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FROM THE POLISH PROSPECTUS OF ATLAS ESTATES LIMITED  
APPROVED BY KOMISJA NADZORU FINANSOWEGO  
(THE POLISH FINANCIAL SUPERVISION AUTHORITY)  
ON 31 JANUARY 2008**



**ATLAS ESTATES LIMITED**

*(a closed-ended investment company incorporated in Guernsey and registered with number 44284)*

This prospectus (the “Prospectus”) has been prepared in connection with the admission to trading on a regulated market of ordinary shares each with a nominal value of EUR 0.01 (the “Shares”) in ATLAS ESTATES LIMITED, a company incorporated with limited liability in Guernsey as a closed-ended investment company (the “Company” and, together with its subsidiaries, the “Group” or the “Atlas Group”).

The Shares were admitted to trading on the AIM, i.e. the un-regulated market of the London Stock Exchange plc, on March 2006. The Shares are not admitted to trading on any regulated market. Based on this Prospectus, an application is made by the Company for the admission to trading on the Warsaw Stock Exchange (the “WSE”) of all existing Shares that are or will be dematerialized within the meaning of the Act on Trading in Financial Instruments (the “Admission Shares”). Trading in the Shares on the WSE is expected to commence on or about 12 February 2008.

**This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, the Shares. Neither the Prospectus nor the Shares have been approved in or notified to any regulatory authority in any jurisdiction other than in the Republic of Poland.**

**Neither the U.S. Securities and Exchange Commission nor any state securities and exchange commission in the United States nor any other US securities authority has approved or refused to approve the introduction of the Shares to trading on the WSE, nor has any such commission or authority confirmed the compliance or completeness of this document.**

**For a description of selected risk factors to be considered in connection with any contemplated investment in the Shares please see the Chapter “Risk Factors”.**

The Admission Shares will be registered in Poland at the depository maintained by the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*) (the “KDPW”) through the clearing system of Euroclear Bank (“Euroclear”) which acts as an intermediary between CRESTCo. Limited (“CrestCo”), and the system of the KDPW.

**IMPORTANT NOTICE TO HOLDERS OF SHARES  
IN CERTIFICATED FORM**

Holders of the Shares in certificated form (i.e. document form), for example persons who acquired Shares in a private transaction, should be aware that due to certain restrictions under applicable provisions of Polish law, admission to trading on the WSE will be sought only with respect to those Shares which exist in uncertificated (book-entry) form within the meaning of the Act on Trading in Financial Instruments. Consequently, the holders of such certificated Shares will not be able to sell their Shares on the WSE. Holders of Shares in certificated form should obtain legal advice regarding the resale of such Shares in accordance with applicable laws. In view of the fact that the number of the Shares to be admitted to trading on the WSE will be lower than the total number of the Shares, the Company shall, on a regular basis, monitor the number of the new uncertificated Shares recorded in the CREST and shall, as and when needed, submit appropriate application requesting the registration of such additional Shares at the KDPW and for the admission and introduction thereof to trading on the WSE, so as to ensure equal treatment of the holders of uncertificated Shares with respect to their ability to transfer the Shares between the systems of the KDPW and CREST and the ability to trade such Shares on the WSE and the AIM.

*Capitalised terms used in this Prospectus have the meaning ascribed to them in the Section “Definitions” or elsewhere in this Prospectus.*



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## SUMMARY

*This summary should be read as an introduction to the Prospectus and it highlights major information and risk factors about the Company and the Shares that the Company, at its absolute discretion, considers important. It does not contain all the information that may be important to prospective investors. Any decision to invest in the Shares or to engage in any trading activities involving the Shares should be based by each investor on the Prospectus as a whole and not merely on this Summary.*

*Where a claim relating to the information contained in the Prospectus is brought before a court in a state of European Economic Area, the plaintiff may, under the national legislation of the state where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.*

*The individuals preparing this Summary, and every translation thereof, bear responsibility for and accept liability in respect of this Summary only to the extent this Summary is misleading, inaccurate or inconsistent when read together with the Prospectus as a whole.*

### **Overview**

Atlas was incorporated on 3 February 2006 as a closed-ended real estate investment company under Guernsey Law. The Company was established for the purpose of investing in real estate opportunities in the countries of Central and Eastern Europe with the exception of the states of the former USSR. At present the Company operates in five countries – in Hungary, Poland, Rumania, Slovakia and Bulgaria. Atlas is the ultimate parent company of the Group comprising the Company's subsidiaries and associated companies set forth in the Section of this Prospectus entitled "*The Company*". The Group Companies are holding companies, special purpose companies (engaged in specific development projects or set up for holding the ownership title with respect to real properties), or companies dealing with management, market research or investigation of potential projects. The Group's operations concentrate on areas which constitute a subset of a larger real estate market:

- (i) the ownership and management of real estate income-generating assets and the operation of hotels;
- (ii) the ownership and development of real estate projects.

The Portfolio is managed by Atlas Management Company ("AMC"), which comprising a team of professionals with a proven track record of successful property investment, acquisition and development. The subsidiaries of AMC in Poland, Romania, Hungary, Slovakia and Bulgaria provide project management services with respect to the Group's assets located in these countries.

As at the end of 2006 the total value of the assets pro rated to the Company's respective shares in the real properties comprising the portfolio of Atlas was EUR 311 million, more than half of which (i.e. EUR 189 million) was represented by Poland-based assets. As at 31 December 2006, as well as Poland, Atlas was present on the Hungarian, Slovakian and Romanian markets. The value of the projects in these three countries, pro rated to take account of the Company's share therein, was estimated at approximately EUR 122 million. As at the Prospectus Date the total value of the asset portfolio amounted to EUR 489 million, and similarly to the previous reporting period more than half of such (EUR 314 million) was represented by Polish properties. The combined value of the properties located in Hungary, Romania, Slovakia and Bulgaria was estimated as EUR 174 million. More detailed information about the projects is presented in following tables.

Taking into account the Valuation Report prepared by Cushman & Wakefield as at 30 June 2007 and the percentage share of the Group in the share capital of companies which directly own the particular Portfolio assets, the share of the particular categories of real estate in the gross value of the assets comprising the Company's Portfolio is:

Asset Type (Gross Assets) as at the Prospectus Date*	EUR '000	%
Income-generating (excluding hotels)	163,465	34
Hotels	124,120	25
Development projects	201,875	41
<b>Total</b>	<b>489,460</b>	<b>100</b>

\* Valuation as of 30th June 2007 including changes that took place until the Prospectus Date..

### **Income-Generating Assets**

The Group holds shares in the following income-generating commercial real properties:

Property	Location	Description	Atlas' indirect ownership
<b>Poland</b>			
Millennium Plaza	Warsaw	Office building with 32,723 m <sup>2</sup> of net leasable office and retail space, approximately 99% of the office space and approximately 88% of the retail space is occupied.	100%
Sadowa Business Park	Gdańsk	Office building with 6,550 m <sup>2</sup> of net leasable office space, approximately 99% occupied.	100%
<b>Hungary</b>			
Ikarus Industrial Park	Budapest	Office, manufacturing and warehouse buildings with 109,500 m <sup>2</sup> of net leasable space, approximately 74% occupied.	100%
Metropol Office Building	Budapest	Office building with 7,605 m <sup>2</sup> of net leasable office space, approximately 100% occupied.	100%
Ligetváros Centre	Budapest	Office building with 6,282 m <sup>2</sup> of net leasable office and retail space, approximately 99% occupied with rights to build an additional 3,800 m <sup>2</sup> of mixed-use space.	100%
Moszkva Office Building	Budapest	Office building with 998 m <sup>2</sup> of net leasable office space, approximately 100% occupied.	100%
<b>Bulgaria</b>			
Atlas House Office Building	Sofia	Office building with 3,472 m <sup>2</sup> of leasable space, approximately 95% occupied.	100%

The Group holds shares in the following real properties operated as hotels:

Property	Location	Description	Atlas' indirect ownership
<b>Poland</b>			
Warsaw Hilton Hotel	Warsaw	The first Hilton Hotel in Poland with 313 rooms and a 3,700 m <sup>2</sup> conference centre, Holmes Place fitness club and a casino.	100%
<b>Romania</b>			
Golden Tulip Hotel	Bucharest	A centrally-located, modern hotel with 82 rooms.	100%



## Development Properties

In addition to the income-generating projects and the real properties operated as hotels, the Group holds shares in the following properties for development:

Property	Location	Description	Atlas' indirect ownership
<b>Poland</b>			
Platinum Towers: towers I and II	Warsaw	A real property with a total plot area of 5,117 m <sup>2</sup> for the development of 26,204 m <sup>2</sup> of net saleable residential area divided into a total of 387 apartments, located in two towers (each of 22 floors). The Company has obtained a building permit for both towers. Preliminary sale agreements have been concluded for 188 of the 198 apartments in Tower I, and for 130 of the 189 apartments in Tower II.	100%
Platinum Towers: tower III	Warsaw	A real property with a total plot area of 4,454 m <sup>2</sup> for the development of 22,500 of net leasable office space (on 32 floors). As an alternative to the office development the Group holds a zoning decision for the construction of 17,500 m <sup>2</sup> of usable residential and commercial space.	100%
Capital Art Apartments Project	Warsaw	A real property with a total plot area of 17,566 m <sup>2</sup> for the development of 46,213 m <sup>2</sup> of net saleable residential area and in excess of 800 apartments in five phases. Building permits have been obtained for phases I, II and III. Preliminary sale agreements have been signed for 213 of the 220 apartments in phase I and for 23 of the 177 apartments in phase II.	100% <sup>(1)</sup>
Zielono (formerly Nowy Żoliborz)	Warsaw	A real property with a total plot area of 12,454 m <sup>2</sup> , zoning decisions for in the region of 265 apartments and an additional commercial area have been obtained.	76%
Cybernetyki Project	Warsaw	A real property with a total plot area of 3,098 m <sup>2</sup> for the development of 10,720 m <sup>2</sup> of usable residential and retail space. The Group has planning permission allowing it to construct 11,000 m <sup>2</sup> of residential and commercial space.	50%
Kokoszki Project	Gdansk	A real property with a total plot area of 429,918 m <sup>2</sup> for a mixed development with 130,000 m <sup>2</sup> of usable residential and retail space.	50%
<b>Hungary</b>			
Atrium Homes	Budapest	A real property with a total plot area of 8,165 m <sup>2</sup> for the development of 22,213 m <sup>2</sup> of net saleable residential area and 456 apartments and 5,801 m <sup>2</sup> of retail space. Building permits for phase I (235 apartments and 1,500 m <sup>2</sup> of retail space) have been obtained. Marketing of the development started in the second quarter of 2007.	100%
Városliget Centre	Budapest	A real property with a total plot area of 12,140 m <sup>2</sup> in central Budapest intended for mixed-purpose developments with a total usable area of 33,000 m <sup>2</sup> .	100%
Volán Project	Budapest	A real property with a total plot area of 20,637 m <sup>2</sup> for the development of 67,000 m <sup>2</sup> of net mixed-use space.	50%
<b>Slovakia</b>			
Vajnory Project	Bratislava	A real property with a total plot area of 878,877 m <sup>2</sup> for mixed-use development.	50%
Bašta Project	Košice	A real property in the centre of Košice (the second largest city in Slovakia) with a total plot area of 10,088 m <sup>2</sup> for mixed-use development.	50%
<b>Romania</b>			
Voluntari Land	Bucharest	A real property with a total plot area of 99,116 m <sup>2</sup> for mixed development.	100% <sup>(2)</sup>
Solaris Land	Bucharest	A real property with a total plot area of 31,977 m <sup>2</sup> for mixed development.	100% <sup>(2)</sup>

<sup>(1)</sup> As at the Prospectus Date 80% of the total shares in the capital of Capital Art Apartments had been transferred as security for Roggia Limited, the entity named by Investkredit Bank AG (previously Österreichische Volksbanken AG) as security for the credit facility granted to Capital Art Apartments.

<sup>(2)</sup> Due to certain Romanian statutory obligations 1% of shares are kept by persons related to the Group. For further details please see the Section "Market and Legal Environment".

## Group History

Atlas was incorporated with limited liability in Guernsey on 3 February 2006 as a closed-ended real estate investment company under Guernsey Law.

The Company was created from the merger of the property assets in the Central and Eastern European region of three entities: the Izaki Group, Elran and RP Capital Group. The assets were merged through a take over of the special purpose vehicles owned by the above entities and transfer of those special purpose vehicles under the common control of the Company. Those transactions (i.e. transfer of assets of the special purpose vehicles owned by the Izaki, Elran and RP Capital Groups) have been settled using the purchase method in accordance with the International Financial Reporting Standard 3 – “*Business Combinations*”. The Founding Shareholders established Atlas Management Company to manage the Portfolio and to identify new real estate investment opportunities, subject to the overall supervision of the Board.

The Shares were admitted to trading on the AIM on 1 March 2006. As a result of the AIM Offering, the Company raised EUR 164.4 million (net of costs) for further investments in new projects in the Central and Eastern European region. Immediately after being admitted to trading on the AIM, the Company acquired the Initial Portfolio from RP Capital Group entities, Elran, and Izaki Group consisting of the following interests in real estate assets: 33.33% in Warsaw Hilton; 33.33% in Platinum Towers Project, Warsaw; 100% in Capital Art Apartments, Warsaw; 76% in Zielono Project, Warsaw; 100% in Ikarus Industrial Park, Budapest; 100% of Metropol Office Building, Budapest; 100% in Atrium Homes, Budapest; 78.25% in Vajnory Project, Bratislava (the existing interest in Vajnory Project is equal to 50%).

In May 2006 the Group completed the acquisition of 67% of the shares in Trilby, which indirectly held a 100% stake of Warsaw Hilton and Platinum Towers: tower III. Furthermore, in May 2006 the Group acquired the remaining interest in DPM and Platinum Towers (which owns part of the Platinum Towers Project: tower I and II).

Also in 2006 the Company entered the Romanian real estate market and acquired the Solaris Project and the Voluntari Land in Bucharest.

Additionally, by the end of 2006, the Group had acquired the following projects: Városliget Project, Ligetváros Centre, and the Moszkva Office Building in Budapest; and the Bašta Project in Košice (the second largest city in Slovakia). The acquisition of the Bašta Project is in line with the Company’s strategy to commence investment in major secondary cities.

During the first half of 2007 the Group acquired new real estate assets, including the Millennium Plaza office building in Warsaw, the Volan Project in Budapest, the Golden Tulip Hotel in Bucharest and the Sadowa Business Park in Gdańsk. In addition the Group entered into a 50/50 joint venture with EdR Real Estate (Eastern Europe) S.C.A SICAR for the development of the Cybernetyki Project in Warsaw and bought out its investment partner’s share in the Voluntari Land in Romania.

As at 30 June 2007 approximately 88% (EUR 145 million) of the AIM Admission proceeds, had been invested.

On 29 August 2007 the Group, acting through AEIBV, entered into a joint venture agreement with CF Plus Sp. z o.o. This agreement resulted in co-operation with Atlas Estates CF Plus 1 which is to carry out the Kokoszki Project in Gdańsk. Atlas Estates CF Plus 1 entered into a preliminary real property purchase agreement in order to carry out the Kokoszki Project. On 30 November 2007 the conditions provided for in the agreement were fulfilled and as a result the real property was purchased.

On 24 September 2007 AEIBV, together with Darenisto Limited, sold a 28.25% stake in Vajnory Project to its joint venture partner Kendalside Limited. As a consequence AEIBV owns directly and indirectly a 50% stake in Vajnory Project.

On 15 October 2007 AEIBV acquired (indirectly, through Atlas Estates Limited EOOD) a 100% equity stake in Immo EOOD, which is the sole owner of an office building with an area of 3,472 m<sup>2</sup> in Sofia.

On 11 January 2008 AEIBV entered into a preliminary share purchase agreement of 100% stake in the Atlas Estates Millennium which is an owner of Millennium Plaza office building with Portfolio Real Estate Sp. z o.o. in consideration of

On 11 January 2008 AEIBV concluded a preliminary share purchase agreement regarding the sale by AEIBV of 100% of the shares in Atlas Estates (Millennium), the owner of the Millennium Plaza Office Building, to Portfolio Real Estate Sp. z o.o. for a preliminary purchase price equal to EUR 14,466,108. Additionally, Portfolio Real Estate Sp. z o.o. has committed to repay the loan facilities set forth in the agreement. The transfer of the shares in Atlas Estates (Millennium) is conditional upon the satisfaction of the conditions precedent provided for in the agreement, no later than on 31 October 2008.

## **Strategy**

### ***Focus on residential development projects***

Taking into consideration current market trends and the demand for apartments and houses in the region, the Atlas Estates Group intends to concentrate on residential development projects. While implementing this strategy the Group will concentrate mostly on apartments intended for middle-class buyers. As the Directors believe that undersupply exists both in capital cities and other cities, the Group intends to strengthen its position in non-capital cities, where development lands can be sourced in a less competitive environment. Residential projects will be evaluated on a case-by-case basis, taking into account the risk level and the profitability of the projects.

While concentrating on residential developments as its primary focus, the Group will also undertake retail, commercial and office development projects where such projects offer an appropriate rate of return. Where the Group undertakes a development of income-producing property, it will be inclined to keep such property within its portfolio, so as to enjoy the rental income stream resulting therefrom.

Development of residential and non-residential space will be evaluated taking into account local demand and profit margins in each of the countries and cities in which the Group operates. Margins tend to vary between different countries and cities based on economic cycles and the relative maturity of the given market. The Group constantly monitors and evaluates the different markets and opportunities.

### ***Continuity of development activity***

In order to maintain stable levels of apartment sales and thus, to the extent possible, stable levels of cash flow, the Group intends to have at all times developments in the various stages (zoning and planning, design, construction, sales, and delivery). Consequently, and given the constant rise in prices of land in the CEE region, the Group intends to develop a land bank which will permit the realisation of development projects for the next few years of the Group's operations.

### ***Acquisition of income producing assets***

In order to ensure a steady stream of rental income, the Group intends to continue to acquire office buildings. The Group does not intend to necessarily invest in prime A-class office space in the most prestigious locations, such investments suffer from low yields driven by strong competition. The Group's strategy is to achieve superior returns by investing in market segments which have less competition and by executing transactions which require more complicated structuring, which the Group is able to accommodate. This strategy is based on an assumption that commercial development in the CEE region creates growing demand for high-quality office space which is affordable for local businesses.

The Group also plans to purchase buildings which may be used as hotels. In accordance with its practice thus far as regards these types of assets, the Group intends to retain experienced third-party entities to manage such properties. When purchasing the hotel assets, the Group will take into consideration the attractiveness of the given location, as well as the local demand for hotel beds.

The Group may also consider purchasing real estate intended for other purposes (such as logistic centres), if it deems such investment attractive in light of the available market information.

### ***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.); 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.

On the Prospectus Date, 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, such as Bulgaria. 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.

### **Competitive strengths**

#### ***Local infrastructure and expertise at identifying, acquiring and managing property investments in the region***

The Company, through AMC's network, has offices with management teams in Poland, Hungary, Romania, Slovakia and Bulgaria, which constitute an infrastructure that is able to identify and assess the opportunities which appear in the markets where the Group operates. The Directors believe that the local presence of AMC is a crucial advantage which enables the continuous growth of the Group and its Portfolio. Furthermore, AMC's simultaneous exposure to several markets in the region allows it to better monitor and evaluate the markets where the Group operates. This provides the Group with an overall view which enables a more critical valuation of the various markets and enables the Group to choose where to concentrate its investment efforts.

The AMC management team consists of individuals with significant knowledge of and experience in all aspects of their respective local property market. AMC's infrastructure allows AMC not only to evaluate investment opportunities in an efficient manner but also to effectively execute real estate transactions and actively manage the Group's assets more successfully than new entrants to these markets. The local presence and monitoring of AMC is particularly important in light of the Group's development properties and the investment process for such properties. AMC handles, on a local basis, issues connected to zoning processes, construction work, and the marketing and sale of the apartments in each given project. This approach to the development of the projects, which is performed by individuals experienced in the real estate development sector, ensures the correct execution of the Group's objectives.

#### ***Attractive and diversified portfolio***

The Group owns an attractive and diversified Portfolio which the Directors believe will underpin the quality of future dividend distributions and growth opportunities. Furthermore, the Portfolio should enhance the Group's ability to attract further investment opportunities in Central and Eastern Europe. The diversification of the Portfolio into different geographical markets within the CEE region and both income-generating and development projects provides the Group with a competitive advantage over certain of its competitors which focus on selected geographical markets or market segments. Through this diversification the Group eliminates risks connected with operating on only one market, which may be subject to periodic fall. The Directors believe that through the Group playing such an active role on the CEE real estate market, the Company will be perceived as an important partner and a major regional developer, thus broadening its investment opportunities.

### ***Experienced management team of AMC***

AMC's management team has considerable experience in investing, acquiring, developing and selling real estate assets. Since the incorporation of the Company, AMC has proven its ability to successfully manage the Portfolio and to identify new investment opportunities. It has successfully invested the majority of the proceeds of the AIM Offering, increased income from and occupancy in the Group's income producing assets, obtained zoning approvals and building permits and furthered the sales and development of the Group's development projects. The broad real estate experience of AMC's management team is invaluable as the Company seeks to extend its presence in its existing markets while establishing a presence, and executing its strategy, in new markets in Central and Eastern Europe.

AMC's Investment Committee, which is responsible for reviewing and approving all potential investment and divestment opportunities, is comprised of individuals with significant professional investment experience. These individuals have extensive regional and industry experience, both in property development and income-generating property investments, which provides a competitive advantage for the Company as they are able to utilise such experience to evaluate opportunities across the CEE countries and through market cycles.

### ***Established relationships with local industry participants***

The board and the senior management of AMC, as well as certain Directors of the Company, have established relationships with individuals and institutions, including financial institutions, which are active in the real estate markets in which the Group operates. Such relationships provide the Group with access to potential acquisitions, facilitate the execution of transactions and help with property development and management. Furthermore, the local presence of AMC and the experience of the AMC management team have proved to be significant factors in establishing attractive local pipelines of new investment opportunities. Furthermore, the Group has proved its ability to win partners and to realize its investments in a form of joint venture cooperation.

### **Attractive pipeline of real estate projects**

The gross value of real estate investment opportunities in various segments of the real estate market is currently estimated by the Directors to be around EUR 500 million, out of which the estimated value of the (completed) transactions will be 10 to 20% of such gross value.

### **Summary of risk factors**

Prospective investors should carefully review and consider risk factors and the other information contained in this Prospectus prior to making any investment decision with respect to the Admission Shares. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the Group's business, cash flows, financial condition, results of operations or prospects.

### ***Risks relating to the Group's business***

(i) Risk related to the limited financial and operating history of the Group; (ii) Risk related to a failure to meet investment objectives; (iii) Risk related to additional financing requirements; (iv) Risk related to gearing and interest payments; (v) Risk related to the fact that the Company may not be able to meet the dividend payment target; (vi) Risk related to the use of joint ventures, over which the Company may not have full control, could prevent the Group from achieving its objectives; (vii) Risk related to changes in taxation which may adversely affect the Group's business; (viii) Risk related to the fact that the Group is exposed to currency risks; (ix) Risk related to the fact that the Group is managed by an external property management company.

***Risk relating to the real estate industry***

(i) Risk related to the fact that income from and the value of real estate assets held by the Company may be adversely affected by a number of specific real estate factors; (ii) Risk related to the fact that the Group may be adversely impacted by a downturn in the real estate market and general economic conditions; (iii) Risk related to the fact that the Group may not be able to acquire suitable properties; (iv) Risk related to the potential misrepresentation of the market value of the Group's properties; (v) Risk related to low liquidity in real estate investments, which could significantly limit the Group's ability to respond to adverse changes on the economic, real estate market and other conditions; (vi) Risk related to the fact that the Group is exposed to the risk of environmental contamination of its properties and the cost of any remediation; (vii) Risk related to the fact that the Group is exposed to material losses in excess of insurance payouts (viii) Risk related to liability following the disposal of assets; (ix) Risk related to real estate prices and letting rates; (x) Risk related to title deficiencies and legal disputes; (xi) Risk related to the location of the real estate; (xii) Risk related to competition risk.

***Risks relating to property development***

(i) Risk related to the execution of real estate development projects; (ii) Risk related to unexpected events during a development project; (iii) Risk related to zoning, building and other consents; (iv) Risk related to anticipated statutory provisions requiring developers to maintain escrow accounts in Poland; (v) Risk related to increasing construction and other costs; (vi) Risk related to the Group's dependence on contractors; (vii) Risk related to accidents at work affecting individuals hired by the contractors; (viii) Risk related to liability resulting from the sale of residential units; (ix) Risk related to claims against contractors; (x) Risk related to defective construction technology; (xi) Risk related to adverse ground conditions; (xii) Risk related to infrastructure issues.

***Risk associated with the real properties to let***

(i) Risk related to liability related to the letting of premises; (ii) Risk related to lease agreements; (iii) Risk related to the maintenance of the real properties.

***Risks related to the hotel operations of the Group***

(i) Risk related to the fact that the performance of the Group's hotel operations depends largely on the performance of and events affecting the hotel management companies that manage the Group's hotels; (ii) Risk related to the fact that the Group's objectives may conflict with the objectives of the relevant hotel management company.

***Risks related to the geographic markets in which the Group operates***

(i) Risk related to dependence on the real estate market in Central Eastern Europe; (ii) Risk related to changes in the legal and regulatory framework in CEE countries; (iii) Risk related to disruptions caused by ineffective land and mortgage registry system; (iv) Risk related to political and economic situation; (v) Risk related to restitution claims.

***Risks relating to the admission of the Admission Shares to trading on the WSE***

(i) Listing of Shares on the Warsaw Stock Exchange is tied to contingencies; (ii) Risk of Limited Liquidity and Share Price Fluctuations; (iii) The Shares may not be admitted to trading on the main market of the WSE; (iv) Trading in the Shares may be suspended or the Shares might be delisted; (v) Judgments of Polish courts against the Company may be more difficult to enforce than if the Company and its management were located in Poland; (vi) Restricted possibility to dematerialize Shares existing in a certificated form; (vii) Shareholders may have difficulties exercising rights, which are governed by Guernsey law.

## Summary of the selected financial data

### *Selected consolidated balance sheet data*

	As at 30 June 2007 (unaudited)	As at 31 December 2006 (audited)
	(EUR '000)	
Non-current assets	338,602	177,135
Land held under operating lease	18,329	18,422
Property, plant and equipment	114,492	88,818
Investment property	198,024	67,585
Current assets	183,267	184,118
Inventory	125,823	99,205
<b>Total assets</b>	<b>521,869</b>	<b>361,253</b>
Current liabilities	(52,061)	(33,616)
Non-current liabilities	(216,574)	(103,775)
<b>Total liabilities</b>	<b>(268,635)</b>	<b>(137,391)</b>
Equity attributable to equity holders of the parent	251,928	222,574
Minority interest	1,306	1,288
<b>Total equity</b>	<b>253,234</b>	<b>223,862</b>

### *Selected consolidated income statement data*

	Six months period ended 30 June 2007 (unaudited)	Five months period ended 30 June 2006 (unaudited)	Eleven months ended 31 December 2006 (audited)
	(EUR '000)		
Revenue	10,222	1,983	5,321
Cost of sales	(2,653)	(769)	(2,482)
<b>Gross profit</b>	<b>7,569</b>	<b>1,214</b>	<b>2,839</b>
Administrative expenses	(13,751)	(3,293)	(17,031)
<b>Operating profit / (loss)</b>	<b>29,889</b>	<b>681</b>	<b>(10,633)</b>
Profit / (loss) on ordinary activities before taxation	27,732	1,196	(9,789)
<b>Profit / (loss) for the period</b>	<b>21,650</b>	<b>476</b>	<b>(10,629)</b>

### *Selected cash flow statement data*

	Six month period ended 30 June 2007 (unaudited)	Five month period ended 30 June 2006 (unaudited)	Eleven month period ended 31 December 2006 (audited)
	(EUR '000)		
Net cash from operating activities	(7,515)	(6,236)	(11,004)
Net cash used in investing activities	(110,321)	(68,231)	(100,018)
Net cash from financing activities	85,402	174,446	170,625
<b>Cash and cash equivalents at the end of period</b>	<b>28,277</b>	<b>101,947</b>	<b>62,672</b>

## Summary of information on the Shares and the Admission Shares

The following summary highlights certain information relating to the Admission Shares. It is not intended to be complete and it is subject to material limitations and exceptions.

<b>Company</b>	Atlas Estates Limited (incorporated under the laws of Guernsey)
<b>Shares</b>	All of the Company's shares are ordinary shares with a par value of 0.01 EUR each (the "Shares"). For a description of the Shares, see " <i>Shares and Share Capital</i> ".
<b>Admission Shares</b>	The Shares whose admission to trading is being sought, kept by CRESTCo in a book-entry (uncertificated) form.
<b>Voting rights</b>	<p>The voting rights in respect of the Shares are as follows:</p> <ol style="list-style-type: none"><li>(1) on a show of hands every Shareholder present at a General Meeting shall have one vote; and</li><li>(2) on a poll every Shareholder present at a General Meeting shall have one vote for each Share held by him.</li></ol> <p>The Articles of Association do not provide for any special voting rights or voting restrictions. For further details see Section "<i>Shares and Share Capital</i>".</p>
<b>Listing and trading</b>	The Shares are listed and traded on the AIM. In Poland, the Company will seek the admission of the Admission Shares to trading on the main market of the WSE (with respect to those Shares which are or will be held in an uncertificated form within the meaning of the Act on Trading in Financial Instruments, and will be registered in the securities deposit kept by the KDPW).
<b>ISIN</b>	Shares carry the following ISIN code: GB00B0WDBP88.
<b>Dividends</b>	The Company is targeting annual dividends per Share of approximately 5 % and 10 % of the EUR equivalent of AIM Offering Price based on the number of Shares in issue immediately following admission to trading on AIM for the years ending 31 December 2007 and 2008, respectively which translates into the total amounts of dividend of EUR 12,112 thousand for 2007 and EUR 24,224 thousand for 2008. The level of targeted annual dividend for the year ending on 31 December 2009 has not been yet decided by Board. These targeted dividends are based on certain assumptions and projections and should not be regarded as a profit or earnings forecast. There can be no assurance that the assumptions will be accurate, the projections achieved or that the Company will be able to pay dividends at the targeted level or at all. For further details see Section " <i>Dividends and Dividend Policy</i> ".



## RISK FACTORS

*Although the Issuer will take action aimed at limiting the impact of the following risks on the Group's operations, prospective investors should carefully review and consider the following risk factors and the other information contained in this Prospectus prior to making any investment decision with respect to the Shares. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the Group's business, cash flows, financial condition, results of operations or prospects.*

*Even though the following risk factors cover all risks the Company currently believes to be material, the risks discussed below may, in retrospect, turn out not to be complete or prove not to be exhaustive and therefore may not be the only risks the Group is exposed to. The order in which the risks are presented below does not reflect the likelihood of their occurrence or the magnitude or significance of the individual risks. Additional risks and uncertainties of which the Company is not currently aware or which it does not consider significant at present, could likewise have a material adverse effect on the Group's business, cash flows, financial condition, results of operations or prospects.*

*The market price of the Shares could fall if any of these risks were to materialise, in which case investors could lose all or part of their investment. Investors should only purchase Shares for inclusion in a broadly diversified portfolio. Those investors who have any reservations regarding the content of this Prospectus should contact their stockbroker, bank, lawyer, tax advisor or financial advisor. The information in this Prospectus is not equivalent to the professional advice from the persons mentioned above.*

### **Risks relating to the Group's business**

#### ***Risk related to the limited financial and operating history of the Group***

The Company started operating in February 2006. In March 2006 the Company acquired its initial property portfolio comprised of equity interest in several real estate project companies from Izaki Group, Elran and RP Capital Group in exchange for its Shares. Since then the Company made a number of other real property acquisitions. The Company operates as the holding company of the Group, which includes acquired companies which have had some operating and financial history. They have not been managed in the past as a consolidated entity and their individual financial histories may not be representative of how they will perform as a consolidated entity. Due to the short history of the Group, there may not be sufficient historical operating and financial information available for the investors to evaluate the business and financial prospects. The available historical data may also not fully reflect the current scope and structure of the Group. The limited historical operating and financial data may not be indicative of the Group's performance for any future period.

#### ***Risk related to failure to meet investment objectives***

There can be no assurance that the investment objectives of the Company will be met. The results of the Group's operations will depend on many factors, including, but not limited to, the availability of opportunities for the acquisition of real estate assets, availability of finance to achieve leverage and development objectives, the performance of AMC in managing and developing the Group's real estate assets, property development and other operational risks disclosed in the Prospectus and general political and economic conditions in Central and Eastern Europe. In particular, if property values and prices in the countries in which the Group invests rise significantly before the funds are invested or such values or prices significantly fall after such funds are invested, the potential returns from property investment, and therefore available to the Shareholders, may be lower than those forecast by the Group. If any of such risks were to materialize, the business of the Group, its financial condition or its results would be materially and adversely affected.

#### ***Risk related to additional financing requirements***

The Company's capital requirements depend on numerous factors. If its capital requirements vary materially from its current plans, the Group may require further financing. There are no provisions of Guernsey law that

confer pre-emptive rights on existing Shareholders and the Company has no equivalent provisions in its Articles of Association, except for the issuance of Ordinary Shares below the Adjusted NAV per Share prevailing at that time (in case of such issuance the Company is required to obtain the approval of the Shareholders). Consequently, any additional equity financing may be dilutive to Shareholders. Further, any debt financing, if available, may involve restrictions on financing and operating activities. There can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable to the Group. The aforementioned facts could have a material adverse effect on the business, financial condition or results of the Group.

***Risk related to gearing and interest payments***

As at 30 June 2007 consolidated borrowings to total shareholders' equity was 0.73:1. The Group intends to further utilise significant debt financing to finance its real estate investments. This substantial leverage will leave the Group vulnerable to sustained downturns in the economy or adverse developments in the real estate market, as the Group may be required to continue making interest and principal payments for periods during which it suffers from decreased rental payments, residential sales or other revenues. For example, a decline in the property market or tenant default may result in a breach of the loan to value and/or the debt service cover ratios specified in the Group's banking arrangements, thereby causing an event of default with the result that the lenders could require repayment of the relevant borrowing or, failing which, enforce their security. Any requirement to pay income derived from a particular asset into a segregated account for the benefit of a lender will also reduce the cash available to the Company for the purposes of paying dividends to the Shareholders.

Moreover, projects under development typically require substantial capital expenditure before any return is generated and, therefore, high leverage will leave the Group vulnerable to construction delays, cost overruns or other difficulties in completing projects, selling the Group's residential development projects or obtaining tenants for the Group's income generating assets. In addition, the substantial indebtedness could affect the Group's flexibility in planning for, or reacting to, changes or opportunities in the CEE real estate market; and affect the Group's ability to borrow additional funds.

In the event circumstances prevent the Group from making interest or principal payments as they become due, creditors may enforce rights over properties that secure their indebtedness. The illiquid nature of real estate investments limits the ability of the developer or owner to convert its assets into cash in order to repay indebtedness, or may require a substantial price discount to ensure a quick sale. If any of the above risks were to materialise, the Group's asset value, financial condition and results of operations would be materially and adversely affected.

In addition, increases in interest rates may increase the cost of the Group's borrowings, impacting on its profitability and having an adverse effect on the Company's ability to pay dividends to the Shareholders. While the Company may seek to manage this risk through the use of hedging instruments, the Company may continue to bear a level of interest rate risk.

***Risk related to the fact that the Company may not be able to meet the dividend payment target***

All dividends or other distributions are made at the discretion of the Directors. Any future dividend increases in accordance with the Company's dividend policy will depend upon a number of factors, including the availability of sufficient distributable reserves. The generation of profits for distribution depends on the successful management of the Group's existing properties, the yields on existing and new properties, interest costs, taxes and profits on development and sale of properties. The above circumstances could have a material adverse effect on the business, financial condition or results of the Group.

***Risk related to the involvement in joint ventures, over which the Company may not have full control, could prevent the Group from achieving its objectives***

A number of the Group's real estate assets are held through joint venture arrangements with third parties (including Cybernetyki, Volán, Vajnory, Bašta and Kokoszki Projects), meaning that ownership and control of such real estate assets is shared with such third parties. Although it is the Company's strategy to form joint ventures in which it holds at least 50% of the shares, certain decisions relating to the assets may depend upon the consent or approval of the Group's joint venture partners. Disputes may arise between joint venture

partners which could mean that the Group is not able to manage or deal with a particular asset in the way that it would wish, and this may adversely affect the Group's results of operations.

In addition, projects may require finance to be provided by the joint venture partners. If one of the Group's joint venture partners fails to provide such finance when required, the Group may be forced to make up such shortfall out of its own resources to avoid additional cost or delay to the project. The aforementioned facts could have a material adverse effect on the business, financial condition or results of the Group.

***Risk related to changes in taxation which may adversely affect the Group's business***

Any change in the Group's tax status or in taxation legislation in Guernsey, the Netherlands or any country where the Company has assets or operations could affect the value of the assets held by the Company or affect the Company's ability to achieve its investments objectives or provide favourable returns to the Shareholders. Any such change could also adversely affect the net amount of any dividends payable to the Shareholders.

In order to maintain its non-United Kingdom tax residence status, the Company is required to be controlled and managed outside the United Kingdom. The composition of the Board, the place of residence of the Board's individual members and the location(s) in which the Board makes decisions will be important in determining and maintaining the non-United Kingdom tax residence of the Company. While the Company is organised in Guernsey and a majority of the Directors are resident outside the United Kingdom, continued attention must be paid to ensure that major decisions by the Company are not made in the United Kingdom, to avoid a risk that the Company may lose its non-United Kingdom resident status. Possible management errors could potentially lead to the Company being considered a United Kingdom tax resident which would negatively affect its financial and operating results and returns to the Shareholders.

In addition, if the Company were treated as having a permanent establishment, or as otherwise being engaged in trade or a business, in any country in which it invests or in which its interests are managed, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax.

In order for the Group to maintain its tax efficiency, continued attention must be paid to ensure that all relevant conditions are satisfied in all the jurisdictions in which the Group operates to avail itself of the benefits of, for example, double tax treaties, EC Directives and local country requirements.

All of the Group's real properties are held through property holding companies established in various jurisdictions. It is the intention of the Group, wherever possible, to dispose of the property holding companies rather than the real estate itself. If the Group were to dispose of the direct real estate interests held by those companies, rather than the companies themselves, the tax cost basis for the calculation of the capital gains generated on the disposal of the real estate may well be lower than the price paid by the Group for the property holding company, therefore increasing the capital gains tax liability for the Group upon disposal. There may be situations where, in order to dispose of a property, the Group is required to sell the underlying real estate rather than the holding company, thereby increasing its capital gains tax exposure. The aforementioned facts could have a material adverse effect on the business, financial condition or results of the Group.

The Company and its subsidiaries carrying out the property development and investment are exposed to risks associated with possible changes in tax laws, or the interpretation of tax laws, in the various countries in which they operate. Although the Company believes that its tax status and planning is in compliance with all current laws and regulations, any changes in tax laws or interpretation thereof or any investigation into the tax status of the Company by the relevant authorities may result in findings against the Company which may adversely affect the Group's financial condition and prospects.

***Risk related to the Group being exposed to currency risks***

The Group operates in various countries within the CEE region and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Polish Zloty, Hungarian Forint,

Slovak Crown, Romanian Lei and Bulgarian Leva. As at the Prospectus Date, the Group has not entered into any currency hedging transactions but will review hedging activities in the future to mitigate any potential unfavourable exchange rate fluctuations. The Group's performance is subject to the effect of exchange rate fluctuations, which may have a material adverse effect on the business, financial condition or results of the Group.

***Risk related to the fact that the Group is managed by an external property management company***

From the date of admission of the Company's shares to trading on AIM in March 2006, the Group has been externally managed by AMC pursuant to the provisions of the Property Management Agreement, based on which the Company appointed AMC to provide property advisory, management and development monitoring services to the Company. AMC is a management company founded and controlled by the Founder Shareholders, which currently also jointly hold around 22% of the Shares. Such management structure involves certain risks, in particular the risks presented below. For a description of the Property Management Agreement see "*Related Party Transactions*".

*Risk related to dependence on AMC and its key personnel*

The Group's success depends upon the actions of AMC and its Investment Committee. The loss (whether temporary or permanent) of the services of any director, member of the senior management team, Investment Committee member or other key personnel of AMC, could have a material adverse effect on the business, financial condition or results of operations of the Group.

*Risk related to limited operating history of AMC*

AMC was established in 2006 in order to manage property operations of the Group and has limited operating and financial history. While individual directors and employees of AMC have certain experience in real estate development and investment in CEE and elsewhere, this experience has not been through acting as a property manager and adviser for a third party company. AMC must continue to implement procedures and control systems in order to properly carry out its obligations under the Property Management Agreement. Failure of AMC to properly perform the tasks set out above may have a material adverse effect on the Group's performance.

*Risk related to the fact that the compensation structure may encourage high risk investments*

Under the terms of the Property Management Agreement, AMC is entitled to receive a performance fee calculated on the overall return delivered to the Shareholders in each accounting period (being the sum of the growth in Adjusted NAV per Share and an amount equal to the dividends and other distributions to the Shareholders in a given accounting period) as described more fully in "*Related Party Transactions – Property Management Agreement*". Such a fee may lead the Property Manager to pursue riskier opportunities in order to seek to earn a performance fee or increase the performance fee payable in a particular accounting period.

*Risk related to the fact that the Property Management Agreement with AMC is subject to a fixed initial term and long notice periods*

AMC's appointment under the Property Management Agreement is for an initial term of seven years, ending in March 2013. The Company is not able to terminate the Property Management Agreement within this initial period without paying compensation to AMC other than in certain limited circumstances, including where AMC has materially breached its obligations to the Company or AMC is subject to a change of control. Negative performance would not of itself constitute an event allowing the Property Management Agreement to be terminated within the initial term. After the initial term, the Property Management Agreement may be terminated on 12 months' notice but if at the time such notice is given the Company's performance over the three prior years has exceeded an average return of 12% per annum then an additional termination fee is payable to the Property Manager. If the Company does terminate the Property Management Agreement, apart from the obligation to pay the termination fees set forth above, there can be no assurance that it will be able to find a suitable replacement property manager to take on the functions of AMC. A more extensive description of the Property Management Agreement is set out in "*Related Party Transactions*".

**Risk relating to the real estate sector*****Risk related to the fact that income from and the value of real estate assets held by the Company may be adversely affected by a number of specific real estate factors***

The Group faces a number of general risks related to the real estate industry including those related to acquiring, developing, owning, managing and using real estate. Revenue earned from, and the value of, properties held by the Group may be adversely affected by a number of factors, including: (i) changes in laws and governmental regulations in relation to real estate, including those governing permits and zoning plans, taxes and other government charges; (ii) cyclical fluctuations in the property market generally and in the national and local markets where the Group conducts activities; (iii) the Group's ability to obtain adequate services on market terms with respect to the management, maintenance and insurance for its properties. Although the Group takes certain precautionary measures to protect its business activities from the negative impact of the above risks it is not possible to completely eliminate all such risks. If any of these risks were to materialise, they could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***Risk related to the fact that the Group may be adversely impacted by a downturn in the real estate market and general economic conditions***

The successful growth of the Group's assets depends on it being able to acquire appropriate properties and manage them effectively. This depends on the state of the property market in the countries in which the Group chooses to invest. The performance of the Group will be adversely affected by a downturn in the property market in terms of capital valuations and rental yields achieved. In the event of a default by a tenant or during any other period during which a property is not let, the Group will suffer a rental shortfall and incur additional expenses until the property concerned is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurances, local property taxes and marketing costs.

Rental levels and the market value of properties are generally affected by the general condition of the economy, such as growth and absolute levels of gross domestic product, employment trends, inflation and changes in interest rates. Rent reviews, to the extent they are present, may not be agreed at the then estimated rental values. In addition, a downturn in general economic conditions in one or more of the countries in which the Group chooses to invest may reduce demand for the Company's development projects, which could lead the Company to making a loss on such projects or needing to find an alternative use for the development site.

***Risk related to the fact that the Group may not be able to acquire suitable properties***

The Company's ability to implement its strategy and achieve its desired returns may be limited by its ability to identify and acquire suitable properties at satisfactory prices, either for development or investment. In addition, the Company faces significant competition from other investors and property companies in identifying and acquiring suitable properties. Competition in the property market may lead either to an over-supply of commercial and/or residential premises through over-development or to an increase in the prices of existing properties or land for development being driven up through competing bids by potential purchasers. Accordingly, the existence of such competition may have a material adverse impact on the Company's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis and to acquire properties or develop land at satisfactory prices. There can be no guarantee that the Company will achieve its intended balance between properties for development and income-generating properties, and failure to achieve this balance may adversely affect the Company's results of operations.

***Risk related to the potential misrepresentation of the market value of the Group's properties***

The real estate valuations presented in this Prospectus were made as at specific dates, and no assurance can be given that such valuations accurately reflect the market value of the Group's real estate on other dates. Furthermore, the valuations presented herein were prepared based on certain assumptions and with the use of certain valuation models; the results of valuations based on other assumptions and models might produce different results. Consequently, the valuations presented in this Prospectus should merely be used as indicative of the potential proceeds that the Group could obtain from the real properties included in the Group's portfolio. For further details see CW Valuation Report.

***Risk related to low liquidity in real estate investments, which could significantly limit the Group's ability to respond to adverse changes on the economic, real estate market and other conditions***

Real estate assets such as those in which the Company has invested, and will in the future invest, are relatively illiquid. The Company cannot predict the length of time needed to secure a willing purchaser and to close the sale of a property. Such illiquidity may affect the Company's ability to dispose of assets in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions. This could have an adverse effect on the Company's financial condition and results of operations.

***Risk related to the fact that the Group is exposed to the risk of environmental contamination of its properties and the cost of any remediation***

Under various EU, national and local laws, ordinances and regulations, the owner of a real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for the presence of these substances. The owner's liability as to any property is generally not limited under such laws and the costs of any required removal, investigation or remediation can be substantial.

The presence of such substances on, or in any of the Group's properties, or the failure to remediate the property contamination resulting from such substances, could adversely affect the Group's ability to sell the real property or to borrow funds using such property as collateral, which could have an adverse effect on the Group's return from such investments. In addition, the presence of hazardous or toxic substances on or in a property may prevent or restrict development or redevelopment of such property and this could have an adverse effect on the returns generated from such property. The costs of cleaning up a contaminated property, of defending filed claims, or complying with environmental laws could be significant and could cause the Group to make a loss on a project. Future laws and regulations may impose material environmental liabilities on the Group, or the current environmental condition of the Group's properties may be affected by the condition of the properties in the vicinity or by third parties unrelated to the Group. Any of such costs or liabilities could have a material adverse effect on the Group's business, financial condition or results of operations.

***Risk related to the fact that the Group is exposed to material losses in excess of insurance payouts***

The Group's real estate assets could suffer physical damage caused by fire or other causes, resulting in losses (including loss of rent) which may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or are not economically insurable. Inflation, changes in building regulations and ordinances, environmental considerations, and other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from such property. In addition, the Group could be liable to repair damage caused by uninsured risks. The Group would also remain liable for any debt or other financial obligation related to that property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

***Risk related to liability following the disposal of assets***

The Group may dispose of assets in certain circumstances and may be required to give representations and warranties about those investments and to pay damages to the extent that any such representations or warranties turn out to be inaccurate. The Group may become involved in disputes or litigation concerning such representations and warranties and may be required to make payments to third parties as a result of such disputes or litigation.

***Risk related to real estate prices and letting rates***

The profitability of the Group's activity depends on factors such as the prices of residential properties as well as rental fees for office and commercial space. If there is a fall in real estate selling prices or rental fee rates, the Group may give no assurance that it will be selling its apartments at profitable prices or let office and

commercial space at profitable rates, which could have a material adverse effect on the operations, financial standing or results of the Group.

