16	**(4,495)**	36,160
Impairment charge in relation to goodwill	11	**(469)**	(201)
Negative goodwill realised on acquisitions	11	**687**	389
(Loss)/profit from operations		**(3,902)**	17,076
Finance income	7	**1,379**	1,794
Finance costs	7	**(16,153)**	(8,042)
Other gains and (losses) – foreign exchange	7	**(22,174)**	523
(Loss)/profit before taxation		**(40,850)**	11,351
Tax credit/(expense)	8	**1,153**	(3,095)
(Loss)/profit for the year		**(39,697)**	8,256
Attributable to:			
Equity shareholders of the Company		**(39,694)**	8,196
Minority interests		**(3)**	60
		(39,697)	8,256
(Loss)/earnings per €0.01 ordinary share – basic (eurocents)	10	**(86.6)**	17.0
(Loss)/earnings per €0.01 ordinary share – diluted (eurocents)	10	**(86.6)**	17.0

All amounts relate to continuing operations.

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 €'000	2007 €'000
ASSETS			
Non-current assets			
Intangible assets	13	**610**	942
Land under operating lease – prepayments	14	**16,445**	18,984
Property, plant and equipment	15	**108,035**	113,469
Investment property	16	**198,677**	217,040
Other loans receivable	19	**7,928**	8,674
Deferred tax asset	25	**5,358**	3,284
		337,053	362,393
Current assets			
Inventories	18	**155,855**	124,644
Trade and other receivables	19	**7,838**	9,602
Cash and cash equivalents	20	**15,288**	34,861
		178,981	169,107
TOTAL ASSETS		**516,034**	531,500
Current liabilities			
Trade and other payables	22	**(53,402)**	(51,514)
Bank loans	23	**(95,702)**	(29,822)
Derivative financial instruments	24	**(456)**	–
		(149,560)	(81,336)
Non-current liabilities			
Other payables	22	**(10,104)**	(8,667)
Bank loans	23	**(151,983)**	(188,666)
Derivative financial instruments	24	**(1,427)**	–
Deferred tax liabilities	25	**(29,121)**	(28,715)
		(192,635)	(226,048)
TOTAL LIABILITIES		**(342,195)**	(307,384)
NET ASSETS		**173,839**	224,116
EQUITY			
Share capital account	26	**6,268**	484
Revaluation reserve	28	**15,575**	8,144
Other distributable reserve	28	**194,817**	202,320
Translation reserve	28	**(4,682)**	14,060
Accumulated loss		**(39,412)**	(1,631)
Equity attributable to equity holders of the Company		**172,566**	223,377
Minority Interests	29	**1,273**	739
TOTAL EQUITY		**173,839**	224,116
Basic net asset value per share		**€3.68**	€4.98

The notes on pages 39 to 80 form part of these consolidated financial statements. The financial statements on pages 35 to 80 were approved by the Board of Directors on 20 March 2009 and signed on its behalf by:

Quentin Spicer
Chairman

Shelagh Mason
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Share capital account €'000	Other reserves €'000	Accumulated loss €'000	**Total €'000**	Minority interest €'000	**Total equity €'000**
As at 1 January 2007	484	232,238	(10,148)	**222,574**	1,288	**223,862**
Exchange adjustments	–	11,739	–	**11,739**	–	**11,739**
Deferred tax on exchange adjustments	–	(530)	–	**(530)**	–	**(530)**
Revaluation of buildings	–	4,054	–	**4,054**	–	**4,054**
Deferred tax on revaluation of buildings	–	1,109	–	**1,109**	–	**1,109**
Net income recognised directly in equity	–	16,372	–	**16,372**	–	**16,372**
Result for the year	–	–	8,196	**8,196**	60	**8,256**
Total recognised income and expense for the year	–	16,372	8,196	**24,568**	60	**24,628**
Minority interest	–	–	–	**–**	(609)	**(609)**
Shares bought back as Treasury (note 26)	–	(16,023)	–	**(16,023)**	–	**(16,023)**
Share based payments (note 27)	–	–	321	**321**	–	**321**
Dividends paid (note 9)	–	(8,063)	–	**(8,063)**	–	**(8,063)**
As at 31 December 2007	**484**	**224,524**	**(1,631)**	**223,377**	**739**	**224,116**
Exchange adjustments	–	(17,929)	–	**(17,929)**	–	**(17,929)**
Deferred tax on exchange adjustments	–	1,009	–	**1,009**	–	**1,009**
Revaluation of buildings	–	11,052	–	**11,052**	–	**11,052**
Deferred tax on revaluation of buildings	–	(3,621)	–	**(3,621)**	–	**(3,621)**
Realisation of exchange adjustments	–	(2,148)	2,148	**–**	–	**–**
Deferred tax on realisation of exchange adjustments	–	326	(326)	**–**	–	**–**
Net (expense)/income recognised directly in equity	–	(11,311)	1,822	**(9,489)**	–	**(9,489)**
Result for the year	–	–	(39,694)	**(39,694)**	(3)	**(39,697)**
Total recognised income and expense for the year	–	(11,311)	(37,872)	**(49,183)**	(3)	**(49,186)**
Minority interest acquired in the year (note 29)	–	–	–	**–**	537	**537**
Shares issued in the year (note 26)	5,784	–	–	**5,784**	–	**5,784**
Share based payments (note 27)	–	–	91	**91**	–	**91**
Dividends paid (note 9)	–	(7,503)	–	**(7,503)**	–	**(7,503)**
As at 31 December 2008	**6,268**	**205,710**	**(39,412)**	**172,566**	**1,273**	**173,839**

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Cash outflow generated from operations	21	**(13,052)**	(9,953)
Interest received		**517**	1,794
Interest paid		**(16,114)**	(8,042)
Tax paid		**(491)**	(29)
Net cash outflow from operating activities		**(29,140)**	(16,230)
Investing activities			
Acquisition of subsidiaries – net of cash acquired		**58**	(16,575)
Disposal of subsidiary interest		**–**	6,951
Purchase of investment property		**(835)**	(105,871)
Purchase of property, plant and equipment		**(1,460)**	(3,424)
Proceeds from disposal of property, plant and equipment		**156**	12
Purchase of intangible assets – software		**(18)**	(920)
Net cash used in investing activities		**(2,099)**	(119,827)
Financing activities			
Dividends paid		**(6,256)**	(8,063)
Payments to acquire or redeem the entity's own shares		**–**	(16,023)
New bank loans raised		**41,899**	139,427
Repayments of bank loans		**(16,796)**	–
New loans granted to JV partners		**(746)**	(8,076)
New loans received from minority investors		**722**	3,608
Net cash from financing activities		**18,823**	110,873
Net decrease in cash and cash equivalents in the year		**(12,416)**	(25,184)
Effect of foreign exchange rates		**(7,157)**	(2,627)
Net decrease in cash and cash equivalents in the year		**(19,573)**	(27,811)
Cash and cash equivalents at the beginning of the year		**34,861**	62,672
Cash and cash equivalent at the end of the year		**15,288**	34,861
Cash and cash equivalents			
Cash at bank and in hand	20	**15,288**	34,861
Bank overdrafts		**–**	–
		15,288	34,861

Statement of Accounting Policies

Year ended 31 December 2008

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 current economic environment is challenging and the Group has reported a loss from operations for the year ended 31 December 2008 and a significant fall in net asset value as at 31 December 2008. The Directors consider that the outlook presents significant 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 2008 the Group held land and building assets with a market value of €515 million, compared to external debt of €248 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. All land and building assets and associated debts are ring-fenced in unique, specific, corporate vehicles. In all cases the market values of the assets held exceed the external debt. This being the case, 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.

In the preparation of the consolidated financial statements for the year ended 31 December 2008, the Directors have reclassified an additional two loans, totaling €67.6 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 on these loans existed and the bank had not given a waiver on the breach of covenant at 31 December 2008. The banks are aware of the technical breaches and have not asked for repayment of the loans. One of the breaches arises from a lower valuation resulting in the breach of the loan to value ratio covenant and one from lower occupancy levels resulting in the breach of the debt service coverage ratio. Loans maturing within one year have increased to €96 million at 31 December 2008 from €30 million at 31 December 2007.

The principal loan reclassified from non current to current liabilities relates to the loan on Atlas Estates (Millennium) Sp. z o.o. Following the year end the Group received a written covenant waiver from its lender in relation to the covenant breach at Atlas Estates (Millennium) Sp. z o.o. The lender will continue to extend the €63.1 million facility to the Company and the 2009 business plan brings the asset back within the ratio limit. This is disclosed in note 32.1 on financing as part of the post balance sheet events note.

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2008, the Directors have taken into account the status of current negotiations on loans. These are disclosed in note 32.1 on financing as part of the post balance sheet events note.

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 2008.

The financial statements do not include any adjustments that would result if the going concern basis of preparation were to become no longer appropriate.

Changes in relation to previously published consolidated financial statements

The comparative information for the year ended 31 December 2007 has been restated as follows:

(i) Administrative expenses of €1 million have been reclassified to cost of operations to aid comparison.

As a result of these changes there has been no change to the net result or net assets of the Group as previously reported.

Statement of Accounting Policies

Year ended 31 December 2008

continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries up to 31 December 2008. 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. Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring the accounting policies used into line with those used by the Group.

The interest of minority shareholders is stated at the minority's proportion of the book value of the assets and any liabilities recognised. Any losses incurred in subsequent periods applicable to the minority interest in excess of the minority interest are allocated against the interests of the Parent Company.

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

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

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

Revenue recognition

Revenue comprises:

(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 life 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.

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 value is amortised through the income statement over the vesting period of the warrants.