***Risk related to title deficiencies and legal disputes***

As a result of various issues related to, among other things, the process of registration of title in real estate registries in the countries of the Group's operation, the purchase of property from public authorities and untested law-enforcement procedures, the Company's subsidiaries may not in all cases have title to land on which properties are located. Whilst the Group has not to date experienced a situation where any title to the properties themselves has been the subject of legal proceedings leading to such loss of title, the Group is subject to the risk that it may not acquire or be granted title to such land, and/or that the relevant company within the Group could be deemed to be in violation of applicable law. Any such outcome could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

In particular, there are certain legal deficiencies in Cap East's title to Metropol Office Building in Budapest. If the deficiencies cannot be cured, Cap East's ownership right might not be registered. There can be no guarantee that the deficiencies in Cap East's request for registration will be resolved in a manner satisfactory to Cap East, which could have a material adverse effect on the operations, financial standing or results of the Group. For a detailed description of the legal status of Metropol Office Building in Budapest please see Section "*Business Overview*", "*Metropol Office Building, Budapest*".

There is also a risk of title disputes arising in connection with properties of the portfolio and legal disputes with neighbouring land owners, architects, project managers and suppliers. Even if ultimately settled or decided in favour of the Group, the Group may not be able to recover its costs incurred in relation to the dispute.

***Risk related to the location of the real estate***

The value of real property depends largely on its location and intended purpose. If the Group incorrectly assesses the advantages of a certain location or the demand for the end product of the project, the Group may find it difficult to sell the real property for the budgeted price or to let it in full at the anticipated rates. If the Group is forced to reduce the selling price in order to attract potential purchasers, or to decrease letting rates to attract potential tenants, or if the property remains unoccupied for an extended period of time, the market value of the property might fall considerably, which will have an adverse effect on the Group's financial standing. If the projected revenues from the sale or lease of the real property are not achieved, this may have an adverse effect on the financial results of the given real estate development project. Each such erroneous assessment may have a material adverse effect on the operations, financial standing or results of the Group.

***Risk related to competition***

As property markets in Central and Eastern Europe mature, the Group expects increased competition from both international and local real estate investors including developers, investment funds, various types of financial institutions, family groups and wealthy individuals, some or all of which may have capital and resources in excess of those of the Group. Although the Company believes it has managed to continue to grow its business successfully to date, no assurance can be given that the Company will be able to compete successfully in the future. Competition may also lead either to an over-supply of residential properties through overdevelopment or to an increase of the prices of land. If the Company fails to compete effectively or, if increased competition leads to lower revenues and lower profit margins for the Company, the Company's business, financial condition, results of operations or prospects may be adversely affected.

**Risks relating to property development**

***Risk related to the execution of real estate development projects***

The real estate development projects executed by the Group require significant capital outlays at the investment preparation as well as construction stages. Due to extensive financing requirements, such ventures are typically associated with considerable risks. These risks include in particular the failure to obtain the permits and decisions necessary to use the Group's land in accordance with its intended purpose, delays in the

completion of the construction process, costs exceeding the budgeted costs, the insolvency of contractors or subcontractors, employment disputes affecting contractors or subcontractors, shortage of construction equipment or materials, accidents or unforeseen technical obstacles, or failure to obtain use and occupancy certificates. If any of the risks were to materialise, the execution of the real estate development projects may be delayed, the project execution costs may increase or profits may be lost, the funds invested in the acquisition of the land for the project may be effectively frozen, and in some cases, the investment might prove impossible to complete. Each of the abovementioned events may have a material adverse effect on the operations, financial standing or results of the Group.

***Risk related to unexpected events during a development project***

The developments in which the Company invests are and will be financed by a mixture of equity, deposits on pre-sales and bank financing. The release of bank financing is staged and conditional on milestones in the development being reached. In the event that the development does not proceed as expected due to failure to obtain the permits required for the sites to be used in accordance with the Group's plans, delays in the completion of construction, costs that exceed those budgeted because of unfavourable weather, conditions, the insolvency of contractors or subcontractors, labour disputes at the contractor or subcontractor level, shortages of construction materials or equipment, accidents or unforeseen technical difficulties, the failure to obtain the permits needed to use the building or buildings or other required permits, or changes in the regulations relating to land use or title dispute, the lender may refuse to provide further financing. In addition, should cost overruns be incurred, banking covenants may be breached and a default could occur. If the Company is unable to arrange alternative financing, it may not be possible to complete the development. This may result in the loss of a deposit paid by or on behalf of the Company and other irrecoverable costs associated with that development. In addition, the Company may be exposed to other property development risks, including cost overruns on the development, breaches of contract by sub-contractors and failure to achieve targeted sale or rental values.

***Risk related to zoning, building and other consents***

A number of the properties in the portfolio have not yet been granted detailed zoning decisions or building permits or other consents required for development, in accordance with their intended purpose. There can be no assurance that any such decisions, permits or other consents required from third parties in connection with existing or new development projects will be issued or granted to the Group. Failure to obtain such decisions, permits, or consents may affect the Group's ability to execute or complete existing and/or new development projects. There is a risk that zoning decisions are not obtained or are delayed significantly, or are granted subject to uneconomic or unfavourable conditions. Laws may be introduced that affect existing building consents which restrict development in the Group's target locations. If any of such risks were to materialise, this could have an adverse effect on the Company's profits and returns to the Shareholders.

***Risk related to anticipated statutory provisions requiring developers to maintain escrow accounts in Poland***

The Ministry of Construction of Poland is reported to have prepared outline terms of the draft act under which entities conducting real estate development activity would be required to deposit the funds paid by the clients in a designated escrow account. According to the outline terms, the funds deposited by the clients would only be made available to the developer after the fulfilment of the requirements specified in the escrow agreement, i.e., depending on the type of escrow account, either after the completion of particular stages of the investment project or after the completion of the entire construction process. If the act is enacted in line with the current outline terms, developers will not be able to finance their investment projects (in whole or in part) from the funds deposited by their clients before the completion of such projects or particular stages thereof. This could force developers to seek additional external financing to complete their investments. This in turn might increase the costs of the construction process or prevent the completion of such investment projects altogether, which may have an adverse effect on the operations, financial standing or results of the Group.

***Risk related to increasing construction and other costs***

The Group has entered into, and will enter into, construction contracts with general and other contractors to build the Group's development projects. The costs of these projects can increase due to changes in the scope of a given project and in its architectural design, increases in the cost of building materials, increases in the



cost of employing properly qualified workers (or shortages of properly qualified workers) and the contractors not completing the works within the agreed term and to a standard which is acceptable to the Group. Any material increase in the costs of construction projects may adversely affect the Group's profitability and/or reduce its net asset value growth.

The Group's operating and other costs could increase without a corresponding increase in the Group's turnover. Factors which could increase operating and other costs include inflation, increases in taxes and other statutory charges, changes in the law, regulations or government policies (including those relating to health and safety at work and environmental protection) which increase the costs of compliance with such laws, regulations or policies, and increases in the cost of borrowing. Such factors could have a material adverse effect on the business, financial condition or results of the Group.

***Risk related to the Group's dependence on contractors***

The Group uses specialist construction companies for most of the construction work on its various projects. Despite the fact that the Group's policy is to continuously supervise the execution of the construction works, the Group cannot guarantee the correct and timely performance of the contracted works by the contractors. This may cause delays in the completion of individual projects and consequently increase the costs of their completion. Another risk is that the contractors may face liquidity problems which may affect the quality and the timely completion of the works commissioned by the Group. In extreme cases this may lead to the contractor stopping work altogether and the necessity to change the contractor. Consequently, all the delays and costs associated with a change of contractor may adversely affect the profitability of a given project. The aforementioned facts could have a material adverse effect on the business, financial condition or results of the Group.

***Risk related to accidents at work affecting individuals hired by the contractors***

Even though the Group, as a rule, is not directly liable for accidents at work of the employees of construction contractors carry out work at the Group's construction sites, such accidents may nevertheless cause contractors to be affected by work disruptions, which may in turn delay the execution of the project and generate additional costs. This could have a material adverse effect on the operations, financial standing or results of the Group.

***Risk related to liability resulting from the sale of residential units***

The Group's activities involve the sale of residential units. In connection with those activities the Group could be exposed to disputes or litigation and could be forced to make payments to third parties as a result of such disputes or litigation (such as those resulting from construction guarantees granted to customers). This may have a material adverse effect on the business, financial condition or results of the Group.

***Risk related to claims against contractors***

The Group has concluded agreements for the construction and completion of development projects with construction contractors, and will do so in the future. The duties assumed by the contractors relating to the completion of the development projects may result in claims against them, arising from non-performance or incorrect performance of such duties. Although contractors provide performance guarantees which help to mitigate the impact of their non-performance, disputes with contractors can still lead to delays in the completion of a development project and/or cost overruns. An unreliable contractor may not be in a position to fully satisfy the Group's above-mentioned claims. This may result in the Group, which is directly liable to customers, not being able to fully recover the costs which it will incur as a result of the non-completion or delay in the completion of a development project, which may have an adverse effect on the business, financial condition or results of the Group.

***Risk related to defective construction technology***

The costs of the construction of a building can vary substantially, depending on the construction technology and materials used. There are many kinds of construction technologies available on the market and new technologies are frequently introduced. Building methods or materials used in the Group's developments may prove to be defective. The choice of a defective technology or material in the initial stages of a project may

result in the construction budget being exceeded or in a delay in the completion of the project. In addition, if a construction company used on a development becomes insolvent it may prove impossible to recover compensation for such defective work or materials and the Group may incur losses as a result of repairing the defective work or paying damages to persons who have suffered loss as a result of such defective work. Any of the above circumstances could have a material adverse effect on the business, financial condition or results of the Group.

***Risk related to adverse ground conditions***

When purchasing potential development sites, the Group carries out a technical analysis of the site being acquired. However, given the limitations of such an analysis, there is always a risk that during the development of a project the Group may encounter unexpected factors which may cause delay or increase the costs of site preparation e.g. matters concerning the water table, unstable ground conditions and archaeological finds. Such events may have a material impact on the costs of developing a given project or may render it impossible to develop as planned. This could have a material adverse effect on the business, financial condition or results of the Group.

***Risk related to infrastructure issues***

A project can only be developed if it has access to the infrastructure required by law. Despite a legal and technical analysis, the absence of the necessary infrastructure may mean that the development of a project on a given site is impossible, or, in the event that the Group has to provide the infrastructure, expensive. There can be no assurance that because of delays in facilitating access to the infrastructure, particularly as a result of factors over which the Group has no control, delays will not occur in the handing over of a given project or an unexpected increase in the cost of the providing the infrastructure will occur. Such an event may have a material impact on the viability of a project. This could have a material adverse effect on the business, financial condition or results of the Group.

**Risk associated with the real properties to let**

***Risk related to liability related to the letting of premises***

The Group's operations include the letting of business premises for commercial purposes. If the premises intended for this purpose are not completed on time or are damaged, the Group may be exposed to the risk that the tenants withdraw from their lease agreements, start disputes or commence litigation, and may be forced to make payments to third parties in result of such disputes or litigation (including in connection with the termination of lease agreements or the settlement of the payments due thereunder). Any of the events described above, if they materialize, may have a material adverse effect on the operations, financial standing or results of the Group.

***Risk related to lease agreements***

The value of real estate to let depends largely on the time remaining until the lapse of the effective terms of the lease agreements concluded in connection with such real estate, as well as on the financial standing of the tenants. If the Group is unable to extend, on favourable terms, the agreements which are soon to expire, and to attract and retain appropriate tenants with good financial standing and willing to enter into long-term lease agreements, the market value of its real estate portfolio may be adversely affected. A given tenant's financial standing may deteriorate in short or mid-term, which might render such tenant insolvent or unable to perform its obligations under the lease agreement. If the Group's assessment of a key tenant proves incorrect, the Group's real estate revenues may be considerably lower than expected, whereas its operating costs will remain at a similar level. All these factors, if they materialize, may have a material adverse effect on the operations, financial standing or results of the Group.

***Risk related to the maintenance of the real properties***

The attractiveness of real properties to let depends not only on the location of the real property but also on the condition thereof. In order to maintain the attractiveness and profitability of real properties in the long run, the property must be maintained in a good condition, and in some cases, requires improvements in order to meet the changing demands of the market. It is anticipated that most of the Group's real properties to let will

require only regular maintenance in the years following the completion of construction. With time, and as market standards change, the maintenance or upgrade of such properties will require significant costs, which, as a rule, are financed by the owner of the real property in question, not by the tenants. If the actual costs of maintenance or upgrade of such properties exceed the costs anticipated by the Group, or if any hidden defects are discovered during such maintenance or upgrade works that are not covered by insurance or construction performance guarantees, or if the Group is unable to increase the rental fee rates in light of the provisions of law then in effect or the provisions of the applicable lease agreements, the Group will have to incur additional costs. All such factors may have a material adverse effect on the operations, financial standing or results of the Group.

### **Risks related to the hotel operations of the Group**

#### ***Risk related to the fact that the performance of the Group's hotel operations depends largely on the performance of and events affecting the hotel management companies that manage the Group's hotels***

The Group currently owns two hotels, the Hilton Hotel in Warsaw and the Golden Tulip Hotel in Bucharest. These hotels are managed by hotel management companies pursuant to management agreements, as described in “*Other Information – Material Agreements*”. Consequently, the performance of the Group's hotel operations depend largely upon the performance of the hotel management companies as set forth under the management agreements, as well as the reputation of and events affecting such hotel management companies.

The Group, generally, does not have the direct authority to require a hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of such hotel (for instance, by setting room rates or managing certain personnel). Thus, if the Group believes a hotel is being operated inefficiently or in a manner that does not result in optimal or satisfactory occupancy rates, revenue per available room (RevPAR), average daily room rates (ADRs) or gross operating profit margins, and the Group is not able to agree a solution with the relevant hotel management company, the Group may not be able to force the hotel management company to change its method of operation of such hotel. In addition, if the Group wishes to replace a hotel management company, it may be unable to do so under the terms of its management agreements or it may need to pay substantial termination fees and may experience disruptions at the affected hotels. The effectiveness of the hotel management company in managing the Group's hotel will, therefore, significantly affect the revenue, expenses and value of those hotels.

Moreover, the ownership of any hotel management company may change, which could impact on the relationship between the Group and such hotel management company. Furthermore, the Group may not be adequately protected by change of control clauses in its management agreements and, accordingly, a change of control of any hotel management company may adversely affect the operation of certain of the Group's assets and or impact on its ability to grow its business in the future.

#### ***Risk related to the fact that the Group's objectives may conflict with the objectives of the relevant hotel management company***

The hotel management companies that manage the Group's hotels have non-exclusive arrangements with the Group and operate hotels other than the Group's properties. Therefore, the interests of these companies may differ from those of the Group with respect to short-term or long-term goals and objectives. Such differences may be significant depending upon many factors in respect of a particular hotel, including the remaining term of the Group's management agreement, trade area restrictions with respect to competition by the hotel management company or its affiliates or differing policies, procedures or practices. Any of these factors may adversely impact upon the operation and profitability of a hotel, which could harm the Group's business, financial condition and results of operations.

### **Risks related to the geographic markets in which the Group operates**

#### ***Risk related to dependence on the real estate market in Central Eastern Europe***

The Group's financial performance will depend, in part, on the economic situation of the countries in Central and Eastern Europe and, in particular, the demand for office, commercial and residential space in Poland, Hungary, Slovakia, Romania, Bulgaria and other Central and Eastern European markets in which the

Company may invest. There can be no guarantee that the residential and commercial property markets in these countries will continue to develop as quickly as they have done recently or at all.

***Risk related to changes in the legal and regulatory framework in CEE countries***

The Group conducts its operations in CEE countries and is therefore exposed to the risk of rapid changes in the legal and regulatory environment. The legal and regulatory environment in CEE countries has been subject to frequent changes, and legal regulations are not applied in a uniform manner by the courts and public administration institutions.

The Group's operations are also significantly affected by changes in tax law. The tax law system in CEE countries may be subject to particularly dynamic changes resulting from the need to adjust these regulations to the requirements imposed by the development of their economies after joining the European Union. The nature and scope of these changes, as well as interpretation difficulties related to the tax law application, impede both day-to-day business and correct tax planning. Consequently, the tax and regulatory risk, including the risk related to tax law application, is relatively higher in CEE countries than in the countries with a stable legal system.

The markets in which the Group is investing as compared to more developed western markets, have quite recently adopted legal frameworks to cover the private holding and development of real estate. Their legal systems are less developed and there is comparatively greater uncertainty as to how real estate issues might be resolved if they were to become the subject of court proceedings. There is, therefore, a greater risk of unexpected outcomes which might have a material adverse effect on the Group, its Adjusted NAV per Share and its ability to achieve its investments objectives.

***Risk related to disruptions caused by an ineffective land and mortgage registry system***

The land and mortgage registration system currently operating in some of the CEE countries is ineffective, which may cause delays in the process of registering the ownership, other titles to or encumbrances on real properties or combining plots of land (which is a process that needs to be completed before the constructed building can be divided between the clients who purchase individual apartments in such building from the Company). These disruptions may cause delays in obtaining the financing for and commencement of the project development, financial settlement of the development projects and may have a material adverse effect on the operations, financial standing or results of the Group.

***Risk related to the political and economic situation***

Investors in companies operating in emerging markets such as Central and Eastern Europe should be aware that these markets are subject to greater risks than more developed markets, including legal, economic and political risks. In addition, adverse political or economic developments in neighboring countries could have a significant negative impact on, among other things, individual countries' GDP, foreign trade or economy in general.

The Group's performance could be significantly affected by events beyond its control such as a general downturn in the economy of the region, changes in regulatory requirements and applicable laws (including in relation to taxation and planning), the condition of financial markets in Central and Eastern Europe and interest and inflation rate fluctuations. Such events could reduce the Group's income from its investments and/or the capital value of its properties, and, consequently, could have an adverse impact on the Company's ability to pay dividends and its net asset value.

Deterioration in the Western European economies can be expected to have an adverse effect on the amount of money spent on tourism, business travel and foreign direct investments and accordingly on property prices in Central and Eastern Europe.

***Risk related to restitution claims***

During the communist regime, between 1945 and 1989, many privately-owned properties and businesses were taken over by the state in most of the CEE countries. In many cases the requisition of the property took place in contravention of the prevailing law. After the CEE countries moved to the market economy system in 1989, many former property owners or their legal successors took steps to recover the lost properties or to obtain adequate compensation. Some of the CEE countries (such as Romania) have enacted laws that regulate the restitution rights of former owners or their legal successors to the real properties, some of them (such as Poland) have not passed such laws, which, however, does not prevent the former owners or their legal successors to raise restitution claims based on general provisions of law. As at the Prospectus Date, the Company is not aware of any restitution claims being threatened against any of the real properties owned by the Group. Although the Group aims to analyse all the issues concerning the possibility of restitution claims being filed before it purchases a site, the results of such analyses are not always decisive and there can be no assurance that restitution claims may not be brought against any the Group company in the future, and this could have a material adverse effect on the business, financial condition or results of the Group.

**Risks relating to the admission of the Admission Shares to trading on the WSE*****Listing of Shares on the Warsaw Stock Exchange is tied to contingencies***

The admission of Shares to trading on the WSE is dependant on the KDPW registering the Admission Shares, and the WSE's management board agreeing to the Shares being listed and traded on the WSE. The Company intends to take all the necessary steps to ensure that the Admission Shares are admitted to trading on the WSE as soon as possible. However, there is no guarantee that all of the aforementioned conditions will be met and that the Admission Shares will be admitted to trading on the WSE on the expected date.

***Risk of Limited Liquidity and Share Price Fluctuations***

Prior to their admission to trading on the WSE, the liquidity of the Shares traded on the AIM was limited. No assurance can be made that following the admission to trading on the WSE, the Shares will be actively traded on the WSE and that the market price for the Shares will not be subject to material fluctuations. This may be due to several factors, including foreign exchange fluctuations, periodical changes in the Group's operational results, trading volume and liquidity and conditions on stock exchanges around the world.

Significant price and trade volume fluctuations are characteristic of the Polish capital market, and investors intending to trade in large blocks of shares should take into consideration the risk of temporary decreases in stock liquidity as well as significant price fluctuations. Therefore, an investor acquiring the Shares should take into consideration the risk of temporary decreases in the Shares' liquidity.

***The Shares may not be admitted to trading on the main market of the WSE***

In accordance with applicable Polish law, shares may be admitted to trading on the main market of the WSE (being the official trading market) if: (i) the company being the issuer of such shares has published, on the terms set out in separate provisions, its financial statements, including an opinion of a licensed auditor, for at least three consecutive financial years preceding the date of filing the application; or (ii) justified by the reasonable interests of the company or investors, and the company has made publicly known, in the manner specified in separate provisions, information that makes it possible for investors to evaluate its financial and economic condition and the risk related to the acquisition of shares being the subject of the application.

Since the Company does not meet the requirements set out in point (i) above, when taking the decision to admit the Shares to trading on the WSE, the WSE's management board will have to consider whether the Company meets the conditions set out in point (ii) above. Such conditions are subject to the discretion of WSE's management board and, therefore, there is a risk that the Shares may not be admitted to trading on the WSE main market. In such case the Company will apply for admission of the Admission Shares to trading on a parallel market of the WSE in a continuous quotation system, which may, however, adversely affect their liquidity.

***Admission of Shares to trading on the WSE may be suspended, trading in the Shares may be suspended or the Shares might be delisted***

*Rights of the KNF*

Pursuant to Article 176 of the Act on Trading in Financial Instruments, if a public company fails to comply with the specific obligations referred to in Article 157, Article 158 of the Act on Trading in Financial Instruments or any of the obligations resulting from the regulations adopted pursuant to Article 160, section 5 of the Act on Trading in Financial Instruments, the KNF may impose on the entity which failed to comply with its obligations a cash penalty of up to PLN 1,000,000 or issue a decision on the exclusion of the shares from trading on the regulated market, or both such penalties jointly. The above sanctions may be imposed on public companies by the KNF also if they fail to comply with the obligations referred to in Article 96, section 1 of the Act on Public Offers, although if a decision stating that any of the above obligations have been breached, the KNF may additionally obligate a public company to immediately publish the required information in two Polish national newspapers or to present it to the public in any other manner. If a public company breaches any of the obligations referred to in Article 96, section 1 of the Act on Public Offers, the KNF may impose cash penalties on members of the management board of such public company (up to three times the gross monthly remuneration of such person, calculated on the basis of the remuneration for the last three months prior to imposing the penalty).

Article 20, section 1 of the Act on Trading in Financial Instruments provides that if it is required by security of trading on the regulated market or if investors' interests are threatened, the WSE shall, at the request of the KNF suspend admission to trading on that market or commencement of listing of securities designated by the KNF for a period of more than ten days. Additionally, pursuant to Article 20, section 2 of the Act on Trading in Financial Instruments, if trading in specific securities is done in the circumstances which indicate a possible threat to the proper operation of the regulated market or security of trading on that market, or breach of investors' interests, the WSE shall, at the request of the KNF, suspend trading in such securities or instruments for a period of no more than one month. Pursuant to Article 20, section 3 of the Act on Trading in Financial Instruments, at the request of the KNF, the WSE shall exclude from trading the securities designated by the KNF if trading in such securities materially threatens the proper functioning of the regulated market or security of trading on that market, or is in breach of investors' interests.

Furthermore, pursuant to Articles 16 and 17 of the Act on Public Offers, in case of:

- (a) a breach, or a justified suspicion that the Issuer, selling shareholder or any other entities participating in the public offering on behalf of or at the instruction of the Issuer or the selling shareholder, have breached any legal provisions in connection with the public offering (in the Republic of Poland) or seeking the admission of securities to trading on a regulated market (in the Republic of Poland) or there is a reasonable suspicion that such breach could occur; or
- (b) statements that the Prospectus, Information Memorandum or other information document made public or submitted to the Polish Financial Supervision Authority imply that: (i) the public offering of securities or their admission to trading on a regulated market would significantly infringe investors' interests; or (ii) the issuer was incorporated in flagrant breach of the law, which effects persists; or (iii) the issuer's operations have been carried or are being out in flagrant breach of the law, which effects persists; or (iv) the legal status of the securities is incompliant with legal provisions.

The KNF may:

- (a) order: (i) that the commencement of such public offering be postponed; or (ii) if such public offering is already underway, that it be discontinued; or (iii) that the admission of the securities to trading on a regulated market be postponed; in each case for a period of not more than ten business days; or
- (b) prohibit: (i) the commencement or continuation of the public offering; or (ii) the admission of the securities to trading on a regulated market; or

- (c) publish, at the expense of the issuer or the selling shareholder, information concerning illegal activities with respect to the public offering or seeking the admission of securities to trading on a regulated market.

Pursuant to the Act on Public Offers, issuers of securities who applied for admission thereof on the regulated market are required to deliver to the KNF an amendment to the prospectus including an application for the approval thereof if, after the date of approval of the prospectus, any information is acquired concerning any events or circumstances which could materially impact the price of securities admitted to trading on the basis of such prospectus. With respect to the Company this obligation applies to the period between the Prospectus Date and the date of commencement of trading of the Admission Shares on the WSE. Pursuant to Article 51, section 3 of the Act on Public Offers, in case of the KNF's refusal to admit the amendment to the prospectus, the KNF will request the suspension of the commencement of the public offering, stopping its course or stopping the admission of securities to trading on the regulated market on the basis of the prospectus relating to the securities which were subject to such offering or admission to such trading.

The Company cannot guarantee that none of the above circumstance will not occur in the future with respect to the Shares.

#### *Rights of the WSE*

Under the rules of the WSE, the management board of the WSE may suspend trading in financial instruments for up to three months at the issuer's request or if such suspension is necessary to protect the interest of the trading participants or if the issuer is in breach of the regulations of the WSE. In addition, the management board of the WSE may delist the securities if: (i) the transferability of the securities has become restricted, (ii) the Polish Financial Supervision Authority requests such delisting, (iii) the securities are no longer in book-entry form, or (iv) the securities have been delisted from another regulated market by a competent supervisory authority.

In addition, the management board of the WSE may also delist securities from trading if: (i) the securities no longer meet the requirements for admission to trading on the WSE, (ii) the issuer is persistently in breach of the regulations of the WSE, (iii) the issuer has so requested, (iv) the issuer has declared bankruptcy or the petition for bankruptcy is dismissed by a court because the issuer's assets are insufficient to cover the costs for the bankruptcy proceeding, (v) the WSE considers it necessary to protect the interests of the trading participants, (vi) within the last three months, no trading was effected in the financial instruments, (vii) the issuer is involved in a business that is illegal under applicable laws, or (viii) the issuer is in liquidation proceedings. The Company cannot assure that, none of the above circumstances will not arise with respect to the Shares in the future.

#### ***Judgments of Polish courts against the Company may be more difficult to enforce than if the Company and its management were located in Poland***

The Company was formed in accordance with Guernsey law and has its registered office in Guernsey. Some of the assets of the Company are located in Central Eastern European countries, outside of Poland, and the Directors and Key Managers are resident in countries outside Poland. For this reason Polish investors may encounter difficulties in serving summonses and other documents relating to court proceedings on any of the entities within the Company, and on the Directors and Key Managers. For the same reason it may be more difficult for Polish investors to enforce a judgment of the Polish courts issued against entities within the Group, the Directors or Key Managers than if those entities and the management team were located in Poland.

#### ***Restricted possibility to dematerialize Shares existing in a certificated form***

All existing Shares in the Company are currently traded on the AIM, including Shares in uncertificated form (deposited in the CREST system) and Shares in document form. Admission to trading on the WSE is sought only with respect to those Shares which are in an uncertificated (book-entry) form within the meaning of the Act on Trading in Financial Instruments, i.e. the Shares deposited in CREST. Holders of Shares in document form need to take into account the fact that they will not be able to sell their Shares on the WSE. In view of the fact that the number of the Shares to be admitted to trading on the WSE will be lower than the total

number of the Shares, the Company will, on a regular basis, monitor the number of the new uncertificated Shares recorded in CREST and will, as and when needed, submit the appropriate application requesting the registration of such additional Shares at the KDPW and for the admission and introduction thereof to trading on the WSE, so as to ensure equal treatment of the holders of uncertificated Shares with respect to their ability to transfer the Shares between the KDPW and the CREST systems and the ability to trade such Shares on the WSE and the AIM.

***Shareholders may have difficulties exercising rights, which are governed by Guernsey law***

The rights of holders of the Shares are regulated by Guernsey corporate law, and Shareholders must follow Guernsey legal requirements in order to exercise such rights. In certain instances, it may be difficult or costly for the Shareholders to fully exercise their rights as Shareholders, in particular for those Shareholders which are not Guernsey residents. This Prospectus includes a general description of the relevant provisions of Guernsey law in respect to the Shares. Investors that are not Guernsey residents are advised to consult with Guernsey counsel if they wish to obtain a more comprehensive understanding of their rights and obligations as holders of the Shares. For a description of the rights of the holders of the Shares see “*Shares and Share Capital*”.



## INTRODUCTORY INFORMATION

This Prospectus was prepared in accordance with the provisions of the Commission Regulation (EC) No. 809/2004 and other provisions on the Polish securities market, in particular in accordance with the provisions of the Act on Public Offers.

The Financial Supervision Authority in Poland approved this Prospectus on 31 January 2008.

In certain jurisdictions the distribution of this Prospectus may be restricted by law. Persons in possession of this Prospectus are required to acquaint themselves with and observe any such restrictions. This Prospectus may not be used for, or in connection with and does not constitute, any offer to sell any of the Shares.

The Directors consider that the information provided in this Prospectus enables prospective investors to have a full understanding of: (i) the assets, liabilities, financial position, profits and losses of the Company; (ii) the rights attached to the securities; and (iii) all matters contained in the Prospectus.

## FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

Forward-looking statements appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, the investment objectives and investment policy, financing strategies, expected schedules of commencement and completion of construction of the Group’s development projects, investment performance, results of operations, financial condition, liquidity, prospects and dividend policy of the Company and the markets in which the Company, directly and indirectly, will invest.

All forward-looking statements address matters which involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Accordingly, there are or will be important factors that could cause the Company’s actual results to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in the chapter entitled “*Risk Factors*”. Furthermore, certain qualifications have been made, which should be read in conjunction with the other risk factors identified by the Company in the chapter titled “*Risk Factors*” on the Prospectus Date. Any forward-looking statements in this document reflect the Company’s current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group’s operations, growth strategy and liquidity.

Important factors that may cause these differences include, but are not limited to, changes in economic conditions generally and in the real estate market in Central and Eastern Europe specifically, legislative and regulatory changes, administrative decisions of certain public authorities, changes in taxation regimes, the Company’s ability to invest the cash on its balance sheet in suitable investments on a timely basis, the availability and cost of capital for future investments, the availability of suitable financing, the continued provision of services by AMC and AMC’s ability to attract and retain suitably qualified personnel.

## **INDUSTRY AND MARKET INFORMATION**

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Company's business contained in this Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources, and on the Company's knowledge of sales and markets. The Company cites market data from the following studies: Cushman & Wakefield, CB Richard Ellis and Colliers International. In certain cases there is no readily-available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, thus requiring the Company to rely on internally developed estimates.

While the Company has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither the Company nor the Board have independently verified such data. Information in this Prospectus which is based on third-party sources has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Subject to the foregoing, neither the Company nor the Board can assure investors of the accuracy and completeness of, and take no responsibility for, such data. The source of such third-party information is cited whenever such information is used in this Prospectus.

While the Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Company nor the Board can assure potential investors as to their accuracy or that a third party using different methods to assemble, analyse or compute market data would obtain the same result. The Company does not intend to, and will not verify valuations and assessments included in this Prospectus that it has prepared internally. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, investors should be aware that data in this Prospectus and estimates based on that data may not be reliable indicators of future results.

## **MACROECONOMIC AND STATISTICAL INFORMATION**

Statistical information included in this Prospectus includes estimates derived from publicly available information from a number of sources of differing reliability. Macroeconomic and other statistical data used in this Prospectus (other than data relating specifically to the real estate market) has been sourced predominantly from information provided by the national banks based in the countries where the Group operates and by the Economist Intelligence Unit.

Information contained in tables in this Prospectus to which no source is attributed has been provided solely by the Company.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

The Company's accounting reference date is 31 December in each year. The Company was established on 3 February 2006. The first accounting period of the Company ended on 31 December 2006. The consolidated financial statements of the Company together with its consolidated subsidiaries for the eleven months ended 31 December 2006 (the "Audited Consolidated Financial Statements") included herein have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and, for the purposes of this Prospectus, have been audited by PricewaterhouseCoopers Sp. z o.o. In addition the Company has prepared the consolidated condensed interim information for the six month period ended 30 June 2007, which have been prepared in accordance with the IFRS and, for the purposes of this Prospectus, have been reviewed by PricewaterhouseCoopers Sp. z o.o.

The Group was initially created through the acquisitions of several property companies operating in Central and Eastern Europe including AEIBV, Trilby and Felikon, which were previously owned by the Founder Shareholders. Pursuant to the provisions of the EU Prospectus Regulation on 'complex financial history', the Company has included herein the following historical financial information regarding these entities prepared in accordance with IFRS:

- (i) consolidated financial statements of AEIBV (previously Berghey B.V.) for the year ended 31 December 2004 and for the period from 1 January 2005 to 28 February 2006, prepared for the purpose of this Prospectus, which have been audited by PricewaterhouseCoopers Sp. z o.o.;
- (ii) consolidated financial statements of Trilby B.V. for the year ended 31 December 2004 and for the period from 1 January 2005 to 8 May 2006, prepared for the purpose of this Prospectus, which have been audited by PricewaterhouseCoopers Sp. z o.o.; and
- (iii) financial statements of Felikon Kft for the year ended 31 December 2004 and for the period from 1 January 2005 to 28 February 2006, prepared for the purpose of this Prospectus, which have been audited by PricewaterhouseCoopers Sp. z o.o.

## DOCUMENTS ON DISPLAY

Copies of the following documents will be available at the registered office of Atlas at Royal Bank Place, 1 Glatigny Esplanade, St. Peter Port, Guernsey GY1 2HS and at the registered office of Atlas Management Company (Poland) Sp. z o.o. at Jana Pawła II 23, Warsaw 00-854, Poland, during normal business hours between the publication date of the Prospectus and the lapse of 30 days from the first listing date of the Shares on the WSE:

- this Prospectus;
- the Company's Articles of Association;
- the most recent reports published by the Company in connection with its listing on AIM;
- consolidated financial statements of the Group for the eleven months ended 31 December 2006, prepared for the purpose of this Prospectus, which have been audited by PricewaterhouseCoopers Sp. z o.o.;
- consolidated financial statements of AEIBV (previously Berghey B.V.) for the year ended 31 December 2004 and for the period from 1 January 2005 to 28 February 2006, prepared for the purpose of this Prospectus, which have been audited by PricewaterhouseCoopers Sp. z o.o.;
- consolidated financial statements of Trilby B.V. for the year ended 31 December 2004 and for the period from 1 January 2005 to 8 May 2006, prepared for the purpose of this Prospectus, which have been audited by PricewaterhouseCoopers Sp. z o.o.;
- financial statements of Felikon Kft for the year ended 31 December 2004 and for the period from 1 January 2005 to 28 February 2006, prepared for the purpose of this Prospectus, which have been audited by PricewaterhouseCoopers Sp. z o.o.
- consolidated condensed interim information of the Group for the six months ended 30 June 2007, prepared for the purpose of this Prospectus, which have been reviewed by PricewaterhouseCoopers Sp. z o.o.

## AUDITORS

PricewaterhouseCoopers CI LLP (National Westminster House, Le Truchot, St. Peter Port, GY1 4ND, Guernsey, tel. +44 01481 752000) has been the Company's independent auditor for the eleven months ended 31 December 2006. PricewaterhouseCoopers CI LLP is a member of the Institute of Chartered Accountants in England and Wales.

PricewaterhouseCoopers Sp. z o.o., whose registered office address is given on the last page of this Prospectus, performed an audit of the consolidated financial statements of the Group for the eleven months ended 31 December 2006, prepared for the purposes of this Prospectus, and issued an audit report on these financial statements, constituting a part of Schedule 1 to this Prospectus (p. F-3, F-4). PricewaterhouseCoopers Sp. z o.o. is a member of the Polish National Chamber of Statutory Auditors (Krajowa Izba Biegłych Rewidentów). It is entered in the list of entities qualified to perform audits of financial statements under entry No. 144. Mr Tomasz Konieczny (Reg. No. 90070/7670) conducted the audit on behalf of PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o. performed an audit of the consolidated financial statements of AEIBV for the 14 month period ended 28 February 2006 and 12 month period ended 31 December 2004, prepared for the purposes of this Prospectus, and issued an audit report on these financial statements, constituting a part of Schedule 1 to this Prospectus (p. F-45, F-46). Mr Tomasz Konieczny conducted the audit on behalf of PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o. performed an audit of the consolidated financial statements of Trilby for the period from 1 January 2005 to 8 May 2006 and for 12 month period ended 31 December 2004, prepared for the purposes of this Prospectus, and issued an audit report on these financial statements, constituting a part of Schedule 1 to this Prospectus (p. F-87, F-88). Mr Tomasz Konieczny conducted the audit on behalf of PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o. performed an audit of the financial statements of Felikon for the period from 14 month period ended 28 February 2006 and 12 month period ended 31 December 2004, prepared for the purposes of this Prospectus, and issued an audit report on these financial statements, constituting a part of Schedule 1 to this Prospectus (p. F-121, F-122). Mr Tomasz Konieczny conducted the audit on behalf of PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o. performed a review of the consolidated condensed interim information of the Company for the 6 month period ended 30 June 2007, prepared for the purposes of this Prospectus, and issued a reviewed report on this financial statement, constituting a part of Schedule 1 to this Prospectus (p. F-147, F-148). Mr Tomasz Konieczny conducted the review on behalf of PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.'s responsibility for the content of this Prospectus is limited to the aforementioned reports and the respective responsibility statements of PricewaterhouseCoopers Sp. z o.o. have been included within those reports. PricewaterhouseCoopers Sp. z o.o. expressed its written consent, which has not been withdrawn, for the inclusion of its reports in this Prospectus in the form and context in which they are included.

## LISTING OF THE SHARES

The Shares have been traded on the AIM which is a non-regulated market operated by the London Stock Exchange plc since 1 March 2006. The Shares were given the International Securities Identification Number (ISIN) GB00B0WDBP88. Both Shares existing in document form as well as uncertificated Shares are traded on the AIM.

Due to certain restrictions resulting from applicable provisions of Polish law, the Company intends to seek admission to trading on the WSE only with respect to the Admission Shares, i.e. those Shares which exist in uncertificated (book-entry) form within the meaning of the Act on Trading in Financial Instruments.

Consequently, the holders of such certificated Shares will not be able to sell their Shares on the WSE. Holders of Shares in certificated form should obtain legal advice regarding resale of such Shares in accordance with applicable laws.

The attention of prospective investors is drawn to the fact that the number of the Shares to be admitted to trading on the WSE will be lower than the total number of the Shares, the Company shall, on a regular basis, monitor the number of the new uncertificated Shares recorded in the CREST and shall, as and when needed, submit appropriate application requesting the registration of such additional Shares at the KDPW and for the admission and introduction thereof to trading on the WSE, so as to ensure equal treatment of the holders of uncertificated Shares with respect to their ability to transfer the Shares between the KDPW and CREST systems and the ability to trade such Shares on the WSE and the AIM.

Trading in the Admission Shares on the WSE is expected to commence on 12 February 2008 on thereabouts. The Admission Shares are traded on the non-regulated market AIM, but they are not traded on any regulated market.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth, as of June 30, 2007, the consolidated capitalization and indebtedness of the Group. This table should be read in conjunction with Financial Statements and “*Operating and Financial Review*” included elsewhere in this Prospectus.

	As of June 30, 2007 (unaudited)
<b>Capitalization and indebtedness</b>	<b>(EUR ‘000)</b>
<b>Total current debt</b>	<b>14,185</b>
-Secured (interest-bearing loans and borrowings)	14,185
-Guaranteed	-
-Not guaranteed/ Unsecured	-
<b>Total non-current debt</b>	<b>171,258</b>
-Secured (interest-bearing loans and borrowings)	171,258
-Guaranteed	-
-Not guaranteed/ Unsecured	-
<b>Equity</b>	<b>253,234</b>
Share capital	484
Other distributable reserve	222,375
Other reserves	6,761
Revaluation reserve	10,825
Retained earnings	11,483
Minority interest	1,306
<b>Total equity and liabilities</b>	<b>438,677</b>
<b>A. Cash and cash equivalents</b>	<b>42,462</b>
<b>B. Liquidity</b>	<b>42,462</b>
<b>C. Current bank debt</b>	<b>14,185</b>
<b>D. Current financial liabilities</b>	<b>14,185</b>
<b>E. Net current financial indebtedness (D-B)</b>	<b>(28,277)</b>
<b>F. Non current bank loans and overdraft</b>	<b>171,258</b>
<b>G. Non current financial liabilities</b>	<b>171,258</b>
<b>H. Net financial indebtedness (E+G)</b>	<b>142,981</b>

Both the short-term and long-term debt is fully secured by company assets, mostly the real estate owned by the Company and shares held by the Company, directly or indirectly, in its special purpose vehicles. A description of the assets which are used as collateral security is included in the „*Business Overview*” Chapter in the section entitled „*The Portfolio*” (the overview of each of the projects contains a description of an asset and a part entitled „*Legal Status*” which defines the indebtedness which is secured by that project (a real property or a special purpose vehicle established for the purposes of project implementation).

Within the scope of indirect debt the Group is party to two general contractor agreements which have been discussed in the „*Other Information*” Chapter under the „*Material Agreements*” heading.

Under the first of the agreements, which was entered into with HOCHTIEF Polska Sp. z o.o. and relates to the Platinum Towers I and II projects, the Group is obliged to pay PLN 179,655,000 as the fee due to HOCHTIEF Polska Sp. z o.o. for the general contractor’s services. The payments for HOCHTIEF Polska Sp. z o.o. will be made gradually, in line with the work progress.

Pursuant to the other agreement, entered into with MITEK S.A. and relating to the Capital Art Apartments, the Group is obliged to pay PLN 46,015,190.80 (plus VAT) as the fee for MITEK S.A. for the general contractor's services. The payments for MITEK S.A. will be made gradually, in line with the work progress.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non – occurrence of one or more uncertain future events not wholly within the control of the entity. Another type of a contingent liability is a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. In light of the above no such liability is recognized in the balance sheet, but it is disclosed in the explanatory notes to the financial statements.

Between June 30, 2007 and the date of the publication of this prospectus, the Company has identified the following major items that impact the Group's capitalization and indebtedness position:

*New loans:*

- (i) On 27 September 2007, one of the Group's Companies (Margom Line Srl) has received a loan, which was used to refinance the Solaris Project; the loan amount was EUR 12.5 m;
- (ii) On 15 November 2007, one of the Group's Companies (World Real Estate Srl) has received a loan, which was used to refinance the Voluntari Project; the loan amount was EUR 12.0 m;
- (iii) On 19 July 2007, one of the Group's Companies (Atlas Estates (Cybernetyki) Sp. z o.o.) has received a loan, which was used to refinance the Cybernetyki Development Project; the loan amount recognized by the Company, in accordance with its 50% share in the project, was EUR 2.0 m;
- (iv) On 30 September 2007, one of the Group's Companies (Atlas Estates (Sadowa) Sp. z o.o.) has received a loan, which was used to refinance the Sadowa Business Park, the loan amount was EUR 7,5 m.

*Repayment of loans:*

- (i) On 31 October, the Group has repaid EUR 6.8m of the loan financing the VAT payment relating to purchase of Millennium Plaza.

*Purchases and related changes to capitalization and indebtedness of the Group:*

- (i) Between August and November 2007 the Group made four payments totalling PLN 18.5 million in connection with purchasing a plot in Gdańsk (the Kokoszki Project). The difference between the purchase price of PLN 53 million plus PLN 11.7 million (VAT to be claimed back) and the four payments made by the Group will be financed in December 2007 with a credit facility drawn by the Group for that purpose. The Group has made payments for a 100% share in the property. Eventually, the Group's joint venture partner whose share is 45% will refinance (pro rata to its share in the entire project) the Group's outlays (failure to do so will involve losing its share in the project). On 7 September 2007 the Group made a payment of EUR 1.5 million in connection with purchasing the Atlas House Office Building in Bulgaria (the Group financed a portion of the purchase price of the Atlas House Office Building in Sofia with a credit facility of EUR 6 million drawn on 16 October 2007).

*Disposals of interest and related changes to capitalization and indebtedness:*

- (i) The Group has received proceeds (EUR 7m) from the sale of its 28.5% interest in Circle Slovakia (holding Nove Vajnory project), whereby the Group's interest in Circle Slovakia was reduced from 78.5% to 50%. At the same time, since the Group has ceased to fully

consolidate its interest in Circle Slovakia, the amount of debt that it recognizes in its financial statements, relating to Nove Vajnory project, was reduced by EUR 9.8m (and inventory relating to Vajnory Project was reduced by EUR 19 m).

*Dividend payments:*

- (i) On 30 October 2007, the Group has paid a dividend in the amount of approximately EUR 4m;

*Repurchase of own (treasury) shares*

- (i) On 14 December 2007, the Company announced that it had repurchased a total of 3,470,000 of its own Shares representing a total of 7.72% in the Company's share capital. Consequently, the total number of the shares in the hands of the Shareholders (excluding the Company) is 45,081,081 Shares. Approx. EUR 15.3 million was expended towards the purchase of the Company's own Shares.

*Payment of fee to Atlas Management Company:*

- (i) On 1 July 2007 and on 1 October 2007, the Group has also paid EUR 2.3m of fee to Atlas Management Company; contract between Atlas and Atlas Management Company is described in section "Related Party Transactions"-*"Property Management Agreement"* of the Prospectus.

*Continued financing of development activities:*

- (i) Additionally, between end of June, 2007 and the Prospectus Date, the Group has continued to make payments with regards to development projects that it is executing. Since June 30, 2007, the approximate amount of those payments is estimated to be in the range of PLN 48m. Except from those, described above there were no material changes in the capitalization of the Group since 30 June 2007.

### **Working Capital Statement**

Having performed a relevant analysis, the Board hereby represents that the working capital available to the Group will be sufficient to meet its current needs, i.e. the needs arising during at least twelve months from the Prospectus Date.

### **Financial Structure and Funding Needs**

The Company intends to largely rely on external funding to finance the Group's operational activity. As a rule, operational activity of the Group is financed by procuring funding for the activities of the Group's special-purpose vehicles which control of the real estate held by the Group. Due to the above, the extent to which operations can be funded with external capital depends mainly on the type of the project for which financing is to be procured (the main dividing line being whether the property in question is a property purchased for investment or development purposes) and on how advanced the particular project is (with respect to development projects).

Due to fluid changes in the project type structure and in the consecutive stages at which the Group's projects are at any given time, indicating one target financing structure is impossible; as at 30 June 2007, the financing structure is as follows: (i) financial debt-to-equity ratio was 0.73:1; and (ii) the ratio of net financial debt (financial debt minus the cash and cash equivalents held by the Group) to equity was 0.56:1. In the opinion of the Company's Directors, taking into account the Company's Portfolio and the stages of work on the particular projects, over the next 12 months the ratio of the financial debt to the Group's equity should not exceed 1.5/1 (subject to temporary situations)".



As regards the structure of external financing, the Group uses and intends to continue to use a broad range of available types of external financing: bank credit facilities, shareholder loans (only to a certain degree and in special situations) and proceeds from bond issues (each time depending on the availability and profitability of a given financing option).

**Information concerning any limitations on the use of capital resources**

Under the credit facility agreements to which the Group Companies are parties various obligations are imposed on the Group Companies. The material respective provisions of the credit facility agreements are described in the Section “*Business Overview*” under the Section “*Credit and loan facilities, guarantees and sureties*”.

There are no other restrictions on the use of the Company’s funds which have had or could have a direct or indirect material effect on the Group’s activity.

## DIVIDENDS AND DIVIDEND POLICY

### General Information

According to the Articles of Association, the Company in General Meeting may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. In determining the amount of dividend distributions to be made, the Board does not have to take into consideration the realized or unrealized gains resulting from the Company's real estate portfolio which constitute revenues in accordance with the applicable accounting standards adopted by the Company. For detailed description of the right to dividend, including the manner of indicating Shareholders entitled to receive a dividend payment please see Section '*Shares and the Share Capital*', point '*Right to dividend*'.

The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the liabilities or obligations in respect of which the lien exists. The Board may deduct from any dividend payable to any Shareholder on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

All unclaimed dividends may be retained by the Company or invested or otherwise made use of by the Board for the benefit of the Company until claimed. All dividends unclaimed for a period of twelve years after having been declared or become due for payment shall be forfeited and cease to remain owing by the Company and shall revert to the Company.

### Interim Dividends

The Board may at any time declare and pay such interim dividends as appear to be justified by the position of the Company

### Dividends Paid for the Period Covered by Historical Financial Data

In October 2006 the Company paid an interim dividend for the period ended 31 December 2006 of 4.16 eurocents per Share. On 29 June 2007 the Company paid a second interim dividend for the period ended 31 December 2006 of 8.32 eurocents per Share, giving a total of 12.48 eurocents per Share for 2006. This represents an annualised yield of 3% on the Share Issue Price, in line with the policy stated by the Board at the time of the AIM Offering. No final dividend for the period ended 31 December 2006 was declared or paid. The Company will not pay the final dividend for 2006.

On 31 October 2007 the Company paid an interim dividend for the period ended 31 December 2007 of 8.32 eurocents per Share.

### Dividend Payment Policy

Every year, the Board will decide whether or not to recommend the General Meeting to approve the payment of dividends, taking into account the profits and cash flow generated by the Company in a given year and the Group's current development plans and forthcoming investments opportunities.

The Board intends to pay interim and final dividends in respect of each financial year, in each case in the approximate ratio of one-third to two-thirds.

The Company is targeting annual dividends per Share of approximately 5% and 10% of the Euro equivalent of AIM Offering Price based on the number of Shares in issue immediately following admission to trading on AIM for the years ending 31 December 2007 and 2008, respectively which translates into the total amounts of dividend of EUR 12,112 thousand for 2007 and EUR 24,224 thousand for 2008. The level of targeted annual dividend for the year ending on 31 December 2009 has not been yet decided by the Board. Dividends will be declared and paid in EUR .

These targeted dividends are based on certain assumptions and projections and should not be regarded as a profit or earnings forecast. There can be no assurance that the assumptions will be accurate, that the projections will be achieved or that the Company will be able to pay dividends at the targeted level or at all. The Company may revise its dividend policy from time to time.

## EXCHANGE RATES

The Group's principal functional operating currency is the EUR. Certain income and expenditure is expected to be denominated in currencies other than the EUR, such as PLN, GBP, HUF, SKK, and RON.

### PLN/EUR

The average EUR exchange rate against PLN announced by the National Bank of Poland as of 29 June 2007, was EUR 1.00 = PLN 3.7658. The table below sets forth, for each of the periods indicated, the average, highest and lowest EUR exchange rates and the rate as of end of period published by the National Bank of Poland (expressed in PLN to EUR 1):

<u>Year ended 31 December</u>	<u>Average</u>	<u>High</u>	<u>Low</u>	<u>Period End</u>
2004	4.53	4.91	4.05	4.08
2005	4.02	4.15	3.86	3.86
2006	3.90	4.02	3.76	3.83
2007 <sup>(1)</sup>	3.85	3.94	3.75	3.77

Source: NBP.

<sup>(1)</sup> For the period 1 January – 29 June 2007.

### GBP/EUR

The average GBP exchange rate against the EUR, announced by the Bank of England as of 29 June 2007, was EUR 1.00 = GBP 0.67. The table below sets forth, for each of the periods indicated, the average, highest and lowest GBP exchange rates and the rate as of the period's end published by the Bank of England (expressed in GBP to EUR 1.00):

<u>Year ended 31 December</u>	<u>Average</u>	<u>High</u>	<u>Low</u>	<u>Period End</u>
2004	0.68	0.71	0.65	0.71
2005	0.68	0.71	0.66	0.69
2006	0.68	0.70	0.67	0.67
2007 <sup>(1)</sup>	0.68	0.68	0.67	0.67

Source: Bank of England.

<sup>(1)</sup> For the period 1 January – 29 June 2007.

### SKK/EUR

The average SKK exchange rate against the EUR, announced by the National Bank of Slovakia as of 29 June 2007, was EUR 1.00 = SKK 34.05. The table below sets forth, for each of the periods indicated, the average, highest and lowest SKK exchange rates and the rate as of the period's end published by the National Bank of Slovakia (expressed in SKK to EUR 1.00):

<u>Year ended 31 December</u>	<u>Average</u>	<u>High</u>	<u>Low</u>	<u>Period End</u>
2004	40.05	40.75	38.93	38.93
2005	38.59	39.16	37.87	37.87
2006	37.23	38.39	35.03	35.03
2007 <sup>(1)</sup>	34.05	34.72	33.47	34.02

Source: National Bank of Slovakia.

<sup>(1)</sup> For the period 1 January – 29 June 2007.

**HUF/EUR**

The average HUF exchange rate against the EUR, announced by the National Bank of Hungary as of 29 June 2007, was EUR 1 = HUF 247.23. The table below sets forth, for each of the periods indicated, the average, highest and lowest EUR exchange rates and the rate as of end of period published by the National Bank of Hungary (expressed in HUF to EUR 1.00):

<u>Year ended 31 December</u>	<u>Average</u>	<u>High</u>	<u>Low</u>	<u>Period End</u>
2004	251.67	270.00	243.42	245.93
2005	248.54	252.73	241.42	252.62
2006	264.91	282.69	249.55	252.30
2007 <sup>(1)</sup>	250.39	282.69	244.96	247.23

Source: National Bank of Hungary.

<sup>(1)</sup> For the period 1 January – 29 June 2007.

**RON/EUR**

The average RON exchange rate against the EUR, announced by the National Bank of Romania as of 29 June 2007, was EUR 1 = RON 3.18. The table below sets forth, for each of the periods indicated, the average, highest and lowest EUR exchange rates and the rate as of end of period published by the National Bank of Romania (expressed in RON to EUR 1.00):

<u>Year ended 31 December</u>	<u>Average</u>	<u>High</u>	<u>Low</u>	<u>Period End</u>
2004	4.15	4.28	3.89	4.06
2005	3.65	4.03	3.39	3.70
2006	3.54	3.70	3.35	3.41
2007 <sup>(1)</sup>	3.35	3.43	3.18	3.18

Source: National Bank of Romania.

<sup>(1)</sup> For the period 1 January – 29 June 2007.

The inclusion in this Prospectus of the above exchange rate data does not mean that the EUR amounts have been, or could have been, converted into the above currencies on any particular dates or at the exchange rates indicated above.

## SELECTED FINANCIAL DATA OF THE GROUP

The Company has prepared its first consolidated financial statements for the eleven months ended 31 December 2006. These financial statements as prepared for the purpose of this Prospectus were audited by PricewaterhouseCoopers Sp. z o.o. providing an unqualified opinion.

In addition the Group prepared for the purpose of the Prospectus the consolidated condensed interim financial information for the six month period ended 30 June 2007, which was reviewed by PricewaterhouseCoopers Sp. z o.o.

The Group's following selected consolidated financial data has been derived from the Audited Consolidated Financial Statements for the eleven months ended 31 December 2006 and the Unaudited Consolidated Condensed Interim Financial Information for the six months ended 30 June 2007 constituting a part of Schedule 1 to this Prospectus (p. F-5 to F-43 and F-149 to F-171). The data presented below should be read in conjunction with the Audited Consolidated Financial Statements, the Unaudited Consolidated Condensed Interim Financial Information and the section entitled "Operating and Financial Review".

### Consolidated balance sheet

	As at 30 June 2007 (unaudited)	As at 31 December 2006 (audited) (EUR '000)
<b>Non-current assets</b>		
Intangible assets	858	162
Land held under operating lease	18,329	18,422
Property, plant and equipment	114,492	88,818
Investment property	198,024	67,585
Other loans receivable	3,084	327
Other receivables	192	-
Deferred tax assets	3,623	1,821
	<b>338,602</b>	<b>177,135</b>
<b>Current assets</b>		
Inventory	125,823	99,205
Trade and other receivables	14,982	22,241
Cash and cash equivalents	42,462	62,672
	<b>183,267</b>	<b>184,118</b>
<b>Total assets</b>	<b>521,869</b>	<b>361,253</b>
<b>Current liabilities</b>		
Trade and other payables	(37,876)	(30,724)
Banks overdrafts and loans	(14,185)	(2,892)
	<b>(52,061)</b>	<b>(33,616)</b>
<b>Non-current liabilities</b>		
Trade and other payables	(11,359)	(6,047)
Banks loans	(171,258)	(76,170)
Deferred tax liabilities	(33,957)	(21,558)
	<b>(216,574)</b>	<b>(103,775)</b>
<b>Total liabilities</b>	<b>(268,635)</b>	<b>(137,391)</b>

	As at 30 June 2007 (unaudited)	As at 31 December 2006 (audited)
<b>Net Assets</b>	<b>253,234</b>	<b>223,862</b>
Equity		
Share capital	484	484
Revaluation reserve	10,825	2,981
Other distributable reserve	222,375	226,406
Other reserves	6,761	2,851
Retained earnings	11,483	(10,148)
<b>Equity attributable to equity holders of the parent</b>	<b>251,928</b>	<b>222,574</b>
Minority interest	1,306	1,288
<b>Total equity</b>	<b>253,234</b>	<b>223,862</b>

### Consolidated income statement

	Six months period ended 30 June 2007 (unaudited)	Five months period ended 30 June 2006 (unaudited)	Eleven months ended 31 December 2006 (audited) (EUR '000)
Revenue	10,222	1,983	<b>5,321</b>
Cost of sales	(2,653)	(769)	(2,482)
<b>Gross profit</b>	<b>7,569</b>	<b>1,214</b>	<b>2,839</b>
Administrative expenses	(13,751)	(3,293)	(17,031)
Other operating income	1,705	111	650
Other operating expenses	(839)	-	(580)
Increase in value of investment properties	34,785	2,300	5,612
Other gains (losses) – net	31	(372)	(167)
Impairment charge in relation to goodwill	-	-	(13,354)
Negative goodwill realised on acquisitions	389	721	11,398
<b>Operating profit / (loss)</b>	<b>29,889</b>	<b>681</b>	<b>(10,633)</b>
Financial income	800	1,808	2,507
Finance costs	(2,957)	(1,293)	(1,663)
<b>Profit / (loss) on ordinary activities before taxation</b>	<b>27,732</b>	<b>1,196</b>	<b>(9,789)</b>
Tax expense	(6,082)	(720)	(840)
<b>Profit / (loss) for the period</b>	<b>21,650</b>	<b>476</b>	<b>(10,629)</b>

**Cash flow statement**

Continuing operations	Six month period ended 30 June 2007 (unaudited)	Five month period ended 30 June 2006 (unaudited)	Eleven month period ended 31 December 2006 (audited)
	(EUR '000)		
<b>Cash outflow generated from operations</b>	<b>(5,838)</b>	<b>(7,086)</b>	<b>(11,741)</b>
Interest received	655	1,062	2,457
Interest paid	(2,208)	(229)	(1,592)
Tax paid	124	17	(128)
<b>Net cash from operating activities</b>	<b>(7,515)</b>	<b>(6,236)</b>	<b>(11,004)</b>
<b>Investing activities:</b>			
Acquisition of subsidiaries	(11,163)	(51,961)	(53,099)
Amounts placed on escrow in relation to property acquisitions	-	(1,800)	(1,800)
Deposits paid to secure future property acquisitions	-	-	(15,024)
Purchase of investments property	(91,736)	(9,326)	(12,821)
Purchase of property, plant and equipment	(3,969)	(5,144)	(17,260)
New loans granted to JV partners	(2,757)	-	-
Disposal of property, plant and equipment	-	-	169
Purchase of intangible assets – software	(696)	-	(183)
<b>Net cash used in investing activities</b>	<b>(110,321)</b>	<b>(68,231)</b>	<b>(100,018)</b>
<b>Financing activities:</b>			
Dividends paid	(4,031)	-	(2,079)
Payments to acquire or redeem the entity's own shares	-	-	(3,986)
Share issue costs paid	-	(13,528)	(14,049)
Proceeds on issue of shares	-	178,451	178,451
New bank loans and overdrafts raised	88,421	4,916	10,329
New loans granted to partners	-	-	(327)
New loans received from minority investors	1,012	4,607	2,286
<b>Net cash from financing activities</b>	<b>85,402</b>	<b>174,446</b>	<b>170,625</b>
Net increase / (decrease) in cash and cash equivalents in the period	(32,434)	99,979	59,603
Effect of foreign exchange rates	(1,436)	1,968	3,069
<b>Cash and cash equivalents at the end of period</b>	<b>28,277</b>	<b>101,947</b>	<b>62,672</b>

**Selected Financial Ratios and Performance Measures**

	30 June 2007	31 December 2006
	(EUR)	
Basic NAV per Share <sup>(1)</sup>	5.20**	4.59*
Adjusted NAV per Share <sup>(2)</sup>	6.35**	5.42**

\* audited data

\*\* unaudited data

Above presented ratios were calculated using the following formulas:

<sup>(1)</sup> Basic NAV per Share – the NAV divided by the number of Shares in issue at the relevant date assuming the exercise immediately prior to that date of all outstanding Warrants. NAV per Share at the end of an accounting period is determined after the deduction of any dividends declared, or to be declared, but not yet paid in respect of that period.

<sup>(2)</sup> Adjusted NAV per Share – Basic NAV per Share adjusted for the Group's share in increase or decrease in valuation of development land and for deferred tax liability or asset on this increase or decrease, respectively, per Share.

## OPERATING AND FINANCIAL REVIEW

*The following review should be read in conjunction with the Audited Consolidated Financial Statements for the 11-month period ended 31 December 2006 and Unaudited Consolidated Condensed Interim Financial Information for the 6-month period ended 30 June 2007. This review includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including the risks discussed in “Risk Factors”.*

### Overview

The Company was established on 3 February 2006, and as the Company’s accounting reference date is 31 December in each year, the first accounting period of the Company ended on 31 December 2006. The consolidated financial statements of the Group for the eleven months ended 31 December 2006 included in this Prospectus have been prepared in accordance with IFRS and have been audited for the purpose of this Prospectus by PricewaterhouseCoopers Sp. z o.o. In addition the Company prepared the consolidated condensed interim financial information for the 6-month period ended 30 June 2007, which was prepared in accordance with IAS34 and has been reviewed for the purpose of this Prospectus by PricewaterhouseCoopers Sp. z o.o. All subsidiaries of the Company maintain their accounting records and prepare statutory financial statements in accordance with local accounting standards.

The financial data presented in this section was derived either from the Audited Consolidated Financial Statements for the eleven months ended 31 December 2006 or from the consolidated condensed interim financial information for six months ended 30 June 2007, and was supplemented with certain operating and financial data derived from other sources, including consolidation schedules prepared for the purposes of the Audited Consolidated Financial Statements and the Unaudited Consolidated Condensed Interim Financial Information .

### The Group Business

The Group operates in the real estate market in Central and Eastern Europe (excluding the countries which in the past formed a part of the USSR). The real estate operations of the Group are currently run in five CEE countries – Hungary, Poland, Romania, Slovakia and Bulgaria.

The Group’s operations concentrate on three areas which form a subset of a larger real estate market:

*Property rental.* This activity comprises the acquisition of commercial real estate assets (directly or through acquisitions of shares in companies holding real estate), asset management operations (including tenant-related activities such as establishment of the target tenant mix, search for tenants, negotiations of lease agreements and re-leasing), financing activities (establishing the target ratio of debt to equity for each asset and execution of tasks aimed at achieving the desired financial leverage at the asset level at the best possible financial conditions in a given period), technical activities and supervision (such as repairs and maintenance, cleaning services, etc.) and sales of commercial real estate assets.

*Residential sales.* This activity comprises the identification and acquisition (either directly or through acquisitions of shares in companies holding real estate) of plots of land suitable for development, the design of the projects, securing the required permits for the development, securing financing for the project, the organisation and supervision of construction activities, the supervision and organisation of pre-sales and residential sales activities.

*Hotel operations.* This activity comprises, at present, running the daily operations of two hotels owned by the Group (the Hilton Hotel in Warsaw and the Golden Tulip Hotel in Bucharest) to the extent agreed within the terms of the management agreements for each hotel (for the description of the management agreements for the Hilton Hotel and for the Golden Tulip Hotel see “Other Information – Material Agreements”).



**Business Model**

Day-to-day operations of the Group are run by AMC, an external management company which has been established by the Founder Shareholders for the sole purpose of providing management and ancillary services to the Company. The Directors believe that, in the current competitive environment, maximising the return for the Shareholders is best achieved through organising the Group operations into repeatable and flexible (country-specific) processes controlled by an external organisation focused on Shareholders' goals. Alignment of the goals of AMC with the goals of Shareholders is ensured through appropriate structuring of AMC's fee and through the competencies of the Board of the Company (the powers of which include accepting or rejecting all major investment proposals submitted by AMC).

The Group generates revenues and/or profits in two basic ways: (a) through inflow (periodic or ad-hoc) of revenues and (b) through recognition of gains (or losses) on the revaluation of the investment property held by the Group. Revenues are generated from one of three sources: property rental (regular, predominantly monthly inflows of recognized revenue), residential sales (irregular, project dependent inflows of cash, revenue recognised in the income statement at the time of the completion of the project and its handover to the customers), hotel operations (where revenue depends chiefly on the occupancy rate for the hotels owned by the Group and the average daily rates ("ADR") charged per occupied room in each hotel).

It is also possible that the Group will decide to sell certain of its real estate investments. The net proceeds from such disposal will be available for reinvestment and/or distribution to the Shareholders.

**Significant events affecting the historical results of the Group*****Acquisition of Initial Portfolio***

On 1 March 2006, the Company acquired from RP Capital Group and Elran and Izaki Group, the consideration for which was partially settled by the issue of a total of 13,702,981 Shares and payment of EUR 15,795 thousand in cash, the entire share capital of AEIBV, Felikon, Darenisto, Cap East, CI-2005, a 78.5% stake in Circle Slovakia (at the Prospectus Date the shareholding of the Company is equal to 50%), as well as certain other real estate interests.

***Acquisition of Trilby***

In May 2006, the Company acquired remaining 67% of shares in Trilby, which in turn owned 100% of the shares in Grzybowska Centrum, HGC and HPO. Prior to that acquisition, AEIBV held a 33% stake in Trilby, and therefore Trilby was not consolidated into AEIBV's financial statements as AEIBV did not control Trilby.

***Acquisition of DPM and Platinum Towers***

Additionally, in May 2006 the Company acquired, directly or through its subsidiaries, the remainder of the shares in DPM (a 50% stake) and Platinum Towers (a 67% stake).

***Acquisition of other real estate assets***

In 2006, the Group also acquired interests in the following real estate assets: Városliget Project, Ligetváros Centre and the Moszkva Office Building in Budapest, the Bašta Project in Košice, as well as the Solaris Land and the Voluntari Land in Bucharest.

During the first half of 2007 the Group acquired new real estate assets, including the Millennium Plaza office building in Warsaw, the Volan Project in Budapest, the Golden Tulip Hotel in Bucharest and the Sadowa Business Park in Gdańsk. In addition the Group entered into a 50/50 joint venture with EdR Real Estate (Eastern Europe) S.C.A SICAR, for development of the Cybernetyki Project in Warsaw and bought out its partner's interest in Voluntari Land, Romania.

**Significant events after 30 June 2007*****Conditional Joint Venture Agreement to acquire the Kokoszki Project***

On 29 August 2007 the Group, acting through AEIBV, entered into a joint venture agreement with CF Plus Sp. z o.o. This agreement resulted in co-operation Atlas Estates CF Plus 1 which is to carry out the Kokoszki Project in Gdańsk. Atlas Estates CF Plus 1 entered into a preliminary real property purchase agreement in order to carry out the Kokoszki Project. On 30 November 2007 the conditions provided for in the agreement fulfilled and as a result the real property was purchased.

***Sale of 28.25% stake in Vajnory Project***

On 24 September 2007 AEIBV together with Darenisto Limited sold 28.25% stake in Vajnory Project to its joint venture partner Kendalside Limited. As a consequence AEIBV owns directly and indirectly 50% stake in Vajnory Project.

***Acquisition of the Atlas House Office Building in Bulgaria***

On 15 October 2007, the conditions provided for in the agreement for the purchase by Atlas Estates Investments B.V. of a 100% equity stake in ImmoBul EOOD, a Bulgarian company were satisfied and the acquisition was completed. Consequently, AEIBV acquired (indirectly, through Atlas Estates Limited EOOD) a 100% equity stake in ImmoBul EOOD, which is the sole owner of an administration building with an area of 3,472 m<sup>2</sup> in Sofia.

***Conclusion of a preliminary share purchase agreement in respect to the shares in Atlas Estates (Millennium)***

On 11 January 2008 AEIBV concluded a preliminary share purchase agreement regarding the sale by AEIBV of 100% of the shares in Atlas Estates (Millennium), the owner of the Millennium Plaza Office Building, to Portfolio Real Estate Sp. z o.o. for a preliminary purchase price equal to EUR 14,466,108. Additionally, Portfolio Real Estate Sp. z o.o. has committed to repay the loan facilities set forth in the agreement. The transfer of the shares in Atlas Estates (Millennium) is conditional upon the satisfaction of the conditions precedent provided for in the agreement, no later than on 31 October 2008. For a detailed description of the agreement please see Section “*Other Information*”, point “*Material Agreements*” - “*Agreements related to Millennium Plaza*”.

Apart from the events described above and in Chapter “*Capitalisation and Indebtedness*”, since 30 June 2007 there have been no substantial changes in the financial standing or market position of the Group.

**Significant accounting policies*****Basis of consolidation***

The consolidated financial information incorporates the financial statements of the Company and its subsidiaries up to 30 June 2007. Subsidiaries are those entities that are controlled by the Company. Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

The consolidated financial information is prepared in Euro and presented in thousand of Euro (“EUR'000”).

***Segmental reporting***

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

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

***Revenue recognition***

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

Revenue from the sale of hotel rooms, food and beverages are recognized on an accruals basis not of VAT and other sales related taxes.

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

Revenue from the sale of housing units is recognised when the risks and rewards of ownership have been transferred to the buyer and provided that the Company has no further substantial acts to complete under the contract (IAS 18).

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.

***Foreign currencies***

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

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

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

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

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

### ***Leases***

Where the Group is the lessee:

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

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

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 (concerns land of which the Group is what is referred to as a perpetual usufructuary).

The expenditure relating to the purchase of rights from such contracts are initially recognised in the balance sheet at fair value of the payments made and are classified in accordance with the designated use of the individual property (inventory, investment property or separate balance sheet item where the property is designated for own use or does not qualify as inventory or investment property).

Where the land held under operating lease classified as inventory (related to development of housing units) the initially recognised value is not subsequently revalued, unless the carrying value exceeds net realisable value.

Where the land 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) the amount of such future payments 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 inventory or 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 recorded at the proceeds received, net of direct issue costs. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

***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. 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.

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

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

Buildings	50 years
Plant and equipment	10% to 33% per annum
Motor vehicles	20% per annum

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

***Goodwill***

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

***Impairment***

The carrying amounts of the Group's non-monetary assets, other than investment property, are reviewed at each reporting date. If any indication of impairment of the value of these assets exists, the recoverable amount

of the asset is assessed. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

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

### ***Investment Property***

Investment properties are those that are held either to earn rental income or for capital appreciation or both. Such properties are initially stated at cost, including any related transaction costs. After initial recognition, investment properties are carried at their fair value based on a professional valuation made at each reporting date (IAS 40).

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

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

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

### ***Bank borrowings***

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

### ***Dividends***

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

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

## **Critical Accounting Estimates and Judgments**

Estimates and judgments are continually evaluated by the Board and are based on historical experience, adjusted to current market conditions and other factors.

### ***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.

#### ***Estimate of fair value of investment properties***

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

*Inventory*

One of the Group's main activities is the development and sale of residential apartments. The process of obtaining zoning and other required permits may in itself take some time. This period is then added to the construction time. In this time, the costs of the land and the development properties against cumulative costs are held on its balance sheet. To enable the 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 market costs to ensure that best value is received. A strict tendering process is adhered to when procuring construction services and the costs are controlled locally on a monthly basis. In addition to this, the Group retains Cushman & Wakefield to carry out an independent assessment of the net realizable value of such developments twice a year.

*Income taxes*

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the worldwide provision for the income taxed. 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 on the income tax and deferred tax provisions in the period in which such determination is made.

**Critical judgments in applying the Group's accounting policies**

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the real 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 the real property but also to other assets used in the production or supply process.

Some real 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 the portions cannot be sold separately, the real property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

**Results for eleven months ended 31 December 2006 and six months ended 30 June 2007*****Revenues***

The total revenues generated by the Group for eleven months period ended 31 December 2006 by segment and by country (unaudited data):

	Poland	Hungary	Romania	Slovakia	Total
(EUR '000)	11 month period ended 31 December 2006	11 month period ended 31 December 2006	11 month period ended 31 December 2006	11 month period ended 31 December 2006	11 month period ended 31 December 2006
Property rental					
Office	215	784	-	-	999
Warehouse	28	3,685	-	-	3,713
Retail	-	609	-	-	609
Hotel operations	-	-	-	-	-
Residential sales	-	-	-	-	-
<b>Total revenues</b>	<b>243</b>	<b>5,078</b>	<b>-</b>	<b>-</b>	<b>5,321</b>

In 2006 the Group conducted operations in two countries – Poland, and Hungary. The revenues in the eleven months of the Group's existence were derived from property rental connected with income-generating investment properties and rental of old buildings existing on residential plots, the Group acquired:

- (i) Poland – EUR 243 thousand was earned from old offices and warehouses acquired together with land designated for development projects;
- (ii) Hungary – EUR 5,078 thousand constituting property rental received from offices and warehouses.

The Company did not recognize any revenues from hotel operations in 2006, since the two hotels it currently owns (i.e. the Hilton Hotel in Warsaw, Poland and the Golden Tulip Hotel in Bucharest, Romania) started to operate (Hilton Hotel) or was acquired (Golden Tulip Hotel) only in 2007.

Similarly, the Company did not recognize any revenues from residential sales in 2006; despite owning development projects in Poland (Capital Art Apartments Project, and Platinum Towers Project) and receiving some cash inflow from residential customers who signed reservation and preliminary agreements with the Company. In accordance with IAS 18, the Company recognizes revenues from the sale of apartments at the time when the formal handover of the apartment to the customer has taken place; prior to that the development operations can be traced in items constituting the consolidated balance sheet of the Group.

The total revenues generated by the Group for six month period ended 30 June 2007 by segment and by country (unaudited data):

(EUR '000)	Poland		Hungary		Romania		Slovakia		Other		Total	
	6- month period ended 30 June 2007	5- month period ended 30 June 2006	6- month period ended 30 June 2007	5- month period ended 30 June 2006	6- month period ended 30 June 2007	5- month period ended 30 June 2006	6- month period ended 30 June 2007	5- month period ended 30 June 2006	6- month period ended 30 June 2007	5- month period ended 30 June 2006	6- month period ended 30 June 2007	5- month period ended 30 June 2006
	Property rental											
Office	2,049	86	631	296	-	-	-	-	-	-	2,680	382
Warehouse	-	-	2,483	1,377	-	-	-	-	-	-	2,483	1,377
Retail	-	-	504	72	-	-	-	-	-	-	504	72
Hotel operations	3,684	-	-	-	701	-	-	-	-	-	4,385	-
Residential sales	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	170*	152**	170	152
<b>Total revenues</b>	<b>5,733</b>	<b>86</b>	<b>3,618</b>	<b>1,745</b>	<b>701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>170</b>	<b>152</b>	<b>10,222</b>	<b>1,983</b>

\* Includes a consultancy fee due to Trilby of EUR 150 thousand

\*\* Includes a management fee of EUR 74 thousand earned by DPM in Poland and non operating income generated from the Hilton Hotel of EUR 69 thousand

During the first half of 2007 the Group recorded revenue of EUR 10,222 thousand, recording growth by 415% as compared with EUR 1,983 thousand of revenue incurred during 5-month period ended 30 June 2006. This increase was mainly due to operating income-generating properties (in Poland and Hungary) and hotels (in Poland and Romania):

- Poland – EUR 5,733 thousand was primarily earned from hotel operations (Hilton Hotel) accounting for 64% of total revenue and property rental received from offices (Millennium Plaza) constituting 36% of total revenue. Those two properties were acquired / started operation in 2007;
- Hungary – EUR 3,618 thousand was earned from property rental received from 5 owned properties (Metropol Office Building, Moszkva Office Building, Varosliget Project, Ikarus Industrial Park and Ligetvaros Centre), increase by 107% as compared with EUR 1,745 thousand incurred during the 5 month period ended 30 June 2006. The Ikarus Business Park contributed the most significantly to Hungarian income (EUR 2,309 thousand);



- Romania – EUR 701 thousand was derived solely from hotel operations acquired in 2007 Golden Tulip Hotel.

As in year 2006 the Group did not recognize any revenues from residential sales; despite receiving some cash inflow from residential customers who signed reservation and preliminary agreements with the Company in its active development projects in Poland (Capital Art Apartments Project and Platinum Towers Project) and in Hungary (Atrium Homes Project).

Breakdown of revenues by project and by country (unaudited data):

Name of the property	Purchases of property		Average net leasable area	Property income in 2006 (EUR '000)		
	Date	Holding	(in m <sup>2</sup> )	Rental	Service charge	Total
Ikarus Industrial Park (H)	March 2006	100%	109,500	1,694	1,781	3,475
Metropol Office Building (H)	March 2006	100%	7,750	686	76	762
Ligetváros Centre (H)	June 2006	100%	6,282	322	287	609
Városliget Project (H)	June 2006	100%	7,560	132	78	210
Moszkva Office Building (H)	December 2006	100%	998	8	-	8
Zielono Project* (PL)	March 2006	76%	-	215	-	215
Capital Art Apartments Project* (PL)	March 2006	100%	-	23	5	28
Atrium Homes* (H)	March 2006	100%	-	14	-	14
<b>Total</b>	-	-	<b>132,090</b>	<b>3,094</b>	<b>2,227</b>	<b>5,321</b>

\* This is a development property. The property rental revenues were derived from the rental of old buildings, buildings on Projects: Zielono Capital Art Apartments and Atrium Homes were subsequently demolished.

The level of property rental revenues attributed to the Company in connection with the above assets was affected by the changes in the Company's effective direct or indirect ownership throughout 2006 in above mentioned properties.

The total revenues generated by the Group for six months ended 30 June 2007 by segment and by country (unaudited data):

Name of the property	Property income in 6-month period ended 30 June 2007 (EUR '000)			Property income in 5-month period ended 30 June 2006 (EUR '000)		
	Rental	Service charge	Total	Rental	Service charge	Total
Ikarus Industrial Park (H)	1,057	1,252	2,309	638	713	1,351
Millennium Plaza (PL)	1,333	716	2,049	-	-	-
Metropol Office Building (H)	394	50	444	296	-	296
Ligetváros Centre (H)	366	137	503	59	13	72
Városliget Project (H)	120	54	174	22	3	25
Moszkva Office Building (H)	137	27	164	-	-	-
Atrium Homes Project* (H)	17	7	24	-	-	-
Zielono Project (PL)	-	-	-	70	-	70
Capital Art Apartments Project (PL)	-	-	-	17	-	17
Sadowa Business Park (PL)	-	-	-	-	-	-
<b>Total</b>	<b>3,424</b>	<b>2,243</b>	<b>5,667</b>	<b>1,102</b>	<b>729</b>	<b>1,831</b>

\* Real estate intended for development projects. The revenues were generated by leasing out the existing old buildings in Projects Zielono, Capital Art Apartments and Atrium Homes. The buildings have since been demolished.

Income solely derived from property rental during the first half of 2007 amounted to EUR 5,667 thousand; recording growth by 210% as compared with EUR 1,831 thousand gained during the 5 month period ended 30 June 2006. The main assets that contributed to this income stream were: the Ikarus Industrial Park (EUR 2,309 thousand, increase by 71% from EUR 1,351 thousand) and the Millennium Plaza (EUR 2,049 thousand, acquired in 2007), accounting together for 77% of total property rental income for the six month period ended the 30 June 2007.

**Cost of sales**

Breakdown of cost of sales by segment and by country for the 11-month period ended 31 December 2006 (unaudited data):

(EUR '000)	Poland		Hungary		Romania		Slovakia		Total	
	11 month period ended 31 December 2006		11 month period ended 31 December 2006		11 month period ended 31 December 2006		11 month period ended 31 December 2006		11 month period ended 31 December 2006	
Property rental										
Office	159		297		-		-			456
Warehouse	-		-		-		-			-
Retail	-		1,453		-		-			1,453
Hotel operations	573		-		-		-			573
Residential sales	-		-		-		-			-
<b>Total cost of sales</b>	<b>732</b>		<b>1,750</b>		<b>-</b>		<b>-</b>			<b>2,482</b>

Cost of sales comprises mainly of cost non-recoverable from tenants (EUR 1,453 thousand) and pre-opening costs of the Hilton Hotel (EUR 573 thousand).

Breakdown of cost of sales by segment and by country for 6-month period ended 30 June 2007 (unaudited data):

(EUR '000)	Poland		Hungary		Romania		Slovakia		Total	
	6-month period ended	5-month period ended	6-month period ended	5-month period ended	6-month period ended	5-month period ended	6-month period ended	5-month period ended	6-month period ended	5-month period ended
	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006	30 June 2007	30 June 2006
Property rental										
Office	538	-	92	45	-	-	-	-	630	45
Warehouse	-	-	969	685	-	-	-	-	969	685
Retail	-	-	115	14	-	-	-	-	115	14
Hotel operations	900	-	-	-	39	-	-	-	939	-
Residential sales	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	25	-	-	-	-	-	-	-	25
<b>Total cost of sales</b>	<b>1,438</b>	<b>25</b>	<b>1,176</b>	<b>744</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,653</b>	<b>769</b>

Cost of sales incurred during 6 months ended June 2007 of EUR 2,653 thousand, comprises mainly of costs non recoverable from tenants (EUR 1,228 thousand), the bad debts write off (EUR 271 thousand) and direct costs associated with hotel operations (EUR 900 thousand).

Cost of sales incurred during the 5 months ended 30 June 2006 of EUR 769 thousand primarily relate to the Ikarus Business Park (EUR 687 thousand).

## Revaluation results

Breakdown of valuation gain in investment properties (unaudited data):

(EUR '000)	Valuation gain (loss) for 6-month period ended 30 June 2007 <sup>(1)</sup>	Valuation gain (loss) for 11-month period ended 31 December 2006 <sup>(1)</sup>
Millennium Plaza	16,548	-
Voluntari land <sup>(3)</sup>	15,097	(406)
Sadowa Business Park	1,568	-
Városliget Project	1,200	-
Metropol Office Building	1,002	683
Ligetváros Centre	760	1,238
Moszkva Office Building	50	(132)
Bašta Project <sup>(2)</sup>	(263)	2,212
Ikarus Industrial Park	(1,177)	2,017
<b>Total</b>	<b>34,785</b>	<b>5,612</b>

<sup>(1)</sup> The revaluation amounts do not include gains / losses on foreign exchange.

<sup>(2)</sup> Plot partly rented for parking space and, therefore, treated as investment property.

<sup>(3)</sup> Plot of land where future use has not been decided. Under IFRS it has been assumed that it is held for capital appreciation and, therefore, treated as investment property.

Revaluation results include all increases and decreases in the value of investment properties and any impairment. Revaluation results as at 30 June 2007 are:

- The Millennium Plaza - contributed EUR 16,548 thousand, change from EUR 76,122 thousand up to EUR 92,670 thousand. The preliminary acquisition agreement was signed in September 2006, taking 6 months to finalize the transaction. The asset was recognized in the accounts at fair value on transaction completion in March 2007. Therefore the full value uplift was recognised in the 2007 financial period,
- The Voluntari Land - contributing EUR 20,830 thousand; change from EUR 8,920 thousand to EUR 29,750 thousand. This increase was netted off by EUR 5,733 thousand which represented additional investment in the property and is included in additions within the property. During the previous reporting period the asset was impaired by EUR 406 thousand, having decreased from EUR 9,326 thousand to EUR 8,920 thousand. The reason for the impairment was the Group overpaying for the asset in the knowledge that land prices in Bucharest will rise.
- Sadowa Business Park - contributing EUR 1,568 thousand, change from EUR 9,642 thousand to EUR 11,270 thousand (including EUR 60 thousand of capitalized costs). The asset was acquired during 2007 therefore no comparative 2006 figure is available
- The Varosliget Project - contributing EUR 1,200 thousand, change from EUR 4,800 thousand to EUR 6,000 thousand. During the previous reporting period the property's value did not change.
- The Metropol Office Building - contributing EUR 1,002 thousand, change from EUR 9,160 thousand up to EUR 10,190 thousand (including EUR 28 thousand of additional capitalized costs during 2007). During the previous reporting period the asset increased in value by EUR 683 thousand.
- The Ligetváros Centre - contributing EUR 760 thousand, change from EUR 8,200 thousand to EUR 8,960 thousand. During the previous reporting period the property value increased by EUR 1,238 thousand, having increased from the level of EUR 6,962 thousand to EUR 8,200 thousand.
- The Moszkva Office Building - contributed EUR 50 thousand, change from EUR 3,025 thousand to EUR 3,075 thousand. During the previous reporting period the value was impaired by EUR 132 thousand, having decreased from EUR 3,157 thousand to EUR 3,025 thousand.

- The Bašta Project - was impaired by EUR 263 thousand, change from EUR 5,160 thousand to EUR 4,700 thousand, including EUR 33 thousand of capitalized costs, half of this decrease represents the Group's share as only 50% of the development asset is owned. During the previous reporting period the property value increased by EUR 4,414 thousand (the Group's share of EUR 2,212 thousand) from EUR 746 thousand.
- The Ikarus Industrial Park - was impaired by EUR 1,177 thousand, change from EUR 30,900 thousand to EUR 29,800 thousand (excluding EUR 77 thousand additional capitalized costs). During the previous reporting period the property increased in value by EUR 2,017 thousand, having increased from EUR 28,883 thousand to EUR 30,900 thousand. The reason the asset was impaired this year and increased in value last year is due to the change in the tenant mix.

### Administrative expenses

Breakdown of administrative expenses for 11-month period ended 31 December 2006 (unaudited data):

(EUR '000)	Poland	Hungary	Romania	Slovakia	Other	Total
	11 month period ended 31 December 2006	11 month period ended 31 December 2006	11 month period ended 31 December 2006	11 month period ended 31 December 2006	11 month period ended 31 December 2006	11 month period ended 31 December 2006
AMC fee	-	-	-	-	(9,478)	(9,478)
Property related expenses	(12)	(3)	-	-	-	(15)
Staff expenses	(654)	(237)	-	(12)	(230)	(1,133)
Amortisation of intangible assets	(5)	(16)	-	-	-	(21)
Depreciation of property, plant and equipment - owned assets	(147)	(29)	-	(16)	-	(192)
Advisory services, including:	(780)	(297)	(3)	(66)	(794)	(1,895)
Legal	(297)	(65)	-	-	(87)	(449)
Audit	(183)	(24)	(2)	-	(141)	(350)
Tax	(42)	(35)	-	-	-	(77)
Other professional fees	(258)	(173)	(1)	(66)	(521)	(1,019)
Marketing expenses	(333)	(11)	(4)	(22)	(98)	(468)
General overheads	(387)	(292)	(1)	-	(123)	(803)
Right of perpetual usufruct fees	(586)	-	-	-	-	(586)
Other administrative expenses	(778)	(336)	(9)	31	(1,348)	(2,440)
<b>Administrative expenses</b>	<b>(3,682)</b>	<b>(1,221)</b>	<b>(17)</b>	<b>(85)</b>	<b>(12,026)</b>	<b>(17,031)</b>

The largest item within administrative expenses incurred by the Company is the management fee paid to AMC. The description of material terms of the Property Management Agreement between the Company and the AMC is set out in Section "*Related party transactions – Property Management Agreement*". For the period ended 31 December 2006, the AMC's base fee amounted to EUR 3,833 thousand and the incentive fee amounted to EUR 5,645 thousand.

Other administrative expenses totalled EUR 2,440 thousand. In Poland the majority of such expenses (EUR 480 thousand) was incurred in connection with the Hilton Hotel pre-opening and comprised rent, business travel and accommodation; the Capital Art Apartments incurred EUR 285 thousand of expenses through insurance, advertising and travel. In Hungary the largest item was Felikon operating Ikarus Industrial Park (EUR 314 thousand). In Romania the administrative expense was exclusively land tax.

Staff expenses are related to the Group's employees in its respective subsidiaries in charge of daily administration tasks (such as accounting, book-keeping, repairs and maintenance, supervision, etc.). From a total of EUR 1,133 thousand for staff costs, EUR 654 thousand was attributable to Poland, where at the end of the reporting period 48 employees were employed in the Group's subsidiaries. In Hungary, staff costs totalled

EUR 237 thousand, where at the end of the reporting period 22 employees were employed in the Group's subsidiaries.

Legal fees of EUR 449 thousand are primarily due to legal advice rendered in connection with acquisitions of Group's properties and ongoing legal support services. Other professional fees of EUR 1,019 thousand, of which EUR 475 thousand is attributed to the Administrator under the agreement described in "Other information – Material Agreements", IT support services and UBS brokerage services and EUR 455 thousand is attributed to professional fees for performing due diligence and for outsourced accountancy services across countries.

General overheads are made up of: fuels, postage, telephone, stationary and refuse expenses. 50% of this cost is attributed to Capital Art Apartments and Ikarus Industrial Park.

Breakdown of administrative expenses for 6-month period ended 30 June 2007 (unaudited data):

(EUR '000)	Poland		Hungary		Romania		Slovakia		Other		Total	
	6-month period ended 30 June 2007	5-month period ended 30 June 2006	6-month period ended 30 June 2007	5-month period ended 30 June 2006	6-month period ended 30 June 2007	5-month period ended 30 June 2006	6-month period ended 30 June 2007	5-month period ended 30 June 2006	6-month period ended 30 June 2007	5-month period ended 30 June 2006	6-month period ended 30 June 2007	5-month period ended 30 June 2006
AMC fee	-	-	-	-	-	-	-	-	(2,300)	(1,533)	(2,300)	(1,533)
Property related expenses	(257)	(409)	(305)	(6)	(46)	-	(51)	(15)	(13)	-	(672)	(430)
Staff expenses	(3,092)	(384)	(158)	(77)	(301)	-	(7)	(5)	(91)	(75)	(3,649)	(541)
Amortisation of intangible assets	(104)	-	(7)	-	-	-	-	-	-	-	(111)	-
Depreciation of property, plant and equipment - owned assets	(1,877)	(89)	(14)	(5)	(56)	-	(12)	-	-	-	(1,959)	(94)
Advisory services, including:	(88)	(359)	(175)	(48)	(37)	-	(42)	(161)	(821)	-	(1,163)	(568)
Legal	(73)	-	(115)	-	(31)	-	(21)	-	(419)	-	(659)	-
Audit	(3)	-	(43)	-	(6)	-	(13)	-	(394)	-	(459)	-
Tax	(12)	-	(17)	-	-	-	(8)	-	(8)	-	(45)	-
Other professional fees	(704)	-	(52)	-	(98)	-	(14)	-	(553)	-	(1,421)	-
Other administrative expenses	(100)	(200)	(7)	(452)	-	-	(12)	(1)	(82)	(506)	(201)	(1,159)
Marketing expenses	(728)	(32)	(44)	(4)	(11)	-	(10)	(7)	(96)	-	(889)	(43)
General overheads	(648)	-	(89)	-	(185)	-	(25)	-	-	-	(947)	-
Right of perpetual usufruct fees	(234)	-	-	-	-	-	-	-	-	-	(234)	-
Adjustments	51	900	(7)	316	312	-	-	18	(561)	(159)*	(205)	1,075
<b>Administrative expenses</b>	<b>(7,781)</b>	<b>(573)</b>	<b>(858)</b>	<b>(276)</b>	<b>(422)</b>	<b>-</b>	<b>(173)</b>	<b>(171)</b>	<b>(4,517)</b>	<b>(2,273)</b>	<b>(13,751)</b>	<b>(3,293)</b>

*includes negative adjustments of EUR 281,000 for non-deductible VAT*

During the first half of 2007 administrative expenses amounted to EUR 13,751 thousand, growth by 318% from the level of EUR 3,293 thousand incurred during the 5 month period ended 30 June 2006. This increase was due to increase of staff expenses, AMC fee, depreciation of property, plant and equipment expense and other professional fees.

The staff costs constituted the largest administrative expense, accounting for EUR 3,649 thousand, recording growth by 574% from level of EUR 541 thousand. Staff expenses were primarily allocated to the Hilton Hotel in Poland (accounting for EUR 2,185 thousand), this is because of the greater number of staff employed in a hotel compared to other assets held. During the previous reporting period there were no costs relating to the Hilton Hotel employees, as hotel started operating in March 2007.

The second largest administrative expense was the AMC management fee, amounting to EUR 2,300 thousand, as compared to EUR 1,533 thousand incurred during the 5 month period ended 30 June 2006.

The third largest administrative expense was depreciation, mainly due to the fact that the Hilton Hotel is held in the Property, Plant and Equipment balance sheet category and opened in March 2007. Depreciation expense for Hilton Hotel accounted for EUR 1,794 thousand of the total EUR 1,959 thousand depreciation expense.

The fourth largest administrative expense is other professional fees, which includes project management fees of EUR 172 thousand, accountancy fees for non audit services of EUR 244 thousand and professional fees of EUR 360 thousand.

### Operating profit / (loss)

Operating profit / (loss) breakdown for 11-month period ended 31 December 2006 (unaudited data):

	Poland	Hungary	Romania	Slovakia	Other	Total
(EUR '000)	11-month period ended 31 December 2006	11-month period ended 31 December 2006	11-month period ended 31 December 2006	11-month period ended 31 December 2006	11-month period ended 31 December 2006	11-month period ended 31 December 2006
<b>Gross profit</b>	<b>(489)</b>	<b>3,328</b>	-	-	-	<b>2,839</b>
Administrative expenses	(3,682)	(1,221)	(17)	(85)	(12,026)	(17,031)
Other operating expenses	(215)	(165)	-	-	(200)	(580)
Other operating income	393	270	-	-	(13)	650
Revaluation result	-	3,805	(406)	2,213	-	5,612
Other losses - net	194	(1,575)	(13)	1,454	(227)	(167)
Impairment charge in relation to goodwill	-	-	-	-	(13,354)	(13,354)
Negative goodwill realized on acquisitions	-	-	-	-	11,398	11,398
<b>Operating profit/loss</b>	<b>(3,799)</b>	<b>4,442</b>	<b>(436)</b>	<b>3,582</b>	<b>(14,422)</b>	<b>(10,633)</b>

In 2006 the Group recorded an operating loss of EUR 10,633 thousand which, to a great extent, resulted from a relatively high level of administrative costs (EUR 17,031 thousand) incurred by the Group in that reporting period.