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

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

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated using the average exchange rates for the 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 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.

Statement of Accounting Policies

Year ended 31 December 2008

continued

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 2007 and 2008, 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 subsidiaries" in the balance sheet (note 19). Cash and cash equivalents (note 20) are classified as loans and receivables. Cash and cash equivalents are a separate position 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 2008 and 2007, no available-for-sale financial assets were held by the Group.

Intangible assets

Intangibles represent computer software used in the Group's operations as well as assignment fees paid to secure the rights to receive rent from parking spaces let to building tenants. Computer software is amortised over its useful economic life of five years. Assignment fees are amortised over the life of the lease.

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.

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

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. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Goodwill is not amortised but is reviewed for impairment at each balance sheet date. The Group's policy on impairment is set out below.

Impairment

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

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

Investment Property

Investment properties are those that are held either to earn rental income or for capital appreciation or both. Such properties are initially stated at cost, including any related transaction costs. After initial recognition, investment properties are carried at their fair value based on a professional valuation made at each 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 at amortised cost method. The carrying amounts of other loans receivable are reviewed at each reporting date. If any indication of impairment of the value of these assets exists, the recoverable amount of the asset is assessed. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment of other loans receivable is recognised when there is objective evidence that the 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) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Cash and cash equivalents

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

Restricted bank deposits

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

Statement of Accounting Policies

Year ended 31 December 2008

continued

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 2008, the Group had interest rate swaps categorised as financial liabilities at fair value through profit or loss (as at 31 December 2007, no such financial liabilities were held by the Group).

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

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

Current tax arises in jurisdictions other than Guernsey. It is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantially enacted. Taxable profit differs from net profit as reported in the income statement because it 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 regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that sufficient taxable profits will be available against which the future reversal of the underlying temporary differences can be deducted.

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

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

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

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 Group has applied the following standards for the period commencing 1 January 2008. There has been no significant impact to the financial information as a result of applying these standards for the first time.

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007), addresses share-based payment arrangements. It did not have any material impact on the Group's financial statements.
- IAS 39 and IFRS 7: Reclassification of Financial Instruments (effective from 1 July 2008).
- IAS 39 and IFRS 7: Reclassification of Financial Instruments – Effective Date and Transition (effective from 1 July 2008; not yet adopted by the EU).

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the entity has not yet adopted. None of these standards are expected to have a significant impact on recognition or measurement of the Group's assets or liabilities.

- IAS 23, Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). The amendment removes the option of immediately recognising as an expense borrowing costs that relate to qualifying assets.
- IFRS 2, Share-based Payment: Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009), addresses share-based payment arrangements.
- IAS 1, Presentation of Financial Statements: A Revised Presentation (effective for annual periods beginning on or after 1 January 2009). The amendment affects the presentation of owner changes in equity and of comprehensive income.
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). This standard requires an entity to adopt the "management approach" to reporting on the financial performance of its operating segments.
- IAS 27, Consolidated and Separate Financial Statements (effective for annual periods on or after 1 July 2009; not yet adopted by the EU). The amendment relates, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary.
- IAS 32 and IAS 1, Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009).
- IFRS 1 and IAS 27, Cost of an Investment in a subsidiary, jointly-controlled entity or associate (effective for annual periods beginning on or after 1 January 2009).
- IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009 ; not yet adopted by the EU).
- Improving Disclosures about Financial Instruments (Amendments to IFRS 7) (effective for annual periods beginning on or after 1 January 2009). This amendment requires the analysis of each class of financial asset and financial liability into a three level fair value measurement hierarchy.
- Revised IFRS 3, Business Combinations (effective for annual periods beginning on or after 1 July 2009; not yet endorsed by the EU). The basic approach of the existing IFRS 3 to apply acquisition accounting in all cases and identify an acquirer is retained in this revised version of the standard. However, in some respects the revised standard may result in very significant changes. The revised standard does not require the restatement of previous business combinations.
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008; not yet adopted by the EU). No such arrangement exists within the Group.
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008).
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 July 2008).
- IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009; not yet endorsed by the EU).
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; not yet endorsed by the EU).
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; not yet endorsed by the EU).
- IFRIC 18, Transfer of Assets from Customers (effective for transfers of assets from customers received on or after 1 July 2009; not yet endorsed by the EU).
- Improvements to IFRS (2008) (effective 1 January 2009). This project approved improvements to 20 IFRSs. The adoption of all, except improvements to IAS 40, will have no significant impact on the Group. The amendments to IAS 40 will have no impact to net assets; however, they will alter the classification of some property assets.

Notes to the Consolidated Financial Statements

1. Financial risk management

1.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

The results for the year 2008 have been adversely 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 16.5% from the 31 December 2007 rate of exchange to 31 December 2008 rate of exchange. The fall in value of the functional currencies has resulted in foreign exchange losses of €22.2 million in the income statement (2007: gain of €0.5 million) and €17.9 million (2007: gain of €11.7 million) in reserves for the year ended 31 December 2008. Of the loss in the income statement, €24.5 million (2007: gain €1.9 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.

The tables below summarise the Group's exposure to foreign currency risk at 31 December 2008.

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

2008:	**€**	**PLN**	**HUF**	**SKK**	**RON**	**Other**	**Total**
Trade receivables	**571**	**5,390**	**1,168**	**88**	**435**	**186**	**7,838**
Cash and cash equivalents	**9,096**	**4,867**	**975**	**157**	**51**	**142**	**15,288**
Other loans receivable	**6,453**	**1,457**	**–**	**17**	**1**	**–**	**7,928**
Total financial assets	**16,120**	**11,714**	**2,143**	**262**	**487**	**328**	**31,054**
Trade and other payables	**(7,281)**	**(53,607)**	**(1,554)**	**(460)**	**(402)**	**(202)**	**(63,506)**
Borrowings, including finance leases	**(203,440)**	**(44,219)**	**–**	**–**	**–**	**(26)**	**(247,685)**
Derivative financial instruments	**–**	**(417)**	**(1,466)**	**–**	**–**	**–**	**(1,883)**
Total financial liabilities	**(210,721)**	**(98,243)**	**(3,020)**	**(460)**	**(402)**	**(228)**	**(313,074)**
Net financial (liabilities)/assets	**(194,601)**	**(86,529)**	**(877)**	**(198)**	**85**	**100**	**(282,020)**

2007:	€	PLN	HUF	SKK	RON	Other	Total
Trade receivables	1,431	6,070	1,221	95	566	219	9,602
Cash and cash equivalents	22,391	10,243	1,063	421	95	648	34,861
Other loans receivable	8,666	–	–	–	8	–	8,674
Total financial assets	32,488	16,313	2,284	516	669	867	53,137
Trade and other payables	(17,130)	(40,034)	(1,505)	(162)	(617)	(733)	(60,181)
Borrowings, including finance leases	(194,646)	(23,777)	(65)	–	–	–	(218,488)
Total financial liabilities	(211,776)	(63,811)	(1,570)	(162)	(617)	(733)	(278,669)
Net financial (liabilities)/assets	(179,288)	(47,498)	714	354	52	134	(225,532)

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

If the Euro weakened/strengthened by 10% against the Polish Zloty with all other variables held constant, post-tax profit for the year would have been €2.5 million higher/lower (2007: post-tax profit for the year would have been €900,953 higher/lower).

If the Euro weakened/strengthened by 10% against the Hungarian Forint with all other variables held constant, post-tax profit for the year would have been €0.9 million lower/higher (post-tax profit for the year would have been €105,991 lower/higher).

If the Euro weakened/strengthened by 10% against the Romanian Lei with all other variables held constant, post-tax profit for the year would have been €0.6 million lower/higher (2007: post-tax profit for the year would have been €2,220,409 lower/higher).

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 the 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 23). Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group's cash flow and fair value interest rate risk is periodically monitored by the Property Manager. The Property Manager analyses its interest rate exposure on a dynamic basis. It takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are considered including refinancing, renewal of existing positions, alternative financing and hedging. The scenarios are reviewed on a periodic basis to verify that the maximum loss potential is within the limit given by management. During the year ended 31 December 2008, the Group entered into 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 in 100 basis points in interest yields would result in a decrease in the post-tax profit for the year of €1.6 million (2007: decrease in the post-tax profit for the year of €1.8 million). A decrease in 100 basis points in interest yields would result in an increase in post tax profit for the year of €1.6 million (2007: increase in post tax profit for the year of €1.8 million).

Notes to the Consolidated Financial Statements
continued

1. Financial risk management continued
1.1 Financial risk factors continued
(b) Credit risk
Credit risk arises from cash and cash equivalents as well as credit exposures with respect to rental customers, including outstanding receivables (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 table below shows the balance of the four major counterparties at 31 December 2008:

	Rating	**31 December 2008 Balance €'000**
Bank Pekao S.A.	A–1	**5,243**
BNP Paribas	AA	**4,353**
ING Bank N.V.	AA	**1,956**
MKB Bank ZRT	BBB	**825**
		12,377

The maximum exposure of the Group in respect of cash and cash equivalents and outstanding receivables is equal to their gross value at the balance sheet date.

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

	2008 €'000	2007 €'000
Financial assets – current		
Trade receivables – maturity within one year	**7,838**	9,602
Cash and cash equivalents – maturity within one year	**15,288**	34,861
	23,126	44,463
Financial liabilities – non-current borrowings		
Between one and two years	**(52,624)**	(17,019)
Between two and five years	**(22,920)**	(50,145)
Over five years	**(76,439)**	(121,502)
	(151,983)	(188,666)
Financial liabilities – current		
Borrowings	**(95,702)**	(29,822)
Trade and other payables – maturity within one year	**(53,402)**	(51,514)
	(149,104)	(81,336)

Included in trade and other payables are deposits received from customers from the pre-sale of apartments in development. These amount to €34.7 million (2007: €26.8 million) and will be released to the income statement upon completion of the development.