Operating profit / (loss) breakdown for the 6-month period ended 30 June 2007 (unaudited data):

(EUR '000)	Poland		Hungary		Romania		Slovakia		Other		Total	
	6-month period ended 30 June 2007	5-month period ended 30 June 2006	6-month period ended 30 June 2007	5-month period ended 30 June 2006	6-month period ended 30 June 2007	5-month period ended 30 June 2006	6-month period ended 30 June 2007	5-month period ended 30 June 2006	6-month period ended 30 June 2007	5-month period ended 30 June 2006	6-month period ended 30 June 2007	5-month period ended 30 June 2006
Gross profit	4,463	213	2,443	1,001	663	-	-	-	-	-	7,569	1,214
Administrative expenses	(7,781)	(573)	(858)	(276)	(422)	-	(173)	(171)	(4,517)	(2,273)	(13,751)	(3,293)
Other operating expenses	(446)	-	(27)	-	(169)	-	(2)	-	(195)	-	(839)	-
Other operating income	468	1	17	110	1,220	-	-	-	-	-	1,705	111
Revaluation result	18,116	-	1,835	2,300	15,097	-	(263)	-	-	-	34,785	2,300
Other losses – net (FX)	664	41	(689)	621	(394)	5	442	(454)	8	(585)	31	(372)
Impairment charge in relation to goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Negative goodwill arising on acquisitions	-	-	-	-	-	-	-	-	389	721	389	721
<b>Operating profit/loss</b>	<b>15,484</b>	<b>(318)</b>	<b>2,721</b>	<b>3,756</b>	<b>15,995</b>	<b>5</b>	<b>4</b>	<b>(625)</b>	<b>(4,315)</b>	<b>(2,137)</b>	<b>29,889</b>	<b>681</b>

During the 6 month period ended 30 June 2007 the Group recorded an operating profit of EUR 29,889 thousand which constitute a 4,289% increase compared to the sum of EUR 681 thousand in the 5 months ended on 30 June 2006. The operating profit generated in the first half of 2007 is mostly the result of: (i) the increase in value of the investment real estate owned by the group (EUR 34,785 thousand); (ii) sale revenues (EUR 10,222 thousand); and (iii) purchase of additional real estate generating revenues (Millennium Plaza, Sadowa Business Park) and hotels (Hotel Golden Tulip, commencement of operations by the Hilton Hotel) which occurred in the first half of 2007, described in more detail under the heading „Cashflows from investing activities” in this Chapter.

Other operating income of EUR 1,705 thousand recorded in the first six months of 2007 was mainly due to the release of a provision in relation to the Voluntari Land of EUR 1,211 thousand.

The revaluation result of EUR 2,300 thousand incurred during the 5 month period ended 30 June 2006 was in relation to Hungarian properties held (Ikarus Industrial Park EUR 1,500 thousand, Atrium Homes Project EUR 300 thousand and Ligetvaros Center EUR 500 thousand).

### Finance income – net

Finance income and expenses:

(EUR '000)	Six month period ended 30 June 2007 (unaudited)	Five month period ended 30 June 2006 (unaudited)	Eleven month period ended 31 December 2006 (audited)
Finance income	800	1,808	2,507
Finance cost:	(2,957)	(1,293)	(1,663)
Interest payable on bank loans	(2,320)	(1,170)	(992)
Interest payable on other loans	(216)	-	(157)
Other similar charges	(421)	(123)	(514)
<b>Finance income – net</b>	<b>(2,157)</b>	<b>515</b>	<b>844</b>

During the year 2006 finance income of EUR 2,507 thousand comprised predominantly of interest received from bank deposits. During the 6-month period ended 30 June 2007 finance income amounted to EUR 800 thousand. The decrease in finance income is due to the reduced cash balance. The increase in interest payable compared to the previous period is due to new loans taken predominately in relation to the Millennium Plaza.

During the 5 month period ended 30 June 2006 the finance cost was EUR 1,293 thousand; this was mainly in relation to external bank loans.

### Net profit / (loss)

<b>(EUR '000)</b>	<b>Six month period ended 30 June 2007 (unaudited)</b>	<b>Five month period ended 30 June 2006 (unaudited)</b>	<b>Eleven month period ended 31 December 2006 (audited)</b>
Profit / (loss) on ordinary activities before taxation	27,732	1,196	(9,789)
Tax on profit / (loss) on ordinary activities:	(6,082)	(720)	(840)
Current tax	(347)	7	(128)
Deferred tax	(5,735)	(727)	(712)
<b>Net profit / (loss) for the period</b>	<b>21,650</b>	<b>476</b>	<b>(10,629)</b>
Attributable to equity shareholders	21,632	476	(10,690)
Attributable to minority shareholders	18	-	61

In 11-month period ended 31 December 2006 the Group recorded net loss of EUR 10,629 thousand, of which EUR 61 thousand profit was attributed to minority shareholders. Deferred tax of EUR 712 thousand was incurred on development properties.

During the first six months of 2007 the Group realized net profit of EUR 21,650 thousand, with EUR 18 thousand attributed to minority investors. Deferred tax of EUR 5,735 thousand was incurred on following properties: Voluntari Land (EUR 3,332 thousand), Millennium Plaza (EUR 2,904 thousand), Varosliget Project (EUR 224 thousand) and Ligetvaros Center (EUR 152 thousand).

### Cash flows

#### *Cashflows generated by the Group:*

<b>(EUR '000)</b>	<b>Six month period ended 30 June 2007 (unaudited)</b>	<b>Five month period ended 30 June 2006 (unaudited)</b>	<b>Eleven month period ended 31 December 2006 (audited)</b>
Net cash outflow from operating activities	(7,515)	(6,236)	(11,004)
Net cash used in investing activities	(110,321)	(68,231)	(100,018)
Net cash from financing activities	85,402	174,446	170,625
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>	<b>(32,434)</b>	<b>99,979</b>	<b>59,603</b>
Effect of foreign exchange rates	(1,436)	1,968	3,069
<b>Cash and cash equivalents at the end of the period</b>	<b>28,277</b>	<b>101,947</b>	<b>62,672</b>

In the first year of its existence the Group's efforts were mainly directed towards investing proceeds obtained as a result of the AIM Offering (over EUR 100,018 thousand was invested by the Company out of EUR 164,402 thousand net that the Company raised to finance its activities). As a result the cashflows resulting from investment and financing are much higher than cashflows from operating activities. The investment of proceeds from the AIM Offering was made throughout 2006, and part of the investment was channelled into development assets, for which the operational cashflows start at a relatively late stage of the project (at any case after the building permit is obtained by the Group), the above level of operational cashflow does not adequately present the standard level of operational cashflows that the Group expects to generate as its property portfolio reaches maturity.



During the first half of year 2007 the Group realized net decrease in cash and cash equivalents in the period, mainly due to intensive investments into new real estate assets, like Millennium Plaza Office Building, Golden Tulip Hotel. At the same time the Group net cash from financing activities equalled EUR 85,402 thousand, constituting mainly new bank loans raised.

*Cashflows from operating activities*

<b>(EUR '000)</b>	<b>Six month period ended 30 June 2007 (unaudited)</b>	<b>Five month period ended 30 June 2006 (unaudited)</b>	<b>Eleven month period ended 31 December 2006 (audited)</b>
Operating profit / (loss)	29,890	681	(10,633)
Depreciation of property, plant and equipment	1,959	89	192
Amortisation charges	204	-	21
Gain on sale of property, plant and equipment	(5)	-	(74)
Net goodwill arising on acquisitions charged to the income statement	(389)	(721)	1,956
Bad debt write off	271	-	-
Increase in value of investment properties	(34,785)	(2,300)	(5,612)
Effects of foreign exchange	(33)	372	167
Charge relating to share based payments	-	-	542
Changes in working capital:			
Increase in inventory	(18,129)	(8,958)	(5,168)
Increase in trade and other receivables	7,211	2,676	(1,114)
Increase in trade and other payables	7,968	1,075	7,982
<b>Cash outflow generated from operations</b>	<b>(5,838)</b>	<b>(7,086)</b>	<b>(11,741)</b>
Interest received	655	1,062	2,457
Interest paid	(2,208)	(229)	(1,592)
Tax paid	(124)	17	(128)
<b>Net cash outflow from operating activities</b>	<b>(7,515)</b>	<b>(6,236)</b>	<b>(11,004)</b>

The operating loss for the year 2006 includes two items related to the investment properties owned by the Group: (i) the results of property rental, and (ii) the results of revaluation of the Group's investment portfolio.

The cashflow generated from operations also includes the development activities of the Group, as reflected through the changes in the working capital, in inventory and in trade and other payables:

- (i) EUR 641 thousand was the result of the increase in inventory related to projects in Poland (the inventory of which has increased from EUR 33,097 thousand in the consolidated opening balance sheet of the Group to EUR 33,738 thousand in the consolidated balance sheet as at 31 December 2006).
- (ii) EUR 163 thousand was the result of the increase in inventory related to projects in Hungary (the inventory of which has increased from EUR 5,740 thousand in the consolidated opening balance sheet of the Group to EUR 5,903 thousand in the consolidated balance sheet as at 31 December 2006). Projects in Hungary have been purchased through out the period.
- (iii) There was no increase in inventory related to projects in Romania.
- (iv) EUR 4,364 thousand was the result of the increase in inventory related to projects in Slovakia, in particular the Vajnory Project (the inventory has increased from EUR 33,200 thousand in the consolidated opening balance sheet of the Group to EUR 37,564 thousand in the consolidated balance sheet as at 31 December 2006).

Out of EUR 7,982 thousand of increase in trade and other payables, EUR 5,600 thousand was the performance fee due to AMC.

During the 6-month period ended 30 June 2007 the Group continued to work on its development projects, and as a result experienced an increase in Inventory of EUR 18,129 thousand net of acquisitions. This was primarily due to:

- (i) EUR 14,217 thousand was the result of the increase in inventory related to projects in Poland (inventory increase from EUR 33,738 thousand as in consolidated balance sheet at 31 December 2006 to EUR 47,955 thousand as in consolidated balance sheet at 30 June 2007).
- (ii) EUR 140 thousand was the result of the increase in inventory related to projects in Hungary (inventory increase from EUR 5,903 thousand as in consolidated balance sheet at 31 December 2006 to EUR 6,043 thousand as in consolidated balance sheet at 30 June 2007).
- (iii) EUR 10,382 thousand was the result of the inventory related to projects in Romania (inventory increase from EUR 22,000 thousand as in consolidated balance sheet at 31 December 2006 to EUR 32,382 thousand as in consolidated balance sheet at 30 June 2007).
- (iv) EUR 1,879 thousand was the result of the increase in inventory related to projects in Slovakia (inventory increase from EUR 37,564 thousand as in consolidated balance sheet at 31 December 2006 to EUR 39,443 thousand as in consolidated balance sheet at 30 June 2007).

New investments in Volan Project (EUR 8,471 thousand) and Golden Tulip Hotel (EUR 18 thousand) acquired during 2007 were netted off against the increase in inventory.

Of the EUR 7,968 thousand increase in trade and other payables, the main increase was due to the deferred income from the sale of property units. Of the EUR 7,211 thousand decrease in trade receivables the main decrease was due to the reduction in prepayments for Millennium EUR 9,968 thousand reducing to EUR 3,005 thousand as at June 2007.

#### *Cashflows from investing activities*

<b>(EUR '000)</b>	<b>Six month period ended 30 June 2007 (unaudited)</b>	<b>Five month period ended 30 June 2006 (unaudited)</b>	<b>Eleven month period ended 31 December 2006 (audited)</b>
Acquisition of subsidiaries	(11,163)	(51,961)	(53,099)
Amounts deposited in escrow in relation to property acquisitions	-	(1,800)	(1,800)
Deposits paid to secure future property acquisition	-	-	(15,024)
Purchase of investment property	(91,736)	(9,326)	(12,821)
Purchase of property, plant and equipment	(3,969)	(5,144)	(17,260)
New loans granted to JV partners	2,757	-	-
Proceeds from disposal of property, plant and equipment	-	-	169
Purchase of software	(696)	-	(183)
<b>Net cash used in investing activities</b>	<b>(110,321)</b>	<b>(68,231)</b>	<b>(100,018)</b>

During the eleven months ended 31 December 2006, the Group invested over EUR 100,018 thousand in the purchase of real estate properties – either directly or through investment in companies owning the real properties:

- (i) EUR 53,099 thousand was invested in the acquisition of subsidiaries (net of cash owned by the acquired companies) – net EUR 35,543 thousand was spent on the acquisition of Trilby, HPA and DPM, net EUR 3,539 thousand was spent on the acquisition of Ligetváros and Városliget 100% stake, net EUR 1,357 thousand was spent on the acquisition of Eastfield

- Atlas (previously Slovak Investment and Development a.s.) and the remainder net EUR 12,660 thousand was spent on the acquisition of the Initial Portfolio;
- (ii) EUR 15,024 thousand constituted the deposits to secure future property acquisitions – EUR 3,856 thousand was put aside for the acquisition of the Volán Project in Budapest (which was completed on March 2007, with the contractual agreements signed in 2006), EUR 9,968 thousand was put aside for the acquisition of Millennium Plaza in Warsaw (which was completed on March 2007, with the contractual agreements signed in 2006), and EUR 1,200 thousand was put aside for the acquisition of the Golden Tulip Hotel in Bucharest (which was completed in March 2007, with the contractual agreements signed in 2006);
  - (iii) EUR 12,821 thousand was spent on the purchase of investment property – of which EUR 3,157 thousand was spent on the acquisition of the Moszkva Office Building in Budapest, which was completed (i.e. the ownership was transferred to the Group) in December 2006, and EUR 9,326 thousand was spent on the acquisition of the Voluntari Land in Bucharest, which was completed (i.e. the ownership was transferred to the Company) in 2006;
  - (iv) EUR 17,260 thousand was spent on the purchase of property, plant and equipment and relates predominantly to the construction costs of the Hilton Hotel.

During the first half of 2007 the Group invested EUR 110,321 thousand in the purchase of real estate properties – either directly or through an investment in the company owning the real estate property, as compared with EUR 68,231 thousand spent during the 5 month period ended 30 June 2006 (representing growth by 62%):

- (i) Acquisition of subsidiaries – during the 6 month period ended 30 June 2007 EUR 11,163 thousand was invested in the acquisition of subsidiaries – net EUR 7,357 thousand was spent on acquisition of Golden Tulip Hotel, net EUR 3,807 thousand was spent on acquisition of Volan Project;
- (ii) Purchase of investment properties – during the 6 month period ended 30 June 2007 EUR 91,736 thousand was spent on purchase of investment properties – net EUR 76,122 thousand was spent on the acquisition of Millennium Plaza, EUR 9,642 thousand was spent on the acquisition of Sadowa and EUR 5,733 thousand was spent on the acquisition Voluntari Land;
- (iii) Purchase of property, plant and equipment – during the 6 month period ended 30 June 2007 EUR 3,969 thousand was spent on the purchase of property, plant and equipment and relates predominantly to the construction costs of the Hilton Hotel.

Since the end of June 2007 the Group has purchased a further two properties (the Atlas House Office Building in Sofia, Bulgaria, for EUR 7.3 million, and the Kokoszki Project (the Group paid for the entire purchase price for the plot, however, the Group's business partner which is to acquire a 45% share in the project will provide financing for the project pro rated to its share in the joint venture; failure to provide such financing would result in such business partner losing its share in the joint venture) in Gdańsk, Poland, for PLN 53 million plus PLN 11.7 million in VAT, which can be claimed back) and has sold its 28.25 % share in the Vajnory Project in Bratislava, Slovakia).

For information on source of financing the Group's investments please refer to Section "*Group's Business Operations*" under section "*Credit and loan facilities, guarantees and sureties*". A detailed description of each of the real estate purchased by the Company since the date of filing the Prospectus at the KNF until the Prospectus Date is provided in the "*Business Overview*" chapter in the "*Income Producing Assets*" and "*Development Properties*" sections.

*Cashflows from financing activities*

(EUR '000)	6-month period ended 30 June 2007	5-month period ended 30 June 2006	11 month period ended 31 December 2006
Dividends paid	(4,031)	-	(2,079)
Payments to acquire / redeem own shares	-	-	(3,986)
Share issue costs paid	-	(13,528)	(14,049)
Proceeds on capital increase	-	178,451	178,451
New bank loans and overdrafts raised	88,421	4,916	10,329
New loans granted to partners	-	-	(327)
New loans received from minority investors	1,012	4,607	2,286
<b>Net cash from financing activities</b>	<b>85,402</b>	<b>174,446</b>	<b>170,625</b>

During the eleven month period ended 31 December 2006 the largest source of cash used to finance the operating and investing activities of the Group were the proceeds from the share issue (EUR 164,402 thousand net of costs). The Group made use of external debt to finance its activities (EUR 10,329 thousand of bank debt and EUR 2,286 thousand of shareholder loans were drawn in the reporting period) and this was primarily utilized for the Hilton Hotel financing requirements.

In 2006, the Company disbursed EUR 6,065 thousand to the Shareholders – EUR 2,079 thousand in the form of dividends (in compliance with the Company's dividend policy), and EUR 3,986 thousand in the form of buy back and subsequent redemption of its own shares.

During the first half of 2007 the Group acquired new bank financing in amount of EUR 88,421 thousand, which were used primarily in the financing of the Millennium Plaza, and new loans from its minority shareholders of EUR 1,012 thousand. In addition the Group disbursed EUR 4,031 thousand to its shareholders in the form of interim dividends.

**Balance sheet structure***Property, plant and equipment*

As at 31 December 2006 (EUR '000)	Buildings	Plant and equipment	Motor vehicles	Total
Acquisitions through business combinations:	67,431	113	113	67,657
Hilton Hotel <sup>(1)</sup>	65,623	8	10	65,641
Other <sup>(1)</sup>	1,808	105	103	2,016
Additions at cost	16,909	305	46	17,260
Exchange adjustments	427	(2)	5	430
Disposal	(7)	(29)	(72)	(108)
Revaluation	3,680	-	-	3,680
Accumulated depreciation	(16)	(70)	(15)	(101)
<b>Net book value</b>	<b>88,424</b>	<b>317</b>	<b>77</b>	<b>88,818</b>

<sup>(1)</sup> Unaudited

Buildings held for use in the supply of hotel services are the main elements within property, plant and equipment, and represent 25% of the total assets. These amounts (except for land held in perpetual usufruct) are stated at their revalued amounts, being fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. The land held in perpetual usufruct on which the hotel building is located is carried at cost (EUR 10,600 thousand) and is subject to impairment charges if required.

Additions at costs constitute of capitalization of construction costs relating to the Hilton hotel.

As at 30 June 2007 (unaudited data) (EUR '000)	Land and buildings	Plant and equipment	Motor vehicles	Total
At beginning of the period	88,440	387	92	88,919
Acquisitions through business combinations:	13,969	131	-	14,100
Golden Tulip Hotel	13,969	131	-	14,100
Additions at cost	899	3,020	50	3,969
Exchange adjustments	112	19	12	143
Disposal	-	-	(15)	(15)
Revaluation	9,621	-	-	9,621
Accumulated depreciation	(1,167)	(1,060)	(18)	(2,245)
<b>Net book value</b>	<b>111,874</b>	<b>2,497</b>	<b>121</b>	<b>114,492</b>

As at 30 June 2007 property, plant and equipment amounted to 22% of the total assets. During the first half of 2007 the Group acquired the Golden Tulip Hotel in Bucharest (EUR 14,100 thousand). Additions at cost amount to EUR 3,969 thousand including plant and equipment costs of EUR 3,020 thousand primarily in relation to the Hilton Hotel (EUR 2,132 thousand).

As at 31 December 2006 the bank borrowings secured on land and buildings amounted for EUR 36,275 thousand.

#### *Investment property*

(EUR '000)	As at 30 June 2007 (unaudited)	As at 31 December 2006 (audited)
At beginning of the period	67,585	-
Acquisitions through business combinations:	-	49,545
Ikarus Industrial Park	-	28,900
Metropol Office Building	-	8,500
Ligetváros Centre	-	7,000
Városliget Project	-	4,800
Košice, Bašta Project	-	345
Additions at cost	91,497	12,483
Capitalised subsequent expenditure	239	338
Foreign exchange movements	(41)	(393)
Present value of annual perpetual usufruct fees	3,959	-
Fair value gains – including share of joint ventures	34,785	5,612
<b>Total</b>	<b>198,024</b>	<b>67,585</b>

All the Group's yielding assets, such as office buildings, are classified as investment property. Investment properties represent 19% of total assets as at 31 December 2006, and increasing up to 38% of total assets as at 30 June 2007. Similarly to the 2006 the fair value of the Group's investment property at 30 June 2007 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield.

Addition at cost (EUR 12,483 thousand) as at 31 December 2006 includes expenses related to the Voluntari Land (EUR 9,326 thousand) and to the Moscow Office Centre (EUR 3,157 thousand).

As at 30 June 2007 additions at cost of EUR 91,497 thousand include acquisition of: Millennium Plaza (EUR 76,122 thousand), Sadowa Business Park (EUR 9,642 thousand) and the remaining 40% stake in Voluntari Land (EUR 5,733 thousand).

The Group has used some of its investment property to secure certain banking facilities granted to subsidiaries. As at 31 December 2006 borrowings for the value of EUR 13,740 thousand were secured on investment properties.

### *Inventory*

(EUR '000)	As at 30 June 2007 (unaudited)	As at 31 December 2006 (audited)
<b>Land held for development, including:</b>	<b>101,936</b>	<b>89,182</b>
Zielono Project	7,002	6,950
Platinum Towers Project	8,388	8,315
Capital Art Apartments Project	15,720	15,040
Atrium Homes Project	1,876	1,839
Nove Vajnory Project	35,774	35,038
Solaris Land	22,385	22,000
Cybernetyki Project	3,101	-
Volan Project	7,690	-
<b>Construction expenditures</b>	<b>23,887</b>	<b>10,023</b>
Zielono Project	608	94
Platinum Towers Project	3,487	708
Capital Art Apartments Project	8,365	2,632
Atrium Homes Project	4,168	4,063
Nove Vajnory Project	3,668	2,526
Cybernetyki Project	140	-
Solaris Land	1,238	-
Hilton Hotel	1,144	-
Volan Project	1,044	-
Golden Tulip Hotel	25	-
<b>Freehold and leasehold properties held for resale</b>	<b>125,823</b>	<b>99,205</b>

All the Group's residential property developments, including the land on which they will be built and the respective construction expenditures are held in, constitute part of inventory. As at 31 December 2006 the total inventory represents 27% of the total assets, while as at 30 June 2007 24%. New residential development projects acquired in first half of 2007 include Cybernetyki Project in Warsaw and Volan Project in Budapest.

As at 31 December 2006 the construction expenditures of EUR 10,023 thousand included: as site preparation, demolition and architects costs, and capitalised interest on loans. As at 30 June 2007 those expenditures amounted to EUR 23,887 thousand, as more development project entered into the construction phase. The Capital Art Apartments Project had the most significant construction expenditure due to active development on the property (mainly sub contractor fees EUR 4,600 thousand).

### *Trade and other receivables*

(EUR '000)	As at 30 June 2007 (unaudited)	As at 31 December 2006 (unaudited)
Trade debtors – net	5,965	556
Other debtors	6,081	11,304
Prepayments and accrued income	2,936	10,381
<b>Total</b>	<b>14,982</b>	<b>22,241</b>

As at 31 December 2007 trade and other receivables amounted to EUR 22,241 thousand. Other debtors of EUR 11,304 thousand comprised the deposit on Atlas Estates (Vágány) Kft purchase (EUR 3,855 thousand), VAT and tax receivables (EUR 3,019 thousand) and escrow deposits (an escrow deposit of EUR 1,450 thousand to secure a success fee for the rezoning of Városliget Project and an escrow deposit of EUR 1,000 thousand in connection with the agreement for the acquisition of Victoria Tower company which owns the

Golden Tulip Hotel. Prepayments and accrued income predominantly consisted of prepayment of EUR 9,968 thousand made by Properpol for the acquisition of the Millennium Plaza Project.

As at 30 June 2007 trade and other receivables amounted to EUR 14,982 thousand. Trade debtors of EUR 5,965 thousand included: EUR 1,431 thousand, EUR 1,367 thousand and EUR 1,332 thousand payable to the Hilton Hotel, Millennium Plaza and the Ikarus Industrial Park respectively. Other debtors mainly consisted of a VAT and tax receivable amount of EUR 2,243 thousand and a receivable of EUR 3,005 thousand due to Properpol in relation to the Millennium Plaza Project. Prepayments and accrued income mainly consisted of a prepayment of EUR 1,720 thousand in relation to the Hilton Hotel.

#### *Cash and cash equivalents*

(EUR '000)	As at 30 June 2007 (unaudited)	As at 31 December 2006 (audited)
Cash at bank and in hand	31,000	55,952
Short term bank deposits	11,462	6,720
<b>Total</b>	<b>42,462</b>	<b>62,672</b>

As at 31 December 2006 the total cash and cash equivalents represent 17% of the total assets, while as at 30 June 2007 amounted to 8% of total assets.

The effective interest rate as at 31 December 2006 on the short-term deposits was approximately 3.65% and this deposit is immediately available.

#### *Trade and other payables*

(EUR '000)	As at 30 June 2007 (unaudited)	As at 31 December 2006 (audited)
Current		
Trade payables	(5,072)	(2,835)
Other tax and social security	(886)	(300)
Other creditors	(12,362)	(17,240)
Accruals and deferred income	(19,556)	(10,349)
Non-current		
Other creditors	(11,359)	(6,047)
<b>Total</b>	<b>(49,235)</b>	<b>(36,771)</b>

As at 31 December 2006 the total trade and other payables (both current and non-current) represented 10% of the total assets and 27% of the total liabilities. Deferred consideration (EUR 14,294 thousand) related to the acquisition of the Solaris Project is the main line item of "total trade and other payables". Current accruals and deferred income of EUR 10,349 thousand comprise principally prepayments for residential apartments in projects: Platinum Towers and Capital Arts Apartments.

Non-current other creditors of EUR 6,047 thousand represent 1.7% of the total assets and 4.4% of the total liabilities. The balance thereof consists mainly of loans payable to external shareholders (EUR 5,388 thousand). The majority of the balance was due in relation to the Vajnory Project (EUR 2,800 thousand) and Voluntari Land (EUR 1,800 thousand).

As at 30 June 2007 the total current trade and other payables accounted for 7% of the Group's total assets and 14% of the Group's total liabilities. Current trade payables of EUR 5,072 thousand included: EUR 1,610 thousand, EUR 1,158 thousand and EUR 864 thousand payable by the Hilton Hotel, Capital Art Apartments and Platinum Towers projects respectively. Other current creditors of EUR 12,362 thousand mainly comprised of EUR 4,615 thousand in relation to Sadowa Business Park and EUR 3,666 thousand in relation to Properpol.

Accruals and deferred income of EUR 19,556 thousand mainly constituted of EUR 13,735 thousand for deferred income from the sale of property units (Platinum Towers Project EUR 7,480 thousand and Capital Art Apartments EUR 6,255 thousand) and deferred fees and expenses due by the Hilton Hotel (EUR 3,847 thousand).

Non-current other payables of EUR 11,359 thousand amounted to 2% of the total assets and 4% of total liabilities. The primary items of other payables were external shareholder loans of EUR 6,400 thousand, and EUR 3,893 thousand payable by Millennium in relation to the present value of annual perpetual usufruct fees.

#### *Financial liabilities*

(EUR '000)	As at 30 June 2007 (Unaudited)	As at 31 December 2006 (Audited)
<b>Financial liabilities – borrowings</b>		
Current		
Bank loans and overdrafts due within one year	(14,185)	(2,892)
Non-current		
Repayable within two years	(40,837)	(22,579)
Repayable within three to five years	(30,547)	(15,755)
Repayable after five years	(99,874)	(37,836)
<b>Total</b>	<b>(185,443)</b>	<b>(79,062)</b>

The bank loans are secured on various properties of the Group (unaudited).

Borrower	Project	Lender	Balance as at 30 June 2007	Balance as at 31 December 2006 (EUR '000)
HGC	Hilton hotel	Investkredit AG	40,957	28,355
Circle Slovakia	Vajnory Project	Investkredit AG	20,754	19,860
Felikon	Ikarus Industrial Park	MKB Bank	17,025	9,340
HGC	Hilton hotel	DZ Bank Polska S.A.	-	7,920
Capital Art Apartments	Capital Art Apartments	Investkredit AG	10,950	6,994
Ligetváros	Ligetváros Centre	Erste Bank AG	4,325	4,400
DNB Victori Tower	Golden Tulip Hotel	Alpha Bank	4,574	-
AE Millennium	Millennium Plaza	Erste Bank AG	70,761	-
AEKS	Volan Project	VolksBank	2,379	-
Platinum Towers	Platinum Towers	Erste Bank AG	10,947	-
Zielono	Zielono Project	Investkredit AG	2,771	2,193
<b>Total</b>			<b>185,443</b>	<b>79,062</b>

As at 31 December 2006 the major creditor of the Company was Investkredit AG, with outstanding balance of EUR 57,402 thousand, while the most geared project was Hilton Hotel, with total external financing of EUR 36,275 thousand. As at 30 June 2007 Erste Bank der Österreichischen Sparkassen AG was the Company's main creditor with the balance of EUR 86,033 thousand, the most geared project was Millennium Plaza with outstanding balance of EUR 70,761 thousand. For further description of particular loan agreements please refer to Section "Group's Business Operations" under section "Credit and loan facilities, guarantees and sureties".



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

	As at 31 December 2006	
	PLN	EUR
Bank loans	6.44%	5.75% - 6.10%

#### *Deferred tax liabilities*

(EUR '000)	As at 30 June 2007 (unaudited)	As at 31 December 2006 (audited)
Acquisitions through business combinations	(21,558)	(17,986)
Profit and loss charge / (credit)	(7,021)	(2,402)
Charged to equity	(3,443)	(1,000)
Other	(1,935)	(170)
<b>Total</b>	<b>(33,957)</b>	<b>(21,558)</b>

As at 31 December 2006 deferred tax liabilities predominantly relate to acquisitions through business combinations (EUR 17,986 thousand), which include revaluation of existing assets (EUR 9,588 thousand) and fair value gains (EUR 11,293 thousand).

As at 30 June 2007 deferred tax liability EUR 33,957 thousand constituted of deferred tax liability connected with acquisitions through business combinations of EUR 21,558 thousand, which relates to EUR 11,804 thousand of fair value gains on investments and EUR 9,588 thousand through the revaluation of buildings.

#### *NAV (unaudited)*

	As at 30 June 2007	As at 31 December 2006
<b>Basic NAV per balance sheet (EUR '000)</b>	<b>251,928</b>	<b>222,574</b>
The Group's share of increase in valuation of development land (EUR '000)	62,569	49,255
Deferred tax on increase in valuation of development land at local rates (EUR '000)	(6,755)	(9,256)
<b>Adjusted Net Asset Value (EUR '000)</b>	<b>307,741</b>	<b>262,573</b>
Number of shares ('000)	48,448	48,448
<b>Basic NAV per Share (EUR)</b>	<b>5.2</b>	<b>4.59</b>
<b>Adjusted NAV per Share (EUR)</b>	<b>6.35</b>	<b>5.42</b>

Between 30 June 2007 and the Prospectus date, the Company continued its operational activity. In the course of its operations the Group took out four credit facilities totalling EUR 34 million; it repaid one facility of EUR 6.8 million. In the abovementioned period the Group also acquired two new projects (Project Kokoszki and the Atlas House Office Building) and sold a part of its share in the Vajnory Project. Additionally, the Group distributed dividends of EUR 4 million and paid a fee to Atlas Management Company of EUR 2.3 million. The Group also continued its real estate development activity within its active projects and expended EUR 13.1 million towards these projects.

For a more detailed description of the above events see "Capitalization and Indebtedness" section of the Prospectus.

## MARKET AND LEGAL ENVIRONMENT

### Market Environment

#### *Poland*

The macroeconomic situation in Poland is the key factor in determining the strength of the real estate market. In accordance with the analyses carried out by IBnGR, or Cushman & Wakefield, the risk associated with investments in the Polish economy is continuing to decrease, which is influenced to the greatest extent by the sustained good macroeconomic situation, and consequently:

- (i) the financial standing of enterprises has been improving;
- (ii) the household prosperity is improving, i.e. consumer purchasing power is growing, this factor is additionally strengthened by decreasing unemployment rate;
- (iii) the investment risk decrease is influenced by Poland's membership in the European Union.

In the context of the real estate market, it is worth noting that the risk associated with construction sector and the related sectors has dropped in the recent years, which is connected with a good situation on the construction market in Poland. According to the data published by IBnGR, the building sector was the fastest developing sector of economy throughout 2006 (13.6%) and in the first quarter of 2007 (the growth rate of value added amounted to 27%).

The last year's decrease in the investment risk translated into increased capital expenditures on the part of enterprises, which together with the observed high individual consumption rate became the main factors of the economic growth. According to the data published by the Polish Information and Foreign Investment Agency (Polska Agencja Informacji i Inwestycji Zagranicznych), Poland takes the first place in the ranking of planned investments in Europe and the second place as regards the investors' trust.

#### *Key macroeconomic indicators*

<b>Poland</b>			
<b>Population (in million)</b>	<b>38.2</b>		
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
GDP (year on year % grow)	6.1	5.9	5.4
Average annual inflation (year on year % grow)	1.0	2.4	2.5
Real gross salaries (year on year % grow)	4.1	4.3	3.0
Unemployment (% rate)	14.9	12.8	12.0
National Bank of Poland base interest rate (%)	4.0	4.5	5.0

*Source: IBnGR, "Quarterly Macroeconomic Forecasts" No. 54, April 2007; CA IB and EIU estimates*

Poland is the largest of the newly admitted EU countries in terms of GDP and population. Since 2004, Polish economy has been one of the fastest growing economies in the EU, noticing the record growth rate of 6.1% in 2006, with the expected rate of 5.9% in 2007 and 5.4% in 2008. This strengthening economy generated employment growth, with the unemployment rate projected to fall from 14.9% in 2006 down to 12.8% in 2007, and 12.0% in 2008.

#### *Increase in value and number of granted mortgage loans*

According to the data published by the Banking Law and Information Centre (Centrum Prawa Bankowego i Informacji), in 2006, as compared to 2005, the number and value of mortgage loans granted by commercial banks to individuals was still growing. In December 2006, the number of outstanding bank loans exceeded 800,000. In the period from January to December 2006, the value of the loans granted in the domestic currency amounted to PLN 17 billion, and in foreign currencies – PLN 25 billion. The average size of the

granted loans has also risen from approximately PLN 60,000 in 2002 to approximately PLN 165,000 in December 2006. The main reasons for this situation, just like in the previous years, are the following: improvement in the borrowers' financial position, growing competition among banks and the related change in mortgage loan conditions and forecasts concerning the residential property market (insufficient number of apartments). The media campaign concerning the introduction of restrictions on the number of foreign currency loans (Regulation S) had a large impact on the time necessary to grant a mortgage loan, in particular in the first half of 2006.

Despite the large increase in the value of loans, the mortgage debt to GDP ratio has grown in Poland to approximately 6%, but it is still low when compared to 50-60%, noted in the wealthiest EU member states, or 47.5%, which is the average ratio for the EU. According to the forecasts of the Polish Bank Association (Związek Banków Polskich), the mortgage debt level is likely to increase within the next 15 years up to PLN 250 billion, i.e. five times in the period from 2005 to 2020.

#### *Real estate market in Poland*

According to the report prepared by Cushman & Wakefield in 2006 total property investment volumes amounted to EUR 4.75 bn with 2007 expected to exceed that number. First investment focus were firmly shopping centres, with office space to follow. It had a direct impact on yields, which in Poland have been falling year on year, converging with Western Europe and reaching levels for both prime retail and office space of 5.5%-5.75% and approximately 5% respectively. In 2007, the value of investments on the real estate market is expected to increase again.

Demand for modern office space across Poland has substantially increased in the last two years. This trend is driven by an accelerating economy, foreign capital inflow and the fact that domestic companies are looking for cost reductions such as moving their back-office functions to regional cities. High demand resulted in decrease in vacancy and a rise in rental levels. Since mid-2006, office rental fees have been on the rise. It is expected that rents in prime locations will continue to rise and in 2008 might exceed EUR 30 per month net. In the first six months of 2007 average rent was EUR 12-17 / m<sup>2</sup> per month net.

The Polish residential market is booming. As estimated, this tendency is likely to continue further. The key factors strengthening the Polish residential market are the EU accession, the recent increase in the overall standard of living and in purchasing power. The highest average price of approximately PLN 9,296 per m<sup>2</sup> is registered in Warsaw, followed by Krakow, with approximately PLN 7,941 per square meter. Warsaw and Kraków are followed by Gdańsk, Wrocław and Trójmiasto in terms of highest prices per square meter. It is expected that by the end of 2007, prices of apartments (especially those in attractive locations) will remain stable.

According to Cushman & Wakefield the economic forecast is very favourable with strong GDP and consumer spending growth. The occupier markets are in better health and are showing robust level of demand in all property sectors. In the office market vacancy levels are decreasing. Whilst in the retail and office sectors Warsaw is still the main focus, activity in the industrial sector seems to be shifting more to smaller cities in Silesia and to Poznań. The high levels of investments volumes in recent years have been mainly due to the buoyant level of shopping centre development which is set to continue. Indeed, the 2007 pipeline comprises more space than the previous three years combined, although 90% of the space is located outside Warsaw.

#### *Real estate market in Warsaw*

Warsaw, one of the fastest growing cities in Europe, is the administrative, cultural, scientific and financial capital of Poland and the majority of international companies with a presence in Poland are headquartered there. The total population of the city is approximately 1.7 million, with a total of nearly 760,000 households. The Warsaw economy is not only the largest city economy in Poland, but also the most prosperous. Unemployment in the City of Warsaw, at 6.1% in April 2007 according to GUS, is well below the national average and has remained below 7% since 2001.

In 2006 the gross office market take up in Warsaw increased once again and reached a record level of 412,200 m<sup>2</sup> (ca. 10.5% more than in 2005) resulting in decrease in vacancy down to approximately 5.37%. The largest demand levels were seen in Upper Mokotów (97,500 m<sup>2</sup>), in the City Centre Core (72,500 m<sup>2</sup>) and on the fringes of the City Centre (western perimeters – 61,250 m<sup>2</sup>, eastern perimeters – 52,750 m<sup>2</sup>). The largest demand growth has been noted in Ochota-Ursus-Włochy, where it rose by 33% reaching 55,000 m<sup>2</sup>. Prime rents in Warsaw's CBD increased between 10% and 20% depending on location, exceeding EUR 27 per m<sup>2</sup> in the best locations.

The Warsaw residential market is experiencing considerable growth in terms of supply and demand for residential space and is treated as an attractive destination for new residential investments. In addition to the aforementioned reasons strengthening the overall Polish residential market, the positive demographic and migratory tendencies are vital components improving the market from the demand side in the Polish capital. As of 2006, approximately 15% of the total number of dwellings procured in Poland were delivered to the Warsaw market. As forecast, the number of procured apartments will permanently grow and is predicted to exceed 21,000 units in Warsaw in the following years. However, such a high level of supply is not likely to meet the demand as around 90-95% of new projects are sold before the completion date. Warsaw is a market of all kinds of housing units (popular, up-graded, apartments and tenement houses). However, despite the rapid development of the apartment segment, the Polish capital city is not satisfied with the number of luxury developments, as, in general, housing units of the higher (but not luxury) standards are procured. Apartments are usually delivered in the developer finishing standard, while the fit-out services are considered by developers as an extra selling point.

Since 2002, there has been strong growth in demand for hotel rooms in Warsaw. Revenue per available room has not increased over this time because of the rapid supply growth in the market. The Directors believe that a continued increase in demand with a limited corresponding increase in supply will lead to strong growth in hotel fundamentals in the future.

#### *Real estate market in Gdańsk*

The modern office market in Gdańsk, Sopot and Gdynia (Tricity) is the third largest market in Poland after Warsaw and Kraków in terms of size (over 230,000 m<sup>2</sup>), although it remains highly diversified due to differences in local policies between the three cities. Gdańsk, the largest of the three cities (over 120,000 m<sup>2</sup> office stock) and the capital city of the region has a rich historical background heritage and therefore most of the projects that are to take place must first undergo an archaeological investigation. Local authorities, including the city conservator, often resent changing character of the city and as a result allow only small developments. Consequently developers were forced to construct typical modern office buildings out of the city centre (e.g. in the vicinity of the local airport), while in the old town area most developments constitute reconstructions or adaptations for office use of tenement houses.

Following the oversupply in Gdańsk in 2005 which has brought the rental levels below EUR 10 per m<sup>2</sup> finding anchor tenants became a critical issue for the developers and therefore incentives and limited amount of large requirements discouraged developers from starting new projects. Additionally as a result of competition, landlords were forced to sign agreements on a short term or sometimes even for indefinite term. However together with growing investment volume in Poland and healthy level of GDP growth the local economy started showing signs of revival. The demand for office space in Tricity has been growing since 2006, and the available spaces are filling up. Limited speculative supply in recent year and growing tenants' interest for modern office space has helped to absorb the available space and brought down vacancy rate to the level of 6% in the mid of 2006. High demand and low vacancy rates put upward pressure on the rents. Currently A class office rents ranged between EUR 13-14 per m<sup>2</sup> monthly, while B class offices are let on average at EUR 10-12 per m<sup>2</sup> monthly. As a consequence activity of developers is expected to grow and supply of office space in the period 2007 – 2008 may exceed 55,000 m<sup>2</sup>.

#### **Hungary**

<b>Hungary</b>			
<b>Population (in million)</b>	<b>10.0</b>		
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
GDP (year on year % grow)	3.9	2.0	3.5
Average annual inflation (year on year % grow)	3.9	7.2	3.6
Real gross salaries (year on year % grow)	5.0	1.0	2.0
Unemployment (% rate)	7.5	7.8	7.3
National Bank of Hungary base interest rate (%)	6.0	7.5	5.5

Source: National Bank of Hungary, CA IB and EIU estimates

According to with the analyses carried out by CA IB and EIU Hungary's macroeconomic indicators for 2006 show a GDP growth by 3.9%, but this ratio is expected to go down to approximately 2.5% in 2007, and afterwards return to the level of 3.5%. This trend is followed by both inflation rate and unemployment rate, after a slight increase in 2007 to the level of approximately 7.0% and 7.8% respectively is expected to return down to approximately 3.6% and approximately 7.3% respectively.

The real estate market in Hungary is to a large extent centered on Budapest. The level of concentration depends on segment, for example the office sector is concentrated almost exclusively in Budapest while new retail properties are being developed all over the country. This situation derives from the fact that almost 16% of the population is based in the centrally located capital city (and more than 20% including its environs) as well as from the fact that Budapest has been the prime beneficiary of the increase in foreign investment over the last few years. The activity of domestic and foreign investors in the Hungarian real estate market was unchanged in 2006. As in 2005, some EUR 1 bn was invested in completed transactions, and of this foreign investment accounted for EUR 880m. Once again the modern office market was the clearly preferred segment. In the first half of last year the asset inflow to real estate investment funds was less than in 1H 2005, but thanks to the new interest rate tax, investment fund net assets saw a large one-off inflow in August. According to BAMOSZ (the Association of Hungarian Investment Funds and Asset Management Companies), the total net assets value of the funds reached HUF 577 bn (EUR 2.26 bn) by year end. Approximately 65% of total NAV was accounted for by the three biggest funds: Erste Property Fund, OTP Property Fund, and Raiffeisen Property Fund.

Cushman & Wakefield are predicting that, in the current economic situation yields are expected to experience further downward movement in the office and industrial markets, while retail yields should remain stable. C&W are also predicting that the general lack of investment product will force investors to consider other property sectors such as hotels and residential which potentially offer higher returns.

#### *Real estate market in Budapest*

According to CB Richard Ellis, Budapest modern speculatively-built office stock reached 1.77 million m<sup>2</sup> at the end of the second quarter of 2007. Whereas the supply did not expand significantly in the last six months, stock is expected to rise by further 200,000 m<sup>2</sup> until the end of 2007. Among others, three projects over 25,000 m<sup>2</sup> are planned for the second half of 2007 and a further seven buildings of over 10,000 m<sup>2</sup>. The pipeline for 2008 seems to be even stronger with an annual completion of over 300,000 m<sup>2</sup>. Demand seems to follow the booming supply line so far. After the very impressive first three months, the second quarter of 2007 brought even stronger figures bringing the overall first half take-up level to 125,200 m<sup>2</sup>. This is 13% up compared to same period last year and the highest half year demand ever recorded. According the supply outlook, the vacancy level will be rising throughout the second half of the year, however, due to the expectedly high demand the average vacancy will remain below 15%. Rents for average 'A' class offices are stable in the Budapest office market, varying in a wide range depending on the prestige of the building than rather on the location itself. The headline rents for average 'A' category office space remained in the range of EUR 11 to 16 / m<sup>2</sup>/month with lower net effective rates by 10 to 15%. Increase can be witnessed in the prime category. In average the prime rents are at EUR 23 /m<sup>2</sup>/month but in the newly completed prime building office space are offered for a rate around EUR 40 /m<sup>2</sup>/month.

According to Otthon Centrum 2006 was especially difficult for the Budapest residential market: the number of new homes occupied (8,239) was one-third less and the number of new applications for permits (11,514) was one-quarter less than in 2005. The drop in the two volume indicators was the largest in the third and fourth quarters of the year. The number of newly occupied homes fell in Budapest by 33%. According to the estimates for residential investments in Budapest city, in 2007, more homes will be delivered than in 2006. The largest numbers of homes continue to be built in the fashionable districts. In addition to the consistently popular inner city areas, however, the attention of the developers turns increasingly often towards the outer districts. The increment of 6%, as compared to the same period of last year, in the number of construction permits issued in Budapest may indicate an enhancement of the appetite for construction. Otthon Centrum are reporting that from beginning of the year investors increased their prices for many projects by 1 to 3%. At most a slight increase is expected this year. The average price was EUR 1,300-1,400 per m<sup>2</sup> in 2005 and did not change significantly in 2006. Currently it is not clear how the government's convergence program and the real estate tax (expected to be introduced in 2008) will affect the residential market.

**Romania**

According to the analyses carried out by CA IB and EIU, Romania's macroeconomic indicators for 2006 show a return to strong economic growth. Real GDP rose by 7.7% year-on-year in the first three quarters of last year, and is expected to reach an annual rate of approximately 6.5% in 2007, followed by approximately 5.5% in 2008. Unemployment has continued to fall, while real wages have appreciated in line with the economic growth and the decline of inflation (CA IB expects that 2007 will see a drop in inflation, which is now below 5%.) The volume of foreign direct investments (FDI) rose by an impressive 84% year-on-year in November 2006, to a record height of EUR 8.3 billion. This amount includes the EUR 2.2 billion received by the state in October, following the sale of 36.8% of its shares in Romanian Commercial Bank (BCR). For 2007, FDI is expected to be below last year's record because the most important privatizations have been completed. The Romanian economy is likely to maintain its growth of the previous years, providing a favorable business environment and encouraging growing levels of consumption. The way Romania is seen internationally has also improved, with the country's accession to the European Union on January 1, 2007 contributing significantly to this.

<b>Romania</b>			
<b>Population (in million)</b>	<b>21.7</b>		
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
GDP (real year on year % grow)	7.7	6.5	5.5
Average annual inflation (year on year % grow)	6.6	4.2	4.8
Real gross salaries (year on year % grow)	6.4	6.5	7.9
Unemployment (% rate)	5.5	5.3	5.2
National Bank of Romania base interest rate (%)	8.0	7.4	7.4

Source: National Bank of Romania, CA IB and EIU estimates

**Real estate market in Bucharest**

In a similar way to the Hungarian market being focused on Budapest, the real estate market in Romania is to a large extent centered on Bucharest. The level of concentration depends on the segment, for example the office sector is concentrated almost exclusively in Bucharest, while new retail properties are being developed all over the country. This situation derives from the fact that a large proportion of the population is based in the capital city, as well as from the fact that Bucharest has been the prime beneficiary of the increase in foreign investment over the last few years.

According to Colliers the 2006 Bucharest office market was dominated by pre-leases. Most office projects delivered in 2006 had been pre-leased in 2005, and the trend continued in 2006 when a significant proportion of the year's take-up was for office projects to be delivered in 2007 and 2008. Pre-lease transactions for buildings set to be delivered in 2007–2008 represented 73% of total demand. This phenomenon can be explained by the extremely low vacancy rate in the market, which is encouraging potential tenants to consider their future office requirements a long time ahead of the actual need to move. In 2006 the new supply reached 130,000 m<sup>2</sup> across 14 buildings, bringing the total stock level to 430,000 m<sup>2</sup>. By the end of 2006 the vacancy rate in prime locations reached a record low of just 1.5% while for secondary locations the rate was 14%. Lease agreements for space in existing projects in prime locations have been signed at an average rate of EUR 18.6 per m<sup>2</sup> per month and for EUR 15.2/ m<sup>2</sup> per month in secondary locations. Pre-lease agreements were signed during 2006 at an average of EUR 15.6/ m<sup>2</sup> per month in prime areas, and EUR 13.7/ m<sup>2</sup> per month in secondary locations. Services are charged at cost and were estimated at approximately EUR 3–3.5 per m<sup>2</sup> per month in 2006–2008.

In their "2007 Romania Report" Colliers are indicating of 22 new projects would bring close to 11,000 apartments onto the market but, as most large size projects are built in phases, less than 5,000 units were placed up for sale during 2006, with the other 6,000 units likely to be offered in 2007 and 2008. Generally, most new projects available for sale on the market were successful and registered good sales volumes. Looking at the projects announced already, the total potential of the new offer by 2010 is estimated today at almost 20,000 units. If we add another 10,000 units in projects that will probably be announced over the next 3 years, by 2010, we will obtain a potential new offer of almost 30,000 apartments. The surge in demand in

Romania was due to a number of factors, such as: the continued rise in real salaries in Romania which are expected to double by 2010; recent EU accession and increased foreign investment; an improved, and more flexible, range of mortgage products from the banking sector. Apartment prices are expected to continue their increase at a rate of 15 to 20% per year for the next 2 to 3 years. Good quality projects will enjoy higher growth rates, while others, in less attractive neighbourhoods, might not see any price growth. The demand for luxury units is also estimated as growing, along side the rapid growth of the Romanian upper class. Because of the increase in land prices, most developers embraced the concept of high-rise apartment buildings. Another trend noticed in 2006 is the development of apartment buildings in the north of Bucharest, in areas previously considered more suitable for houses and villas. Most new projects up for sale in 2006 offered apartments with a good quality fit-out, including fully-equipped bathrooms (but excluding furniture), parking, security service and a playground for children. In the most prestigious investments, developers also offered fully-equipped kitchens included in the price, as well as some additional facilities such as a swimming pool, a supermarket or kindergarten.

### *Slovakia*

According to with the analyses carried out by CA IB and EIU foreign interest is slowly increasing as the Slovakian economy is improving. This is supported by government incentives such as the move to a flat tax rate and VAT rate (of 19%) have led to a relatively strong economic performance in Slovakia and strong GDP growth since 2000. Whilst Slovakia is small, it is a relatively wealthy market, with high level of GDP per capita. GDP growth remained at a high level of approximately 8.3% in 2006, approximately 8.9% and approximately 8.0% expected in following years. The year-on-year rate of headline base inflation was 4.5% in 2006, levels of approximately 2.3% and approximately 2.0% are expected in years 2007-2008 respectively.

Slovakia			
Population (in million)	5.4		
	2006	2007E	2008E
GDP (year on year % grow)	8.3	8.9	8.0
Average annual inflation (year on year % grow)	4.5	2.3	2.0
Real gross salaries (year on year % grow)	3.3	4.5	4.5
Unemployment (% rate)	9.4	8.0	7.5
National Bank of Slovakia base interest rate (%)	4.8	4.5	4.0

Source: National Bank of Slovakia, CA IB and EIU estimates.

The new Slovak government has continued the policies of its forerunners, and the Euro should be introduced in 2009, as envisaged. This decision has proven to be of paramount importance for the maintenance of stability within the national economy.

### *Real estate market in Bratislava*

Slovakia's real estate market, particularly in the Bratislava region, is growing rapidly. The most dynamic areas are the office, hotel, retail and residential sectors. Colliers expectations are that yields for A-class office buildings in the best districts of Bratislava will fall below 6%. Other parts of Slovakia will become more attractive, in conjunction with the inflowing foreign direct investments that have been announced. Other cities that are looking good for investment are Košice, Trnava and Zilina, where automotive investors have had a huge impact on the whole region in terms of growth and scope for further investments and where the cities are located near highways. The dominant region for the development of new projects remains Bratislava. Just as was the case in 2006, in 2007 the market will be characterized by high demand for quality office space.

The economy of Bratislava, the country's capital, is driven by the wholesale, retail and manufacturing sectors in terms of the numbers employed in these sectors. A significant amount of recent foreign direct investments has occurred in Bratislava, with investments by VW, Siemens, and HP, as well as recent investments by PSA Peugeot-Citroen and KIA Motors. In their "CEE Report Slovakia" Colliers are indicating that the Bratislava office market has seen consistent growth in recent years and continues to mature. The most sought after location continues to be Stare Mesto (Old Town), which represents more than half of the total stock of office space, followed by the Petržalka, Nove Mesto and Ruzinov districts of Bratislava. According to Colliers

around 150,000 m<sup>2</sup> of class A office space is likely to be completed in 2007 and the current existing stock of 450,000 m<sup>2</sup> should be boosted by more than 50% by the end of 2008. The vacancy rates for A-class office space will remain around 6 to 8% in 2007, and is not expected to rise above 9% before 2008, at the earliest.

The current residential market in Slovakia is dominantly focused on Bratislava and its surroundings. Cushman and Wakefield are indicating that, in general, the region of Bratislava accounts for around third of all residential units completed in Slovakia (despite the only 11% share in population). The year-on-year increase in the number of completed flats was 37%. In comparison to the other Slovak regions, Bratislava was the only with an increase in the number of completed flats. Price levels vary from project to project, with typical new build properties in Bratislava being sold for prices varying between 28,000 SK and 60,000 SK. In the city centre, as well as in the inner city locations, mostly high priced projects are under construction. In suburban districts family houses or flats with a higher number of rooms are more highly represented. The north-eastern and the eastern surroundings (the Vajnory area) are the most quickly developing suburban areas of Bratislava. The Vajnory district is currently one of the leading resorts as for the residential development. The neighboring area, mainly Čierna Voda (the municipality of Chorvátký Grob) is ranked 1 as for the residential construction in the suburbia of Bratislava. The suburban residential development is predominantly dedicated to family housing. Blocks of flats are being built only in the district capitals, such as Pezinok, Senec and Malacky.

### **Bulgaria**

According to the analyses carried out by CA IB and EIU, Bulgaria's macroeconomic indicators for 2006 show GDP growth by approximately 6.5%, and is expected to reach a rate of approximately 6.0% and 5.7% in years 2007-2008 respectively. Unemployment has continued to fall, while real wages have appreciated in line with the economic growth and the decline of inflation. The Bulgarian economy is likely to maintain its strength of the previous years, providing a favorable business environment and encouraging growing levels of consumption. It is also backed by the country's accession to the European Union on January 1, 2007 contributing significantly to this.

<b>Bulgaria</b>			
<b>Population (in million)</b>	<b>7.8</b>		
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
GDP (real year on year % grow)	6.5	6.0	5.7
Average annual inflation (year on year % grow)	7.3	5.8	3.7
Real gross salaries (year on year % grow)	3.5	4.9	4.5
Unemployment (% rate)	11.5	9.6	8.5
National Bank of Bulgaria base interest rate (%)	4.0	4.7	4.1

Source: National Bank of Bulgaria, CA IB and EIU estimates

Forton (Cushman & Wakefield representative in Bulgaria) are indicating that FDI flows reached a record high of EUR 2,300 m in 2006, without any inflows from large privatisation deals. FDI flows in real estate, rental and business activities amounted to approximately EUR 500m. EU accession, as well as Bulgarian ranking 15th position in A.T.Kearney's list of key outsourcing destinations, should positively influence the FDI inflows in the next few years.

### **Real estate market in Bulgaria**

The real estate market in Bulgaria is also to a large extent centered on the capital city (Sofia). The level of concentration depends on the segment, for example the office sector is concentrated almost exclusively in Sofia while new retail properties are being developed all over the country. As in other CEE countries this situation derives from the fact that a large proportion of the population is based in the capital city, as well as from the fact that Bucharest has been the prime beneficiary of the increase in foreign investment over the last few years.



*Real estate market in Sofia*

Colliers are indicating that the office market in Sofia continued to grow rapidly in 2006. With very limited supply of good quality land plots in the city centre, class A office development moved beyond the central business district with inventory in suburbs rising 50% in 2006. Press articles suggest a continued increase in the supply of office space in the next 3-4 years, with some sources quoting 160,000 m<sup>2</sup> under construction, and additional 500,000 m<sup>2</sup> to be completed by 2010 – accounting only for large, already announced projects (in excess of 10,000 m<sup>2</sup>). Demand has so far kept up with supply, with a significant interest from international companies moving into the SEE market or “near-shoring” business operations in Bulgaria. Premium properties in the city centre command the highest rental rates, EUR 15-22 per m<sup>2</sup>/month. Colliers expects rental rates and sales prices to generally remain within current limits. The growing inventory pushed vacancy rates up during 2006, from 4.1% in 2005 to 5.2% in 2006, According to Colliers data, vacancy rates are highest in the city centre (6%), followed by suburban locations (5.3%) and the broad centre (4.3%). The increased supply in suburban areas is likely to push vacancy rates up further.

According to CA IB’s research the upward pressure on prices in the residential market has eased somewhat compared to previous years but demand remains strong. The number of deals rose to an all-time high (281,000) base in 2005. The reported value of deals doubled in 2006, reaching EUR 5.0 bn (over 20% of GDP), with some sources arguing that to be an understatement as deals are officially reported at lower values for tax considerations. In 2007, the market is expected to remain dynamic for at least two reasons – (i) the test of the assumption that EU accession will automatically increase real estate prices, and (ii) an estimated 6.65 m of homes are under construction, with the number of home construction permits issued in 2006 4.5 times the 2005 levels. In the last month of 2006, there was a clear spike in interest towards the market, as some buyers rushed in to finalise deals in advance of the 20% increase in administrative valuations.

**Legal Environment****Poland**

Polish real property law is primarily based on: (i) the Polish Civil Code, (ii) the Act on Mortgages and Land and Mortgage Registers, (iii) the Act on Apartment Ownership, (iv) the Act on Real Property Management, (v) the Act on the Acquisition of Real Property by Foreigners, and (vi) the Planning Act. Some provisions of the Act on the Protection of Agricultural and Forestry Land, the Environmental Protection Act, the Act on Housing Cooperatives, the Act on the Protection of Tenants’ Rights, the Act on Structuring the Agricultural System, the Water Act, the Act on Forests and other acts may also touch upon real property matters.

Please note that this summary contains only the essential information with respect to Polish real property law.

***Ownership and right of perpetual usufruct of real property****The ownership of real properties*

According to the Civil Code real properties are sections of the globe which are owned under a separate legal title (land) as well as buildings, or parts of such buildings (premises) if, under specific regulations, they are owned under a legal title separate from the legal title applicable to land.

Ownership is the constitutes the broadest right to real property whereunder the owner has the exclusive right to use, to benefit from and to dispose of the real property. In order to transfer ownership to a real property it is required to enter into an agreement of transfer of ownership to a real property in the form of notarial deed and, in principle (differently than with respect to the right of perpetual usufruct), the transfer occurs already at the moment of execution of such agreement.

The Constitution of the Republic of Poland provides that property (including real property) may be expropriated for “public needs” for fair compensation.

*The right of perpetual usufruct (the “RPU”)*

The right of perpetual usufruct is a right of narrower application than ownership and it may be established by a specifically defined group of owners (the State Treasury or local government entities) in favour of another

entity through execution of an agreement on transfer of land for perpetual usufruct. The agreement must be made in the form of a notarial deed. In order to establish the RPU it must be registered in the land and mortgage register. The rights of the entity which was granted the right of perpetual usufruct (perpetual usufructuary) are identical with owner's rights, provided that they last for a time defined in the agreement and the perpetual usufructuary must use the land given thereto for perpetual usufruct for the purpose designated in the agreement on transfer of such land for perpetual usufruct.

The maximum term of an RPU is 99 years; the minimum is 40 years. In the last 5 years of the term, the usufructuary may request an extension of the RPU for an additional period of between 40 and 99 years. In such cases, the owner granting the RPU may only refuse the extension on the grounds of an "important public interest".

Buildings and other structures on the land subject to the RPU belong to the usufructuary, and not to the grantor (owner of the land), since the ownership rights to such buildings and structures are connected with the RPU. Therefore, the transfer, encumbrance or other disposal of the RPU automatically applies to the ownership rights to the buildings and structures. Consequently, the perpetual usufructuary is entitled to recover the value of the buildings and structures existing on the land when the RPU expires, provided that such buildings and structures were built in accordance with the agreement establishing the RPU in question.

Owners of real estate on which RPU was established may request that the agreement on transfer of land for perpetual usufruct be terminated if the usufructuary uses the subject property in a manner inconsistent with the provisions of the RPU Agreement.

#### *The transfer of real properties*

Agreements for the transfer of land ownership title (or the right of perpetual usufruct) must be in the form of a notarial deed. Unless the parties or specific provisions of the law provide otherwise, an agreement creating an obligation of transfer of the ownership title or the right of perpetual usufruct does transfer the right to such real property to the buyer. However, the transfer of the ownership title to real property cannot be subject to any condition or deadline.

#### ***Acquisition of Real Property – Statutory Pre-emptive Right and Other Restrictions***

##### *The statutory pre-emptive rights*

The free trade in real property which prevails in the Polish legal system is subject to restrictions mostly based on the Act on Real Property Management whereunder the local municipality has a pre-emptive right in the event of sale of (i) a vacant real property previously acquired by the seller from the State Treasury or local government entities; (ii) the right of perpetual usufruct of a vacant plot of land, regardless of the form of purchase of such right by the seller; (iii) a real property and the right of perpetual usufruct of a real property situated in an area designated in the local zoning plan for public purposes or a real property for which a decision was issued on establishment of location for a public purpose investment; or (iv) a real property entered in the register of historical buildings or the right of perpetual usufruct to such real property. The restrictions referred to in sections (i) and (ii) do not apply to the real properties which in the local zoning plans are designated for agricultural and forest purposes, and if such plans do not exist, to real properties used for agricultural and forest purposes. The restrictions referred to in sections (iii) and (iv) do not apply in the events when the pre-emptive right has not been disclosed in the land and mortgage register.

Another restriction in real property trading applies to agricultural real properties. Free sale of agricultural real properties by natural or legal persons is restricted through the statutory pre-emptive right which, in such instance, is an entitlement of an existing tenant who has leased the real property subject to sale for at least 3 years on the basis of a proper lease agreement and if it is a part of his family farm, and if no such tenant exists or if he does not exercise the pre-emptive right, to the agricultural governmental authority (Agencja Nieruchomości Rolnych).

The principle of free trade in real properties is subject to restrictions within the scope of the statutory pre-emptive right also on the basis of other regulations, e.g. the Act on Sea Ports and Harbours or the Act on Special Economic Zones.

### *Acquisition of Real Property by Foreigners*

Under Polish law foreigners may own and be the perpetual usufructuaries of real properties on the same terms as Polish nationals. However, under the Act on the Acquisition of Real Property by Foreigners, (i) acquisition of real property (of ownership title or the right of perpetual usufruct); and (ii) acquisition or subscription for shares in a commercial law company which has its registered seat in Poland (and owns or holds the right of perpetual usufruct to real property) by foreigners is subject to obtaining the relevant consent from the Polish Minister of Internal Affairs and Administration. A number of exceptions apply. In particular, no consent for buying real estate or a permit for acquisition or subscription for shares is required with respect to foreigners who are citizens of or business entities in any Member State of the European Economic Area, except for the acquisition of agricultural and forest real properties for 12 years from the date on which Poland acceded to the European union and a second house for 5 years from the date on which Poland acceded to the European Union. Any acquisition of real property by a foreigner in breach of the regulations of the above referenced act is invalid.

### *Land Register*

All land, buildings and premises are duly entered in registers maintained by district governors (*starosta*). The register contains the following data: (i) for land – the location, borders, area, type of use and references to the land and mortgage registers; (ii) for buildings – the location, designation, manner of use and general technical data; (iii) for premises – the location, manner of use and usable floor area. The register contains also other information, including in particular information about the owner and with respect to land owned by the national or local government, other natural or legal persons who are in possession of specific land and buildings or parts thereof.

### *Land and Mortgage Registers*

The legal status of every real property is evidenced in the registers which are referred to as the land and mortgage register and are maintained by selected courts. The court keeps a separate land and mortgage register for each of the real properties. Information provided in the land and mortgage register is publicly available. The land and mortgage register contains information about the registered property, including, among other things, a description of the real property, the owner's name and any registered encumbrances on the property. It is assumed that the legal condition of a real property disclosed in a land and mortgage register is as resulting therefrom. In order to challenge existence of a right disclosed in a land and mortgage register it is necessary to conduct relevant court proceedings. That is referred to as presumption of accuracy (*domniemanie prawdziwości*) of the land and mortgage register which is related to the principle of warranty of public trust in land and mortgage registers (*wiara publiczna ksiąg wieczystych*).

The warranty of public trust in land and mortgage registers protects the buyer who acquire the right from a person disclosed in the land and mortgage register. According to such principle, a person entered in the land and mortgage register as authorised to a specific right (e.g. ownership), which may in fact be unauthorised to dispose of any such right, may effectively transfer such right to a buyer who acted in good faith. It does not apply to any gratuitous transactions, e.g. donations. The above principle applies only if the buyer did not act in bad faith. A buyer acts in bad faith if he is aware of the fact that the entries in the land and mortgage register are not in compliance with the actual legal status or anyone who could have easily obtained such information. The warranty of public trust is also excluded by notices made in the relevant sections of the land and mortgage register which constitute information warning any potential buyers of any pending proceedings which may change the entries in the land and mortgage register.

The owners of real properties are required to promptly file an application to disclose their legal title in the Land and Mortgage Register. In the case of real property sale-purchase agreements on the sale of the ownership title or the right of perpetual usufruct, which must be entered into in the form of a notarial deed, the notary should file the respective application for registration of the relevant right on behalf of the purchaser.

### ***Mortgages***

A mortgage is a form of security of a receivable established over one or several real properties to ensure due performance of a monetary obligation. In order to establish a mortgage it is necessary to make a relevant

entry in the land and mortgage register. If it is the right of perpetual usufruct which is subjected to the right of perpetual usufruct, the mortgage encumbers also buildings and facilities situated on the used land which are owned by the perpetual usufructuary. If the debtor is not the owner of the real property a mortgage requires the consent of the mortgagor. A mortgage is valid even if the ownership title (or the right of perpetual usufruct) to the real property encumbered by a mortgage was transferred. If the debtor defaults, the claims of the mortgagee should generally be satisfied in accordance with the court enforcement proceedings before a Polish court. The mortgagee has preferential rights over unsecured commercial creditors of the mortgagor. Receivables of unknown value may be secured by a mortgage of up to a specific, maximum amount (ceiling mortgage).

### ***Liabilities of persons holding legal rights to land and buildings***

#### ***Environmental law***

The environmental law imposes certain obligations on investors implementing any undertakings that could potentially have a negative impact on the environment, as well as extending the number of entities authorized to participate in administrative procedures preceding the issuance of construction permits and approvals.

The Environmental Protection Act defines additional rights for third parties to participate in administrative procedures and defines the requirements for environmental impact statements which precede the issuance of construction permits and other approvals. The Environmental Protection Act states in general that a polluter covers the costs of clean up of the consequences of such pollution. Pursuant to the Act on Preventing Environmental Damage and the Remediation of Environmental Damage owners of land are required to remediate at their own expense any damages to the environment which related to land surface and which occurred before 30 April 2007. If such owner is able to prove that the pollution was caused by another entity after the owner took possession of the land, the polluter can be charged with the costs of the remediation. However, if the owner agreed to the actions which caused the pollution or was aware of them, the owner is jointly and severally liable with the polluter. The entity which is in possession of land which was polluted before 30 April 2007 can not be released from liability on the grounds that the pollution had occurred before it took possession of the land. If the pollution occurred after 30 April 2007 the polluter must remediate the pollution at its own expense. This does not limit the liability of an owner which agreed to or was aware of the actions that caused pollution of his land, in which case it is jointly and severally liable for the pollution with the entity who caused it. Pursuant to the Act on Preventing Environmental Damages and the Remediation of Environmental Damage the liability of the polluter is confined to the specific type of the polluter's activity.

#### ***Lease and tenancy agreements***

Lease and tenancy are obligatory rights pursuant to which a person authorised to dispose of a real property grants the right of use thereof in case of lease and the right to use and benefit from in case of tenancy. Lessee and tenant are obliged to pay rent. Both movable property and real property may be subject to lease or tenancy. Lease may be entered into for a specified or unspecified period. A lease entered into for more than 10 years is considered to be entered for unspecified period upon the lapse of such time. A lease agreement entered into for unspecified period may be terminated within the deadlines defined in an agreement or by law.

It is also necessary to take into consideration the regulations of the Tenants Rights Protection Act (*Ustawa o ochronie praw lokatorów*) which defines the rules and forms of protection of tenant rights, including the terms of eviction. The above applies in particular to investments consisting in purchasing and then renovating or changing the designated use of residential buildings occupied by tenants.

Tenancy (*dzierżawa*) creates a more stable obligation. A tenancy agreement (*umowa dzierżawy*) for a specified period may be entered into for a maximum of 30 years. The feature which differentiates lease from tenancy is the tenant's right to benefit from the item subject to its tenancy.

#### ***Investment procedure***

*The municipal government (samorząd gminny) is responsible for the adoption of the local zoning plans*

The municipal executive authorities (*wójt (head of local council), mayor*) first prepares a general plan of development (*studium uwarunkowań i kierunków zagospodarowania przestrzennego*) which are then used to prepare the local zoning plans. The plan of development is made for the purposes of defining the development

policy of the municipality, while the objective of the local zoning plans is to declare the designated use of land, distribution of public utility investments (e.g. public roads, train lines) and define the manner of land development. The local zoning plan constitutes binding local law. Both the plan of development and the local zoning plan are publicly available.

According to the Building Law, prior to the issuance of a decision granting a building permit, the issuing public administration authority shall check if the proposed development of land on which the investment is to be conducted does comply with the designation of such land on the local zoning plan and all other terms of that plan.

If a local development plan covering the given piece of real property does exist, the investor who intends to invest in construction on such property may apply directly for a building permit and once it is declared final may commence construction. If no zoning plan exists, the manner and conditions of development are defined on the basis of: (i) a decision on location of a public utility investment in case of a public utility investment; (ii) a decision on the terms of development, for any other type of investment. Both types of decisions are issued at the request of investor only.

The decision on location of a public utility investment of national or regional (*wojewódzki*) importance is issued by wójt (*head of local council*) or mayor in agreement with marszałek województwa (*the speaker of the regional assembly*), and any investment of *powiat* (*district*) or *gmina* (*municipality*) importance, by wójt (*head of local council*) or mayor acting independently. Such decision may be issued exclusively in case of joint satisfaction of conditions clearly defined in the law. The individual development decision does not guarantee any land rights.

Pursuant to the Planning Act local zoning plans adopted prior to 1 January 1995 became invalid on 31 December 2003. It means that such plans are non-binding for the majority of the territory of Poland and in order to conduct a construction investment it is necessary to either obtain a decision on location of a public utility investment or an individual development decision.

The issuance of the construction permit may be subject to obtaining other decisions, assignments and consents by the investor and providing such documents to administrative authorities should they be required pursuant to other provisions of law, including environmental laws. The construction permit expires if the construction works have not commenced within two years from the date on which the construction permit became final and binding or if the construction works were interrupted for longer than two years. The construction permit may be transferred to a third party only if the transferee accepts all the conditions provided for in the permit and acquires the legal title to the said real property.

Generally, the commencement of use of construction developments requires a use permit (*pozwolenie na użytkowanie*) issued by a proper public administration authority. The use permit is issued only after the investor provides documents concerning the completed construction works and after the proper authorities have inspected the construction development.

#### ***Real property tax, agricultural tax and forestry tax***

Real property tax is payable pursuant to the Act on Local Taxes and Fees. Among those liable to pay such tax are individuals, legal entities and unincorporated entities who are: (i) owners of real property or building developments, unless the tax is paid by an independent holder; (ii) independent holders of real properties or building developments; (iii) perpetual usufructuaries of land. The tax is based on: (i) with respect to land – the area thereof; (ii) with respect to buildings or parts thereof – the usable surface area; (iii) for constructions or parts thereof related with the conduct of business activities – a value calculated in accordance with the laws on depreciation in line with the Corporate Income Tax Act or the Personal Income Tax Act. The real property tax rate is defined by the municipal council (*rada gminy*) by a resolution. The maximum value of the annual rate cannot be greater than: (i) PLN 0.71/1 m<sup>2</sup> for land related with the conduct of economic activity regardless of the manner of classification in the register of land and buildings; (ii) PLN 3,74/ 1 ha for land on the border of lakes which are used for water retention tanks or for a hydroelectric power plant; (iii) PLN 0.35/1m<sup>2</sup> for all other property, including that occupied for the conduct of charged public utility activities by public benefit organisations. The maximum tax rates for buildings and parts thereof vary, depending on the

designation of the buildings. For residential buildings, the maximum rate is set at PLN 0.59/1 m<sup>2</sup>, for buildings related with the conduct of business activities – PLN 19.01/ 1m<sup>2</sup>, for those occupied for the conduct of business activities related with trading in qualified sowable material – PLN 8.86/ 1 m<sup>2</sup>, for occupied to conduct business activities consisting in rendering health care services – PLN 3.84/ 1 m<sup>2</sup>; or all other uses, including the conduct of core activity by a public benefit organisation – PLN 6,37/ 1 m<sup>2</sup>. The annual tax rate for structures cannot exceed 2% of their value defined on the basis of the depreciation regulations of the Corporate Income Tax Act and the Personal Income Tax Act.

Land classified in the land and buildings register as agricultural land or agricultural land on which trees or bushes are cultivated or forestry land which is not used for the performance of business activities (other than agricultural or forest related, respectively), are taxed pursuant to the Agricultural Tax Act and the Forestry Tax Act, respectively.

#### *Annual Fee for perpetual usufruct*

In Poland, perpetual usufructuaries pay annual fees in favour of the State Treasury, local government entities or associations thereof by 31 March of each year, in advance for the given year. No annual fee is due for the year in which the right of perpetual usufruct was established. The fees for the perpetual usufruct are established as a percentage of the price of the real property defined on the basis of its value. The percentage values of the annual fees depend on the purpose for which the perpetual usufruct of a given land property was granted, as stated in an agreement. The annual fees may be indexed once a year at the most, provided that the value of the real property has increased. An initial fee for the grant of the right of perpetual usufruct is also collected. The fee amounts to anywhere between 15% and 25% of the price of the real property.

## **Hungary**

### ***Basic regulations***

The law of real properties is contained basically in Act XX of 1949 on the Constitution of the Republic of Hungary, Act IV of 1959 on the Civil Code, Act CXLI of 1997 on the Land Registry, Act LXXVIII of 1993 on the Lease of Residential and Non-Residential Real Properties, Act LXXVIII of 1997 on the Formation and Protection of Build Environment and its Decrees, Act LIII of 1995 on the General Rules of Environmental Protection.

Additional rules may be found in specific regulations including but not limited to acts regarding forests, arable land, water protection etc.

Please note that this summary contains only the essential information with respect to Hungarian real property law.

### ***Ownership and acquisition of ownership***

#### *General provisions*

The ownership of real property is protected by the Constitution of the Hungarian Republic. The specific rules are basically regulated by the Hungarian Civil Code. Under Hungarian law the right of ownership includes three essential rights: the right to possess, the right to use and collect proceeds, and the right to dispose over the property.

The acquisition of real property may happen under several legal titles (transfer, donation, etc). Without respect to the legal title the ownership is transferred only when the new owner is registered with the land registry, however, there are certain exceptions where the ownership can be transferred without registration, the typical case is inheritance.

Foreign nationals (natural persons or business entities) may acquire the ownership of real properties under the same conditions as Hungarian residents subject to one exception with respect to arable land which may not be acquired by foreign nationals, neither natural persons nor business entities.

*Prohibition of transfer and encumbrance*

The rights to transfer and encumber the real property are essential elements of the right of disposition. The Hungarian Civil Code provides that the right of transfer and encumbrance may only be restricted or prohibited upon transfer of the real property and only in order to ensure the right of the transferor or other third person. Prohibition of transfer and encumbrance may be established by virtue of law as well. Prohibition of transfer and encumbrance may be registered on the title deed on the real property.

*Right of use*

The person having the right of use (usufruct) over the real property of another person is entitled to possess, use and collect the proceeds of the real property. For the duration of the use the owner may exercise its right of possession, use and collection of proceeds only to the extent that the person having the right of use does not exercise his rights thereto.

The right of use shall remain in force even if the ownership of the real property is transferred. The right of use may be granted for a definite period of time not exceeding the lifetime of the user.

The right of use established by the agreement of the parties comes into existence with the registration of such right with the land registry.

*Easements*

Based on an easement the possessor of a real property may use a real property of another person to a specific extent or may demand that the possessor of such real property encumbered by the easement refrains from some activity which he would be otherwise entitled to.

The most common forms of easements are granted for crossing the real estate, supply and drainage of water, building a cellar or other similar purpose. Easement may be granted for free of charge or for consideration.

*Pre-emptive right*

For real properties pre-emptive right may be granted in an agreement or may be established by law. The pre-emptive right established by law shall prevail against the pre-emptive right established by the agreement of the parties. In case of condominium properties the owners have pre-emptive right over the ownership stake of the other owners. The pre-emptive right may be registered in the land registry, and if registered it is effective against everyone who acquires any right over the real property after the registration of the pre-emptive right.

*Option right*

If the owner grants option right over its real property to a third person then such third person is entitled to purchase the real property upon its unilateral declaration. The agreement regarding the option right shall be concluded in writing and shall contain the data of the real property (address and top. lot no.) and the purchase price. Option right may be established for indefinite period of time, however in this case the option right shall terminate within 6 months from the establishment. The option right may also be granted for a definite period, for a maximum of 5 years. The option right may be registered in the land registry, and if registered it is effective against everyone who acquires any right over the real property after the registration of the pre-emptive right.

*Right of Execution*

The right of execution may be registered in the land registry on the basis of court execution or enforcement of public claims.

The registration of the right of execution is part of enforcement proceedings.

Real estate owned by a debtor can be encumbered with a right of execution without respect to the type, arable land nature or other encumbrances on the real estate. The registration of the right of execution in the land registry upon request of the executor qualifies as seizure of the real estate.

Any right may be acquired over real estate encumbered with right of execution with the condition that the acquired right does not harm the rights of the beneficiary of the right of execution or does not hinder the aim of the execution procedure.

The seizure of real estate is a precondition to the selling of the real estate and seeking satisfaction from the consideration.

#### *Expropriation*

The Constitution of the Hungarian Republic provides that expropriation is permitted only in exceptional cases, when such action is in the public interest, and only in such cases and in the manner stipulated by law, provided that full, unconditional and immediate compensation is granted.

The possibility of expropriation is only provided under Hungarian law in connection with public utilities and public services (railway and road constructions, water pipes, energy cables etc).

#### *Transfer of ownership*

The most common way to transfer the ownership of a real property is to conclude a sale and purchase agreement. The sale and purchase agreement is only valid if concluded in writing. The agreement shall contain the data of the seller and the buyer, the data of the real property, the purchase price and the fact the seller and the buyer agreed to sell the real property. The agreement shall be dated. The agreement itself will be valid in a contractual sense without any further formalities. However, as the transfer will be effective only from the date of registration of the new owner in the land registry for the purposes of the registration the agreement shall be concluded in a public deed or as a document representing conclusive evidence. Also for the purpose of registration the seller shall provide its consent to registration to the buyer. This consent may be included in the sale and purchase agreement or may be provided in a separate document with the same formalities.

#### *Land Registers*

The land registry is a public data source which contains several data with respect to real properties. The data of each real property is contained in a so called title deed. The first part of the title deed includes the top. lot no., the address, the area and the type of the real estate. The second part contains the owner(s) and their personal data, the ownership stake(s), the date of registration of the ownership and the number of resolution ordering the registration and the title of acquisition of ownership. The third part contains the encumbrances registered over the real property.

Some rights come into effect with registration, such as the ownership right based on transfer, asset management right, use of land, usufruct and the right of use, easement and mortgage (independent lien) based on contract.

The rights and facts that may be registered on the title deed of a real property are defined in the Land Registry Act.

The documents filed for registration purposes to the land registry shall be provided in specific form: basically in public deed or in a document representing conclusive evidence.

The information registered with the land registry is available for the public in the form of a title deed. The underlying documents however may be examined upon the permission of the owner of the real property who shall provide a proxy for this purpose.

#### *Mortgages*

The mortgage over the real property has collateral nature, that is the aim is to provide security in order to ensure due performance of another obligation. Mortgage may be established by court order, resolution of governmental authority or the agreement of the parties. The mortgage established by the agreement of the parties shall be registered with the land registry to give it effect.



***Lease of real properties***

Under a lease agreement the lessor undertakes to give the leased thing into the use of the lessee and the lessee undertakes to pay the lease rent. A lease agreement may be concluded for a definite or an indefinite period of time.

For the lease of residential and non-residential real property the rules of Act on Lease of Residential and Non-Residential Buildings shall apply. For the validity of the lease agreement in case of leasing residential or non-residential real property the agreement shall be concluded in writing.

The real property lease agreement concluded for indefinite time may be terminated by ordinary termination or by termination with immediate effect. The real property lease agreement concluded for a definite period may not be terminated by ordinary termination but only by termination with immediate effect. The reasons for termination with immediate effect are provided by the Act on Lease of Residential and Non-Residential buildings and also interpreted by the court practice. The real property lease agreement may only be terminated by termination with immediate effect upon serious breach of the agreement or if a situation affecting the liquidity of one of the contracting parties occurs (such as liquidation or bankruptcy procedure).

The lessor has lien over the assets of the lessee being in the leased premises up to the amount of due fee and its additional costs.

***Approvals required in the development process***

With respect to the regulatory permits Hungarian law distinguishes between preliminary permits and normal permits. Preliminary permits may be (i) preliminary lot formation permit, (ii) preliminary building permit and (iii) preliminary permit for the modification of function. These may be requested prior to requesting the normal permit in order to ascertain the requirements of the building authority. A final and enforceable preliminary permit shall remain in full force and effect for one year which may be extended once for no more than one more additional year if the relevant law has not changed in the meantime. The relevance of the preliminary permit is that the building authority and the special authorities involved in the issuance of a preliminary permit shall be bound by the provisions contained in the preliminary permit when issuing the final permit, even the relevant law has changed in the meantime. No construction work may be performed on the basis of the preliminary permit.

The following activities require the permit of the building authority: (i) building and construction – building permit, (ii) demolition of buildings – demolishing permit, (iii) starting the operation of a building – use permit, (iv) for continuing the operation of a building constructed without or against the provisions of the building permit – continuation permit and (v) and for the change of the function of a building – permit for the modification of function.

In the procedure of the building authority several special authorities shall be involved e.g. National Health Authority, the authority responsible for monuments, fire protection, traffic and road maintenance etc.

According to Hungarian law, there are four types of plans with respect to zoning. From the most general one to the most detailed one the four plans are as follows: (i) urban structural plan (“TSZT”), (ii) comprehensive zoning plan (“FSZKT”), (iii) zoning plan (“KSZT”) and (iv) regulatory zoning plan (“SZT”). The SZT is the most detailed zoning plan mainly graphically depicting the building regulations applicable for a certain part of the administrative area of a settlement or a district in Budapest that is to be built in or to be rebuilt considerably, establishing the specific requirements for the utilization of and building on the regulated area of a settlement or district in Budapest and for the protection of the natural, scenic and man-made resources, and environmental elements.

All plans should be approximated with each other in a way that the most detailed plan should be harmonized to the less detailed one. In case of Budapest, the TSZT and the FSZKT are decided by the municipality of Budapest, a KSZT and a SZT are decided by the municipality of each district respectively.

***Environmental obligations***

The liability for the environment is a general liability. Those person who endanger, pollute or damage the environment with their activities or through neglect or who perform their activity by violating the environmental protection rules shall be liable (under criminal law, civil law, administrative law etc.) for this behavior.

The owner and the user of the real property on which the activity is or was carried out shall bear joint and several liability for any unlawful activity until evidence is provided to the contrary (criminal liability is an exception from this rule). The owner shall be exempted from joint and several liability if it names the actual user of the real property and proves beyond any doubt whatsoever that the responsibility does not lie with him.

The fact, extent and nature of permanent environmental damage of a real property established by an authority resolution or by court ruling shall be entered into the land registry.

***Taxes and duties***

Duty shall be paid upon transfer of the ownership of a real estate whether it is transfer with consideration, donation or inheritance. The payment obligation is due on the date of signing the agreement regarding the transfer or on the day of death of the inheritor, respectively.

The amount of the duty shall be calculated from the value of the real property being transferred.

Upon acquisition of ownership rights in real property by an entrepreneur who - on the basis of the company register or an entrepreneurial license - is licensed for the marketing of real properties according to his main business profile on the date of the duty payment obligation becomes due the duty may be calculated in a special way. The condition to this is that the entrepreneur files a statement upon reporting the acquisition of the real property for duty payment purposes that the real property was purchased for resale. In such case the rate of duty shall be 2 % of the market value of the real property without any encumbrances deducted. The resale shall be carried out within 2 years as of the acquisition.

With respect to the taxation of real properties it shall be noted that there is no separate real property tax currently in effect in Hungary. The government plans to introduce it, but the date of introduction and the rules are uncertain at the moment.

**Slovakia**

Slovak real property law is primarily based on: (i) the Constitution of the Slovak Republic; (ii) the Slovak Civil Code - Act No. 40/1964 Coll. as amended, (iii) the Act No. 182/1993 Coll. on ownership of apartments and non – residential premises as amended, (iv) the Cadastral Act - Act No. 162/1995 Coll. as amended and its performing act, (v) Slovak Foreign Exchange Act – Act No. 202/1995 Coll. as amended, (vi) the Act No. 116/1990 Coll. on lease and sublease of non - residential premises as amended and other acts may also touch upon real property matters.

Please note that this summary contains only the essential information with respect to Slovak real property law.

***Ownership of real properties***

The broadest right that can be enjoyed with regard to real properties is the right of ownership. Ownership of property extends to the space above and below it. Ownership may be subject to encumbrances such as mortgages. Legal entities may own not only land and whole structures erected on land, but also self contained parts of structures, i.e. apartments and non – residential premises. These assets can be owned by a single entity or by several entities, in which case each such entity will hold only a co – ownership interest in the assets.

From a legal perspective, structures do not have the same legal status as the land on which they are located because they are not considered to be an integral part of the land. The legal consequence of this fact is that the owner of the structures may be different from the owner of the land beneath the structure.

The premises inside a building may have the legal status of either residential or non-residential premises. The distinction is important in the case of leases because different rules apply for each category of these premises. Where the building is divided into individual units (flat and/or non-residential premises), each of those units constitutes a separate piece of real estate.

The Slovak constitution provides that property (including real property) may be expropriated for “public needs” for fair compensation.

Since the date of the Slovak Republic’s accession to the European Union – 1 May 2004, foreign legal entities and private persons are generally allowed to acquire real properties in the Slovak Republic. Slovak companies owned solely by a foreign legal entity may acquire real properties without restrictions. Only limitation is that foreign legal entities and private persons are not entitled to acquire land that is owned solely by the Slovak Republic (e.g. natural resources, rivers) and certain land to which the Slovak Republic has a statutory pre-emptive right or which are agricultural or forested land. The prohibition with respect to agricultural and forested land does not apply to: (i) foreign persons who are also Slovak citizens; or (ii) persons who are EU citizens who have run a farm in the Slovak Republic for at least three years after 1 May 2004 and who have registered for temporary residence.

#### *The changes in the title to the real property and the transfer of real properties*

Title to real property may be transferred by written agreement, by inheritance, by operation of law, by a public authority decision, or by other reasons stipulated in law.

The transfer of the real property based on agreement is completed only upon its constitutive registration in the land register. All conditions precedent that may be included in the transfer agreement must be fulfilled before the petition for registration of the transfer is filed. If they are not, the registration will be denied, although a new registration may be applied for under the same contract, once all conditions precedent are fulfilled. There are also a number of formal requirements, which, unless complied with, may lead to the invalidity of the transfer or to the rejection of its constitutive registration (e.g. the description of the land and of the structures of the land and the structures in the transfer agreement must comply strictly with the law, legalization of the seller’s signatures on the transfer agreements).

The completion of the change in the title to real property by operation of law or a public authority’s decision, as well as some other transfers of real property other than transfers by the agreement (e.g. and of bidding confirmation by an auctioneer in a public auction or bona fide possessions rules), are not subject to constitutive registration in the land register. However, for evidential purposes, these changes in title must also be publicly recorded in the land register.

Any defect in the title of any previous owner is not cured by any subsequent transfer of ownership or registration with the land registry.

#### ***Land register and the classification of land real property***

The land register means the register of real property maintained by the state authorities. The land register contains the information about: (i) the cadastral territories; (ii) the land; (iii) the structures; (iv) the apartments, apartments under construction, non-residential premises and non-residential premises under construction; (v) the protected parties of the nature and the cultural monuments; (vi) the rights to the real property registered in the land register, etc.

Slovak law contains a presumption that the persons registered in the land register are deemed to be owners of the real property. Nonetheless, this presumption may be rebutted. If the person wishes to challenge the validity or accuracy of the registered information, he or she must prove such claim before a court.

An owner's title to real property may be verified by checking the Ownership Certificate Extract which is a public document that may be obtained for a fee in the land registry. The Ownership Certificate Extract has three sections that contain information about the real estate, identity of the owner or co-owners, size of each co-owner's share and information about certain encumbrances such as mortgages, easements and pre – emptive rights. Some important legal issues may not be apparent from the Land Register Extract (e.g. leases, easements created under special acts, pre – emptive rights established by virtue of law, pending execution, injunction, bankruptcy or status proceedings, some mortgages arising by virtue of law).

If there are certain proceedings pending at the land registry which may affect the legal status of the real property, the land registry office must enter a caution in the relevant section of the Extract and in the land register. When such a caution is found in the Extract or in the land register, this usually means that, before extract have been issued or the land register inspected, the land registry has already received an application for a constitutive registration of a public record regarding this real property, in respect of which proceedings are still pending.

A distinction should be made between a caution and the public note, as both may be found in the Extract. Whilst the former has the meaning as described above the latter usually shows whether or not certain external events (e.g. pending execution proceedings, bankruptcy proceedings) have occurred that may affect the real property.

### ***Lease of real properties***

Under Slovak law there is a distinction between the lease of the apartments, non-residential premises and the other real property. Lease agreements may be concluded either for an indefinite period or for a fixed period. Only leases of land that last or are intended to last for at least five years have to be registered in the land register. Slovak law generally leans towards protection of the lessee, particularly in the case of residential premises where the law provides specific protection.

Rent is not generally regulated, except, in certain circumstances, with respect to residential property constructed with the assistance of public funds and non-residential property leased for activities in the public interest (e.g. property leased to schools, public institutions and the health care institutions).

In the case of leases (both of residential and non-residential premises), the law limits the right of the parties to terminate the lease by setting out certain reasons for termination, which may be difficult to extend or limit. As a general rule, fixed – term leases terminate upon expiry of the agreed term and indefinite- term leases, except for leases of flats, can be terminated by either party without specifying the reason with a three – month notice. Where the lessor terminates the lease of the flat which was concluded for an indefinite term, substitute accommodation must be provided by the lessor to the lessee. This obligation will not arise if the lessee 's behaviour has harmed the property or where severe breach of his or her duties constitutes grounds for termination.

If the leased real estate is sold the purchaser will succeed into the legal position of the seller and automatically became the lessor vis-à-vis the lessee.

### ***Encumbrances***

Any form of real property can be encumbered with the right of a third party (whether a legal entity or an individual). Slovak law recognizes the following types of encumbrance which can be registered in the land register:

- (i) mortgage (which serves as a security interest over real estate; a creditor can achieve the sale of mortgaged real property if its debt is not duly repaid as agreed),
- (ii) easement (the owner of the encumbered real property must permit something, do something or refrain from doing something),

- (iii) pre-emptive right (the owner of the encumbered real estate has an obligation, when it intends to dispose of the encumbered real property, to offer it first to the holder of the pre-emptive right.)

These rights as well as ownership rights are the rights in rem which are attached to the real property and effective against any third party.

With effect from 1 January 2003, a long-expected and comprehensive reform of the pledge law has been introduced in Slovakia. One of its main novelties was the introduction of a new system for the public registration of pledges in the Central Pledge Register, operated by the Slovak Chamber of Notaries. The general rule is that unless the law requires that a pledge over an asset must be registered with one of the existing specific registers, the pledge should be registered in the new Central Pledge Register. This means that mortgages over land, buildings, flats, residential premises and, in certain circumstances, mortgages over unfinished/partly-built real property should be registered in the existing land register.

### *Mortgages*

In the ordinary business environment a mortgage is created under a contract. However, in order to perfect a mortgage (i.e. to establish its proprietary aspects), a constitutive registration in the land register is needed. The process of this registration is substantially similar to the constitutive registration of real property transfers. Once registered, the existence of a mortgage over real property will be apparent from the Ownership Certificate Extract, which will also identify the mortgagee and the contract under which the mortgage was created as security.

Mortgages are enforceable, subject to notice of the commencement of enforcement being sent from the secured creditor to the mortgagee (and 30 days having elapsed between the date of such enforcement and delivery of that notice). In certain circumstances, the notice of enforcement should be registered with the Central Pledge Register. Further, if multiple mortgages exist in respect of the same assets, each is enforceable only if notice of enforcement is sent from the mortgagee to each of the senior ranking mortgagees (and 30 days has lapsed from the delivery of that notice to all senior ranking mortgagees). Enforcement may occur either as agreed in the contract (e.g. a private sale by a secured creditor), through a sale organised by the court (in which case the sale is usually carried out by a court appointed official or an executor) or by public auction.

### *Easements*

An easement can be created by contract, by will, by agreement of heirs, by a decision of a state authority, by law or by way of uninterrupted bona fide possession for a certain period. If an easement is created by contract, the encumbrance is perfected only after it has been registered in the land register. The process of registration is substantially similar to that for real property transfers. If an easement is created by a state authority, the easement is arguably established once the relevant decision becomes effective and it need not be registered in the land register in order to be effective. Similarly, an easement can be established by operation of law (e.g. statutory easements in favour of the owner of masts and pylons are granted under the Act on Electronic Communications). Any registration of such an easement in the land register is done by way of registration of a public record and is for information purposes only. It is advisable for prudent investors to make sure that there are no such easements binding a property, as not all easements may be evident from the Ownership Certificate Extract.

### *Pre-emptive rights*

Only pre-emptive rights which have effects in rem (i.e. attached to the real property and effective against any third party) must be registered in the land register. Such pre-emptive rights are perfected upon constitutive registration in the land register. If a pre-emptive right is not observed (i.e. the owner of the real property does not offer the real property to the beneficiary of the pre-emptive right), then the beneficiary has the right to demand that the transferee of the real property offers the real property to the beneficiary, or the pre-emptive right of the beneficiary will be preserved for future real property transfers (i.e. it will not be waived).

If a pre-emptive right has effect in rem, and was registered in the land register, the beneficiary remains entitled to this right until it is exercised, even though the real property may have been transferred several times since the creation of the right. If the pre-emptive right does not have effect in rem, then if the

beneficiary is offered the real property and does not accept the offer, the pre-emptive right will be permanently lost.