In the preparation of the consolidated financial statements for the year ended 31 December 2008, the Directors have reclassified an additional two loans, totaling €67.6 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 on these loans existed and the bank had not given a waiver on the breach of covenant at 31 December 2008. The banks are aware of the technical breaches and have not asked for repayment of the loans. One of the breaches arises from a lower valuation resulting in the breach of the loan to value ratio covenant and one from lower occupancy levels resulting in the breach of the debt service coverage ratio. Loans maturing within one year have increased to €96 million at 31 December 2008 from €30 million at 31 December 2007.

The principal loan reclassified from non-current to current liabilities relates to the loan on Atlas Estates (Millennium) Sp. z o.o. Following the year end the Group received a written covenant waiver from its lender in relation to the covenant breach at Atlas Estates (Millennium) Sp. z o.o.. The lender will continue to extend the €63.1 million facility to the Company and the 2009 business plan brings the asset back within the ratio limit. This is disclosed in note 32.1 on financing as part of the post balance sheet events note, which also includes details of the status of current negotiations on other loans.

1.2 Capital risk management

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

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

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

The Group's longer term strategy is to maintain a gearing ratio within 50% to 70%. The gearing ratio as at 31 December 2008 was as follows.

	2008 **€'000**	2007 €'000
Total borrowings	**(254,657)**	(224,382)
Less: cash and cash equivalents	**15,288**	34,861
Net debt	**(239,369)**	(189,521)
Total equity	**(173,839)**	(224,116)
Total capital	**(413,208)**	(413,637)
Gearing ratio	**57.9%**	45.8%

Notes to the Consolidated Financial Statements

continued

2. Critical accounting estimates and judgements

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

2.1 Critical accounting estimates and assumptions

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

(a) Estimate of fair value of investment properties

The Property Manager engages the services of Cushman & Wakefield and Colliers International 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.

To enable this review, management have appointed an appropriately qualified engineer to monitor and control the costs of construction. The costs that have been incurred and are projected to be incurred are benchmarked against those available in the market to ensure that best value is received. A strict tendering process is adhered to when procuring construction services and the costs are controlled locally on a monthly basis. In addition to this, the Group retains Cushman & Wakefield and Colliers International 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 judgements 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 judgement, 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. Judgement 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 judgement.

3. Business and geographical segments

3.1 Primary reporting format – Business segments

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

Segment information about these businesses is presented below:

Year ended 31 December 2008

	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	2008 €'000
Revenue	17,094	12,961	21,435	385	51,875
Segment result	6,525	(3,387)	3,314	–	6,452
Unallocated costs					(10,354)
Loss from operations					(3,902)
Finance income					1,379
Finance costs					(16,153)
Other losses – foreign exchange					(22,174)
Loss before tax					(40,850)
Tax on loss on ordinary activities					1,153
Loss for the year					(39,697)
Attributable to minority interests					3
Net loss attributable to equity shareholders					(39,694)
Segment assets	162,566	172,778	121,372	–	456,716
Share of joint venture assets					38,752
Unallocated assets					20,566
Total assets					516,034
Segment liabilities	(6,970)	(44,886)	(3,674)	–	(55,530)
Share of joint venture liabilities					(25,128)
Unallocated liabilities					(261,537)
Total liabilities					(342,195)
Other segment items					
Capital expenditure	904	288	519		
Depreciation	69	468	2,016		
Amortisation	31	4	43		

Notes to the Consolidated Financial Statements
continued

3. Business and geographical segments continued
3.1 Primary reporting format – Business segments continued
Year ended 31 December 2007

	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	2007 €'000
Revenue	13,919	48	13,214	194	27,375
Segment result	24,692	13,994	(3,152)	–	35,534
Unallocated costs					(18,458)
Profit from operations					17,076
Finance income					1,794
Finance costs					(8,042)
Other gains – foreign exchange					523
Profit before tax					11,351
Tax on profit on ordinary activities					(3,095)
Profit for the year					8,256
Attributable to minority interests					(60)
Net profit attributable to equity shareholders					8,196
Segment assets	182,121	151,757	128,320	–	462,198
Share of joint venture assets					46,044
Unallocated assets					23,258
Total assets					531,500
Segment liabilities	(4,936)	(33,048)	(4,580)	–	(42,564)
Share of joint venture liabilities					(26,800)
Unallocated liabilities					(238,020)
Total liabilities					(307,384)
Other segment items					
Capital expenditure	99,440	16,779	10,583		
Depreciation	310	46	3,220		
Amortisation	2	33	45		

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. Capital expenditure comprises additions to property, plant and equipment, intangible assets and investment properties and includes additions from acquisitions through business combinations.

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.

3.2 Secondary reporting format – geographical segments

The Group manages its business segments on a region wide basis. The operations are 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 are:

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

Year ended 31 December 2008

	Revenue €'000	**Segment assets €'000**	**Capital expenditure €'000**	**Depreciation €'000**	**Amortisation €'000**
Poland	**42,153**	**334,537**	**1,069**	**2,235**	**150**
Hungary	**6,863**	**61,776**	**794**	**49**	**–**
Slovakia	**–**	**–**	**–**	**–**	**–**
Bulgaria	**739**	**6,847**	**51**	**7**	**–**
Romania	**2,115**	**59,157**	**122**	**249**	**–**
	51,870	**462,317**	**2,036**	**2,540**	**150**
Investment in joint ventures	**5**	**38,752**	**147**	**30**	**–**
Unallocated	**–**	**14,965**	**35**	**351**	**–**
	51,875	**516,034**	**2,218**	**2,921**	**150**

Year ended 31 December 2007

	Revenue €'000	Segment assets €'000	Capital expenditure €'000	Depreciation €'000	Amortisation €'000
Poland	18,505	310,970	95,792	3,340	141
Hungary	6,906	69,030	5,406	38	–
Slovakia	1	–	233	12	–
Bulgaria	129	7,719	12,948	4	–
Romania	1,684	77,931	12,481	191	–
	27,225	465,650	126,860	3,585	141
Investment in joint ventures	–	46,043	–	–	–
Unallocated	150	19,807	–	–	–
	27,375	531,500	126,860	3,585	141

4. Analysis of expenditure

4.1 Cost of operations

	2008 €'000	2007 (Restated) €'000
Costs of sale of residential property	**10,053**	–
Utilities, services rendered and other costs	**12,972**	9,890
Legal and professional expenses	**1,653**	1,618
Staff costs	**6,541**	5,185
Sales and direct advertising costs	**2,799**	2,904
Depreciation and amortisation	**1,266**	1,051
Cost of operations	**35,284**	20,648

Notes to the Consolidated Financial Statements

continued

4. Analysis of expenditure continued

4.2 Administrative expenses

	2008 €'000	2007 (Restated) €'000
Audit and tax services		
– Audit	**328**	622
– Non audit	**392**	1,351
Incentive and management fee	**5,719**	12,289
Other professional fees	**3,592**	2,936
Utilities, services rendered and other costs	**1,425**	1,026
Share based payments (note 27)	**91**	321
Staff costs	**1,466**	1,021
Depreciation and amortisation	**1,805**	2,677
Other administrative expenses	**588**	1,041
Administrative expenses	**15,406**	23,284

	2008 €'000	2007 €'000
Atlas Estates Limited	**6,719**	15,400
Subsidiaries and other companies	**8,687**	7,884
Administrative expenses	**15,406**	23,284

4.3 Employee benefit expenses

	2008 €'000	2007 €'000
Wages and salaries	**7,816**	7,386
Social security costs	**948**	808
Pension costs	**42**	6
Employee benefit expenses	**8,806**	8,200
Average number of employees	**332**	379

5. Other operating income

	2008 €'000	2007 €'000
Profit on sale of shares in subsidiaries and joint ventures	**–**	2,609
Income from recharged expenses	**198**	485
Income from penalty charges, interest and fees	**172**	–
Other operating income	**794**	419
Other operating income	**1,164**	3,513

6. Other operating expenses

	2008 €'000	2007 €'000
Costs of WSE IPO	**349**	3,130
Costs of recharged expenses	**505**	614
Penalty charges, interest and fees	**130**	70
Loss on sale of shares in subsidiaries and joint ventures	**–**	513
Other operating expenses	**990**	1,901
Other operating expenses	**1,974**	6,228

7. Finance income and finance costs – net

	2008 €'000	2007 €'000
Interest payable on bank borrowings	**(13,107)**	(7,718)
Interest payable on other loans	**(167)**	(45)
Gain/(loss) on interest rate derivative	**(2,040)**	–
Other similar charges	**(839)**	(279)
Finance costs	**(16,153)**	(8,042)
Finance income – interest income	**1,379**	1,794
Finance costs, excluding foreign exchange – net	**(14,774)**	(6,248)
Unrealised foreign exchange gains	**5,034**	5,987
Unrealised foreign exchange losses	**(29,489)**	(4,119)
Realised foreign exchange gains	**3,290**	961
Realised foreign exchange losses	**(1,009)**	(2,306)
Other gains and (losses) – foreign exchange	**(22,174)**	523
Finance costs, including foreign exchange – net	**(36,948)**	(5,725)

8. Tax credit/(expense)

	2008 €'000	2007 €'000
Continuing operations		
Current tax	**(747)**	(359)
Deferred tax	**1,900**	(2,736)
Tax credit/(expense) for the year	**1,153**	(3,095)

Tax on items charged to equity

	2008 €'000	2007 €'000
Deferred tax on revaluations surplus	**(3,621)**	(516)
Deferred tax release	**–**	1,625
Deferred tax on exchange movements offset in reserves	**1,009**	(530)
	(2,612)	579

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:

	2008 €'000	2007 €'000
(Loss)/profit before tax	**(40,850)**	11,351
Tax on (loss)/profit at average country rate – 19% (2007: 19%)	**7,762**	(2,157)
Factors affecting charge:		
Permanent differences	**(2,262)**	(861)
Utilisation of brought forward tax losses	**–**	15
Deferred tax not recognised on losses before tax in current year	**(990)**	(152)
Prior year adjustment	**(61)**	(700)
Write down of a deferred tax asset	**(4,494)**	–
Differences in local tax rates	**1,198**	760
Tax credit/(expense) for year	**1,153**	(3,095)

There is an unrecognised deferred tax asset in relation to losses of €5.7 million (2007: €1.0 million).

Notes to the Consolidated Financial Statements
continued

9. Dividends

	2008 €'000	2007 €'000
Second interim paid for 2006 – 8.32 eurocents per ordinary share	**–**	4,032
Interim paid for 2007 – 8.32 eurocents per ordinary share	**–**	4,031
Second interim paid for 2007 – 16.68 eurocents per ordinary share	**7,503**	–
	7,503	8,063

On 3 March 2008, the Board announced that it had resolved to pay to shareholders a second dividend of 16.68 eurocents per share ("2007 Dividend") for the year ended 31 December 2007. As approved by shareholders at the Annual General Meeting on 27 June 2008, the Board offered to shareholders the choice of receiving the whole or part of the 2007 Dividend in new fully paid ordinary shares in the Company instead of cash ("the Scrip Dividend Offer"). The Board received acceptances for the Scrip Dividend Offer from holders of 7,478,694 ordinary shares in the Company, which resulted in the issue of 442,979 new ordinary shares (representing 0.945% of the current issued share capital of the Company, excluding shares held in treasury). These shares have been admitted to trading on AIM and WSE.

10. (Loss)/earnings per share

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

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

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

Year ended 31 December 2008

	(Loss) €'000	Weighted average number of shares	Per share amount eurocents
Continuing operations			
Basic (LPS)			
Loss attributable to equity shareholders of the Company	**(39,694)**	**45,848,392**	**(86.6)**
Effect of dilutive securities			
Share warrants	**–**	**–**	**–**
Diluted (LPS)			
Adjusted loss	**(39,694)**	**45,848,392**	**(86.6)**

Year ended 31 December 2007

	(Loss) €'000	Weighted average number of shares	Per share amount eurocents
Continuing operations			
Basic EPS			
Profit attributable to equity shareholders of the Company	8,196	48,264,519	17.0
Effect of dilutive securities			
Share warrants	–	–	–
Diluted EPS			
Adjusted profit	8,196	48,264,519	17.0

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

11. Goodwill

	2008 €'000	2007 €'000
Cost		
At beginning of year	**1,768**	1,956
Adjustments to fair value of considerations paid in prior periods (see note 30)	**(398)**	–
Acquisitions through business combinations (see note 30)	**180**	(188)
At end of year	**1,550**	1,768
Aggregate impairment		
At beginning of year	**(1,768)**	(1,956)
Impairment charge in relation to acquired goodwill (see note 30)	**(469)**	(201)
Negative goodwill realised on acquisitions (see note 30)	**687**	389
At end of year	**(1,550)**	(1,768)
Net book amount at end of year	**–**	–
Net book amount at 31 December 2006 (€'000)	**–**	–

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. The Group has also carried out an impairment test for resulting goodwill and considered that it was impaired with reference to fair value less cost to sell of the related cash generating unit.

12. Joint ventures

As detailed in note 35, 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:

	2008 €'000	2007 €'000
Non-current assets	**2,689**	10,378
Current assets	**36,063**	35,703
Current liabilities	**(12,403)**	(2,159)
Non-current liabilities	**(12,725)**	(27,159)
Net assets	**13,624**	16,763
Income	**5**	3
Expenses	**(690)**	(2,070)
Loss after tax	**(685)**	(2,067)

Notes to the Consolidated Financial Statements

continued

13. Intangible assets

	Computer software €'000	Other €'000	Total €'000
Cost			
At 1 January 2007	183	–	183
Additions	442	478	920
Exchange adjustments	9	–	9
At 31 December 2007	634	478	1,112
Additions	16	1	17
Disposals	(99)	–	(99)
Exchange adjustments	(88)	(68)	(156)
At 31 December 2008	**463**	**411**	**874**
Accumulated amortisation			
At 1 January 2007	(21)	–	(21)
Change for the year	(108)	(33)	(141)
Exchange adjustments	(6)	(2)	(8)
At 31 December 2007	(135)	(35)	(170)
Change for the year	(119)	(31)	(150)
Disposals	10	–	10
Exchange adjustments	36	10	46
At 31 December 2008	**(208)**	**(56)**	**(264)**
Net book value at 31 December 2008	**255**	**355**	**610**
Net book value at 31 December 2007	499	443	942
Net book value at 31 December 2006	162	–	162

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 2008 amortisation of €0.3 million (2007: €0.1 million) was charged to the income statement, and exchange adjustments of €2.2 million (2007: €0.7 million) were credited to other reserves. The net book value of land held under operating lease – prepayments at 31 December 2008 is €16.4 million (2007: €19.0 million; 2006: €18.4 million).

15. Property, plant and equipment

	Buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
Cost or valuation				
At 1 January 2007	88,440	387	92	88,919
Acquisitions through business combinations	14,665	131	–	14,796
Additions at cost	1,206	2,044	174	3,424
Exchange adjustments	5,620	564	4	6,188
Disposals	–	(90)	(13)	(103)
Revaluation	4,054	–	–	4,054
At 31 December 2007	113,985	3,036	257	117,278
Transfer between categories	(6,900)	6,881	19	–
Additions at cost	590	751	119	1,460
Exchange adjustments	(15,442)	(418)	(19)	(15,879)
Disposals	(79)	(12)	(73)	(164)
Revaluation	10,906	–	–	10,906
At 31 December 2008	**103,060**	**10,238**	**303**	**113,601**
Accumulated depreciation				
At 1 January 2007	(16)	(70)	(15)	(101)
Charge for the year	(2,734)	(705)	(46)	(3,485)
Exchange adjustments	(217)	(31)	1	(247)
Disposals	–	11	13	24
At 31 December 2007	(2,967)	(795)	(47)	(3,809)
Charge for the year	(1,571)	(971)	(84)	(2,626)
Exchange adjustments	589	249	11	849
Disposals	–	–	20	20
At 31 December 2008	**(3,949)**	**(1,517)**	**(100)**	**(5,566)**
Net book value at 31 December 2008	**99,111**	**8,721**	**203**	**108,035**
Net book value at 31 December 2007	111,018	2,241	210	113,469
Net book value at 31 December 2006	88,424	317	77	88,818

Buildings were valued as at 31 December 2008 by qualified professional valuers working for the company of Cushman & Wakefield, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors ("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 28).

The Group has pledged property, plant and equipment of €105.9 million (31 December 2007: €112.2 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €67.6 million (31 December 2007: €48.0 million) are secured on these investment properties (note 23).

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

	2008 €'000	2007 €'000
Cost	**85,266**	106,017
Accumulated depreciation	**(3,701)**	(2,821)
At 31 December 2008 and 2007	**81,565**	103,196

Notes to the Consolidated Financial Statements

continued

16. Investment property

	2008 €'000	2007 €'000
At beginning of the year	**217,040**	67,585
Acquisitions through business combinations (note 30)	**9,540**	7,500
Additions	**–**	98,295
Capitalised subsequent expenditure	**835**	76
Exchange movements	**(24,243)**	5,244
PV of annual perpetual usufruct fees	**–**	2,180
Fair value (losses)/gains	**(4,495)**	36,160
Total	**198,677**	217,040

The fair value of the Group's investment property at 31 December 2008 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield and by Colliers International. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

On 14 January 2008 the Company announced the conditional sale of the company owning the Millennium Plaza building in Warsaw. This was conditional upon a third party approval, which the Company was due to obtain by the end of November 2008. The related assets and liabilities were classified as held for sale in the Company's balance sheet since 14 January 2008. Under the terms of this agreement, the investment property was to be sold for a predetermined amount and the investment property was impaired to this value. On 1 December 2008, the agreement regarding the sale of Millennium Plaza expired. The related assets and liabilities were declassified as held for sale in the Company's balance sheet, and the impairment to the investment property was reversed. The asset is now included within investment property and has been revalued to market value.

The Group has pledged investment property of €176.9 million (2007: €191.8 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €116.3 million (2007: €116.3 million) are secured on these investment properties (note 23).

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €17.1 million (2007: €13.8 million). Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to €6.9 million (2007: €5.3 million). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to €1.1 million (2007: €1.2 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 which are not recognised as an asset as at 31 December 2008 are as follows:

	2008 €'000	2007 €'000
No later than one year	**8,959**	8,393
Later than one year and no later than five years	**18,292**	21,630
Later than five years	**3,668**	6,482
Total	**30,919**	36,505

18. Inventories

	2008 €'000	2007 €'000
Land held for development	**81,469**	89,160
Construction expenditures	**63,559**	35,484
Completed properties	**10,827**	–
Total inventories	**155,855**	124,644

€10.1 million (2007: €nil) of inventories was released to cost of operations in the income statement during the year. €0.8 million (2007: €nil) was recognised in cost of operations during the year in relation to write-down of inventories. All inventories are held at cost with the exception of €2.7 million, which are held at net realisable value (2007: all inventories held at cost).