Certain statutes such as the Act on Protection of Cultural Monuments set out specific pre-emption rights for state authorities where protected real property is transferred. These pre-emption rights are effective by operation of law and are not subject to constitutive registration in the land register.

### ***Taxes***

From 1 January 2004, real property transfer tax on the transfer of real property without consideration (e.g. an inheritance or donation) was abolished in Slovakia. Real property transfer tax on all other transfers of real property was abolished from 1 January 2005. In the interim period between 1 January 2004 and 1 January 2005, the following forms of transfer of real property were subject to tax:

- (i) transfers by sale (i.e. for consideration) (e.g. purchase of land);
- (ii) transfers by exchange (e.g. the exchange of a plot of land in return for a house);
- (iii) transfers in execution of a judgment, transfers in relation to the enforcement of a pledge (e.g. the sale of secured property by way of enforcement) or transfers in relation to bankruptcy or composition proceedings;
- (iv) transfers of title for the purpose of creating security (e.g. the transfer of title to a house to a bank in order to create security transfer); and
- (v) transfers by way of an in-kind contribution to the registered capital of a business entity (e.g. a shareholder contributing a plot of land as an in-kind contribution to the registered share capital of a company).

### ***Property tax***

Anyone who owns real estate (i.e. land, structures, and residential or non-residential premises in a residential building) is obliged to pay Property Tax. Property Tax is paid annually and is administered by individual Slovak municipalities. From 1 January 2005, as part of a fiscal decentralisation reform, Slovak municipalities have the right to regulate property tax rates within their territory. In respect of land, municipalities even have the right to regulate the tax base for the Property tax. Property tax rates may be different for various types of real property and also vary within different parts of the municipality's territory.

If a municipality does not regulate its own property tax rates, the rate established by the Act on Municipal Taxes No. 582/2004 Coll. applies.

### ***Development process***

Permission to erect a structure may be applied for by the owner of the land on which the structure will be built or by another person having a special right in the land. If an applicant is not the owner of the land, a special right in the land includes:

- (i) a right to erect a structure under a lease agreement or an agreement on future purchase contract entered into between the owner of the land and the applicant or
- (ii) a right to erect a structure under an easement on the land created by the owner of the land for the benefit of the applicant.

The proposed structure must comply with the zoning plan of the relevant region. The zoning plans are prepared by the municipalities and state authorities. The first step to be taken when planning any construction is to apply for a zoning permit. The Building Office will consider whether a particular structure, with generally defined parameters, can be erected in a particular area.

Once the zoning permit has been received, design work can begin. When the designs are ready, the constructor can apply for a building permit. The designs for the building permit must comply with the zoning permit and include all relevant details of the proposed structure. If the Building Office is not satisfied with the submitted design documentation, it can request additional amendments or supplements to the design. In certain cases (especially with respect to industrial constructions), the constructor is required to comply with environmental protection rules. In certain instances, the zoning permit and the building permit can be issued in one proceeding. This applies to minor constructions and to structures in areas where there is a zoning plan. Before the building permit and the zoning permit are issued, the Building Office canvasses the opinions of a number of state authorities (fire department, health and hygiene authorities, police, preservation office etc.). If any one of these authorities objects, it may significantly complicate the process of obtaining the building permit.

After construction has finished, the constructor must apply for an occupancy certificate. Structures cannot be used without a valid occupancy certificate, otherwise the Building Office may fine the owner and user of the structure. The proceedings by which the Building Office issues the zoning permits, building permits and occupancy certificates are governed by the general rules for administrative proceedings.

#### ***Liabilities of persons holding legal rights to land and buildings***

Owners of plots of land, buildings and their parts are required to comply with state and regional or local legislation, which includes, among others, environmental, public health, fire, residential and urban-planning rules and regulations. The owner of a building will usually incur all the liabilities that may arise in connection with the real property. Owners and holders of other titles to the real property are required to use the real property in accordance with its designation, not damage the environment, assume the liability and financial costs relating to complying with various land use standards and prevent the pollution of, littering on or degradation of the plot of land.

#### ***Environmental law***

Under a general rule a polluter is liable for the damages which it has caused. It is important to focus on the fact that entrepreneurs and their corporate bodies, if their activities have impact on the environment, are required to establish preventative measures to avoid damage to the environment at their own expense. Activities affecting the environment are strictly controlled by administrative authorities. The new Act No. 359/2007 Coll. on protection and environmental damage remedies provides that the liability for environmental damage is borne by the entity which caused the damage by conducting its activities. The liability of such entity for the damage is transferred to its legal successor. Slovak valid and effective legislation does not create jointly and severally liability for the damage of the owner and the polluter. The relevant authority decides who caused the damage and extent of the damage.

**Romania*****General provisions of Romanian property law***

Romanian property law is primarily based on (i) the Romanian Constitution, (ii) the Romanian Civil Code, (iii) Law no. 18/1991 on the land use, (iv) Law no. 50/1991 on construction works authorization and certain measures for dwellings, as further amended and supplemented, (v) Law no. 10/1995 on quality in constructions, (vi) Law no. 112/1995 on the legal regime of dwellings transferred within the State property, (vii) Law no. 7/1996 on cadastral works and real estate publicity system, (viii) Law no. 1/2000 on the reinstatement of the property right over agricultural and forestry lands, claimed under Law no. 18/1991 and Law no. 169/1997, (ix) Law no. 10/2001 on the legal regime of real estate abusively taken over between March 6, 1945 and December 22, 1989, (x) Law no. 350/2001 on territorial planning and zoning, (xi) Law no. nr. 247/2005 regarding reform in the real estate and justice field and other additional measures, (xii) Law no. 312/2005 regarding the acquiring of ownership right over real estate by foreign citizens, stateless persons and foreign legal entities.

Please note that this summary contains only the essential information with respect to Romanian real property law.

***Ownership right******The ownership of real properties***

The broadest right that can be enjoyed with regard to real properties is the right of ownership (*drept de proprietate*). Ownership of property extends to the space above and below it. Ownership may be subject to encumbrances such as mortgages. The Romanian Civil Code makes a legal distinction between land and buildings. Each of the land and building may be subject to an individual ownership title.

The Romanian Constitution provides that property (including real property) may be expropriated for “public needs” for fair compensation.

***Foreigners right to acquire ownership right in land***

Under the provisions of Article 44 of the Romanian Constitution, foreign citizens and stateless persons are allowed to own land in Romania, subject to conditions resulting from the integration of Romania in the European Union and resulting from other international treaties which Romania is a party, on a reciprocity basis, under terms and conditions stipulated by internal laws.

EU member states citizens and legal entities can acquire land in Romania, under the same terms and conditions as Romanian citizens and legal entities. However, the enactment sets forth different stages for the commencement of such capacity, as follows (i) starting 5 years as of Romania joining EU, for non-residents acquiring land for residential purposes or for setting up secondary headquarters and (ii) starting 7 years as of Romania joining EU, for agricultural land, forests and forestry land (except for farmers acting as commercial entities). Romania joined EU on 1 January 2007.

The limitation stipulated by the Romanian Constitution also applies to foreign citizens residing in Romania, as the pre-requisite condition to own land in Romania consists in Romanian citizenship. Romanian citizens with double citizenship, as well as those who reacquired the Romanian citizenship do not fall under the scope of such limitation.

It should be mentioned that the limitation only concerns land. Foreign citizens may own buildings whilst on the land on which the building is located such persons enjoy only a right of use for the entire building existence (the so-called “superficies” right). Additionally, foreign citizens may hold usufruct and usage rights over land located in Romania.

Nevertheless, companies headquartered in Romania may own land also in cases where their share capital is 100% foreign.



*Transfer of the ownerships*

For validly transferring the ownership right over land, irrespective of its size and designation, urban or extra-urban location, as well as regardless whether it is designated for construction, it's mandatory to conclude the sale-purchase contract in an authentic form, which as a rule, implies its authentication by a notary public.

In case of the transfers of the ownership right over buildings, the authentic form is not required for validity purposes. However, the parties often resort to authentication for avoiding additional formalities imposed by the land registry in view of registration of the transfer deed.

In Romania, the real estate recording is performed based on a general cadastral system, which is a mandatory and unitary system of technical, economical and legal recordings in connection with real estates. When transferring the ownership rights over certain real estate, the existence of the cadastral plan of the real property, drafted by experts, is required. Based on the general cadastre, the real property publicity system is completed according to the land registry system.

*Land registries*

The authentic form of the sale-purchase contract is not sufficient to render the transfer of the ownership right over real property liable to third parties. Under these circumstances, for third parties liability purposes, the registration of the sale-purchase contract with the land registry is needed. Such registry is a recording system of all legal acts and deeds regarding real property. Registration in the land registry is performed by the cadastre and real property publicity offices, subordinated to the National Agency for Cadastre and Real Estate Publicity, for the real property located within their jurisdiction.

Until Law no. 7/1996 came into force, two real property publicity systems coexisted in Romania: on one hand, the system of the land registries in Transylvania and, on the other hand, the system of transcriptions in Moldavia and Muntenia (the old Kingdom). In case of the land registries in Transylvania, the records were kept taking into account the real estate as main criterion, whilst in the case of the transcriptions registers, the records were kept taking into consideration the owner as main criterion.

Law no. 7/1996 unified the two systems, introducing the land registry system throughout the Romanian territory. The Law no. 7/1996 does not compel the owners to register their properties in the land registry unless in case of the transfer of ownership or of creation of charges or liens in connection thereto.

*Usufruct and „superficies” rights*

Except for the ownership right, land may be also subject to related rights, among which the most frequently encountered are the usufruct and „superficies” rights, presented below.

Usufruct is the right by virtue of which the beneficiary has the right to use real property and collect its proceeds, whilst the owner of the land is left only with the right to dispose of the asset. By law, the usufruct right is limited to a period of 30 years in case of legal persons, and in case of individuals, it may not be granted for a period longer than the beneficiary's life. Being a right in real property the usufruct offers a more stable status to its holder, as compared to the lease.

The „superficies” right is two folded comprising an ownership right, which a person called “superficiary” enjoys over buildings, or other constructions located on a land belonging to another person, and a usage right that the „superficiary” enjoys over the land of that another person for the period of the building/construction existence. Foreign citizens and foreign legal persons may own construction and enjoy the „superficies” right over the land underneath the construction.

*Easements*

Easements represent minor interests in land imposed as a limitation of the ownership right over real property (servant tenement), for the benefit of another real property (dominant tenement), with the purpose of ensuring utility of the latter. A significant practical example is the right of way, representing the right of a landowner

(or the owner of a construction located on the land), which lacks access to public road, to cross the land of another landowner who has exit to public way, most often its neighbour.

### ***Real estate security interests (mortgages)***

#### *Types of Mortgages*

According to the Romanian Civil Code a mortgage is “a real right in a property affected to the performance of the obligation undertaken”.

The Romanian Civil Code regulates two categories of mortgages: legal mortgages and conventional mortgages.

While a legal mortgage arises out of a special legal provision, a conventional mortgage arises out of an agreement between parties.

A mortgage is established by the owner of the immovable asset over such asset. An exception to the rule that mortgages cover immovable assets is the case of moveable assets, such as vessels and aircrafts, over which mortgages can be placed, despite the fact that they are not generally considered immovable assets. Also, future assets cannot be mortgaged.

The mortgage contract must be concluded in authenticated form and it must set out both the mortgaged real property and the amount of the debt secured by the respective mortgage, failing which the contract is null and void.

#### *Mortgages registration formalities*

In order to ensure liability towards third parties and a preferential ranking thereof, certain real property publicity formalities must be observed, namely the mortgage has to be registered in the Real Property Registry. The registration with the Real Property Registry becomes ostensible to third parties on the date of registration of the application for registration. The order of the registration application determines the registration rank, which plays an important role between categories of different rank creditors. The first to register the mortgage contract will prevail in recovering its debt over the other creditors. In case several applications are submitted at the same time with the same Real Property Registry, the mortgage rights and privileges will take the same rank. Later on, based on a court decision, the registration rank and the deletion of the invalid registration will be decided.

The effects of a mortgage registration cease after 15 years from the date of registration with the Real Property Registry, unless registration is renewed.

### ***The lease***

The lease contract may be concluded amongst Romanian or foreign individuals and legal persons in connection with both lands and buildings. The contract may be concluded under private or authentic deed.

The lease contract transfers the right to use the real estate. It is not necessary for the lessor to be the owner of the leased real property, it is sufficient that he/she holds the asset under usufruct or lease rights.

In case the lessor is not the owner, but only a holder of a lease right over the real property, he/she will be able to conclude with the lessee either a sublease contract, or a contract for lease transfer. Sublease is generally permitted if, it is not prohibited by the main lease contract. The lease transfer is performed under terms and conditions similar to the sublease, with the only difference that, in this latter case, an actual sale of the usage right upon the real property takes place.

Romanian law does not impose limits regarding the duration of the lease. However, if the lease is concluded for a period longer than 3 (three) years, the law provides for the obligation to register the lease with the relevant land registry, for third parties liability purposes.

The lessor has the obligation to ensure to the lessee the use of the real estate for the entire duration of the lease. In the case of a building or construction lease, the lessor should perform the necessary repairs during the lease, as well as the overhaul repairs and the repairs entailed by the normal use of the real estate.

Basically, the lessee has the obligation to use the asset as a diligent owner and according to the designation of the asset, established in the contract or derived from the use circumstances. Any breach of such obligations, via unauthorized alterations or inappropriate use (especially in the case of constructions), entitles the lessor to request termination of the lease with damages for the restoration of the asset to its initial state. Should the lessor sell the leased real property, the purchaser is bound to observe the lease concluded before the sale, if the lease was concluded in an authentic form or under private deed with certified date, prior to the date of the sale-purchase contract.

### ***Legal regime for construction***

Construction work may be performed only (i) within the built-up area of the city (*intra muros*) and (ii) on non-agricultural land. The construction work cannot be started unless the relevant legal documents have been issued. The most important documents which need to be obtained are the town planning regulations, the urbanism certificate ("*certificat de urbanism*") and the construction permit ("*autorizatie de construire*").

#### *Town planning regulations*

The basic purpose of town and country planning is harmonization at the level of the entire territory of the economic, social, ecological and cultural policies, established at national and local level, in order to ensure balance in the development of different areas of the country, aiming at increasing in the cohesion and efficiency of the economic and social relations between them.

City planning documentations include the general town plan (*Planul de Urbanism General – "PUG"*) and the local regulations relating to it, respectively the regional town plan (*Planul de Urbanism Zonal – "PUZ"*) and the detailed town plan (*Planul de Urbanism Detaliat – "PUD"*).

A PUG sets forth the objectives, actions and development measures for an existing or future town for a determined period of time on the basis of a multi-criteria analysis of the existing situation. It is issued for guidance purposes and it represents an operational regulation.

A PUZ is issued for the harmonious development of cities. It has a detailed, specific nature and ensures the correlation of the complex urban development with the provisions of the general town plan for a delimited area in the territory of cities. The issuing of a PUZ is compulsory for the central areas of towns, for protected areas and protected areas for the monuments, for industrial parks, and for other areas as established by the local public authorities (usually such decision is contained in the relevant PUG).

The competent authorities for issuing PUZs are the county councils, respectively Bucharest general council.

A PUD sets forth the conditions regarding the location and execution, on a certain land, of one or several constructions with a specific destination, in compliance with the provisions of the other documentation for town planning and territory arrangement and of the particular conditions generated by the land, the vicinity thereof and the functional requirements.

Depending on the complexity of the investment objectives, the vicinity characteristics, the detailing degree of the relevant PUG or PUZ, or the lack thereof, the local public administration may initiate or request in the urbanism certificate the drawing up of a PUD. Such plan may be also prepared upon the request of an investor in order to obtain an urbanism certificate. A PUD includes the regulations resulting from the relevant PUG and architectural concepts with respect to the location and site framing of the constructions and of the related exterior arrangements.

### *Urbanism Certificate*

The legal regime of construction implies the compliance with certain administrative procedures for the execution, transformation and demolition of constructions. Within the framework of this procedure the first step is obtaining the urbanism certificate.

An urbanism certificate is a document according to which the local authorities make available for the applicant the elements regarding the legal, economic and technical regime of the lands and constructions in force as of the date of the application. The urbanism certificate also sets-forth zoning requirements that need to be met, as well as the list of approvals and permits necessary in view of authorization.

An urbanism certificate is issued in accordance with the zoning development plans and with the town-planning documentations, drawn up at national, regional and detailed level. It is mandatory to obtain a urbanism certificate for the issuing of the construction authorization. The urbanism certificate does not confer its holder the right to develop land or to build on it.

### *Construction/demolition permits*

Construction work is permitted only based on a construction or demolition permit. The construction/demolition permits issued by the local public authorities ensure compliance with the law of the activities concerning the location, design, execution, functioning and dismantling of constructions. A construction/demolition permit is mandatory for the performance of any kind of construction or demolition work, whether civil, industrial, agricultural or any other type. Construction/demolition permits are issued on the basis of the urbanism certificate and the town planning regulations, as well as on the technical project drafted by personnel specialized in construction and architectural fields. The construction/demolition permits are issued only to legal entities or individuals holding a legal title over the land (court decision, sale-purchase agreement, exchange or donation agreements, etc).

### *Acquisition of the ownership right over constructions by foreigners*

Foreign citizens and legal persons may own constructions (apartments, houses, etc.) located in Romania, by enjoying at the same time a usage right over the related land, for the entire duration of the construction's existence. As of the date of Romania integration in European Union and subject to conditions resulting from treaties to which Romania is a part to, on a reciprocity basis, the foreign citizens and legal entities shall also enjoy an ownership right over land related thereto.

### *Construction legal framework*

Currently, constructions may be validly transferred based on contracts, which require no special formal conditions. However, as mentioned above, for the transfer of lands, the conclusion of an authentic contract is required. Nonetheless, in practice, taking into account that the transfer of a construction under private deed provides the purchaser with an ownership right over the construction and only with a „superficies” right over the land, authentic deeds are often concluded for the transfer of constructions as well. Moreover, the authentic form is mandatory for the registration of the construction transfer with the land registry.

Real properties registration taxes are set out by taking into consideration the legal document based on which the construction was transferred. The construction owner is also subject to an annual building tax.

### ***Tax***

Concluding a sale-purchase contract of a land involves payment of several taxes, such as notary taxes, registration taxes, local taxes, etc. The notary stamp tax for the authentication of legal acts for the real property transfer depends on the value of the real property declared by the parties. In order to avoid the situations in which the parties try to pay lower taxes, by declaring a price smaller than the real one, legally simulated price sales are deemed as null and void.

The landowner is liable for annual payment of the land tax towards the local budget.

***Environmental Law***

The responsibility for environmental pollution is based on the principle “the polluter must pay” (Emergency Governmental Ordinance No. 195/2005 on Environmental Protection, as amended). Recently, the Governmental Emergency Ordinance 68/2007 on environmental liability, with reference to the prevention and remedy of environmental damage (GEO 68/2007), which transposes the EU Directive 2004/35/EC, sets out the general framework on environmental liability based on the above principle. This enactment regulates the preventive and remedy measures that must be taken in case of damage or imminent threat with damage towards the environment caused by certain professional activities. The liability for pollution damage is objective in nature, and is therefore irrespective of the existence or non-existence of the polluter's guilt. In cases of a plurality of polluters, they share joint responsibility. Only in exceptional circumstances can the liability be subjective in nature for pollution damages caused against protected species and natural areas.

## BUSINESS OVERVIEW

### Overview

Atlas was incorporated on 3 February 2006 as a closed-ended real estate investment company under Guernsey Law. The Company was established for the purpose of investing in real estate opportunities in the countries of Central and Eastern Europe with the exception of the states of the former USSR. Currently, the Company operates in five countries – in Hungary, Poland, Rumania, Slovakia and Bulgaria. Atlas is the ultimate parent company of the Group comprising the Company's subsidiaries and associated companies set forth in the Section of this Prospectus entitled "*The Company*". The Group Companies are holding companies, special purpose companies (engaged in specific development projects or set up for holding the ownership title with respect to real properties), or companies dealing with management, market research or investigation of potential projects. The Group's operations concentrate on areas which constitute a subset of a larger real estate market:

- (i) the ownership and management of real estate income-generating assets and the operation of hotels;
- (ii) the ownership and development of real estate projects.

The Portfolio is managed by Atlas Management Company ("AMC"), which comprising a team of professionals with a proven track record of successful property investment, acquisition and development. The subsidiaries of AMC in Poland, Romania, Hungary, Slovakia and Bulgaria provide project management services with respect to the Group's assets located in these countries.

As at the end of 2006 the total value of the assets pro rated to the Company's respective shares in the real properties comprising the portfolio of Atlas was EUR 311 million, more than half of which (i.e. EUR 189 million) was represented by Poland-based assets. As at 31 December 2006, as well as Poland, Atlas was present on the Hungarian, Slovakian and Romanian markets. The value of the projects in these three countries, pro rated to take due account of the Company's share in these projects, was estimated at approximately EUR 122 million. As at the Prospectus Date the total value of the asset portfolio amounted to EUR 489 million, and similarly to the previous reporting period more than half of such (EUR 314 million) was represented by Polish properties. The combined estimated pro-rated value of the properties located in Hungary, Romania, Slovakia and Bulgaria was estimated as EUR 174 million. More detailed information about the projects is presented in following tables.

Taking into account the Valuation Report prepared by Cushman & Wakefield as at 30 June 2007 and the percentage share of the Group in the share capital of companies which directly own the particular Portfolio assets, the share of the particular categories of real estate in the gross value of the assets comprising the Company's Portfolio is:

Asset Type (Gross Assets) as at the Prospectus Date*	EUR '000	%
Income-generating (excluding hotels)	163,465	34
Hotels	124,120	25
Development projects	201,875	41
<b>Total</b>	<b>489,460</b>	<b>100</b>

\* Valuation as of 30th June 2007 including changes that took place until the Prospectus Date.

**Income-Generating Assets**

The Group holds shares in the following income-generating commercial real properties:

Property	Location	Description	Atlas' indirect ownership
<b>Poland</b>			
Millennium Plaza	Warsaw	Office building with 32,723 m <sup>2</sup> of net leasable office and retail space, approximately 99% of the office space and approximately 88% of the retail space is occupied.	100%
Sadowa Business Park	Gdańsk	Office building with 6,550 m <sup>2</sup> of net leasable office space, approximately 99% occupied.	100%
<b>Hungary</b>			
Ikarus Industrial Park	Budapest	Office, manufacturing and warehouse buildings with 109,500 m <sup>2</sup> of net leasable space, approximately 74% occupied.	100%
Metropol Office Building	Budapest	Office building with 7,605 m <sup>2</sup> of net leasable office space, approximately 100% occupied.	100%
Ligetváros Centre	Budapest	Office building with 6,282 m <sup>2</sup> of net leasable office and retail space, approximately 99% occupied with rights to build an additional 3,800 m <sup>2</sup> of mixed-use space.	100%
Moszkva Office Building	Budapest	Office building with 998 m <sup>2</sup> of net leasable office space, approximately 100% occupied.	100%
<b>Bulgaria</b>			
Atlas House Office Building	Sofia	Office building with 3,472 m <sup>2</sup> of leasable space, approximately 95% occupied.	100%

The Group holds shares in the following real properties operated as hotels:

Property	Location	Description	Atlas' indirect ownership
<b>Poland</b>			
Warsaw Hilton Hotel	Warsaw	The first Hilton Hotel in Poland with 313 rooms and a 3,700 m <sup>2</sup> conference centre, Holmes Place fitness club and a casino.	100%
<b>Romania</b>			
Golden Tulip Hotel	Bucharest	A centrally-located, modern hotel with 82 rooms.	100%

**Development Properties**

In addition to the income-generating projects and the real properties operated as hotels, the Group holds shares in the following properties for development:

Property	Location	Description	Atlas' indirect ownership
<b>Poland</b>			
Platinum Towers: towers I and II	Warsaw	A real property with a total plot area of 5,117 m <sup>2</sup> for the development of 26,204 m <sup>2</sup> of net saleable residential area divided into a total of 387 apartments, located in two towers (each of 22 floors). The Company has obtained a building permit for both towers. Preliminary sale agreements have been concluded for 188 of the 198 apartments in Tower I, and for 130 of the 189 apartments in Tower II.	100%
Platinum Towers: tower III	Warsaw	A real property with a total plot area of 4,454 m <sup>2</sup> for the development of 22,500 of net leaseable office space (on 32 floors). As an alternative to the office development the Group holds a zoning decision for the construction of 17,500 m <sup>2</sup> of usable residential and commercial space.	100%
Capital Art Apartments Project	Warsaw	A real property with a total plot area of 17,566 m <sup>2</sup> for the development of 46,213 m <sup>2</sup> of net saleable residential area and in excess of 800 apartments in five phases. Building permits have been obtained for phases I, II and III. Preliminary sale agreements have been signed for 213 of the 220 apartments in phase I and for 23 of 177 apartments in phase II.	100% <sup>(1)</sup>
Zielono (formerly Nowy Żoliborz)	Warsaw	A real property with a total plot area of 12,454 m <sup>2</sup> , zoning decisions for in the region of 265 apartments and an additional commercial area have been obtained.	76%
Cybernetyki Project	Warsaw	A real property with a total plot area of 3,098 m <sup>2</sup> for the development of 10,720 m <sup>2</sup> of usable residential and retail space. The Group has planning permission allowing it to construct 11,000 m <sup>2</sup> of residential and commercial space.	50%
Kokoszki Project	Gdansk	A real property with a total plot area of 429,918 m <sup>2</sup> for a mixed development with 130,000 m <sup>2</sup> of usable residential and retail space.	50%
<b>Hungary</b>			
Atrium Homes	Budapest	A real property with a total plot area of 8,165 m <sup>2</sup> for the development of 22,213 m <sup>2</sup> of net saleable residential area and 456 apartments and 5,801 m <sup>2</sup> of retail space. Building permits for phase I (235 apartments and 1,500 m <sup>2</sup> of retail space) have been obtained. Marketing of the development started in the second quarter of 2007.	100%
Városliget Centre	Budapest	A real property with a total plot area of 12,140 m <sup>2</sup> in central Budapest intended for mixed-purpose developments with a total usable area of 33,000 m <sup>2</sup> .	100%
Volán Project	Budapest	A real property with a total plot area of 20,637 m <sup>2</sup> for the development of 67,000 m <sup>2</sup> of net mixed-use space.	50%
<b>Slovakia</b>			
Vajnory Project	Bratislava	A real property with a total plot area of 878,877 m <sup>2</sup> for mixed-use development.	50%
Bašta Project	Košice	A real property in the centre of Košice (the second largest city in Slovakia) with a total plot area of 10,088 m <sup>2</sup> for mixed-use development.	50%
<b>Romania</b>			
Voluntari Land	Bucharest	A real property with a total plot area of 99,116 m <sup>2</sup> for mixed development.	100% <sup>(2)</sup>
Solaris Land	Bucharest	A real property with a total plot area of 31,977 m <sup>2</sup> for mixed development.	100% <sup>(2)</sup>

<sup>(1)</sup> As at the Prospectus Date 80% of the total shares in the capital of Capital Art Apartments had been transferred as security for Roggia Limited, the entity named by Investkredit Bank AG (previously Österreichische Volksbanken AG) as security for the credit facility granted to Capital Art Apartments.

<sup>(2)</sup> Due to certain Romanian statutory obligations 1% of shares are kept by persons related to the Group. For further details please see the Section "Market and Legal Environment".



## Group History

Atlas was incorporated with limited liability in Guernsey on 3 February 2006 as a closed-ended real estate investment company under Guernsey Law.

The Company was created from the merger of the property assets in the Central and Eastern European region of three entities: the Izaki Group, Elran and RP Capital Group. The assets were merged through a take over of the special purpose vehicles owned by the above entities and transfer of those special purpose vehicles under the common control of the Company. Those transactions (i.e. transfer of assets of the special purpose vehicles owned by the Izaki, Elran and RP Capital Groups) have been settled using the purchase method in accordance with the International Financial Reporting Standard 3 – “*Business Combinations*”. The Founding Shareholders established Atlas Management Company to manage the Portfolio and to identify new real estate investment opportunities, subject to the overall supervision of the Board.

The Shares were admitted to trading on the AIM on 1 March 2006. As a result of the AIM Offering, the Company raised EUR 164.4 million (net of costs) for further investments in new projects in the Central and Eastern European region. Immediately after being admitted to trading on the AIM, the Company acquired the Initial Portfolio from RP Capital Group entities, Elran, and Izaki Group consisting of the following interests in real estate assets: 33.33% in Warsaw Hilton; 33.33% in Platinum Towers, Warsaw; 100% in Capital Art Apartments, Warsaw; 76% in Zielono Project, Warsaw; 100% in Ikarus Industrial Park, Budapest; 100% of Metropol Office Building, Budapest; 100% in Atrium Homes, Budapest; 78.25% in Vajnory Project, Bratislava (the existing interest in Vajnory Project is equal to 50%).

In May 2006 the Group completed the acquisition of 67% of the shares in Trilby, which indirectly held a 100% stake of Warsaw Hilton and Platinum Towers: tower III. Furthermore, in May 2006 the Group acquired the remaining interest in DPM and Platinum Towers (which owns part of the Platinum Towers Project: tower I and II).

Additionally, by the end of 2006, the Group had acquired the following projects: Városliget Project, Ligetváros Centre, and the Moszkva Office Building in Budapest; and the Bašta Project in Košice (the second largest city in Slovakia). The acquisition of the Bašta Project is in line with the Company's strategy to commence investment in major secondary cities.

Also in 2006 the Company entered the Romanian real estate market and acquired the Solaris Project and the Voluntari Land in Bucharest.

During the first half of 2007 the Group acquired new real estate assets, including the Millennium Plaza office building in Warsaw, the Volan Project in Budapest, the Golden Tulip Hotel in Bucharest and the Sadowa Business Park in Gdańsk. In addition the Group entered into a 50/50 joint venture with EdR Real Estate (Eastern Europe) S.C.A SICAR for the development of the Cybernetyki Project in Warsaw and bought out its investment partner's share in the Voluntari Land in Romania.

As at 30 June 2007 approximately 88% (EUR 145 million) of the AIM Admission proceeds, had been invested.

On 29 August 2007 the Group, acting through AEIBV, entered into a joint venture agreement with CF Plus Sp. z o.o. This agreement resulted in co-operation with Atlas Estates CF Plus 1 which is to carry out the Kokoszki Project in Gdańsk. Atlas Estates CF Plus 1 entered into a preliminary real property purchase agreement in order to carry out the Kokoszki Project. On 30 November 2007 the conditions provided for in the agreement were fulfilled and as a result the real property was purchased.

On 24 September 2007 AEIBV, together with Darenisto Limited, sold a 28.25% stake in Vajnory Project to its joint venture partner Kendalside Limited. As a consequence AEIBV owns directly and indirectly a 50% stake in Vajnory Project.

On 15 October 2007 AEIBV acquired (indirectly, through Atlas Estates Limited EOOD) a 100% equity stake in Immobul EOOD, which is the sole owner of an office building with an area of 3,472 m<sup>2</sup> in Sofia.

On 11 January 2008 AEIBV concluded a preliminary share purchase agreement regarding the sale by AEIBV of 100% of the shares in Atlas Estates (Millennium), the owner of the Millennium Plaza Office Building, to Portfolio Real Estate Sp. z o.o. for a preliminary purchase price equal to EUR 14,466,108. Additionally, Portfolio Real Estate Sp. z o.o. has committed to repay the loan facilities set forth in the agreement. The transfer of the shares in Atlas Estates (Millennium) is conditional upon the satisfaction of the conditions precedent provided for in the agreement, no later than on 31 October 2008.

## **Strategy**

### ***Focus on residential development projects***

Taking into consideration current market trends and the demand for apartments and houses in the region, the Atlas Estates Group intends to concentrate on residential development projects. While implementing this strategy the Group will concentrate mostly on apartments intended for middle-class buyers. As the Directors believe that undersupply exists both in capital cities and other cities, the Group intends to strengthen its position in non-capital cities, where development lands can be sourced in a less competitive environment. Residential projects will be evaluated on a case-by-case basis, taking into account the risk level and the profitability of the projects.

While concentrating on residential developments as its primary focus, the Group will also undertake retail, commercial and office development projects where such projects offer an appropriate rate of return. Where the Group undertakes a development of income-producing property, it will be inclined to keep such property within its portfolio, so as to enjoy the rental income stream resulting therefrom.

Development of residential and non-residential space will be evaluated taking into account local demand and profit margins in each of the countries and cities in which the Group operates. Margins tend to vary between different countries and cities based on economic cycles and the relative maturity of the given market. The Group constantly monitors and evaluates the different markets and opportunities.

### ***Continuity of development activity***

In order to maintain stable levels of apartment sales and thus, to the extent possible, stable levels of cash flow, the Group intends to have at all times developments in the various stages (zoning and planning, design, construction, sales, and delivery). Consequently, and given the constant rise in prices of land in the CEE region, the Group intends to develop a land bank which will permit the realisation of development projects for the next few years of the Group's operations.

### ***Acquisition of income producing assets***

As the Directors believe, that commercial development in the CEE region creates growing demand for high-quality office space which is affordable for local businesses.

In order to ensure a steady stream of rental income, the Group intends to continue to acquire office buildings and retail space. The Group does not intend to necessarily invest in prime A-class office space in the most prestigious locations, such investments suffer from low yields driven by strong competition. The Group's strategy is to achieve superior returns by investing in market segments which have less competition and by executing transactions which require more complicated structuring, which the Group is able to accommodate.

The Group also plans to purchase buildings which may be used as hotels. In accordance with its practice thus far as regards these types of assets, the Group intends to retain experienced third-party entities to manage such properties. When purchasing the hotel assets, the Group will take into consideration the attractiveness of the given location, as well as the local demand for hotel beds.

The Group may also consider purchasing real estate intended for other purposes (such as logistic centers), if it deems such investment attractive in light of the available market information.

### ***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.); 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.

On the Prospectus Date, 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, such as Bulgaria. 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.

### **Investment Objectives and Policy**

#### *To provide attractive returns to Shareholders*

The Directors believe the Company has the ability to generate a high overall rate of return (based on the EUR equivalent of the price of the Admission Shares) on an annualised basis. Although the Company intends to be opportunistic in identifying investments opportunities, the Company will have regard to financial and commercial criteria covering factors such as minimum yields and margins, property location and the availability of appropriate debt finance which opportunities should generally meet. For further details please see the section “*Business Overview – Pipeline*”.

#### *To create a sustainable cash flow stream to underpin Shareholder dividends*

The Company anticipates generating cash flows through the following:

- (i) rental income: the Directors anticipate that the Company will receive a stable and recurring cash flow from rental income. The Directors expect rental income from income-generating investments to increase over time through a combination of market forces and the active management of the Portfolio; or
- (ii) sales of residential development units: the Company intends to generate cash through the sale of apartments in its residential development projects. These projects will not produce a steady cash flow because the value of the received proceeds depends largely on the stage of the development projects under construction; or
- (iii) sales of investments: it is possible that the Company will sell certain of its investments. In the event that the proceeds are available for reinvestment and/or distribution to Shareholders. All the real estate held by the Group are owned by the special purpose vehicles established in specific jurisdictions in which the pieces of real estate are located. The special purpose vehicles are owned, directly or indirectly by AEIBV, a Dutch holding company. It is the Group’s intention to sell, whenever possible, shares in the special purpose vehicles and not the real estate. That is based on the Dutch tax law which provides that, in principle, sale of special purpose vehicles owned by a Group is not subject to capital gains tax. It may happen, however, that the Group will be forced to sell a specific real estate and not shares in a special purpose vehicle. Consequently, such sale will be subject to tax laws in the country in which such real estate is located.

#### *To grow Adjusted NAV*

The Directors anticipate achieving net capital growth on the Portfolio through a number of different means:

- (i) land development: initial investments in land are likely to increase in value through the different stages of a development project;

- (ii) refurbishment and redevelopment of rental properties: rental properties may be improved or redeveloped which the Directors would expect to have a corresponding positive effect on the value of the asset;
- (iii) active management of rental assets: this includes re-tenanting, cost reduction, refurbishment or rental increases in order to increase rental income which should enhance the value of the asset;
- (iv) rising property values: if property values rise as a result of external market forces unaffected by the Company's activities, the Directors would expect the Portfolio to increase in value accordingly and/or;
- (v) purchase of undervalued projects, if project is acquired below its market value, the Directors expect the Portfolio to increase in value accordingly up to the fair value in short or mid-term following immediately the acquisition of the real estate.

*To employ appropriate amounts of leverage to enhance returns*

The Company intends to employ leverage through debt financing to enhance returns on equity although the extent of such leverage will vary on a property by property basis. Wherever possible, the Directors intend to seek financing on non-recourse asset by asset basis although the borrowing policy will be adapted to suit the prevailing market conditions at the time.

Development projects typically comprise a pre-construction stage which includes the purchase of land, followed by a number of stages of construction, depending on the size of the project. Generally, the cost of the land in relation to the Company's development projects will initially be borne by the Company, after which the planning and design work for the project will commence. Following this, the financing terms are drawn up specifying the leverage ratio, typically 65–80% of the total project costs (including land). The project loans are drawn down as the project progresses.

Security is typically granted to the development project lender which may comprise, among other things, an assignment or pledge of the shares in the relevant property owning company, a mortgage or other fixed charge over the property itself and/or an arrangement whereby income from the project is paid into blocked accounts for the benefit of the lender. In addition, the borrower, which is usually a special purpose vehicle, and its shareholders may be required to undertake to pay any cost overruns in relation to the project and to provide guarantees and indemnities in favour of the lenders in relation to these cost overruns.

The Company will also seek to enhance the returns from its interests in income-generating properties through employing appropriate leverage. As is the case for development projects, the Company, or the member of the Group which is the borrower under the relevant facility, will typically provide security in relation to the borrowing in the form of a mortgage over the property, a pledge over the shares of the borrower or other similar arrangement.

The Company's current intention is to seek to achieve a leverage ratio of up to 75% of the total value of its interest in income-generating properties within the Portfolio.

*Joint Ventures*

Whenever the Board of the Company believes it is beneficial for the shareholders of the Company, the Group companies enter into joint ventures with local and international partners. Every decision to enter into a joint venture is preceded by a thorough analysis of positives and negatives of such a move and is, as such, dependant on assessment of each individual market's potential in comparison to the Group's internal capabilities to exploit the given market to the greatest possible extent.

At present the Company is bound by three joint ventures agreements – one exclusive with Eastfield a.s. in relation to all the development projects in Slovakia and non-exclusive with EdR Real Estate in respect to the Cybernetyki Project as well as with CF Plus Sp. z o. o. in respect to the Kokoszki Project.

For further details please see Section "*Related Party Transactions*".

*Foreign Exchange Policy*

The Company prepared and will continue to prepare its financial statements in Euros. Whilst the Directors anticipate that investments will predominantly be made in Euros, certain income and expenditure is expected to be denominated in currencies other than the Euro. The Group is, therefore, likely to be exposed to variations in currency exchange rates which might affect the Company's reported results of operations, its ability to achieve its target dividend yield and its overall return on investments. The Directors intend to operate prudent policies with respect to currency hedging. Where feasible and as appropriate, the Company will seek to finance assets using local currency denominated financing. In addition, the Company may enter into derivative instruments for the purposes of hedging its exposure to interest rate risk. The Company does not intend to enter into derivative instruments for speculative purposes.

**Competitive strengths*****Local infrastructure and expertise at identifying, acquiring and managing property investments in the region***

The Company, through AMC's network, has offices with management teams in Poland, Hungary, Romania, Slovakia and Bulgaria, which constitute an infrastructure that is able to identify and assess the opportunities which appear in the markets where the Group operates. The Directors believe that the local presence of AMC is a crucial advantage which enables the continuous growth of the Group and its Portfolio. Furthermore, AMC's simultaneous exposure to several markets in the region allows it to better monitor and evaluate the markets where the Group operates. This provides the Group with an overall view which enables a more critical valuation of the various markets and enables the Group to choose where to concentrate its investment efforts.

The AMC management team consists of individuals with significant knowledge of and experience in all aspects of their respective local property market. AMC's infrastructure allows AMC not only to evaluate investment opportunities in an efficient manner but also to effectively execute real estate transactions and actively manage the Group's assets more successfully than new entrants to these markets. The local presence and monitoring of AMC is particularly important in light of the Group's development properties and the investment process for such properties. AMC handles, on a local basis, issues connected to zoning processes, construction work, and the marketing and sale of the apartments in each given project. This approach to the development of the projects, which is performed by individuals experienced in the real estate development sector, ensures the correct execution of the Group's objectives.

**Attractive and diversified portfolio**

The Group owns an attractive and diversified Portfolio which the Directors believe will underpin the quality of future dividend distributions and growth opportunities. Furthermore, the Portfolio should enhance the Group's ability to attract further investment opportunities in Central and Eastern Europe. The diversification of the Portfolio into different geographical markets within the CEE region and both income-generating and development projects provides the Group with a competitive advantage over certain of its competitors which focus on selected geographical markets or market segments. Through this diversification the Group eliminates risks connected with operating on only one market, which may be subject to periodic fall. The Directors believe that through the Group playing such an active role on the CEE real estate market, the Company will be perceived as an important partner and a major regional developer, thus broadening its investment opportunities.

***Experienced management team of AMC***

AMC's management team has considerable experience in investing, acquiring, developing and selling real estate assets. Since the incorporation of the Company, AMC has proven its ability to successfully manage the Portfolio and to identify new investment opportunities. It has successfully invested the majority of the proceeds of the AIM Offering, increased income from and occupancy in the Group's income producing assets, obtained zoning approvals and building permits and furthered the sales and development of the Group's development projects. The broad real estate experience of AMC's management team is invaluable as the Company seeks to extend its presence in its existing markets while establishing a presence, and executing its strategy, in new markets in Central and Eastern Europe.

AMC's Investment Committee, which is responsible for reviewing and approving all potential investment and divestment opportunities, is comprised of individuals with significant professional investment experience. These individuals have extensive regional and industry experience, both in property development and income-generating property investments, which provides a competitive advantage for the Company as they are able to utilise such experience to evaluate opportunities across the CEE countries and through market cycles.

### ***Established relationships with local industry participants***

The board and the senior management of AMC, as well as certain Directors of the Company, have established relationships with individuals and institutions, including financial institutions, which are active in the real estate markets in which the Group operates. Such relationships provide the Group with access to potential acquisitions, facilitate the execution of transactions and help with property development and management. Furthermore, the local presence of AMC and the experience of the AMC management team have proved to be significant factors in establishing attractive local pipelines of new investment opportunities. Furthermore, the Group has proved its ability to win partners and to realize its investments in a form of joint venture cooperation.

### **Attractive pipeline of real estate projects**

The gross value of real estate investment opportunities in various segments of the real estate market is currently estimated by the Directors to be around EUR 500 million, out of which the estimated value of the (completed) transactions will be 10 to 20% of such gross value.

### **The Portfolio**

#### ***Income generating assets***

The Group owns eight properties which are income-generating, i.e. hotels, office and commercial buildings.

The following is a brief summary of such properties:

OFFICES/COMMERCIAL	Property valuation <sup>(1)</sup>	Group's share in ownership	Plot area (m <sup>2</sup> )	Gross building area (m <sup>2</sup> ) <sup>*</sup>	Net leasable area (m <sup>2</sup> ) <sup>*</sup>
Millennium Plaza (PL)	92.7	100%	2,268	57,252	32,723
Sadowa Business Park (PL)	11.3	100%	5,183	7,471	6,550
Ikarus Industrial Park (HU)	29.8	100%	283,227	128,115	109,500
Metropol Office Building (HU)	10.2	100%	2,803	7,830	7,605
Ligetváros Centre (HU)	9.0	100%	10,881	6,578	6,282
Moszkva Office Building (HU)	3.1	100%	710	1,330	998
Atlas House Office Building (B)	7.5	100%	710	4,224	3,472

<sup>\*</sup>Includes above ground and underground areas

HOTELS	Property valuation (EUR/m <sup>2</sup> )	Group's share in ownership	Plot area (m <sup>2</sup> )	Gross building area (m <sup>2</sup> )	Net leasable area (m <sup>2</sup> )
Warsaw Hilton (PL)	109.5	100%	8,490	47,300	40,624
Golden Tulip (RO)	14.6	99.9%	470	3,800	3,230

**MILLENNIUM PLAZA WARSAW**

Millennium Plaza is a high-rise tower with office and retail space with gross area of 57,252 m<sup>2</sup>. It is centrally located in a prime position on one of Warsaw's major transport intersections. It has been in operation since November 1999. The asset consists of a net leaseable area of 32,723 m<sup>2</sup> located on 28 floors, providing 6,084 m<sup>2</sup> of retail and 26,639 m<sup>2</sup> of office space, 62 car parking spaces under the building and additional 187 parking spaces (also underground). The Group took over the debts resulting from the lease of parking spaces. An additional above-ground car park located in ul. Grójecka is leased by Atlas Estates (Millennium) from Zarząd Dróg Miejskich; the first, with an area of 4,100 m<sup>2</sup> has been leased until 31 December 2009 and the other one with an area of approximately 1,580 m<sup>2</sup>, until 7 February 2009.

The CW Valuation Report states that the estimated market value of this site as at 30 June 2007 was EUR 92,670,000.

The office space is approximately 99% let to a number of significant tenants that include Millennium Bank S.A., ABG Spin S.A. (an IT company listed on the Warsaw Stock Exchange), Agencja Reklamowo-Wydawnicza Wprost Sp. z o.o., EOS KSI Polska Sp. z o.o., and Dom Maklerski TMS Brokers. Due to the fact that the lease agreement with Millennium Bank S.A. will expire at the end of February 2008, the Company will be seeking to conclude a new lease agreement. The retail space is approximately 88% let. The lease terms range from two to five years, with various options to extend.

Key information on Millennium Plaza's major tenants is set forth below:

Tenant	Leased area (m <sup>2</sup> )	Agreement valid until
Bank Millennium S.A.	11,295	27 February 2008*
ABG Spin S.A.	7,927	31 August 2011
Agencja Reklamowo-Wydawnicza Wprost Sp. z o.o.	1,407	31 July 2009
EOS KSI POLSKA Sp. z o.o.	944	31 March 2010
Dom Maklerski TMS Brokers	601	31 December 2010

\*The lease agreement with Bank Millennium S.A. will not be extended

Expiry date of lease	Number of agreements concluded	Area (net) covered by agreements (m <sup>2</sup> )
end of 2010	51	21,908
end of 2010	16	10,159
end of 2012	1	158
after 2015	-	-
unlimited	15	290

Rent received in the first half of 2007 (gross, without service fees)	Rent received in June 2007 (gross, without service fees)	NOI for the first half of 2007
EUR 1,322,275	EUR 480,648	EUR 1,510,772

*Legal status*

The Company holds indirectly, through its subsidiary AEIBV, 100% of the shares in Atlas Estates (Millennium). Atlas Estates (Millennium) is a perpetual usufructuary of the real property with a total area of 2,268 m<sup>2</sup> located at Al. Jerozolimskie 121/123 in Warsaw, and the building situated thereon. The real property is encumbered with:

- (i) a joint contractual mortgage for the amount of EUR 64,800,000 in favour of Erste Bank der Österreichischen Sparkassen AG with its seat in Vienna – as security for the repayment of the credit facility drawn to purchase the Millennium Plaza building;

- (ii) a joint ceiling contractual mortgage up to the amount of EUR 20,000,000 in favour of Erste Bank der Österreichischen Sparkassen AG with its seat in Vienna – as security for the repayment of the interests etc. arising from the credit facility drawn to purchase the Millennium Plaza building;
- (iii) a mortgage of EUR 6,480,000 in favour of Erste Bank der Österreichischen Sparkassen AG with its seat in Vienna – as security for the repayment of the facility for refinancing the VAT obligations connected with the purchase of the Millennium Plaza building;
- (iv) a joint ceiling mortgage up to 2,000,000 EUR in favour of Erste Bank der Österreichischen Sparkassen AG with its seat in Vienna – as security for the repayment of the interest arising from the credit facility drawn to refinance the VAT obligations connected with the purchase of the Millennium Plaza building;

The mortgages referred to in items (iii) and (iv) secure receivables which have already been repaid. Applications to have these mortgages deleted from the land and mortgage register have not been filed to date.