Bank borrowings are secured on land for the value of €75.5 million (2007: €29.0 million) (note 23).

19. Trade and other receivables

	2008 €'000	2007 €'000
Amounts falling due within one year:		
Trade receivables	**4,398**	4,665
Less: provision for impairment of receivables	**(1,447)**	(1,548)
Trade receivables – net	**2,951**	3,117
Other receivables	**3,516**	4,816
Prepayments and accrued income	**1,371**	1,669
	7,838	9,602
Non-current – other loans receivable:		
Loans to minority investors	**6,537**	8,403
Prepayments and accrued income	**1,349**	–
Other non-current trade and other receivables	**42**	271
	7,928	8,674

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

Loans to minority 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 subsidiaries are considered to be approximately equal to their fair value.

As at 31 December 2008, current trade receivables of €1.4 million (2007: €1.5 million) were impaired. Bad debts of €0.1 million as at 31 December 2008 (2007: €0.8 million) were written off. The ageing of the impaired receivables is as follows:

	2008 €'000	2007 €'000
0 to three months	**–**	–
Three to six months	**–**	–
Over six months	**(1,447)**	(1,548)
	(1,447)	(1,548)

As of 31 December 2008, current trade receivables of €1.9 million (2007: €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:

	2008 €'000	2007 €'000
Euro	**571**	1,431
Pounds	**5**	2
Polish zloty	**5,390**	6,070
Hungarian forint	**1,168**	1,221
Other currencies	**704**	878
	7,838	9,602

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

	2008 €'000	2007 €'000
At beginning of year	**(1,548)**	(1,393)
Provision for impairment of trade receivables	**(222)**	(800)
Trade receivables written off during the year as uncollectible	**22**	605
Reversal of unused provision	**217**	40
Exchange adjustments	**84**	–
At end of year	**(1,447)**	(1,548)

Notes to the Consolidated Financial Statements
continued

19. Trade and other receivables continued
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 minority investors. However, the real risk that there will be no cash inflow to the Group due to trade receivables is low.

20. Cash and cash equivalents

	2008 €'000	2007 €'000
Cash and cash equivalents		
Cash at bank and in hand	**13,711**	19,817
Short-term bank deposits	**1,577**	15,044
	15,288	34,861

The effective interest rate on the short-term call deposit was 5.6% (2007: 3.65%) and this deposit is immediately available.

Included in cash and cash equivalents is €3.3 million (2007: €6.4 million) restricted cash relating to security and customer deposits.

21. Cash generated from operations

	2008 €'000	2007 €'000
(Loss)/profit for the year	**(39,697)**	8,256
Adjustments for:		
Effects of foreign currency	**24,455**	(523)
Finance costs	**16,153**	8,042
Finance income	**(1,379)**	(1,794)
Tax (income)/expense	**(1,153)**	3,095
Bad debt and other write offs	**2,044**	762
Depreciation of property, plant and equipment	**2,924**	3,585
Amortisation charges	**147**	141
(Gain)/loss on sale of property plant and equipment	**(6)**	67
Net goodwill arising on acquisitions credited to the income statement	**(218)**	(188)
Decrease/(increase) in the value of investment property	**4,495**	(36,160)
Charge relating to share based payments	**91**	321
	7,856	(14,396)
Changes in working capital		
Increase in inventory	**(28,933)**	(25,439)
Decrease in trade and other receivables	**973**	12,368
Increase in trade and other payables	**7,052**	17,514
	(20,908)	4,443
Cash outflow generated from operations	**(13,052)**	(9,953)

22. Trade and other payables

	2008 €'000	2007 €'000
Current		
Trade payables	**(9,431)**	(5,854)
Other tax and social security	**(693)**	(558)
Other creditors	**(3,228)**	(11,737)
Accruals and deferred income	**(40,050)**	(33,365)
	(53,402)	(51,514)
Non-current – other payables		
Loans from minority investors	**(6,972)**	(5,894)
Other non-current trade and other payables	**(3,132)**	(2,773)
	(10,104)	(8,667)
	(63,506)	(60,181)

The loans from minority investors were unsecured and bore interest between 4.69% and 8.90% (2007: 3.9% and 10.0%) 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.

23. Bank loans

	2008 €'000	2007 €'000
Current		
Bank loans and overdrafts due within one year or on demand		
Secured	**(95,702)**	(29,822)
Non-current		
Repayable within two years		
Secured	**(52,624)**	(17,019)
Repayable within three to five years		
Secured	**(22,920)**	(50,145)
Repayable after five years		
Secured	**(76,439)**	(121,502)
	(151,983)	(188,666)
Total	**(247,685)**	(218,488)

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

As of 31 December 2008, two loans have been reclassified from non-current liabilities to current liabilities as bank loans and overdrafts due within one year or on demand. This resulted from covenant breaches on these loans that existed and for which the bank had not given a waiver on the breach of covenant at 31 December 2008. The banks are aware of the technical breaches and have not asked for repayment of the loans. One of the breaches arises from a lower valuation resulting in the breach of the loan to value ratio covenant and one from lower occupancy levels resulting in the breach of the debt service coverage ratio.

The principal loan reclassified from non-current to current liabilities related to the loan on Atlas Estates (Millennium) Sp. z o.o. Following the year end the Group received a written covenant waiver from its lender in relation to the covenant breach at Atlas Estates (Millennium) Sp. z o.o. The lender will continue to extend the €63.1 million facility to the Company and the 2009 business plan brings the asset back within the ratio limit.

The second loan reclassified from non-current to current liabilities related to the loans on Atlas House within Atlas Estates (Totleben) EOOD and Immobul EOOD as a result of the breach of the loan to value ratio covenant.

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

	Euro	Zloty
Bank loans	4.44–8.34%	8.09–8.34%

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.

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:

	Other €'000	Euro €'000	Zloty €'000	Total €'000
Bank loans and overdrafts – 31 December 2008	**26**	**203,440**	**44,219**	**247,685**
Bank loans and overdrafts – 31 December 2007	65	194,646	23,777	218,488

The Group has the following undrawn borrowing facilities:

Floating rate:	**Euro 2008 €'000**
Expiring beyond one year	24,060

Notes to the Consolidated Financial Statements
continued

23. Bank loans continued
The table below presents information and terms of the loans as at 31 December 2008:

Lender	Total Available Amount €'000	Total Amount Due €'000	Expiration Dates	Collateral
Raiffeisen Bank Polska S.A.	50,091	28,851	February 2009– June 2010	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
Investkredit Bank AG	100,249	96,553	March 2009– September 2017	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
Erste Bank	91,701	91,701	June 2010– December 2021	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances and/or shares
ING Bank	7,253	7,253	August 2022	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
Bank BPH SA	1,896	1,896	January 2010	Mortgage over the asset together with assignment or pledge of the associated bank balances and insurance rights
MKB Bank	15,787	15,787	March 2017	Mortgage over the asset together with assignment or pledge of the associated receivables and shares
Volksbank	2,890	2,890	February 2010	Mortgage over the asset together with a pledge on the associated shares
Alpha Bank Romania SA	3,984	3,984	August 2016	Mortgage over the asset together with assignment or pledge of the associated bank balances and insurance rights
	273,851	248,915		

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 2008 due to the treatment under IFRS of direct issue costs.

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

	31 December 2008 €'000	31 December 2007 €'000
Trade receivables	**4,774**	4,580
Cash and cash equivalents	**7,227**	12,462
Total carrying amount of financial assets for which collateral was established to guarantee repayment of bank liabilities	**12,001**	17,042

During the year ended 31 December 2008, the Company has granted the following sureties (for loans or credit facilities) or guarantees.

HGC refinancing
HGC S.A. ("HGC"), a subsidiary of Atlas, concluded an amendment agreement to a credit facility agreement dated 8 April 2004 with Investkredit Bank AG ("the Amendment"). The material provisions of the credit facility agreement concluded between HGC and Investkredit Bank AG, dated 8 April 2004, were described in the section "Credit and loan facilities, guarantees and sureties" of the prospectus of Atlas approved by the Polish Financial Supervision Commission on 31 January 2008, which was published on the website of Atlas.

Under the Amendment dated 11 July 2008, the current amount of the facility (i.e. €51,386,000) was increased by €13,614,000 (additional sum borrowed), i.e. up to €65 million. HGC is entitled to draw the additional funds by 30 June 2009. The term of the facility was extended until 30 September 2015. The facility is to be repaid in 24 quarterly instalments payable from 31 December 2009, and on 30 September 2015 in a final balloon payment of approximately €54 million. The credit facility bears interest at a variable rate equal to the sum of EURIBOR 3 M and the bank's margin. The guarantees of Atlas remained unchanged and are equal to €45 million.

Based on the amendments to the respective security agreements, the value of the following security interests established for the facility has been increased up to €78 million: (i) a registered pledge on shares in HGC held by Grzybowska Centrum Sp. z o.o. (a subsidiary of Atlas); (ii) a first ranking ceiling mortgage on the Warsaw Hilton and the right of perpetual usufruct to a plot located in Warsaw at the crossing of Wronia and Grzybowska streets; (iii) registered pledges and a blockade of the funds deposited in HGC's bank accounts; and (iv) a registered pledge on the movable assets of HGC.

HGC also effected an assignment of certain receivables to secure the credit facility.

Furthermore, in order to provide additional security for the credit facility agreement dated 8 April 2004 concluded between HGC and Investkredit Bank AG, on 14 July 2008 HGC concluded a bank account registered pledge agreement with Investkredit Bank AG. Under the pledge agreement, HGC established a registered pledge on its bank account maintained by Bank Pekao S.A., the Warsaw Branch. The pledge was established to secure the receivables of Investkredit Bank AG under the facility agreement dated 8 April 2004. The pledge secures receivables up to €78 million. The pledge will take effect upon being entered in the register by the relevant registry court. The agreement provides that upon its conclusion an ordinary pledge will be established to secure the repayment of the credit facility, which will expire two months after the registered pledge has been validly and undisputedly registered by the court.

Platinum Towers new construction loan

Platinum Towers Sp. z o.o. ("Platinum"), a subsidiary of Atlas, concluded a credit facility agreement ("the Agreement") dated 24 July 2008 with Raiffeisen Bank Polska S.A. ("the Bank").

The Agreement provides for a credit facility of up to PLN 174 million (circa €51 million). The utilization of the facility is dependent on the costs of construction of the Platinum Towers buildings. Under the agreement up to PLN 42 million is to be utilised on the refinancing of the facility granted by Erste Bank der Österreichischen Sparkassen AG and the balance (circa PLN 132 million) to finance the construction of Platinum Towers. The tenure of the facility ends on 30 June 2010. The facility bears interest at a variable rate based on the WIBOR plus the bank's margin. The credit facility is secured by:

1. A registered pledge established pursuant to the agreement dated 24 July 2008 concluded between the Bank and a subsidiary of Atlas, Atlas Estates Investment B.V. The pledge encumbers 30,700 shares, with the nominal value of PLN 500 each, of Platinum, a subsidiary of Atlas, which are held by Atlas Estates Investment B.V. The encumbered shares constitute 100% of Platinum's share capital and entitle the holder to 100% of votes at the shareholders' meeting of Platinum. The pledge secures the Bank's claims arising from the Agreement up to PLN 261 million. The shares in Platinum are a long-term capital investment of Atlas' subsidiary. The value of the pledged assets registered in the book of accounts kept by Atlas Estates Investment B.V. is €5,895,972. The shares in Platinum are material assets within the meaning of the Regulation of the Minister of Finance dated 19 February 2009 on Current and Periodic Disclosures to be Made by Issuers of Securities, since their value exceeds 10% of Atlas's equity.

2. A ceiling mortgage established on 24 July 2008 by HPO Sp. z o.o., a subsidiary of Atlas in favour of the Bank on the right of perpetual usufruct granted to HPO Sp. z o.o. to the real property situated in the Wola district of Warsaw, at ul. Grzybowska and ul. Wronia with a total area of 4,454 m^2. The mortgage secures the Bank's claims arising out of the Agreement up to PLN 261 million.

3. A ceiling mortgage established on 24 July 2008 by Platinum, a subsidiary of Atlas in favour of the Bank on the right of perpetual usufruct granted to Platinum to the real property situated in the Wola district of Warsaw, at ul. Grzybowska and ul. Wronia with a total area of 5,117 m^2. The mortgage secures the Bank's claims arising out of the Agreement up to PLN 261 million.

4. An assignment of rights arising out of the specified agreements to the Bank by Platinum.

Atlas Estates Investment B.V.

An understanding was given to Investkredit Bank AG by Atlas Estates Investment B.V. that invested money would not be withdrawn without the prior approval of Investkredit Bank AG and to cover all costs not covered by the current sales proceeds or by the loan as granted to the company Capital Art Apartments Sp. z o.o.

Atlas Estates (Cybernetyki) Sp. z o.o.

The Polish subsidiary Atlas Estates (Cybernetyki) Sp. z o.o. had a land loan due to expire on 31 December 2008 of €3.8 million.
On 29 December 2008, the facility was extended to 31 January 2010. Financial covenants under the revised loan agreement remain unchanged, but under the new terms six months prepayment of interest is required, calculated and paid quarterly thereafter.

Notes to the Consolidated Financial Statements

continued

24. Derivative financial liabilities

	2008 €'000	2007 €'000
Derivatives not designated as hedging instruments:		
– Interest rate swaps	**(1,883)**	–
Total financial instruments classified as held for trading	**(1,883)**	–
Less non-current portion:		
– Interest rate swaps	**1,427**	–
Current portion	**(456)**	–

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:

	2008 €'000	2007 €'000
Up to three months	**(114)**	–
Three to six months	**(114)**	–
six to 12 months	**(228)**	–
Later than one year and not later than five years	**(1,427)**	–
Total financial instruments classified as held for trading	**(1,883)**	–

25. Deferred tax

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

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

	2008 €'000	2007 €'000
At beginning of the year	**(25,431)**	(19,737)
Acquisitions through business combinations	**(124)**	(3,069)
Disposals	**–**	270
Charged to income statement	**1,900**	(2,736)
Charged to equity	**(2,612)**	614
Exchange differences	**2,504**	(773)
At end of the year	**(23,763)**	(25,431)

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

Deferred tax liabilities – non-current

	Accelerated tax depreciation and other €'000	Revaluation and fair value adjustments on acquisition €'000	Total €'000
At 1 January 2007	(673)	(20,885)	(21,558)
Acquisitions through business (combinations)/disposals	–	(2,718)	(2,718)
Profit and loss credit	(785)	(3,387)	(4,172)
Charged to equity	(522)	1,103	581
Other	(230)	(618)	(848)
At 31 December 2007	(2,210)	(26,505)	(28,715)
Acquisitions through business (combinations)/disposals	(11)	(167)	(178)
Profit and loss charge	148	474	622
Charged to equity	(1,423)	(2,146)	(3,569)
Exchange differences	(85)	2,804	2,719
At 31 December 2008	**(3,581)**	**(25,540)**	**(29,121)**

Deferred tax assets – non-current

	Tax losses €'000	Other €'000	Total €'000
At 1 January 2007	860	961	1,821
Acquisitions through business combinations/(disposals)	–	(81)	(81)
Charged to the income statement	918	519	1,437
Charged to equity	73	(40)	33
Other	50	24	74
At 31 December 2007	1,901	1,383	3,284
Acquisitions through business combinations/ (disposals)	8	46	54
Charged to the income statement	(50)	1,328	1,278
Charged to equity	–	957	957
Exchange differences	(55)	(160)	(215)
At 31 December 2008	**1,804**	**3,554**	**5,358**

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

	2008 €'000	2007 €'000
Fair value reserves in shareholders' equity		
Revaluation of land and buildings	**(3,621)**	(516)
Exchange movements offset in reserves	**1,009**	(530)
Release	**–**	1,625
Other	**–**	35
	(2,612)	614

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.

26. 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 2007	48,448,081	484	484
Shares bought back and held in Treasury	(3,470,000)	–	–
As at 31 December 2007	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 (note 9)	442,979	1,247	1,247
As at 31 December 2008	**46,852,014**	**6,268**	**6,268**

Notes to the Consolidated Financial Statements

continued

26. Share capital account continued

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 Annual General Meeting held on 27 June 2008.

On 28 July 2008 the Company announced that it had issued 442,979 new ordinary shares under the Scrip Dividend Offer (note 9), which had been approved at the Annual General Meeting held on 27 June 2008.

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.

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

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

Grant date	1 March 2006	20 March 2006
Share price at grant date	€5.00	€5.00
Exercise price	€5.00	€5.00
Number of recipients	6	6
Warrants issued	5,114,153	373,965
Vesting period	1–4 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 2008, the fair value of the benefit of the total warrants in issue of €90,554 (2007: €321,055) has been charged to the income statement.

28. 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.

	Revaluation reserve €'000	Other distributable reserve €'000	Translation reserve €'000	Total €'000
At 1 January 2007	2,981	226,406	2,851	232,238
Shares bought back and held in Treasury	–	(16,023)	–	(16,023)
Revaluation – gross (note 15)	4,054	–	–	4,054
Revaluation – tax (note 25)	1,109	–	–	1,109
Dividend paid (note 9)	–	(8,063)	–	(8,063)
Exchange differences – gross	–	–	11,739	11,739
Exchange differences – tax (note 25)	–	–	(530)	(530)
At 31 December 2007	8,144	202,320	14,060	224,524
Revaluation – gross (note 15)	11,052	–	–	11,052
Revaluation – tax (note 25)	(3,621)	–	–	(3,621)
Dividend paid (note 9)	–	(7,503)	–	(7,503)
Exchange differences – gross	–	–	(17,929)	(17,929)
Exchange differences – tax (note 25)	–	–	1,009	1,009
Realisation of exchange differences – gross	–	–	(2,148)	(2,148)
Realisation of exchange differences – tax	–	–	326	326
At 31 December 2008	**15,575**	**194,817**	**(4,682)**	**205,710**

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 of will be crystallised within retained earnings.

29. Minority interest

	2008 €'000	2007 €'000
At beginning of the year	**739**	1,288
Acquisitions through business combinations	**537**	–
Disposal of interests in subsidiary undertakings	**–**	(609)
Share of net (loss)/profit of subsidiaries	**(3)**	60
	1,273	739

Notes to the Consolidated Financial Statements
continued

30. Acquisition of subsidiary undertakings and investments in joint ventures
30.1 Acquisitions and investments during the year ended 31 December 2008

(a) On 1 August 2008, the Group acquired an additional 20% of the share capital of its Kokoszki joint venture, Atlas Estates CF Plus 1 Sp. z o.o., for a cash consideration of PLN 600,000 (€186,509). On each of 3 September 2008, 2 October 2008, 6 November 2008 and 10 December 2008 the Group acquired a further 5% holding for a total cash consideration of PLN 600,000 (€163,889). At 31 December 2008, the Group's holding in Atlas Estates CF Plus 1 Sp. z o.o. was 90%. These transactions have been accounted for using the purchase method of accounting.