The credit facility agreements are described in “*Credit and loan facilities, guarantees and sureties*” section of this Prospectus.

#### SADOWA BUSINESS PARK, GDAŃSK

The Sadowa Business Park is a six floor building, which was fully refurbished in 2002. The property has a good location in the centre of Gdańsk, near the old town. With a gross area of 7,471 m<sup>2</sup>, the business park provides B class office space of a net leasable area of 6,550 m<sup>2</sup>.

The CW Valuation Report states that the estimated value of this site as at 30 June 2007 is EUR 11,270,000.

The property is approximately 99% let, with GE Security Sp. z o.o. and KTI Poland S.A. as major tenants. Typically the length of the lease term is 36 to 60 months.

Key information on Sadowa Business Park’s major tenants is set forth below:

Tenant	Leased area (m <sup>2</sup> )	Agreement valid until
GE Security Sp. z o.o.	1,864	30 September 2011
KTI Poland S.A.	1,274	25 April 2010
LPP S.A.	387	8 January 2010
LSMW Sp. z o.o.	511	1 October 2008

Expiry date of lease	Number of agreements concluded	Area (net) covered by concluded agreements (m <sup>2</sup> )
end of 2010	10	3,604
end of 2010	7	2,171
end of 2012	-	-
end of 2015	1	30*
unlimited	7	512

\*Advertisement space on roof of the building

Rent received in the first half of 2007 (gross, without service fees)	Rent received in June 2007 (gross, without service fees)	NOI for in the first half of 2007
EUR 1,331,725	EUR 305,018	EUR 1,659,197

\* The data presented in the table above is not considered revenue recognised by the Group because Sadowa Business Park was purchased at the end of June 2007.



*Legal status*

The Company holds indirectly, through AEIBV, 100% of the shares in Atlas Estates (Sadowa), which is the perpetual usufructuary until 5 December 2070 (in respect of one plot; the developed plot) and until 5 December 2030 (in respect of the second plot) of the real property located in Gdańsk, at ul. Sadowa 8, with a total area of 5,183 m<sup>2</sup>, and is the sole owner of the building situated thereon.

The real property is encumbered with:

- (i) a joint ceiling mortgage up to EUR 45,000,000 in favour of Śląski Bank Hipoteczny S.A. with its registered seat in Warsaw, as security for a credit facility whose underlying agreement is described in this Section under “*Credit and loan facilities, guarantees and sureties*”.
- (ii) a joint ceiling mortgage up to EUR 9,000,000 in favour of ING Bank Śląski S.A. with its registered seat in Warsaw, as security for a credit facility whose underlying agreement is described in this Section under “*Credit and loan facilities, guarantees and sureties*”.

The land and mortgage register for the property also contains an entry for a ceiling mortgage of up to PLN 42,000,000 in favour of BRE BANK Hipoteczny S.A. and a ceiling mortgage of up to EUR 9,912,000 in favour of Investkredit AG. The two mortgages were established to secure receivables which have since been repaid and applications to have these mortgages deleted have already been filed with the relevant registry court.

**IKARUS INDUSTRIAL PARK, BUDAPEST**

Ikarus Industrial Park is located in the eastern part of Budapest adjacent to a large residential area and has a total area of 283,227 m<sup>2</sup>. This site was included in the Initial Portfolio contributed by the Founder Shareholders. Since the 1940s it has been used as a bus factory. There are currently approximately 110 buildings in the site which house stores, workshops and offices. The long-term aim is to redevelop the park as residential space as it is located in the middle of an established residential area. Talks are underway with the municipality to obtain re-zoning which will enable the redevelopment and which is expected to be completed by 2012.

In March 2006 Atlas took over the operation of the premises. It currently provides 109,500 m<sup>2</sup> of net office, logistics and warehouse space to a mixture of international and local clients. Atlas has recently secured grant funding from the Hungarian Government to redevelop a 7,000 m<sup>2</sup> net leasable area to provide modern warehouse space with integral office space. The grant will fund 40% of the estimated construction cost of EUR 1.3 million, providing space which is expected to add in excess of EUR 300,000 per annum to the net operating income.

The CW Valuation Report states that the estimated market value of this site as at 30 June 2007 is EUR 29,800,000.

The occupancy of the park has increased from approximately 62% in March 2006 to approximately 74% as at 30 June 2007. Major tenants include: the Hungarian Government, which uses part of the site to store surplus grain; IKARUS Egyedi Autóbuszgyár Kft; Heavy Press Automotive; IKARUS Szerzámgyártó Rt; and Ganz-Skoda (GS) Zrt who operate their bus division in Hungary from the park.

Key information on Ikarus Industrial Park's major tenants is set forth below:

Tenant	Leased area (m <sup>2</sup> )	Agreement valid until
MVH (Hungarian Agriculture Department)	18,903	30 April 2008
IKARUS Egyedi Autóbuszgyár Kft	6,732	1 December 2007 in respect of 3,732 m <sup>2</sup> /indefinite in respect of the remaining area
Heavy Press Automotive Kft.	6,462	30 September 2011
IKARUS Szerszámgyártó Rt.	6,418	30 May 2015
Ganz - Skoda Közlekedési Zrt.	5,962	31 October 2010

Expiry date of lease	Number of agreements concluded	Area (net) covered by concluded agreements (m <sup>2</sup> )
end of 2010	95	67,769
end of 2010	2	7,832
end of 2012	3	6,503
after 2015	-	-
unlimited	-	-

Rent received in the first half of 2007 (gross, without service fees)	Rent received in June 2007 (gross, without service fees)	NOI for the first half of 2007
EUR 1,057,298	EUR 173,000	EUR 1,394,525

#### Legal status

The Company holds indirectly, through its subsidiary AEIBV, 100% of the shares in Felikon Kft, which is the sole owner of the real properties on which the Ikarus Industrial Park is located (16th district of Budapest at Margit u. 114, 1160 Budapest; also at Arany János u. 53 A-B).

The real property is encumbered with a mortgage in the amount of EUR 20,000,000 in favour of MKB Bank Nyrt securing the repayment of a credit facility agreement described in this Section under “*Credit and loan facilities, guarantees and sureties*”. The real property is also encumbered with an easement right (for sewage) in favour of the property registered under plot No. 107210/1 and an easement right in respect of 12,000 m<sup>2</sup> in favour of Ikarus Egyedi Autóbuszgyár Kft. The plot of land may be sold or further encumbered only with the prior consent of MKB Bank Nyrt.

#### METROPOL OFFICE BUILDING, BUDAPEST

The Metropol Office Building was built from 1997 to 1999 and consists of 7,830 m<sup>2</sup> of gross modern office space. The net leasable area is 7,605 m<sup>2</sup>. The Metropol Office Building consists of six wings, of which the Group owns three wings ranging from four to seven storeys high: Metropol West (four storeys with an area of 2,750 m<sup>2</sup>), Metropol West II (five storeys with an area of 1,830 m<sup>2</sup>) and Metropol East (seven storeys with an area of 3,170 m<sup>2</sup>). There are 18 car parking places. The Metropol Office Building is well located and provides easy access to the centre of Budapest.

This site was included in the Initial Portfolio contributed by the Founder Shareholders.

The CW Valuation Report states that the estimated market value of this site as at 30 June 2007 is EUR 10,190,000.

The property is approximately 100% let to five corporate tenants under a mix of leases which terminate between 2008 and 2010. Key information on Metropol Office Building's major tenants is set forth below:

Tenant	Leased area (m <sup>2</sup> )	Agreement valid until
KFKI	5,968	1 March 2009
COWI	554	31 December 2009
MTG Metro	530	31 December 2010
Eastron*	489	31 July 2010
Brack European	178	31 May 2008

Expiry date of lease	Number of agreements concluded	Area (net) covered by agreements concluded (m <sup>2</sup> )
end of 2010	5	7,720 <sup>(1)</sup>
end of 2010	-	-
end of 2012	-	-
after 2015	-	-
unlimited	-	-

(1) Includes 115 m<sup>2</sup> of common areas which are usually not considered as leasable space.

Rent received in the first half of 2007 (gross, without service fees)	Rent received in June 2007 (gross, without service fees)	NOI for the first half of 2007
EUR 393,776	EUR 67,000	EUR 388,792

### Legal Status

The Company holds indirectly, through its subsidiaries, 100% of the shares in Cap East Kft, which is the owner of three of the six wings of the Metropol Office Building situated on the real property located at Tuzér u. 41, 1134 Budapest, 13th District, with a total area of 16,980 m<sup>2</sup>, out of which 2,803 m<sup>2</sup> is owned by Cap East. The Company has owned this real property since March 2006. Cap East's ownership interest in the Metropol Office Building has not yet been registered in the Hungarian Land Register, although it is "side noted" on the title deed, which means that Cap East has a contractual right to have its ownership registered.

Following an order of the Hungarian court, the Hungarian Land Register has not registered anything in regard to this property since 1995 and while there are currently 74 pending requests registered on the title deed, there are no claims or requests registered with the Hungarian Land Register which are contrary to the request of Cap East to register its ownership right. The formal registration of its interest will, however, depend on the correction of a number of deficiencies (in its current application and prior applications), including those arising from the failure to obtain a waiver of the pre-emptive rights held by the owners of the other parts of the property and the purported transfer by a previous owner in breach of a prohibition on sale. If the deficiencies cannot be cured, Cap East's ownership right might not be registered. In such circumstances, Cap East might obtain a registrable interest through adverse possession, provided, inter alia, that it has had undisturbed possession of the property for a minimum period of 15 years.

There can be no guarantee that the deficiencies in Cap East's request for registration will be resolved in a manner satisfactory to Cap East.

### LIGETVÁROS CENTRE, BUDAPEST

The Ligetváros Centre is a plot of land with a total plot area of 10,881 m<sup>2</sup>. Four office and commercial buildings are situated thereon and have a total gross area of approx. 6,578 m<sup>2</sup>. This site is adjacent to the site

on which the Városliget Project is situated. After obtaining re-zoning with respect to Városliget, a part of the land of the Ligetváros Centre will be used for the realization of the Városliget Project.

The Ligetváros Centre was built in the 1960s with major refurbishment and upgrading to quality office and retail space carried out between 1999 and 2002. It consists of four separate buildings built around a central plaza. It is located 2 km away from the city centre and affords easy access to the main shopping and tourist areas of the city.

The CW Valuation Report states that the estimated market value of this site as at 30 June 2007 is EUR 8,960,000.

The Ligetváros Centre provides 6,282 m<sup>2</sup> of net leasable mixed space that is currently approximately 94% occupied. The retail areas are anchored by Kaiser supermarket (part of the SPAR international chain) and Drogerie Markt, a major drugstore chain in Hungary. Lease term is two to three years, with the exception of the agreement with Kaiser which is valid until 2014. The construction of a coffee shop connected to the Centre is nearing completion and Atlas has building rights to develop a further 3,800 m<sup>2</sup> of leasable space.

Key information on Ligetváros Centre's major tenants is set out below:

Tenant	Leased area (m <sup>2</sup> )	Agreement valid until
Spar Invest	2,287	31 August 2014
Home Centre	506	29 February 2009
Meritum Trade	403	31 December 2008/31 December 2011 in respect of 43 m <sup>2</sup>
DM Drogerie Markt	340	17 January 2010
Groupama	238	15 October 2009

Expiry date of lease	Number of agreements concluded	Area (net) covered by agreements concluded (m <sup>2</sup> )
end of 2010	41	3,649
end of 2010	2	336
end of 2012	1	2,297
after 2015	-	-
unlimited	-	-

Rent received in the first half of 2007 (gross, without service fees)	Rent received in June 2007 (gross, without service fees)	NOI for in the first half of 2007
EUR 365,643	EUR 57,580	EUR 388,601

#### *Legal status*

The Company holds indirectly, through its subsidiary AEIBV, 100% of the shares in Ligetváros, which is the sole owner of a plot of land situated in the 7th District of Budapest, at Deminszky u. 12, (the official address is Bp Damjanich u. 11-15) on which the Ligetváros Centre is situated.

The real property is encumbered with the following mortgages: (i) EUR 4,850,000 first-priority mortgage; (ii) EUR 600,000 second-priority mortgage; (iii) EUR 500,000 third-priority mortgage. All are for the benefit of Erste Bank der Österreichischen Sparkassen A.G.

According to the mortgage agreements and the credit facility agreement, the sale or encumbrance of the real property requires the prior consent of Erste Bank der Österreichischen Sparkassen AG. The credit facility agreement is described in this Section under "*Credit and loan facilities, guarantees and sureties*".

The real property is subject to certain legal provisions on the protection of historic buildings, the surroundings of historic buildings and open areas (parks). One of the buildings, where a supermarket is currently located, is classified under Hungarian law as a historic buildings. With respect to historic buildings and their surroundings, Hungarian law prohibits the demolition or significant reconstruction thereof. Any measures, investments or similar, are subject to obtaining permission from the competent authority. The investments planned in connection with the realization of the Városliget Project will comply with all applicable legal requirements.

#### MOSZKVA OFFICE BUILDING, BUDAPEST

Situated in a prime location on the main square of the Buda side of the city, the asset comprises 1,330 m<sup>2</sup> of gross office space over two floors and retail space on the ground floor and in the basement. The net leasable area is 998 m<sup>2</sup>.

The CW Valuation Report states that the estimated market value of this site as at 30 June 2007 is EUR 3,075,000.

The property is approximately 100% occupied. Key information on Moszkva Office Building's major tenants is set out below:

Tenant	Leased area (m <sup>2</sup> )	Agreement valid until
Katedra Kft	600	31 December 2011
Tökfőzelék Kft	398	1 August 2015
Los Reyes Kft*	-	1 November 2016

\* Advertisement space on the roof

Lease term	Number of agreements concluded	Area (net) covered by agreements concluded (m <sup>2</sup> )
by the end of 2010	-	-
by the end of 2012	1	600
by the end of 2015	1	398
after 2015	1	-
unlimited	-	-

Rent received in the first half of 2007 (gross, without service fees)	Rent received in June 2007 (gross, without service fees)	NOI for in the first half of 2007
EUR 137,067	EUR 22,845	EUR 136,164

#### Legal status

The Company holds indirectly, through its subsidiaries, 100% of the shares in Atlas Estates (Dékán), which in December 2006 acquired ten subplots in a condominium property located in the second district of Budapest at Margit Körút 105 with a total area of 710 m<sup>2</sup>. The real property is zoned as office and registered as urbanized area (residential building, courtyard).

An interim use permit has been obtained for the building.

#### ATLAS HOUSE OFFICE BUILDING, SOFIA

Situated in the city centre, on a main road leading from the city centre to the main highway between Sofia and Bansko. The building was built in 2002 and comprises 4,224 m<sup>2</sup> of gross built-up space, including retail space. The net leasable area is 3,472 m<sup>2</sup>.

The CW Valuation Report made as at 4 July 2007 states that the estimated market value of this site is EUR 7,500,000.

The property almost fully leased. Key information on Atlas House Office Building's major tenants is set out below:

Tenant	Leased area (m <sup>2</sup> )	Agreement valid until
Software AG Development Centre Bulgaria EOOD	1,0598	31 December 2013
Ramot Plana OOD	240	18 May 2010
Regus Bulgaria EOOD	1,923	31 December 2013

Lease term	Number of agreements concluded	Area (net) covered by agreements concluded (m <sup>2</sup> )
end of 2010	1	240
end of 2010	-	-
end of 2012	2	2,982
after 2015	-	-
unlimited	-	-

### *Legal status*

Atlas Estates Investments BV holds indirectly, through its subsidiary Atlas Estates Limited EOOD, 100% of the shares in Immobil EOOD, which is the sole owner of a property located in Sofia, "Krasno selo" municipal district, 53-55 Totleben boulevard consisting of plot with size of 708,80 m<sup>2</sup> and Atlas House Office Building, consisting of, pursuant to the usage permit issued on 4 October 2002 by the National Construction Supervisory Directorate (DNSK), office building, underground garages, underground electricity transformer, shops, offices, studios, on nine floors, with a total built-up area of 3507,37 m<sup>2</sup> above-ground and 716,61 m<sup>2</sup> under ground. Please note that there are discrepancies between the area stated in the aforementioned usage permit and the subsequent measurements that were conducted for the building.

### **HILTON HOTEL AND CONVENTION CENTRE, WARSAW**

Located in the Wola district of Warsaw, the Warsaw Hilton provides modern, spacious accommodation targeting both business travellers and tourists. The hotel has 313 rooms and suites and has the largest convention centre facility in the Warsaw hotel market (3,700 m<sup>2</sup>). Hilton International Co. is responsible for the management of the hotel under a long-term management agreement that provides for base and incentive fees linked to the performance of the hotel. The agreement is described in "Other information" under "Material agreements". The 270-space underground car park is managed by specially-contracted operator.

The CW Valuation Report states that the estimated market value of this site as at 30 June 2007 is EUR 109,540,000.

The Hilton complex includes a 4,521 m<sup>2</sup> Holmes Place Health Club and Spa, opened on 24 April 2007, and a 1,530 m<sup>2</sup> Casino, opened on 29 May 2007, both of which are leased directly from HGC by Health & Fitness Eastern Europe B.V. and Casino Poland Wrocław Sp. z o.o., respectively. The aforementioned areas include the main areas as well as the non-exclusive and common areas. The lease agreement with Health & Fitness Eastern Europe B.V. is for a period of ten years and the average monthly rent is EUR 66,768. The lease agreement with Casino Poland Wrocław Sp. z o.o. is for a period of six years and the average monthly rent is EUR 30,253. Direct lease agreements have also been concluded for a collection of smaller retail units with a total area of 282 m<sup>2</sup>.

Tenant	Leased area (m <sup>2</sup> )	Agreement valid until
Holmes Place Poland Sp. z o.o.	4,521	24 April 2017
Casino Poland Wrocław Sp. z o.o.	1,530	26 May 2013
Other	282	2012

Key information on hotel operations is set out below:

WARSAW HILTON	Average April to June 2007
Number of rooms	313
Number of days in a year	91
Payroll/employee (EUR thousand)	1.67
Occupancy rate (%)	49.94%
Room Nights	14,271
ADR (EUR)	108.3
RevPar (EUR)	54.1
Room Revenue (EUR thousand)	1,545
Total Revenue (EUR thousand)	3,361
Revenue per room night (EUR)	235
Gross operating profit (EUR thousand)	954
Gross operating margin (%)	28.38%
Payroll Expense (EUR thousand)	1,140
Payroll Expense / Total Revenue (%)	33.92%
Number of Employees	228

#### *Legal status*

The Company holds indirectly, through its subsidiary Grzybowska Centrum, 100% of the shares in HGC S.A., which is the perpetual usufructuary of the real property at ul. Grzybowska 63 in Warsaw, Poland, with an area of 8,490 m<sup>2</sup> and the sole owner of the building of the Warsaw Hilton constructed thereon. The boundaries of this real property will be changed in order to facilitate the development of the Platinum Towers Project.

The use permit regarding the hotel and Holmes Place Health Club and Spa was obtained on 20 December 2006. The hotel opened on 19 March 2007. The Minister of Finance licence for the casino was obtained by Casino Polonia Wrocław Sp. z o.o. on 29 May 2007 and is valid for six years.

There is no local development plan for the site where the Warsaw Hilton is located.

The real property is encumbered with:

- (i) a ceiling mortgage in favour of Bank Österreichischen Volksbanken-AG (currently Investkredit Bank AG) up to EUR 51,100,000, securing the repayment of a credit facility agreement described in “*Credit and loan facilities, guarantees and sureties*”;
- (ii) a ceiling mortgage in favour of Bank Österreichischen Volksbanken-AG (currently Investkredit Bank AG) up to EUR 8,900,000, securing the repayment of a credit facility agreement described in “*Credit and loan facilities, guarantees and sureties*”;
- (iii) a ceiling mortgage in favour of Investkredit Bank AG up to EUR 6,801,800, securing the repayment of a credit facility agreement described in the “*Credit and loan facilities, guarantees and sureties*”;

- (iv) a real easement in favour of each owner of plot No. 32 situated at ul. Grzybowska;
- (v) a real easement in favour of each owner of plot No. 59/2 situated at ul. Grzybowska;
- (vi) a land easement with right of way through plots No. 59/1, 59/2 and 59/3;
- (vii) beneficial ownership use free of charge in favour of STOEN S.A.

#### **GOLDEN TULIP HOTEL, BUCHAREST**

The Golden Tulip Hotel is a four star hotel located in central Bucharest. It has a total of 82 rooms on ten floors, a restaurant, terrace and lobby bar. The hotel was built in 2005 and has been open for trade since August 2005. Its position near Bucharest's main tourist attractions and business districts makes it a popular hotel, with occupancy rates of 80% achieved in 2006. The average room rates in 2006 were EUR 75 per night.

Directflow Investments Limited is responsible for the management of the hotel under a management agreement that was concluded for an unlimited period of time and which provides for base and incentive fees linked to the performance of the hotel. The agreement is described in "Other information" under "Material agreements".

The CW Valuation Report states that the estimated market value of this asset as at 30 June 2007 is EUR 14,580,000.

Key information on hotel operations is set out below:

<b>GOLDEN TULIP</b>	<b>January to June 2007</b>	<b>January to December 2006</b>
Number of rooms	82	82
Number of days in a year	181	365
Payroll/employee (EUR thousand)	0.585	0.526
Occupancy rate (%)	80%	79%
Room Nights	11,898	23,600
ADR (EUR)	89	84
RevPar (EUR)	71	66
Room Revenue (EUR thousand)	1,056	1,972
Total Revenue (EUR thousand)	1,185	2,188
Revenue per room night (EUR)	100	93
Gross operating profit (EUR thousand)	634	1,206
Gross operating margin (%)	54%	55%
Payroll Expense (EUR thousand)	206	330
Payroll Expense / Total Revenue (%)	17%	15%
Number of Employees	66	53

#### *Legal status*

The Company holds indirectly, through its subsidiary Kalipi Holdings Limited, 100% of the shares in S.C. D.N.B. Victoria Tower S.R.L., which is the sole owner of the real property located at 166 Calea Victoriei, 1<sup>st</sup> District, in Bucharest, Romania, consisting of a plot of land with a total area of 470 m<sup>2</sup> and the Golden Tulip Hotel building with a total net usable area of 3,230 m<sup>2</sup>, including 12 underground parking spaces.

The real property is located in a historic building protection area. As a consequence, any construction work on the real property has to be carried out in compliance with special urban development plans and regulations. There are no historic buildings as such on the real property.

The real property is encumbered with a first-ranking mortgage, securing the repayment of a loan of EUR 5,200,000 plus interest, costs and related commissions, for the benefit of Alpha Bank Romania S.A.



Bucuresti, Unirii Branch (the relevant credit agreement is described in the Section under “*Credit and loan facilities, guarantees and sureties*”.)

In addition to the real property described above, a concession right was granted to Victoria Tower by the Bucharest Municipality in respect of a plot of land with an area of 440 m<sup>2</sup> according to the ownership titles (365.26 m<sup>2</sup> according to the cadastral measurements). The concession was granted by way of an agreement concluded between the previous owner of the real property and the Bucharest Municipality. The agreement is described in more detail under “*Other information*”. The concession plot is material for the use the real property due to the fact that the car park of the Golden Tulip Hotel is built underneath such plot. The concession was granted for 49 years starting on 30 May 2000, with an option to extend for an additional maximum period of 24 years and 6 months, by way of an addendum to be concluded with the Bucharest Municipality. The annual fee due to the Bucharest Municipality for the concession right amounts to EUR 6,577 exclusive of VAT, subject to indexation in accordance with the exchange rate fluctuation. The concession right was granted for the construction and operation of the underground car park. In accordance with Romanian law upon the expiry of the concession period, the ownership title to the underground car park will be transferred to the Bucharest Municipality free of charge.

### *Development projects*

The Group owns 12 properties either already designated for development or which might be in the future designated for development. The following is a brief summary of such properties:

	Property valuation (million EUR)	Group's share in ownership	Net saleable/ leaseable area (in m <sup>2</sup> ) (estimated)	Gross building area (in m <sup>2</sup> ) (estimated)	Status of development
<b>Platinum Towers – Tower I and II (PL)</b>	35.0	100%	26,204	58,000	Building permit received on 28 December 2006, construction works commenced on 19 March 2007.
<b>Platinum Towers – Tower III (PL)</b>	22.0	100%	17,500	26,000	Obtaining of the building permit anticipated by 2Q 2008.
<b>Capital Art Apartments Project (PL)</b>	25.0	100%	47,961 m <sup>2</sup> (in five phases)	50,645 m <sup>2</sup> (in five phases)	Building permits for phase I, II and III obtained
<b>Zielono Project (PL)</b>	11.5	76%	18,500	30,000	Obtaining of the building permit anticipated in Q2 2008
<b>Cybernetyki Project (PL)</b>	6.5	50%	10,720	20,000	Obtaining of the building permit anticipated in Q2 2008.
<b>Kokoszki Project</b>	13.7	50%	n/a*	n/a*	n/a*
<b>Atrium Homes Project (HU)</b>	7.8	100%	28,014 m <sup>2</sup> (in two phases)	47,391 m <sup>2</sup> (in two phases)	Building permit obtained for Phase I
<b>Városliget Project (HU)</b>	6.0	100%	7,500	12,644	Re-zoning in process
<b>Volán Project (HU)</b>	18.4 <sup>(2)</sup>	50%	67,000	89,000	Building permits for Phase I obtained in December 2007
<b>Vajnory Project (SK)</b>	40.1	50%	n/a	n/a	Re-zoning process anticipated at the end of 2008.
<b>Bašta Project (SK)</b>	4.7	50%	n/a	41,000	Obtaining of the planning permit anticipated by the end of Q2 2008
<b>Voluntari Land (RO)</b>	29.7	100%	n/a	250,000 to 350,000	n/a*
<b>Solaris Land (RO)</b>	25.6	100%	n/a	100,000 to 120,000	n/a*

*Due to preliminary phase of the project this information is not available.*

The Group's strategy involves using external financing as much as possible to fund its investments in real estate development projects. No single target ratio of the Group's debt to its equity involved in financing development projects may be provided because the ratio varies for different projects and varies depending on the stage of the particular project (at early stages, real estate development projects are usually financed almost solely by the Group's equity).

#### PLATINUM TOWERS – TOWER I AND II, WARSAW

Platinum Towers adjoins the Hilton Hotel in a part of the Wola district in Warsaw which is undergoing rapid redevelopment and has experienced significant economic growth. The project constitutes two high-rise residential Towers.

Two residential high-rise buildings are under construction on the site, providing 26.204 m<sup>2</sup> (23.941 m<sup>2</sup> residential space and 2,263 m<sup>2</sup> retail space) of saleable residential space divided into a total of 387 apartments. The buildings, each 22 floors high, will also house a number of ground floor commercial units. The construction work is scheduled for completion by the end of 2009.

As of the Prospectus Date, preliminary sale agreements have been concluded in respect of 188 apartments out of 198 in Tower I and 130 out of 189 apartments in Tower II. With respect to the Platinum Towers Project, and specifically Tower I and Tower II, AEIBV has agreed to pay a specific amount in favour of the former owner of the real estate (Stronginfo Consultant Ltd.) in case of securing the purchase price per square meter of housing space stated in the agreement. A detailed description of the agreement is provided in the Chapter "Other Information", in the section "Material Agreements"- "Agreements relating to Platinum Towers I, II and III".

The CW Valuation Report states that the estimated market value of this site in June 2007 is EUR 35,000,000.

#### Legal status

The Company holds indirectly, through its subsidiary AEIBV, 100% of the shares in Platinum Towers Sp. z o.o., which is the perpetual usufructuary (until 27 October 2097) of the unbuilt real property of 5,117 m<sup>2</sup> located at ul. Grzybowska 61 in Warsaw, on which the Platinum Towers I and II will be constructed. The designed project extends over the border into neighbouring plots owned by HGC and HPO. The borders of the plots held by HGC, HPO and Platinum Towers will be changed as a consequence.

No zoning plan exists for the area where the site is located. The development decision was obtained by Grzybowska Centrum on 26 July 2005, while the building permit was obtained by Grzybowska Centrum on 28 December 2006. Both the building permit and the development decision have been transferred to Platinum Towers.

The real property is encumbered with:

- (i) a first-ranking mortgage in favour of Erste Bank der Österreichischen Sparkassen AG, in the amount of EUR 11,000,000 securing the principal of the loan dated 11 May 2007;
- (ii) a second-ranking ceiling (capped maximum amount) mortgage in favour of Erste Bank der Österreichischen Sparkassen AG with a maximum amount of EUR 3,500,000 securing interest, default interest and incidental charges in relation to the loan dated 11 May 2007;
- (iii) an easement of right of way through plots No. 59/1, 59/2 and 59/3;
- (iv) an easement established without consideration of right of way through the exit and part of the multi-storeyed underground car park through all its storeys and right to stop thereon.

The credit facility agreements are described in the "Credit and loan facilities, guarantees and sureties" Section of this Prospectus.

**PLATINUM TOWERS – TOWER III, WARSAW**

As part of the Warsaw Hilton/Platinum Towers complex a third tower will be constructed. The tower will provide approximately 22,500 m<sup>2</sup> of usable office space over approximately 32 floors. The Company also holds a zoning decision allowing for the construction of 17,500 m<sup>2</sup> of usable residential space. The construction work is planned to commence in the second quarter of 2008 and is scheduled for completion within 30 months from commencement.

The CW Valuation Report states that the estimated market value of this project as at 30 June 2007 is EUR 22,000,000.

With respect to the Platinum Towers Project, and specifically Tower III, AEIBV has agreed to pay a specific amount in favour of the former owner of the real estate (Stronginfo Consultant Ltd.) in case of securing the purchase price per square meter of office space stated in the agreement, provided that the office building will be constructed on such real estate. A detailed description of the agreement is provided in the Chapter “*Other Information*”, in the section “*Material Agreements*”- “*Agreements relating to Platinum Towers I, II and III*”.

*Legal status*

The Company holds indirectly, through its subsidiary Grzybowska Centrum, 100% of the shares in HPO Sp. z o.o., which is the perpetual usufructuary (until 27 October 2097) of an unbuilt real property with a total area of 4,454 m<sup>2</sup> located at ul. Grzybowska 61 in Warsaw, on which the Platinum Tower III will be constructed. The borders of this real property will be changed in order to facilitate the development of the Platinum Towers Project.

No zoning plan exists for the area where the site is located. Grzybowska Centrum has obtained a development decision which authorized the construction of an office building. The above decision was transferred on 21 June 2007 to Platinum Towers, as requested by Grzybowska Centrum. HPO obtained a decision authorizing the construction of a residential building on the plot held by HPO. The building permit is expected to be obtained by the first quarter of 2008.

The real property is encumbered with:

- (i) a contractual ceiling mortgage in favour of Pol-Mot Holdings S.A. in the amount of USD 6,900,000 securing the repayment of the remaining part of the price for the shares;
- (ii) an easement of right of way through the plots No. 59/1, 59/2 and 59/3;
- (iii) a use free of charge in favour of Wspólnota Mieszkaniowa Nieruchomości at Łucka 14 A and 16A in Warsaw, until the time of establishment of a refuse dump used by the entitled, together with the right to limited use of five parking places on the site (area of 6 m<sup>2</sup>).

The receivables secured by the mortgage indicated under point (i) above were fully repaid and the security expired. In September 2007 an application was filed with the relevant registry court to have the mortgage deleted from the land and mortgage register.

**CAPITAL ART APARTMENTS PROJECT, WARSAW**

The Capital Art Apartments Project is designed as a series of residential buildings totalling over 800 apartments providing over 46,262 m<sup>2</sup> of saleable residential space in the eastern part of the Wola district of Warsaw. The development will also house 1,700 m<sup>2</sup> of commercial space and ca. 800 parking spaces.

The CW Valuation Report states that the estimated market value of this project 30 June 2007 is EUR 25,000,000.

The first phase is currently being constructed in February 2006. The anticipated date of the completion of the construction works is the 3<sup>rd</sup> quarter of 2008. As of the Prospectus Date preliminary sale agreements for 213 out of 220 apartments in phase I and 23 out of 177 apartments in phase II. The construction works in the phase II and III started in the second half of 2007. Currently, the design works are carried out in phase IV.

*Legal status*

The Company holds indirectly, through its subsidiaries, 100% of the shares in Capital Art Apartments which is the perpetual usufructuary (until 5 December 2089) of an undeveloped real property with an area of 17,566 m<sup>2</sup> located at ul. Giełdowa 4 in Warsaw, on which the Capital Art Apartments Project will be constructed. AEIBV holds 76% of the shares and Darenisto holds 24% of the shares in Capital Art Apartments. As of the Prospectus Date 80% of the shares in the capital of Capital Art Apartments had been transferred to Roggia Limited, a trustee of the Investkredit Bank AG (previously Österreichische Volksbanken AG), as security for the credit facility granted to Capital Art Apartments (the details of the credit facility agreement are set out in the Section entitled “*Group’s Business Operations*” under “*Credit and loan facilities, guarantees and sureties*”).

There is no local development plan for the site. The zoning decision for all five stages of the development and the building permits for phase I, II, III. According to the zoning decision, the designated use is residential and commercial on the ground floor, and an underground car park.

The real property is encumbered with:

- (i) a ceiling mortgage in favour of Investkredit Bank AG (previously Österreichische Volksbanken AG) up to the amount of PLN 67,240,600;
- (ii) an easement of right of way through plot No. 27/3 to the public road in favour of each perpetual usufructuary of plot No. 27/1 (currently belonging to the National Bank of Poland) (negotiation on the cancellation of the easements is underway).

The credit facility agreements are described in “*Credit and loan facilities, guarantees and sureties*” of this Prospectus.

**ZIELONO PROJECT, WARSAW**

The Zielono project is situated in the south-western area of Żoliborz in Warsaw, overlooking a park and just 1 km away from the Arkadia Mall, the largest shopping mall in Poland. A total of approximately 18,500 m<sup>2</sup> of saleable residential space will be constructed providing 265 apartments, about 850 m<sup>2</sup> of net commercial space and 340 parking spaces. The first stage of the development comprises approximately 10,682 m<sup>2</sup> of usable residential and commercial space (approximately 146 apartments) and approximately 167 underground parking spaces and 31 on the site. There is no local development plan for the site where the project will be developed. The zoning decision was issued on 28 February 2007. The demolition of the buildings which were previously constructed on this site has been completed and the application for a building permit is being prepared. The estimated date of obtaining the building permit is in the second quarter of 2008. The construction work is planned to commence after obtaining the building permit and scheduled for completion within 24 months. Apartments will be available for sale in the second quarter of 2008.

The CW Valuation Report states that the estimated market value of this project is EUR 11,500,000.

*Legal status*

The Company holds indirectly, through its subsidiary AEIBV, 76% of the shares in Zielono Sp. z o.o., which is the perpetual usufructuary (until 5 December 2089) of the real property with a total area of 12,454 m<sup>2</sup> located at ul. Przasnyska 9 in Warsaw, on which the Zielono Project will be constructed. The remaining 24% of the shares in Zielono Sp. z o.o. are held by Dellwood Company Limited with its registered office in Limassol, Cyprus. At the Prospectus Date all shares in Zielono Sp. z o.o. are encumbered with a registered pledge in favour of Investkredit Bank AG, to secure a credit facility drawn by Zielono.

The real property is encumbered with a first ranking capped mortgage established in favour of Österreichische Volksbanken Aktiengesellschaft (currently Investkredit Bank AG) in the amount of PLN 35,700,000 as security for a loan in the amount of PLN 25,500,000 (plus additional costs) which was granted to Zielono by the bank. The loan facility agreement is described in the Section entitled “*Credit and loan facilities, guarantees and sureties*”.

**CYBERNETYKI PROJECT, WARSAW**

The Cybernetyki Project is situated in the southern area of Mokotów in Warsaw and consists of an unbuilt real property with an area of 3,098 m<sup>2</sup>. Up to 10,720 m<sup>2</sup> of usable residential and commercial area is to be developed on this real property.

The commencement of the construction work is planned in the third quarter of 2008 and scheduled for completion within 24 months from its beginning. The sale of the apartments is anticipated to commence at the end of the first quarter of 2008. The company expects the building permit to be issued in the second quarter of 2008.

The CW Valuation Report states that the estimated market value of this project is EUR 6,500,000.

*Legal status*

The Company holds indirectly, through its subsidiary AEIBV, 50% of the shares in Atlas Estates (Cybernetyki) Sp. z o.o., which is the sole owner of an unbuilt real property with an area of 3,098 m<sup>2</sup> located at ul. Obrzeźna 1 (corner of Cybernetyki 2) in Warsaw on which the Cybernetyki Project will be constructed. The remaining 50% of the shares are held by EdR Real Estate (Eastern Europe)

There is no local development plan for the real property, however, Atlas Estates (Cybernetyki) has obtained a zoning decision dated 27 April 2007, permitting the development of 11,000 m<sup>2</sup> of usable residential and commercial area. The estimated date of obtaining the building permit is the first quarter of 2008.

The real property is encumbered with:

- (i) an easement of access to the heating conduit which is established in favour of every owner of the plot for which registry book No. 151456 is maintained;
- (ii) a ceiling mortgage in favour of Bank BPH SA up to the amount of PLN 39,055,115 securing the principal and the interest of the loan dated 29 June 2007.

The credit facility agreements are described in the “*Credit and loan facilities, guarantees and sureties*” Section of this Prospectus.

**KOKOSZKI PROJECT, GDAŃSK**

Kokoszki Project is situated in south-west part of Gdańsk, close to the airport and national route no 1. It consists of an unbuilt real property with an area of 429,918 m<sup>2</sup>. Up to 130,000 m<sup>2</sup> of usable residential and commercial area is to be developed on this real property.

The acquisition price for this project is EUR 14,130,000.

*Legal status*

The Company indirectly owns, through its subsidiary AEIBV, a 50% share in Atlas Estates CF Plus 1., which is the sole owner of an undeveloped property with an area of 429,918 m<sup>2</sup>, located in Gdańsk, on which the Company intends to develop the Kokoszki Project. The remaining 50% of the shares is owned by CF Plus Sp. z o.o., with which AEIBV concluded a joint venture agreement among other things to develop the Kokoszki Project. For more details please see “Other Information” in the “Material Agreements” section.

A complex comprising residential buildings will be constructed on the property including commercial, service and recreation facilities.

The property comprises three plots (with an area of 79,687 m<sup>2</sup>, 138,626 m<sup>2</sup> and 211,605 m<sup>2</sup>). The plot with an area of 211,605 m<sup>2</sup> is encumbered with a free of charge land servitude (right of passage and right of way through the plot). Furthermore, upon acquisition, the property was encumbered with (i) a joint ceiling mortgage up to PLN 52,500,000, and (ii) a joint ceiling mortgage up to PLN 17,490,000. Both mortgages

were established in favour of Raiffeisen Bank Polska S.A. and secure the repayment of a credit facility granted by Raiffeisen Bank Polska S.A. to Projekt Sadowa Sp. z o.o. The obligations under the agreement between Raiffeisen Bank Polska S.A. and Projekt Sadowa Sp. z o.o. have been assigned to Atlas Estates CF Plus 1. The credit facility agreement between Atlas Estates CF Plus 1 and Raiffeisen Bank Polska S.A. is described under the Section "Credit and loan facilities, guarantees and sureties".

#### **ATRIUM HOMES, BUDAPEST**

Atrium Homes is a residential development in the 13<sup>th</sup> district of Budapest at the corner of Hun utca and Csata utca, approximately 6 km from the city centre. To be built in two phases, the development will include 22,213 m<sup>2</sup> of net saleable residential space, divided into 456 apartments over eight floors. The complex will also contain 454 underground parking spaces and an additional 5,801 m<sup>2</sup> of commercial space.

Zoning and building permits have been obtained for phase one, which will house 235 apartments, approximately 1,500 m<sup>2</sup> of commercial area and two underground parking levels. As at the Prospectus Date the Company has concluded 64 preliminary sale agreements regarding phase I. Construction will begin once the pre-defined sales targets have been met (i.e. after signing of 140 sale agreements). Phase II will concern 221 apartments, one underground parking level and approximately 2,000 m<sup>2</sup> of commercial area.

The CW Valuation Report states that the estimated market value of this project as at 30 June 2007 is EUR 7,830,000.

#### *Legal status*

The Company holds indirectly, through its subsidiaries, 100% of the shares in CI-2005, which is the sole owner of the real property located at Hun utca 4.B., 13<sup>th</sup> district, in Budapest with a total area of 8,165 m<sup>2</sup> on which Atrium Homes will be constructed.

#### **VÁROSLIGET PROJECT, BUDAPEST**

Városliget adjoins the Ligetváros Centre in a unique position close to the centre of Budapest. It comprises a plot of 12,140 m<sup>2</sup> located a few hundred metres from Andrassy ut., the main artery in the centre of the city and nine buildings all used as retail, office or storage space. Városliget currently provides small business units at the lower end of the office and warehouse market. Gross leasable space is 12,644 m<sup>2</sup> and the net leasable area is approximately 7,500 m<sup>2</sup>. Currently 64% of the net leasable space is occupied. The lease terms under the lease agreements are indefinite with a three months' termination notice.

Current use of this property is investment property, but the longer-term objective is to obtain a re-zoning to provide for up to 33,000 m<sup>2</sup> of additional gross mixed-use space.

The CW Valuation Report states that the estimated market value of this project as at 30 June 2007 is EUR 6,000,000.

#### *Legal status*

The Company holds indirectly, through its subsidiary AEIBV and Ligetváros, 100% of the shares in Városliget, which is the sole owner of the real property situated in the 7<sup>th</sup> district of Budapest, at Rottenbiller u.31, with a total area of 6,991 m<sup>2</sup> and the co-owner, in the proportion 3,920/5,157, of a real property situated in Budapest at Rottenbiller u.33, with a total area of 5,157 m<sup>2</sup> (the remaining part of the plot is owned by the Municipality of the 7<sup>th</sup> district). Consequently, currently the legal interest of Városliget in the Városliget Project is 90%.

Currently, the real property is designated for recreational area, sports grounds and parks. Two of the buildings located on the real property and a trolley depot qualify as monuments, while all other parts of the real property as monument surrounding area. As a result, in accordance with Hungarian law, any activity on the real property is subject to a permit from the Cultural Heritage Office. The investments planned in connection with the realization of the Városliget Project will comply with applicable law requirements.

The real property is subject to certain law provisions on the protection of monuments, the surroundings of monuments and green areas (parks). With respect to monuments and their surroundings, Hungarian law prohibits demolishing or significant reconstructing thereof. Any measures, investments or similar are subject to obtaining permission of a competent authority. The Company believes that the re-zoning will be obtained in the first quarter of 2008.

At the time of acquisition this plot was encumbered with the following mortgages: (i) the HUF equivalent of DEM 3,627,000 as a first-priority mortgage; and (ii) the HUF equivalent of EUR 260,000 for the benefit of Bank Austria Creditanstalt AG. According to the land registry these mortgages are still registered therewith, although the loans have been repaid.

#### **VOLÁN PROJECT, BUDAPEST**

The Volán Project site is located in central Budapest, close to Heroes Square, the West End Shopping Centre and the Hilton Hotel. All constructions which were situated on this real property have been demolished and the plot has been prepared for the development of a planned 67,000 m<sup>2</sup> net saleable area of mixed residential, commercial, retail and leisure space. Some office space is also under consideration. The project is planned to be developed in four phases. Currently the work on the architectural design of the first stage of the project is being finalized. The gross planned residential, commercial and storage space of phase I amounts to 22,838 m<sup>2</sup>, 908 m<sup>2</sup>, and 369 m<sup>2</sup>, respectively and 202 parking lots. The zoning and building permit for the first stage was obtained in December 2007.

Currently real property is classified as investment property, but with possibility of further development.

The CW Valuation Report states that the estimated market value of this project is EUR 18,400,000.

#### *Legal status*

The Company holds indirectly, through its subsidiary Atlas Estates (Vágány), 50% of the shares in Atlas Estates Kaduri-Shasha Zrt, which is the sole owner of the real property located in Budapest, 13<sup>th</sup> district. At Szabolcs u. 17 with the total area of 20,637 m<sup>2</sup>. The remaining 50% of shares are held by two Israeli companies S.Elya Ltd (25%) and Nagar Kadur & Zmira Ltd (25%). Atlas Estates Kaduri-Shasha acquired the real property in March 2007. In line with the share purchase agreement regarding the shares in Atlas Estates Kaduri-Shasha dated 14 September 2006 between S.Elya Ltd, Nagar Kadur & Zmira Ltd and Ligetváros, Ligetváros has the leading role in the development of the Volán Project. The agreement was subsequently assigned by Ligetváros to Atlas Estates (Vágány). For details please see the Section “*Other information*” under “*Material agreements*”.

The real property is encumbered with two mortgages for the benefit of Volksbank Magyarország Zrt, with an aggregate amount of HUF 1,800,000,000 (first-ranking mortgage) and HUF 550,000,000 (second-ranking mortgage) securing the repayment of a credit facility agreement described in the Section “*Credit and loan facilities, guarantees and sureties*”.

There is a construction restriction registered with respect to the plot. There are two wells (former oil tanks) on the plot and construction is forbidden in the area surrounding these wells.

#### **VAJNORY PROJECT, BRATISLAVA**

The Vajnory Project covers an area of 878,877 m<sup>2</sup> of undeveloped land on the northeast outskirts of the city of Bratislava, on the edge of the district of Vajnory, 9.5 km away from the city centre. The vast majority of the site is green-field area formerly used as a sports airfield. The land is expected to provide approximately 5,000 – 6,000 apartments and approximately 600 serviced plots for individual housing and commercial space. The site benefits from direct access to the main highway into the city centre of Bratislava and can be easily connected to all utilities. It is one of the largest developments planned for Bratislava.

The CW Valuation Report states that the estimated market value of this project as at 30 June 2007 is EUR 40,100,000.

*Legal status*

The Company holds (directly or indirectly), 50% of the shares in Circle Slovakia, s.r.o., which is the sole owner of this unbuilt real property located at Pri starom letisku in Bratislava (the Vajnory Project) (according to information held by Commercial register in Slovak republic: 26.5% of the shares are held directly by AEIBV). The remaining part of the shares are held by the following trustees: VBCS Beteiligungsverwaltung GmbH has a 30% stake on behalf of AEIBV; Roggia Limited has a 16.75% stake on behalf of Darenisto (which is 100% owned by AEIBV), Immoconsult Projektentwicklung GmbH has a 5% stake on behalf of AEIBV, and IC Malta A.M. Company Limited has a 21.75% stake on behalf of Kendalside Limited. consequently, AEIBV holds, directly or indirectly, a 50% stake in Circle Slovakia.

At present the area is zoned as sport and recreation area in the city zoning plan. The Company is currently working through the re-zoning process, working with both the Vajnory and Bratislava Municipalities to agree matters, including infrastructure, utilities and logistics provision and has to date received favourable responses to its plans.

The real property is encumbered with a mortgage in favour of Österreichische Volksbanken Aktiengesellschaft (currently Investkredit Bank AG) in the amount of EUR 34,896,000 securing the repayment of a credit facility agreement described in the Section entitled “*Credit and loan facilities, guarantees and sureties*” of this Prospectus.