	Book value €'000	Fair value adjustments €'000	Fair value €'000
Net assets acquired			
Investment property	7,179	–	7,179
Trade and other receivables	927	–	927
Cash	38	–	38
Trade and other payables	(2,821)	–	(2,821)
Deferred tax liabilities	(44)	–	(44)
Bank loans	(5,109)	–	(5,109)
			170
Goodwill			180
Total consideration			350
Satisfied by:			
Equity			–
Cash			350
			350

The increased holding contributed loss after tax of €0.7 million from revenue of €213 to the Group results for the year. If the increased holding had been part of the Group for the entire year, it would have contributed loss of €0.9 million from additional revenue of €981.

30.2 Adjustments to prior year acquisitions during the year ended 31 December 2008

(b) On 31 December 2008, the Group increased the fair value of the consideration paid in relation to the purchase of Városliget Center Kft by €289,000 to account for contingent consideration that was paid during the year. The Group carried out an impairment test on the resulting goodwill and considered that it was impaired with reference to fair value less cost to sell of the related cash generating unit, and transferred the goodwill to the income statement.

(c) On 31 December 2008, the Group decreased the fair value of the consideration paid in relation to the purchase of Megarom Line SRL by €687,000 to account for contingent consideration that became no longer payable during the year. The Group transferred the resulting negative goodwill to the income statement.

30.3 Acquisitions and investments during the year ended 31 December 2007

(d) On 2 March 2007, the Group acquired 50% of the share capital of Atlas Estates Kaduri Shasha Zrt for a cash consideration of €3,825,299. The company has an investment in a land asset in Budapest, Hungary. This transaction has been accounted for as the acquisition of a joint venture.

	Book value €'000	Fair value adjustments €'000	Fair value €'000
Share of net assets acquired			
Inventory	3,740	4,731	8,471
Cash	18		18
Shareholder loans payable	(1,445)		(1,445)
Bank loans	(2,264)		(2,264)
Trade and other payables	(8)		(8)
Deferred tax liabilities	–	(947)	(947)
			3,825
Goodwill			–
Total consideration			3,825
Satisfied by:			
Equity			–
Cash			3,825
			3,825

The company acquired contributed loss after tax of €83,052 from operating revenue of €1,392 to the Group results for the year.

(e) On 28 March 2007, the Group acquired the entire share capital of Kalipi Holdings Limited, DNB Victoria Tower S.R.L. and Victoria Tower Hotel Management S.R.L. for a cash consideration of €7,448,021. These companies own and manage property assets in Bucharest, Romania. This transaction has been accounted for using the purchase method of accounting.

	Book value €'000	Fair value adjustments €'000	Fair value €'000
Net assets acquired			
PPE	3,949	10,151	14,100
Inventory	18		18
Trade and other receivables	143		143
Cash	91		91
Trade and other payables	(219)		(219)
Deferred tax liabilities	–	(1,624)	(1,624)
Bank overdrafts and loans	(4,672)		(4,672)
			7,837
Negative goodwill			(389)
Total consideration			7,448
Satisfied by:			
Equity			–
Cash			7,448
			7,448

The companies acquired contributed loss after tax of €104,589 from revenue of €1,744,920 to the Group results for the year.

Notes to the Consolidated Financial Statements
continued

30. Acquisition of subsidiary undertakings and investments in joint ventures continued

(f) On 16 October 2007, the Group acquired the entire share capital of Immobul EOOD for a cash consideration of €5,448,121. The company has an investment in a land and building asset in Sofia, Bulgaria. This transaction has been accounted for using the purchase method of accounting.

	Book value €'000	Fair value adjustments €'000	Fair value €'000
Net assets acquired			
PPE	4		4
Investment property	2,703	4,797	7,500
Trade and other receivables	189		189
Cash and cash equivalents	37		37
Shareholders loans payable	(22)		(22)
External shareholder loans payable	(268)		(268)
Bank loans	(1,678)		(1,678)
Deferred tax liabilities	–	(498)	(498)
Trade and other payables	(17)		(17)
			5,247
Goodwill			201
Total consideration			5,448
Satisfied by:			
Equity			–
Cash			5,448
			5,448

The company acquired contributed a loss after tax of €52,966 from revenue of €129,104 to the Group results for the year.

31. Related party transactions

(a) Silverock Commerce Limited is an investment subsidiary of Investkredit Bank AG (previously Osterreichische Volksbanken-Aktiengesellschaft), an Austrian bank which was a shareholder in the Company. Throughout the year to 31 December 2008 Investkredit Bank AG provided loan facilities to a number of Company projects and investments. All such facilities were entered into on an arms length basis with market standard commercial terms. At exchange rates prevailing on 31 December 2008 a total of €98,689,081 (31 December 2007: €84,872,734) was due to Investkredit Bank AG.

(b) The RP Explorer Master Fund and RP Partners Fund are funds that are managed by RP Capital Group. The RP Capital Group is also the holder of 51% of the share capital of AMC. As a result of a qualifying shareholding of 5,560,576 shares in the Company, RP Capital Group was the holder of 11.87% of the share capital of Atlas Estates Limited at 20 March 2009.

(c) RI Limited and RI Holdings Limited together are the holders of 49% of the share capital of AMC. These entities have the same beneficial owner as Atlas International Holdings Limited, who has a qualifying shareholding of 6,461,425 shares in the Company or 13.79% of the share capital of Atlas Estates Limited at 20 March 2009.

(d) Key management compensation

	2008 €'000	2007 €'000
Fees for non-executive Directors	**282**	224

The Company has appointed AMC to manage its property portfolio. At 31 December 2008 AMC was owned by The RP Capital Group and RI Limited and RI Holdings Limited. In consideration of the services provided, AMC received a management fee of €5.7 million for the year ended 31 December 2008 (€5.2 million for the year ended 31 December 2007). 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 2008. No performance fee is due for the year ended 31 December 2008 (€7.0 million for the year ended 31 December 2007).

AMC also received €0.1 million (2007: €0.1 million) in relation to lease agreements for office space in Poland and Hungary. As of 31 December 2008, €1.8 million included in current trade and other payables was due to AMC (31 December 2007: €7.7 million).

(e) 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 €6,837,151 to Circle Slovakia for the acquisition of a property. 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. As of 31 December 2008 Circle Slovakia has drawn the loan facility plus associated interest in the amount of €8,024,229 (31 December 2007: €2,695,797).

(f) Under the loan agreement of 30 October 2006 and Assignment Agreement dated 6 May 2008, Kendalside Limited has extended a loan facility of SKK 340 million (€11,285,932) to Eastfield Atlas a.s. (previously Slovak Investment and Development a.s.) for the purpose of covering ongoing investment and business expenses. The loan facility is to be repaid before 31 December 2015, and bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. As at 31 December 2008 the borrower has drawn the loan facility plus associated interest in the amount of SKK 25,681,409 (€852,467) (31 December 2007: SKK 23,487,462 (€779,641)).

(g) 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. As of 31 December 2008 Atlas Estates (Cybernetyki) Sp. z o.o. has drawn the loan facility plus associated interest in the amount of €2,214,841 (31 December 2007: €1,740,548).

(h) Under the loan agreement of 30 March 2008, CF Plus (Polska) Sp. z o.o., which is also a shareholder in Atlas Estates CF Plus 1 Sp. z o.o., has extended a loan facility of PLN 8,974,773 (€2,150,986) to Atlas Estates CF Plus 1 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. As of 31 December 2008 Atlas Estates CF Plus 1 z o.o. has drawn the loan facility plus associated interest in the amount of PLN 698,156 (€167,327).

(i) 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 (€683,060) 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. As of 31 December 2008 Zielono z o.o. has drawn the loan facility plus associated interest in the amount of PLN 1,706,088 (€408,898) (31 December 2007: PLN 1,507,875 €420,959).

(j) Nagar Kaduri & Zmira Ltd and Shasha Transport Ltd, which are also shareholders in Atlas Estates Kaduri Shasha Zrt, have extended loan facilities to Atlas Estates Kaduri 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. As of 31 December 2008 Kaduri Shasha ZRT has drawn the loan facilities plus associated interest in the amount of €1,700,271 (31 December 2007: €1,662,566).

Notes to the Consolidated Financial Statements

continued

32. Post balance sheet events

32.1 Financing

The Group has successfully negotiated an extension to its €24.9 million loan held within the Slovakian joint venture Circle Slovakia s.r.o.. The bank has offered to extend the loan to March 2010. The land loan was due to expire on 31 March 2009.

The Polish subsidiary Zielono Sp z o.o. has a land loan due to expire on 31 March 2009 of €3.1 million. Following the year end the lender has agreed to extend the facility to 30 September 2009. Management are now in negotiation with a second bank to provide a construction loan. A term sheet has been provided and the bank is currently completing its due diligence.

The Group's Polish subsidiary Atlas Estates CF Plus 1 Sp z o.o. is currently in negotiations with the bank in relation to its €8.4 million facility which expired 28 February 2009. The asset is currently valued at €14 million.

Following the year end the Group received a written covenant waiver from its lender in relation to the covenant breach at Atlas Estates (Millennium) Sp. z o.o.. The lender will continue to extend the €63.1 million facility to the Company and the 2009 business plan brings the asset back within the ratio limit.

32.2 Atlas House

On 26 January 2009 the merger of Atlas Estates (Totleben) EOOD and Immobul EOOD, the Group's two Bulgarian subsidiaries, was successfully completed. The resulting entity Immobul EOOD will continue to trade as an income yielding investment company.

32.3 Kokoszki purchase

The Group acquired an additional 5% holding in its Kokoszki subsidiary, Atlas Estates CF Plus 1 Sp. z o.o. on each of 15 January 2009 and 9 February 2009, taking its holding to 100%.

33. Significant Agreements

33.1 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. The value of the agreement was agreed as equivalent to a lump sum of the amount of PLN 40,680,931 plus VAT (€9.8 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 million PLN plus VAT (€18.7 million plus VAT). The completion of the works according to the above agreement shall take place not later than 30 October 2009.

33.2 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. Expected date of finishing construction works is third quarter 2009.

34. Other items

34.1 Information about court proceedings

As of 20 March 2009, 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% Company's equity capital.

34.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2008.

35. 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 year ended 31 December 2008. Two new entities were established in Slovakia. Atlas Estates Investment B.V. acquired an additional 40% holding in its Kokoszki joint venture, Atlas Estates CF Plus 1 Sp. z o.o. The percentage holdings are consistent across all years presented except for Atlas Estates CF Plus 1 Sp. z o.o., which was 90% at 31 December 2008 and 50% at 31 December 2007.

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%
Cyprus	Darenisto Limited	Holding	100%
Cyprus	Kalipi Holdings Limited	Holding	100%
Poland	Atlas Estates (Poland) Sp. z o.o.	Management	100%
Poland	Platinum Towers Sp. z o.o.	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 Sp. z o.o.	Development	100%
Poland	Grzybowska Centrum Sp. z o.o.	Holding	100%
Poland	HGC S.A.	Hotel operation	100%
Poland	HPO Sp. z o.o.	Development	100%
Poland	Atlas Estates (Cybernetyki) Sp. z o.o.	Development	50%
Poland	Atlas Estates CF Plus 1 Sp. z o.o.	Development	90%
Hungary	CI-2005 Investment Kft.	Development	100%
Hungary	Cap East Kft.	Investment	100%
Hungary	Felikon Kft.	Investment	100%
Hungary	Ligetváros Kft	Investment	100%
Hungary	Városliget Center Kft	Development	100%
Hungary	Atlas Estates (Moszkva) Kft.	Holding	100%
Hungary	Atlas Estates (Dekan) Kft.	Investment	100%
Hungary	Atlas Estates (Vagany) Kft.	Holding	100%
Hungary	Atlas Estates Kaduri Shasha Zrt	Development	50%
Slovakia	Circle Slovakia, s.r.o.	Development	50%
Slovakia	Eastfield Atlas a.s.	Holding	50%
Slovakia	Slovak Trade Company, s.r.o	Development	50%
Slovakia	WBS, a.s.	Development	50%
Slovakia	Smokovec Trade Company, s.r.o.	Development	50%
Slovakia	Nitra Trade Company, s.r.o.	Development	50%
Slovakia	Bastion Office Center, s.r.o.	Development	50%
Romania	World Real Estate SRL	Development	100%
Romania	Atlas Solaris SRL	Development	100%
Romania	D.N.B. – Victoria Towers SRL	Hotel operation	100%
Romania	D.N.B. – Victoria Tower Hotel Management SRL	Management	100%
Bulgaria	Atlas Estates (Totleben) EOOD	Holding	100%
Bulgaria	Immobul EOOD	Investment	100%

Notes to the Consolidated Financial Statements
continued

36. Atlas Estates Limited Individual Financial Statements

INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008 €'000**	2007 €'000
Revenues		**–**	–
Cost of operations		**–**	–
Gross profit		**–**	–
Administrative expenses	37	**(6,811)**	(15,399)
Other operating expenses	38	**(1,049)**	(2,109)
Loss from operations		**(7,860)**	(17,508)
Finance income	39	**15,655**	11,169
Finance costs	39	**(25)**	(6)
Other gains and (losses) – foreign exchange	39	**147**	316
Profit/(loss) before taxation		**7,917**	(6,029)
Tax expense		**–**	–
Profit/(loss) for the year		**7,917**	(6,029)
Profit/(loss) per €0.01 ordinary share – basic (eurocents)		**17.3**	(12.5)
Profit/(loss) per €0.01 ordinary share – diluted (eurocents)		**17.3**	(12.5)

All amounts relate to continuing operations.

36. Atlas Estates Limited Individual Financial Statements continued

BALANCE SHEET

As at 31 December 2008

	Notes	2008 €'000	2007 €'000
ASSETS			
Non-current assets			
Other loans receivable		**–**	263
Investment in subsidiaries		**21,220**	21,220
Loans receivable from subsidiaries		**176,062**	177,965
		197,282	199,448
Current assets			
Trade and other receivables		**176**	142
Cash and cash equivalents		**4,351**	3,232
		4,527	3,374
TOTAL ASSETS		**201,809**	202,822
Current liabilities			
Trade and other payables		**(2,432)**	(9,734)
		(2,432)	(9,734)
Non-current liabilities			
Other payables		**–**	–
		–	–
TOTAL LIABILITIES		**(2,432)**	(9,734)
NET ASSETS		**199,377**	193,088
EQUITY			
Share capital account	26	**6,268**	484
Other distributable reserve	28	**194,817**	202,320
Accumulated loss		**(1,708)**	(9,716)
TOTAL EQUITY		**199,377**	193,088

Notes to the Consolidated Financial Statements

continued

36. Atlas Estates Limited Individual Financial Statements continued

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital account €'000	Other reserves €'000	Accumulated loss €'000	Total €'000
As at 1 January 2007	484	226,406	(4,008)	222,882
Result for the year	–	–	(6,029)	(6,029)
Shares bought back as Treasury (note 26)	–	(16,023)	–	(16,023)
Share based payments (note 27)	–	–	321	321
Dividends paid (note 9)	–	(8,063)	–	(8,063)
As at 31 December 2007	484	202,320	(9,716)	193,088
Result for the year	–	–	7,917	7,917
Shares issued in the year (note 26)	5,784	–	–	5,784
Share based payments (note 27)	–	–	91	91
Dividends paid (note 9)	–	(7,503)	–	(7,503)
As at 31 December 2008	**6,268**	**194,817**	**(1,708)**	**199,377**

36. Atlas Estates Limited Individual Financial Statements continued

CASH FLOW STATEMENT

Year ended 31 December 2008

	Year ended 31 December 2008 €'000	Year ended 31 December 2007 €'000
Profit/(loss) for the year	**7,917**	(6,029)
Adjustments for:		
Effects of foreign currency	**(155)**	–
Finance costs	**25**	6
Finance income	**(11,236)**	(11,169)
Bad debt write off	**259**	–
Creditor write off	**(4,419)**	–
Charge relating to share based payments	**91**	321
	(7,518)	(16,871)
Changes in working capital		
Increase in trade and other receivables	**(30)**	(95)
Increase/(decrease) in trade and other payables	**1,634**	(10,494)
Net cash outflow from operating activities	**(5,914)**	(27,460)
Investing activities		
Repayment of loans from/(new loans granted to) subsidiary undertakings	**13,087**	(4,662)
Net cash from/(used in) investing activities	**13,087**	(4,662)
Financing activities		
Interest received	**53**	11,169
Interest paid	**(6)**	(6)
Dividends paid	**(6,256)**	(8,063)
Payments to acquire or redeem the entity's own shares	**–**	(16,023)
Net cash used in financing activities	**(6,209)**	(12,923)
Net increase/(decrease) in cash and cash equivalents in the year as a result of cash flows	**964**	(45,045)
Effect of foreign exchange rates	**155**	–
Net increase/(decrease) in cash and cash equivalents in the year	**1,119**	(45,045)
Cash and cash equivalents at the beginning of the year	**3,232**	48,277
Cash and cash equivalents at the end of the year	**4,351**	3,232
Cash and cash equivalents		
Cash at bank and in hand	**4,351**	3,232
Bank overdrafts	**–**	–
	4,351	3,232

Notes to the Consolidated Financial Statements

continued

37. Atlas Estates Limited Individual Financial Statements – Administrative expenses

	2008 €'000	2007 (restated) €'000
Audit and tax services		
– Audit	**328**	931
– Non audit	**123**	402
Incentive and management fee	**4,089**	12,289
Other professional fees	**1,563**	873
Utilities, services rendered and other costs	**37**	24
Share based payments (note 27)	**91**	321
Staff costs	**322**	358
Other administrative expenses	**258**	201
Administrative expenses	**6,811**	15,399

38. Atlas Estates Limited Individual Financial Statements – Other operating expenses

	2008 €'000	2007 €'000
Costs of WSE IPO	**1,049**	2,109
Other operating expenses	**1,049**	2,109

39. Atlas Estates Limited Individual Financial Statements – Finance income – net

	2008 €'000	2007 €'000
Bank and other similar charges	**(6)**	(6)
Interest payable on shareholder loans	**(19)**	–
Finance costs	**(25)**	(6)
Bank and other similar interest	**52**	613
Write off of loan from subsidiary	**4,419**	–
Interest receivable on shareholder loans	**11,184**	10,556
Finance income	**15,655**	11,169
Finance income, excluding foreign exchange – net	**15,630**	11,163
Unrealised foreign exchange gains	**164**	316
Unrealised foreign exchange losses	**(9)**	–
Realised foreign exchange gains	**4**	–
Realised foreign exchange losses	**(12)**	–
Other gains and (losses) – foreign exchange	**147**	316
Finance income, including foreign exchange – net	**15,777**	11,479

Under the loan agreement of 24 October 2008, Grzybowska Centrum Sp. z o.o. ("GC"), a subsidiary of Atlas Estates Limited, extended a loan facility of €4.4 million to Atlas Estates Limited. The loan facility was to be repaid before 15 October 2009 and bore interest at a variable rate equal to the sum of EURIBOR and the lender's margin. On 10 December 2008, GC redeemed Atlas Estates Limited of all obligations resulting from the loan agreement, including interest incurred to that date, and Atlas Estates Limited wrote off the related creditor balance.

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