**BAŠTA PROJECT, KOŠICE**

The Bašta Project consists of a real property located in the centre of Košice, the second largest city in Slovakia with a population of over 240,000, at Tovarenska Street, with a total area of approximately 10,088 m<sup>2</sup> of land for redevelopment. The land is divided into two plots: an unbuilt plot with the total area of approximately 3,000 m<sup>2</sup> currently used as a parking area; and a plot with the total area of approximately 7,000 m<sup>2</sup> where two historical buildings of the bastion are situated. The plot is zoned as multi-functional allowing uses such as retail, office, hotel and residential. Currently this property is treated as investment property. The Company obtained the zoning permit with respect to the smaller plot where an office building is proposed to be constructed, and the larger plot where a hotel with an additional housing and commercial area is to be built. The Company expects to receive the building permit by the end of the second quarter of 2008. The estimated gross built area is 29,000 m<sup>2</sup> above ground and 12,000 m<sup>2</sup> below ground level.

The CW Valuation Report states that the estimated market value of this project as at 30 June 2007 is EUR 4,700,000

*Legal status*

The Company holds indirectly, through its subsidiary EASTFIELD ATLAS a.s., 50% of the shares in Slovak Trade Company s.r.o., which is the sole owner of a real property on which the Bašta Project will be developed. EASTFIELD ATLAS a.s. is 50/50 owned by AEIBV and Kendalside Limited, with its registered seat in Nicosia, Cyprus, a subsidiary of EASTFIELD Real Estate Slovakia Limited.

The bastion is protected by law as a monument and as such must be re-constructed under the control of the regional monument authority.

**VOLUNTARI LAND, BUCHAREST**

The Voluntari Land is located in the north-eastern part of Bucharest close to a residential estate and the American school, and has a total area of approximately 99,116 m<sup>2</sup>. Currently the Voluntari Land has two uses possible, and as a result is accounted for as investment property but might be in the future designated for mixed used development.

The CW Valuation Report states that the estimated market value of this project as at 30 June 2007 is EUR 29,750,000.



*Legal status*

The Company holds indirectly, through AEIBV, 99% of the shares in World Real Estate, which is the sole owner of the real property located in Voluntari, Pipera, in the northern outskirts of Bucharest with a total area of approximately 99,115 m<sup>2</sup> divided into six plots. The remaining 1% is held by Mr. Libby Weizman.

World Real Estates has commissioned architects to apply for zoning permits.

The real property does not have existing constructions or tenants. The real property is encumbered with a first ranking mortgage in favour of Erste Bank der Österreichischen Sparkassen AG in the amount of EUR 16,000,000 securing the repayment of a loan agreement described in Section entitled “*Credit and loan facilities, guarantees and sureties*” of this Prospectus. The Company is considering the possibility of either selling the plots together with the architectural plan or the development of a residential project. However, a part of the real property with an area of 22,680 m<sup>2</sup> is designated in the local development plan as a public road. Consequently, this area, currently owned by World Real Estate, will be subject to expropriation. Nevertheless, according to the Romanian law the expropriation may be only achieved based on a fair compensation to be paid to the real estate owner.

**SOLARIS LAND, BUCHAREST**

The Solaris Land is a 31,977 m<sup>2</sup> plot near to the Obor Square, one of Bucharest’s main transport hubs and residential areas built up with buildings with a total area of 12,363 m<sup>2</sup>. It sits next to the East Rail Station within a former industrial zone comprising old industrial facilities for edible oil production.

The CW Valuation Report states that the estimated market value of this project as at 30 June 2007 is EUR 25,640,000.

The Solaris Land is accounted for as investment property but might be in the future designated for mixed-use development.

The target financing structure that the Group is planning to achieve is the Group’s own capital in 100%.

*Legal status*

The Company holds indirectly, through its subsidiary AEIBV, 99% of the shares in Megarom Line (1% is held by Mr. David Magriso), which is the sole owner of this real property with an area of 31,977 m<sup>2</sup> located in Bucharest at 25, Electronicii Street, second district.

According to the share sale and purchase agreement concluded on 28 December 2006, the sellers (i.e. Trig Point Limited and Greenan Holdings Limited) undertook to fulfill the obligation to demolish all the buildings and other structures existing on and underground of the real property by August 2007 (against the payment by the purchasers of an amount of EUR 420,000). The existing buildings will be demolished to develop a mixed residential and retail project. As of the Prospectus Date the existing buildings were not demolished.

Currently the real property may be used for production, commercial and industrial activities. To change the designation of the real property in order to erect any construction of a large-scale residential complex with residential-commercial-services functions, it is necessary to prepare a change of the local development plan which has to be approved by the competent authorities. Megarom Line filed an application for changing the designation of the real property in order to develop a residential complex with commercial areas. The neighbouring area is being transformed into a residential area and the old factories are no longer operating or are being relocated outside the city.

The real property is encumbered with a first ranking mortgage in favour of Erste Bank der Österreichischen Sparkassen AG in the amount of EUR 16,250,000 securing the repayment of a loan agreement described in Section entitled “*Credit and loan facilities, guarantees and sureties*” of this Prospectus.

The urbanism certificates issued by the competent Romanian authorities provide the obligation of Megarom Line to merge the four plots of land into one plot.

There are no material lease, sublease or tenancy agreements or other material agreements regarding the use of this real property. There are no servitudes or other similar rights established in connection with this real property.

**PIPELINE**

The Company expects to generate investment opportunities from a variety of sources, primarily:

- (i) local management relationships;
- (ii) existing relationships enjoyed by AMC's management team and the Founder Shareholders;
- (iii) partners already involved in real properties apart from Atlas and JV partners;
- (iv) third parties (including financial institutions);
- (v) third-party real estate investors and, to a lesser extent, professional advisers; and
- (vi) direct approaches from third-party owners.

The Group has a strong pipeline of varied opportunities that span all sectors of the real estate market, both in countries in which the Group already holds assets as well as in new countries such as Bulgaria.

The below table shows the aggregates of various real estate investment opportunities that the Directors believe are advanced enough to allow the Company to estimate the possible level of gross investments. The actual level of investment opportunities reviewed at any given time is greater than that estimated by the below table, as the 'newly-identified' opportunities are, very often, in a phase where the valuation and other vital parameters are still being reviewed and cross-checked. The Directors anticipate the actual total value of gross investment resulting from the investment opportunities set out in the table below to be at the level of 10 to 20%. The Directors can give no assurance that any of these acquisitions will be successfully completed.

The Directors assure further that no binding decisions were made with respect to any of the possible future projects detailed in the following table which would create any obligation on the part of the Company. The projects described in the following table are currently subject to a detailed analysis of operations, and no actions taken at this stage result in any obligations of the Company.

Country	Income-generating properties estimated gross investment (EUR million)	Development assets estimated gross investment (EUR million)	Total estimated gross investment (EUR million)
Poland	-	38	38
Hungary	-	23	23
Slovakia	-	30	30
Romania	35	157	192
Bulgaria	-	215	215
<b>Total</b>	<b>35</b>	<b>463</b>	<b>498</b>

Although the Company intends to be opportunistic in identifying investment opportunities, it will have regard to certain financial and commercial criteria which should generally be fulfilled, such as minimum yields and margins, property location and the availability of appropriate debt finance.

Similarly to the financing of development projects, the Company is of the opinion that financing of property purchase transactions should also be largely derived from external sources. However, due to the specific nature of the transactions (the preferences of the sellers regarding the moment of payment of the purchase price for the property and the banks' requirements regarding security for the credit facility they are willing to make available), very often the entire purchase transaction is financed from the Group's internal resources. After the Group formally acquires title to the property, the Group aims to refinance its outlays with external funding to the extent possible in view of the nature of the purchased properties (i.e. depending on whether the given property is an investment property or a development property), the revenues it has the potential of generating and the willingness of the financing parties to provide financing in light of the risks involved.

**Investment decision making process**

All potential transactions are presented to AMC's Investment Committee and, if approved by unanimous resolution, are recommended to the Board for approval on behalf of the Company. An investment is approved if it receives the approval of a majority of the Directors on a vote of the Board.

AMC may make, purchase or sell immaterial investments (under 1.5% of the gross assets and 2.5% of the Adjusted Net Asset Value) on behalf of the Company without Board approval, provided that no more than five such investments may be made in any 12-month period.

AMC has local management teams operating in Poland, Hungary, Slovakia, Romania and, since recently, in Bulgaria. These management teams comprise individuals with significant market knowledge and experience to allow them to evaluate investment opportunities and take advantage of such opportunities even before they are noticed in the market.

Additionally, the senior management of AMC, as well as certain Directors, have relationships with individuals and institutions active in the real estate markets in which the Company operates. Such relationships are expected to provide the Company with access to further potential acquisitions.

AMC will identify, introduce and review opportunities on behalf of the Company that are identified or introduced to them on an ongoing basis. Many of the current reviews are at a very preliminary stage and negotiations and formal due diligence may not have commenced.

**Main Trends**

Apart from an upward trend in the prices of real estate, subcontracted services of construction companies, and construction materials, the Board is of the opinion that between 30 June 2006 and the Prospectus Date, there have been no significant trends in sales and costs and prices that would affect the Group's financial standing and results. The Board is not aware of any trends, uncertain factors, demands, obligations or events that could be reasonably expected to materially affect the Group's perspectives until the end of the financial year of 2007.

In view of the fact that the Company has purchased certain office buildings, the Directors of the Company expect a rise in lease revenues. They also expect that along with the increased number of buildings held and the increasing NAV, the costs of sale will also increase accordingly.

Considering the residential projects being currently executed (Capital Art Apartments and Platinum Towers in Poland, and Atrium Homes in Hungary), the Company's directors expect inventory levels to increase as a result of the progressing construction works on the particular projects. The Board is further of the opinion that the apartments held as inventory will decrease when the ownership of the particular residential units is transferred to the new owners.

**Employees of the Group**

As at 30 June 2007 the Group employed around 378 employees, out of which 275 were employed in Poland, 68 in Romania, 23 in Hungary and 6 in Slovakia. 310 persons were employed in the Group's hotel operations, 19 persons in Group companies holding income generating assets, 28 in Group companies holding development properties and 17 in management. The table below presents the employment in the Group companies as of 31 December 2006 and 30 June 2007.

	Poland	Hungary	Romania	Slovakia	Other	Total
<b>Number of employees</b>	<b>31 December 2006</b>					
End Dec 2006, by status of subsidiary:						
holding	-	-	-	-	4	4
management	9	2	-	-	-	11
development	15	2	-	1	-	18
investment	-	18	1	-	-	19
hotel operations	24	-	-	-	-	24
<b>Total</b>	<b>48</b>	<b>22</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>76</b>
	Poland	Hungary	Romania	Slovakia	Other	Total
<b>Number of employees</b>	<b>30 June 2007</b>					
30 June 2007, by status of subsidiary:						
holding	-	-	-	-	4	4
management	13	2	-	2	-	17
development	20	3	2	3	-	28
investment	-	18	-	1	-	19
hotel operations	242	-	66	-	-	310
<b>Total</b>	<b>275</b>	<b>23</b>	<b>68</b>	<b>6</b>	<b>4</b>	<b>378</b>

The only changes in the Group's employment structure between 30 June 2007 and the Prospectus Date are: (i) in consequence of the opening of an office in Bulgaria, employment of 2 individuals (a manager and an accountant) at the Bulgarian management company who have been hired on the basis of a contract of employment on part-time basis; (ii) the departure of Mr. Dror Pessach who was the Executive Director, Income Producing Assets. There were no other changes in the Group's employment structure.

### Employee participation in the Company's share capital

As of the Prospectus Date there are no arrangements in place for employees' participation in the Company's share capital. The Company has granted Warrants to certain AMC Directors and AMC. For details please see the Section "*Directors and Key Managers*" under "*Options and Warrants*".

### Trademarks and Licenses

There are no patents or other intellectual property rights, licenses or particular contracts that are of fundamental importance to the Company's business. The Group Companies are entitled, on a non-exclusive and limited basis, to use the Hilton and the Golden Tulip trademark (such right being limited to activities connected to the operation of the hotels).

### Permits and Concessions

Apart from various zoning and building permits referred to in "Business Overview", the Group does not have any permits and concessions material for the operations of the Group.

**Credit and loan facilities, guarantees and sureties**

Set forth below is a brief description of material credit facility agreements, as well as loan and guarantee agreements concluded by the Group Companies. Material loan agreements concluded between the Group Companies are described in the Section “*Related Party Transactions*”.

***Poland****Atlas Estates (Sadowa)*

*Refinancing loan agreement concluded on 11 September 2007 between Śląski Bank Hipoteczny S.A. and ING Bank Śląski S.A. as the lenders and Atlas Estates (Sadowa) as the borrower*

Based on the agreement, Śląski Bank Hipoteczny S.A. and ING Bank Śląski S.A. agreed to grant a loan of EUR 7,500,000 to Atlas Estates (Sadowa) to refinance a loan previously granted to Atlas Estates (Sadowa) by Investkredit Bank AG, with its seat in Vienna, to purchase a real property located in Gdańsk. Śląski Bank Hipoteczny's share in the loan of EUR 2,500,000 accounts for 33.33% of the total amount of the loan, and the share of ING Bank Śląski of EUR 5,000,000 accounts for the remaining 66.67%. All amounts due under the loan are to be repaid in accordance with the repayment schedule specified in the agreement but in any case not later than by 25 August 2022. The loan interest rate is based on EURIBOR EUR 1m plus the applicable margin. The repayment of the loan is secured with: (i) a joint capped first-ranking mortgage of up to EUR 4,500,000 established in favour of Bank Śląski Hipoteczny upon the right of perpetual usufruct of a plot of land located in Gdańsk and the ownership title to a building located thereon constituting a separate property; (ii) a joint capped second-ranking mortgage of up to EUR 9,000,000 established in favour of ING Bank Śląski on the same property; (iii) an assignment of rights for the benefit of Śląski Bank Hipoteczny S.A. and ING Bank Śląski S.A. under an fire-and-other-risk insurance agreement maintained for a plot of land located in Gdańsk at Sadowa 8 and a building located thereon constituting a separate property; (iv) a registered pledge on all shares in Atlas Estates (Sadowa); (v) a financial pledge on all shares in Atlas Estates (Sadowa) as a temporary security interest until the registered pledge is entered in the register under a valid and final decision; (vi) an assignment of existing and future receivables due to Atlas Estates (Sadowa) under lease agreements concerning space in the building located on the plot of land located in Gdańsk at Sadowa 8, in favour of Śląski Bank Hipoteczny S.A. and ING Bank Śląski S.A.; (vii) a first-ranking registered pledge on receivables of Atlas Estates (Sadowa) deposited in its bank account maintained with ING Bank Śląski S.A.; (viii) a power of attorney for ING Bank Śląski S.A. to freely access and use the funds deposited in a bank account of Atlas Estates (Sadowa) maintained with ING Bank Śląski S.A., as well as to freely access and use all other bank accounts opened and maintained with ING Bank Śląski S.A. in the name of Atlas Estates (Sadowa). The agreement also prohibits Atlas Estates (Sadowa) from certain types of actions concerning its assets, and from paying out dividends until the loan has been fully repaid.

*Atlas Estates (Cybernetyki)*

*Credit facility agreement of 29 June 2007, between Bank BPH S.A. and Atlas Estates (Cybernetyki)*

The above agreement provides for a credit facility of up to PLN 19,527,557.50 for the purpose of partial refinancing of the purchase price paid by Atlas Estates (Cybernetyki) for the real property located in Warsaw at ul. Cybernetyki, i.e. partial repayment of the loans granted by Atlas Estates Coöperatief (up to the amount of PLN 9,000,000) and by EdR Real Estate (Eastern Europe) Finance S.a.r.l. (up to the amount of PLN 9,000,000). The credit facility is to be repaid after the lapse of 12 months from the date of the credit facility agreement, but in any event not later than on 30 June 2008. The credit facility bears interest at a variable rate equal to the sum of WIBOR and the bank's margin. The credit facility is secured by e.g. (i) a ceiling mortgage in the amount of PLN 39,055,115 on the real property located in Warsaw at ul. Cybernetyki, (ii) a registered pledge on the bank accounts of Atlas Estates (Cybernetyki) maintained by Bank BPH S.A., and (iii) a registered pledge on 100% of the shares in Atlas Estates (Cybernetyki). According to the agreement, Atlas Estates (Cybernetyki) will not distribute any dividend or enter into any transaction with its related parties for an amount exceeding PLN 500,000 without the prior consent of the bank.

*Loan facility agreement dated 18 May 2007 concluded by EdR Real Estate (Eastern Europe) Finance S.a.r.l. and Atlas Estates (Cybernetyki)*

Under the agreement, Atlas Estates (Cybernetyki) is granted a loan facility in the amount of EUR 3,928,472. The loan has to be repaid until 31 December 2020. The loan was granted for the investment in and operation of the real assets of Atlas Estates (Cybernetyki). The interest rate is 3 month EURIBOR plus margin.

#### *HGC*

*Credit facility agreement of 8 April 2004, between Investkredit Bank AG (previously Österreichische Volksbanken AG) and HGC, as amended*

The above agreement provides for a credit facility of EUR 51,386,000 for the purposes of the payment of reasonable and actually expended costs associated with the construction and financing of the Warsaw Hilton in Warsaw together with associated facilities, including financing of the pre-opening budget and the initial working capital for the hotel. The credit facility is granted for the period of construction of the Warsaw Hilton plus a period of ten years. The credit facility bears interest at a variable rate equal to the sum of EURIBOR 3M and the bank's margin. The credit facility is secured by e.g. (i) a pledge on shares of HGC held by Grzybowska Centrum, (ii) a first ranking mortgage in the amount of EUR 51,100,000, a second ranking mortgage in the amount of EUR 8,900,000, and a third-ranking mortgage of EUR 66,801,800, on the Warsaw Hilton and the right of perpetual usufruct to the plot, (iii) the assignment of specified receivables of HGC, and (iv) guarantees by Atlas in the amount of EUR 45,000,000, (v) registered pledges and a blockade of the funds deposited in HGC's bank accounts, and (vi) a pledge on the movable assets of HGC. According to the agreement, HGC will not distribute any dividend or make any other disbursement under whatever title without the prior consent of the bank.

#### *Zielono*

*Credit facility agreement of 10 February 2006, between Investkredit Bank AG (previously Österreichische Volksbanken AG) and Zielono, as amended*

The above agreement provides for a credit facility of PLN 25,500,000 for the purposes of financing the Zielono Project. The credit facility is to be repaid in full at the latest on 31 March 2009. The credit facility bears interest at a variable rate equal to the sum of WIBOR 3M plus 170 base points and the bank's margin. The credit facility is secured by e.g. (i) a first ranking ceiling mortgage in the amount of PLN 35,700,000 on the right of perpetual usufruct to the plot located in Warsaw at ul. Przasnyska, (ii) a registered pledge over 100% shares in Zielono, (iii) a registered pledge over and blockade of Zielono's bank accounts, and (iv) assignment of other receivables of Zielono. According to the agreement, without the prior consent of the bank, Zielono will not enter into liabilities which are specified in the credit facility agreement.

#### *Capital Art Apartments*

*Credit facility agreement of 22 December 2005, between Investkredit Bank AG (previously Österreichische Volksbanken AG) and Capital Art Apartments*

The above agreement provides for a credit facility of PLN 48,029,000 for the purposes of financing the Capital Art Apartments Project. The credit facility is to be repaid in full at the latest on 31 March 2009. The credit facility bears interest at a variable rate equal to the sum of WIBOR and the bank's margin. The credit facility is secured by e.g. (i) a first ranking ceiling mortgage in the amount of PLN 67,240,600 on the right of perpetual usufruct to the plot located in Warsaw at ul. Giełdowa, (ii) trust assignment of 80% of shares in Capital Art Apartments to the bank's trustee, (iii) a registered pledge over and blockade of Capital Art Apartments' bank accounts, and (iv) assignment of other receivables of Capital Art Apartments. According to the agreement, without the prior consent of the bank, Capital Art Apartments will not enter into liabilities which are specified in the credit facility agreement.

*Platinum Towers*

*Credit facility agreement of 11 May 2007, between Platinum Towers and Erste Bank der Österreichische Sparkassen AG*

The above agreement provides for a credit facility of EUR 11,000,000 for the purposes of a cash payment to the shareholder of Platinum Towers either directly and/or by way of a loan to a wholly-owned subsidiary of Platinum Towers' shareholder or such shareholder's shareholder. The credit facility is to be repaid in full installments until 30 June 2010. The credit facility bears interest at a variable rate equal to the sum of EURIBOR and the bank's margin. The credit facility is secured by e.g. (i) a registered and ordinary pledge on all existing and future shares of Platinum Towers, (ii) a first ranking mortgage in the amount of EUR 11,000,000 as well as second ranking ceiling mortgage up to a maximum amount of EUR 3,500,000, both on the right of perpetual usufruct with regard to the real property located in Warsaw at ul. Grzybowska. According to the agreement, without the prior consent of the bank, Platinum Towers will not declare or pay any dividend, make any other distribution on its registered capital or purchase, redeem or acquire any of its shares.

*Atlas Estates (Millennium)*

*Credit facility agreement of 21 December 2006, between Erste Bank der Österreichischen Sparkassen AG and Atlas Estates (Millennium)*

The above agreement provides for a credit facility of EUR 64,800,000 for the purpose of the purchase of Millennium Plaza together with the right of perpetual usufruct. The credit facility is to be repaid in full not later than on 31 December 2016. The credit facility bears interest at a variable rate equal to the sum of EURIBOR and the bank's margin. The credit facility is secured by e.g. (i) a registered and ordinary pledge on all existing and future shares of Atlas Estates (Millennium), (ii) the assignment of all existing and future receivables of Atlas Estates (Millennium) under bank account agreements, together with a registered and ordinary pledge on the bank accounts of Atlas Estates (Millennium), (iii) assignment of all existing and future receivables of Atlas Estates (Millennium) under lease agreements regarding Millennium Plaza, and (iv) a joint mortgage in the amount of EUR 64,800,000 as well as a joint ceiling mortgage up to a maximum amount of EUR 20,000,000 both on the Millennium Plaza, together with the right of perpetual usufruct. According to the agreement, without the bank's prior consent, Atlas Estates (Millennium) will not declare or pay any dividend, make any other distribution on its registered capital or purchase, redeem or acquire any of its shares.

*Kokoszki Project*

*A credit facility agreement dated 22 November 2007 between Atlas Estates CF Plus 1 Sp. z o.o. and Raiffeisen Bank Polska S.A. (as amended)*

The above agreement provides for a credit facility of PLN 35,000,000, to be repaid by 28 February 2009. The facility will refinance the purchase of a property located in Gdansk on which the Kokoszki Project will be developed. The credit facility bears interest at a variable rate equal to the sum of WIBOR 3M and the bank's margin. The credit facility is secured by e.g.: (i) a power of attorney to use the funds deposited in the bank accounts of Atlas Estates CF Plus 1 maintained with Raiffeisen Bank Polska S.A.; (ii) a joint ceiling mortgage of up to PLN 52,500,000, established on the property in favour of Raiffeisen Bank Polska S.A., (iii) a registered pledge on 100% shares in Atlas Estates CF Plus 1, (iv) an assignment of receivables under all preliminary and final agreements for the sale of apartments and parking spaces within the property, (v) a subordination of the loans drawn by Atlas Estates CF Plus 1 to the obligations towards the bank.

*A credit facility agreement dated 22 November 2007 between Atlas Estates CF Plus 1 Sp. z o.o. and Raiffeisen Bank Polska S.A. (as amended)*

The above agreement provides for a credit facility of PLN 11,660,000, to be repaid by 31 May 2008. The facility will finance the VAT obligations resulting from the purchase of the property located in Gdansk on which the Kokoszki Project will be developed. The credit facility bears interest at a variable rate equal to the sum of WIBOR 3M and the bank's margin. The credit facility is secured by e.g.: (i) a power of attorney to use the funds deposited in the bank accounts of Atlas Estates CF Plus 1 maintained with Raiffeisen Bank Polska S.A., (ii) a joint ceiling mortgage of up to PLN 17,490,000, established on the property in favour of Raiffeisen Bank Polska S.A., (iii) a registered pledge on 100% shares in Atlas Estates CF Plus 1, (iv) a subordination of the loans drawn by Atlas Estates CF Plus 1 to the obligations towards the bank.

**Hungary***(Volan Project)*

*Loan facility agreement dated 10 February 2005, amended on 8 February 2006 concluded by Atlas Estates Kaduri-Sasha Zrt and Volksbank Magyarország Zrt.*

Under the agreement Atlas Estates Kaduri-Sasha is granted a loan facility in the amount of EUR 3,583,000 for the purpose of buying the real estate at Szabolcs u. 17. and EUR 1,512,484 for the purpose of covering the preparatory costs of the Volán Project. The loan has to be repaid until 31 March 2008. The EUR 3,583,000 loan amount had been granted for Nagari Kaduri Hungary Kft., which was drawn down by Nagari Kaduri Hungary Kft. All payment obligation vis-à-vis Volksbank were undertaken by Atlas Estates Kaduri-Sasha Zrt. The interest rate for the amount of EUR 3,583,000 is fixed at 4.583% and the interest rate for the amount of EUR 1,512,484 is floating: 3 months EURIBOR plus the bank's margin. The default interest rate is double of the base interest rate issued by the National Bank of Hungary. The loan is secured, inter alia, with a first ranking framework mortgage up to HUF 1,800,000,000 on the real estate for the Volán Project located in Budapest at Szabolcs u. 17, and a pledge on the shares of Atlas Estates Kaduri-Sasha. Sale or encumbrance whatsoever of the plot is subject to the prior written consent of the bank. The debtor undertook to not to sale the plot during the term of the mortgage, and not encumber it without prior written consent of the bank.

*Loan facility agreement dated 2 March 2007 concluded by Atlas Estates Kaduri-Sasha Zrt and Volksbank Magyarország Zrt.*

Under the agreement Atlas Estates Kaduri-Sasha Zrt. Is granted a loan facility in the amount of HUF 440,000,000. The loan has to be repaid until 31 March 2008. The loan was granted for the purpose of (i) finance of the VAT on pre-project related cost, (ii) finance of the interest on this loan and (iii) finance of VAT on purchase price of the plot. The interest rate is 1 month BUBOR plus the bank's margin. The loan is secured with a second ranking framework mortgage up to HUF 550,000,000 on the real estate for the Volán Project located in Budapest at Szabolcs u. 17, and a pledge on the shares of Atlas Estates Kaduri-Sasha Zrt. And assignment to Volksbank of all the amounts of VAT, arising in connection with purchase price of the real estate which the company may reclaim from the Hungarian tax authorities.

*(Ikarus Industrial Center)*

*Credit facility agreement dated 8 March 2007 concluded by Felikon and MKB Bank Nyrt.*

The bank agreed to refinance the credit facility in the amount of EUR 13,000,000 granted to Felikon under the credit facility agreement dated 9 June 2005. The maximum amount granted under the agreement is EUR 18,500,000 (two separate amounts of EUR 17,800,000 and EUR 700,000). Currently the additional EUR 700,000 serves as a bank guarantee in relation to a state subsidy agreement. Should the bank guarantee no longer be needed the frame amount increases with the amount of the bank guarantee, i.e. EUR 700,000. Therefore, the maximum amount of the loan shall increase to EUR 18,500,000. The credit under credit facility agreement dated 8 March 2007 is secured by a mortgage of EUR 20,000,000.

Similarly, as a collateral of the credit under the credit facility agreement dated 9 June 2005, the quota owned by AEIBV was pledged for the benefit of the MKB Bank Nyrt. As a first ranking quota pledge in the amount of EUR 15,000,000 (registered in March 2006) and also as a second ranking quota pledge in the amount of EUR 20,000,000 (registered in March 2007). Currently, both the pledges are registered with the Official Registry of Pledges held by the Chamber of the Public Notaries in Hungary (in Hungarian *Magyar Országos Közjegyzői Kamara*). Due to the refinancing of the credit under the credit facility agreement dated 9 June 2005, the first pledge was terminated. The credit is also secured with a pledge over the shares in Felikon up to the amount of EUR 20,000,000. In addition, the bank and Felikon entered into a assignment agreement regarding Felikon's rental and other revenue receivables obtained from the operation and letting of the buildings of the Ikarus Industrial Centre, any property insurance benefits, as well as any claims arising of any sale and purchase agreement, excluding sale and purchase agreements of the real property on which the Ikarus Industrial Centre is located and the shares to a company held, directly or indirectly by AEIBV, and any material contracts regarding any construction works of future refurbishments.

The interest rate is 3 months EURIBOR plus the bank's margin. The final maturity date is 9 March 2017.



*(Ligetváros Centre)*

*Credit facility agreements dated 29 January 2004, 24 May 2005 and 4 October 2005 concluded by Ligetváros and Erste Bank der Österreichischen Sparkassen AG*

Under the three agreements Ligetváros is granted credit facilities in amounts of EUR 4,850,000, EUR 600,000 and EUR 500,000 respectively. The latter two have already been repaid. The three facilities were granted for the purpose of (i) refinance of credit granted by Bank Austria Creditanstalt AG (previous name Creditanstalt AG) and several investments, (ii) refinance of loans borrowed with respect to the real estate, construction on the real estate, finance of the acquisition of quota of Városliget representing 49% of the registered capital of Városliget and (iii) financing of investments, respectively. The terms of the credit facilities are (i) 31 December 2021, (ii) 31 March 2017 and (iii) 30 September 2020, respectively. The interest rate is 3 month EURIBOR plus the bank's margin. The default interest rate is + 3% p.a. re. due amount. The transfer of shares in Ligetváros and an amendment to the Ligetváros articles of association is subject to the prior consent of Erste Bank der Österreichischen Sparkassen AG ("Erste Bank"). The credit facilities are secured, inter alia, with a first ranking mortgage of EUR 4,850,000 (credit facilities granted by Bank Austria Creditanstalt were secured by mortgages registered as first and second ranking mortgages), second ranking mortgage of EUR 600,000, pledge on the quota of Ligetváros representing 49% of the registered capital thereof up to the amount of EUR 467,000, third ranking mortgage of EUR 500,000. The mortgages encumber the real property owned by Ligetváros located at Deminszky utca 12,1070 Budapest where the Ligetváros centre is situated. Under the agreements the assets of debtor may not be encumbered as collateral of any other obligation without prior consent of Erste Bank. The debtor will not terminate the lease agreements without prior consent of Erste Bank, except for the case where a new tenant is already ready for step in the lease. The debtor may enter into a lease agreement with regard to an area at least 10% of the total area of the plot only with prior written consent of Erste Bank. Any change in the ownership structure of the debtor is subject to the prior consent of Erste Bank, with the exception of a transfer of quota by inheritance.

**Romania***(Golden Tulip Hotel)*

*Credit agreement dated 22 August 2006 concluded between Victoria Tower and Alpha Bank Romania S.A. Bucuresti –Unirii Branch*

Under the agreement Victoria Tower is granted an EUR 5,200,000 irrevocable credit facility, out of which (i) EUR 1,456,959 is intended for refinancing loan granted based on the loan agreement no. 087/2004 and (ii) EUR 3,743,040 is intended for refinancing the shareholders' or group companies' loans related to the Golden Tulip hotel project and for investments connected with modernizing the said hotel. The repayment date is 22 August 2016. The loan must be repaid in 120 monthly installments as follows:

- (i) 119 monthly instalments, successive and equal, amounting to EUR 32,773 each;
- (ii) the last instalment amounting to EUR 1,300.000.

The bank is entitled to receive reimbursement of the loan upon its first and simple demand, regardless of Victoria Tower breaching any of its contractual obligations. The base interest rate is LIBOR 3 months per year, adjustable by the bank based on the market conditions. Such adjustment must be notified to Victoria Tower 60 days before the adjustment. The risk margin applicable on the interest is 2.25% per annum. The risk margin is replaced with a 4.25% increased margin per annum, in case of default by Victoria Tower.

Victoria Tower undertook, *inter alia*, to maintain in force the franchise agreement executed with Golden Tulip throughout the term of the loan agreement, or in case the agreement is terminated, to replace it with a similar franchise agreement (the agreement with Golden Tulip is described in the Section "*Other Information*" of the present Prospectus. In addition Victoria Tower may pay dividends solely in case the coverage indicator for the debt service is higher than 1.3 computed yearly based on the previous year balance until the end of May at the latest. Under the agreement Victoria Tower may not encumber or dispose of all or part of its assets without the bank's consent.

The loan is secured with:

- (i) First ranking mortgage of EUR 5,200,000 plus the interests, the increased interests, costs and related commissions under the credit agreement over the Golden Tulip Hotel and an interdiction to alienate and encumber the Golden Tulip Hotel until the full reimbursement of the guaranteed amount.
- (ii) Pledge up to the amount of EUR 5,200,000 plus the interests, the increased interests, costs and related commissions under the credit agreement over the commerce fund in value of RON 1,391,400 according to the evaluation date of 16. July 2006, and especially over the restaurant and hotel equipment of the Golden Tulip Hotel.
- (iii) Pledge up to the amount of EUR 5,200,000 plus the interests, the increased interests, costs and related commissions under the credit agreement over the current and future RON and foreign currency credit balances of the Victoria Tower's current accounts opened with the bank, as well as over all the rights regarding these amounts.
- (iv) Assignment of Victoria Tower's rights out of the insurance policies no. 2801906/16.02.2006 and 2312826/16.02.2006 (and over their extensions thereof) issued by Allianz – Tiriac Asigurari S.A. for insuring the assets that are subject to the guarantees under the credit agreement no. 125/1/2006 up to the amount of EUR 5,200,000 plus the interests, the increased interests, costs and related commissions under the credit agreement.

*(Solaris Land)*

*Loan agreement of 21 September 2007, between Erste Bank der Österreichischen Sparkassen AG and Megarom Line*

The above agreement provides for a credit facility of EUR 12,500,000. The credit facility is to be repaid in full not later than on 30 June 2010. The credit facility bears interest at the rate of 3-months EURIBOR plus 2.25 % per annum. The credit facility is secured by (i) a registered and ordinary pledge on all existing and future shares of Megarom Line, (ii) a first ranking ceiling mortgage on the Solaris Land in the amount of EUR 16,250,000 and (iii) a blank promissory note duly signed by Megarom Line accompanied by an agreement between Erste Bank der Österreichischen Sparkassen AG and Megarom Line regarding the use of this blank promissory note according to the facility agreement. Pursuant to the agreement, without Erste Bank der Österreichischen Sparkassen AG prior consent, Megarom Line will not declare or pay any dividend, make any other distribution on its registered capital or purchase, redeem or acquire any of its shares if an event of default has occurred.

*Loan agreement of 6 November 2007, between Erste Bank der Österreichischen Sparkassen AG and World Real Estate*

The above agreement provides for a credit facility of EUR 12,000,000 to be exclusively used for investments in and operation of Voluntari Land and for the replacement of shareholder loans granted to World Real Estate by its shareholders by debt. In addition, the loan may be used for any other investments in real estates properties upon Erste Bank der Österreichischen Sparkassen AG prior written consent.

The credit facility is to be repaid in full not later than on 31 December 2010. The credit facility bears interest at the rate of 3-months EURIBOR plus 2.25 % per annum. The credit facility is secured by (i) a registered and ordinary pledge on all existing and future shares of World Real Estate, (ii) a first ranking ceiling mortgage on the Voluntari Land in the amount of EUR 16,000,000 together with the interdiction to sell and encumber the Voluntari Land, and (iii) a blank promissory note duly signed by World Real Estate accompanied by an agreement between the Erste Bank der Österreichischen Sparkassen AG and World Real Estate regarding the use of this blank promissory note according to the facility agreement. Pursuant to the agreement without the Erste Bank der Österreichischen Sparkassen AG prior consent, World Real Estate will not declare or pay any dividend, make any other distribution on its registered capital or purchase, redeem or acquire any of its shares if an event of default has occurred.

**Slovakia***(Vajnory Project)*

*Credit facility agreement of 29 September 2005, between Investkredit Bank AG (previously Österreichische Volksbanken AG) and Circle Slovakia.*

The above agreement provides for a credit facility of EUR 24,926,000 for the purposes of the acquisition by Circle Slovakia of a real property located in Bratislava, Slovakia, Vajnory on which the Vajnory Project will be developed. The credit facility is to be repaid by 31 August 2008. The credit facility bears interest at a variable rate equal to the sum of 3 month EURIBOR and the bank's margin. The credit facility is secured by e.g. (i) a security transfer of shares in Circle Slovakia, (ii) a first ranking mortgage in the amount of up to EUR 34,896,400 on the real property located in Bratislava, Slovakia, at Pri Starom Letisku in Vajnory district, (iii) subordination of any and all present and future loans granted to Circle Slovakia by shareholders or their related parties, and (iv) the assignment of specified receivables of Circle Slovakia. According to the agreement, without the prior consent of the bank, Circle Slovakia will not enter into liabilities which are specified in the credit facility agreement.

**Bulgaria***Atlas House Office Building*

*Credit facility agreement of 14 September 2007, between Investkredit Bank AG and Atlas Estates Limited EOOD*

The agreement provides for a credit facility of EUR 4,247,861 for the purposes of acquiring 100% of the shares of Immobul EOOD owner of a real property located in Sofia at 53-55 Totleben blv. The credit facility is to be repaid by 30th of September 2017. The credit facility bears interest at a variable rate equal to the sum of EURIBOR and 1.9 p.a. The credit facility is secured by e.g. (i) a pledge on 100% of the shares of Atlas Estates Limited EOOD in AEIBV, (ii) a pledge on 100% of the shares of Atlas Estates Limited EOOD in Immobul EOOD; (iii) mortgage in the amount of EUR 4,247,861 on the real property located in Sofia at 53-55 Totleben blv. owned by Immobul EOOD; (iv) a pledge of all rental receivables of Immobul EOOD; (v) a pledge of the rental account of Immobul EOOD; (vi) a pledge of the debt service reserve account of Immobul EOOD in Investkredit Bank AG in the amount of EUR 260,000; (vii) assignment of insurance claims for the property; (viii) promissory note in the amount of EUR 4,247,861 and the applicable interest (ix) subordination of any and all present and future loans granted to Atlas by AEIBV or its related parties, and (x) Atlas will not enter into the following activities or transactions without the prior consent of the Investkredit Bank AG: sale, encumbrance, donation, exchange and purchase of land and buildings or other activities suitable to reduce the value or profitability of the shares or the property, sale and dissolution of business operations, acquisition of companies or shares in companies, signing of applications to the commercial register and land register, raising of loans and credits, issuing or accepting bills of exchange, except in the ordinary course of business, issuing guarantees or liabilities whatsoever except in the ordinary course of business, purchase of assets costing in excess of EUR 200.000 annually, conclusion of service agreements costing in excess of EUR 200.000 annually, conclusion of agreements with AEIBV and related companies except for lease agreements with a market standard rent.

*Loan agreement between Immobul EOOD and Investkredit Bank AG revising the loan agreement dated 29.03.2001 between Immobul EOOD and Investkredit Bank AG (previously Österreichische Volksbanken AG)*

The agreement provides for credit facility of EUR 2,900,000 for the purposes of acquiring of a real property located in Sofia at 53-55 Totleben blv. The credit facility is to be repaid by 30th of September 2017. The outstanding amount at 12.09.2007 is EUR 1,752,139. The credit facility bears interest at a variable rate equal to the sum of EURIBOR and 1.9 p.a. The credit facility is secured by e.g. (i) a pledge on 100% of the shares of Atlas in Immobul EOOD; (ii) mortgage in the amount of EUR 1,752,139 on the real property located in Sofia at 53-55 Totleben blv. owned by Immobul EOOD; (iii) pledge of all rental receivables of Immobul EOOD; (iv) pledge of the rental account of Immobul EOOD; (v) Pledge of the debt service reserve account of Immobul in Investkredit Bank AG in the amount of EUR 260,000; (vi) Assignment of insurance claims for

the property; (vii) promissory note in the amount of EUR 1,752,139 and the applicable interest (viii) subordination of any and all present and future loans granted to Immobil EOOD by AEIBV or its related parties, and (ix) Immobil EOOD will not enter into the following activities or transactions without the prior consent of the Investkredit Bank AG: sale, encumbrance, donation, exchange and purchase of land and buildings or other activities suitable to reduce the value or profitability of the shares resp. the Property, sale and dissolution of business operations, acquisition of companies or shares in companies, signing of applications to the commercial register and land register, raising of loans and credits, issuing or accepting bills of exchange, except in the ordinary course of business, issuing guarantees or liabilities whatsoever except in the ordinary course of business, purchase of assets costing in excess of EUR 200.000 annually, conclusion of service agreements costing in excess of EUR 200.000 annually, conclusion of agreements with AEIBV and related companies except for lease agreements with a market standard rent.

### **Environmental matters**

Environmental issues which could affect the use of the Group's assets include undetected hazardous materials in buildings owned by Atlas which are harmful to the health of the residents or pre-existing pollution and soil contamination on properties owned by Atlas. See "*Risk factors*".

The Company is not aware of any pending or threatened proceedings initiated against it or any member of its Group under the provisions of law and regulations governing the use of land and environmental protection, or of any liabilities which may be incurred by the Issuer or the Group members pursuant to such laws and regulations.

The Hungarian Land Office registered a long lasting contamination on the real property of Felikon within the Ikarus Industrial Park. The Hungarian Environmental Inspectorate obliged Felikon to reduce the pollution to a specified level until 31 May 2009. The pollution of the ground water is being treated and periodically controlled. The Company believes the above-mentioned deadline can be kept.

## DIRECTORS AND KEY MANAGERS

### Directors of the Company

In accordance with the Articles of Association the Board comprises at least two and not more than six Directors. As of the Prospectus Date the Board comprises four non-executive Directors all of whom are independent of AMC. At no time should a majority of Directors, including any duly appointed alternates, be resident in the United Kingdom. The Directors are responsible for the determination of the Company's investments objectives, interaction with AMC and review of the performance of AMC.

Whether or not a Director is "independent" is established on the independence criteria provided for in the Combined Code. The Combined Code provides that the Board should establish if a specific Director is independent and if there are any relations or circumstances which materially impact the independent Director's ability to take objective decisions. The material criteria applied for the purposes of establishment of independence include a analysis of, among other things, the following circumstances applicable to a relevant Director: (i) if he was an employee of the Company or the Group in the last five years; or (ii) if in the last three years he had any material business relations with the Company, directly as a Shareholder or a senior officer; or (iii) if he had ever received or receives any additional remuneration from the Company besides the remuneration related to his position of a Director, if he participates in an incentive plan which authorises him to subscribe for shares or if his remuneration depends on the Company's performance, or if he has any close family relations with any Company advisors or senior officers; or (iv) if he is a director or an officer in any other entity or has any material relations with other directors or officers through shareholdings in other companies or membership in other companies' authorities; or (v) if he represents any material Shareholder; or (vi) if he served on the Board of Directors for more than nine years from the date of his first appointment as Director.

Pursuant to Article 109 of the Articles of Association, Company policy and its strategic direction are determined by the full Board, which meets quarterly, with due notice being given of the issues to be discussed. The meetings of the Board are held either in Guernsey or elsewhere outside of the United Kingdom and tend to be within Central and Eastern Europe. The Board has delegated some operational matters to AMC by way of the Property Manager and Advisor Agreement (for details of the agreement please see the Section "*Related Party Transactions*").

Pursuant to Article 109 of the Articles of Association, the Board may exercise any powers of the Company to borrow money or to give guarantees, mortgage hypothecate pledge or charge all or part of its undertaking property or assets and uncalled capital and to create and issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. There shall be no limit on the borrowing powers of the Directors.

Pursuant to section 13 of the Company's (Guernsey) Laws 1994, as amended, any document signed by at least one Director or by any other person duly authorized to act for the Company shall be deemed to have been validly executed for and in the name of the Company. Furthermore, in favour of a person dealing with the Company in good faith, the power of the Company's Directors to bind it, or to authorize others to do so, is deemed to be free of any limitation imposed by or deriving from: (i) the Company's memorandum or articles; (ii) any resolution of the Company; or (iii) any agreement between the Company's members or any of them.

A person deals with a company if he is a party to any transaction or other act to which the company is a party. There is a presumption that a person is acting in good faith unless the contrary is proved. Moreover, a person is not to be regarded as acting in bad faith solely because he knows that an act is beyond the directors' powers.

As a whole the Board is responsible for:

- (i) providing entrepreneurial leadership to the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- (ii) setting strategic aims, that the necessary financial and management/advisor resources are in place to meet those aims and reviewing management performance and
- (iii) setting the Company's values and standards and ensuring that its obligations to its shareholders are understood and met.

The matters that are reserved to the Board for its collective decision are the following:

*Strategy and management*

- (i) approval of annual budgets, business plans and corporate strategy, including any material changes, and review of performance against them;
- (ii) approval of all Group property investments and development projects in line with the corporate strategy and business plan other than those delegated to the Property Manager within the Property Manager Agreement;
- (iii) extension of the Group's activities into new business or geographic areas and any decision to cease to operate all or any material part of the Group's business;
- (iv) any decision to form or wind-up any subsidiary or to cease to carry on any business or permit any subsidiary to cease to carry on any business;
- (v) establishment of terms of reference for and membership and chairmanship of Board committees.

*Structure and capital*

- (i) the raising of capital whether through the stock exchange or by private placement and any capital reorganisation or restructuring or other change to the Company's capital structure;
- (ii) any increase in the share capital or loan capital of the Company or the issue of any warrants or other securities in respect thereof (subject to the Articles of Association and shareholder approval as appropriate);
- (iii) any change to any corporate or trading name of the Company including any changes to the Company's listing or status as a public company (subject to the Articles of Association and shareholder approval as appropriate);
- (iv) changes to the Group's management and control structure and major changes to the Group's corporate structure;
- (v) the adoption of any share option or similar incentive scheme or any major changes in relation to any such scheme(s);

*Financial reporting and controls*

- (i) approval of the Interim Statement and Annual Report and Financial Statements;
- (ii) approval of any report on Directors' Remuneration to form part of or be annexed to the Annual Report and Financial Statements;
- (iii) approval of borrowing and cash management policies;
- (iv) approval of significant changes in accounting policies or practices;
- (v) recommendation, declaration or payment of any dividend (subject to the Articles of Association and shareholder approval as appropriate);

*Contracts*

- (i) acquisition and disposal of all property assets, to the extent not previously delegated by way of agreed delegation protocols to AMC. Between board meetings such authority may be given by a committee appointed by the board for such a purpose;
- (ii) corporate acquisitions, sales and take-overs;
- (iii) approval of all non-property investments;
- (iv) the formation of, and involvement in, any new joint-venture company or partnership arrangement to the extent not previously delegated by way of agreed delegation protocols to AMC;
- (v) approval of contracts not in the ordinary course of business, such as the making of a loan (other than normal trade credit) or the taking of general finance facilities (i.e. one not relating to a specific property transaction);

*Communication*

- (i) approval of all Circulars and Announcements relating to significant corporate activity or material changes to the financial position of the Group;
- (ii) any transaction which would require an announcement or notification to the London Stock Exchange or to the Takeover Panel and the rules or requirements of either of those bodies;
- (iii) resolutions and corresponding documentation to be put forward to shareholders at a general meeting;

*Board membership and other appointments*

- (i) selection of the Chairman, and appointment and removal of Directors, Property Manager, Administrator, Investment Advisor and the Company Secretary and approval of their terms of reference;
- (ii) appointment of Advisers to the Company to the extent not previously delegated by way of agreed delegation protocols to AMC;
- (iii) approval of the Remuneration of the Auditors and appointment, reappointment or removal of Auditors to be put to shareholders for approval following recommendation of the audit committee;
- (iv) determination of the independence of directors;
- (v) appointments to boards of subsidiaries;

*Remuneration*

- (i) determination of the remuneration of the Non-Executive Directors (subject to the articles of association and shareholder approval as appropriate);

*Corporate Governance*

- (i) review of the Group's overall corporate governance arrangements and review of the Company's own performance in this respect and that of its Directors and committees;
- (ii) approval of the Report on Corporate Governance, describing the Group's system of corporate governance and explaining the reasons for any areas of non-compliance with the Combined Code;
- (iii) internal control arrangements and risk management strategy, including an annual review of the effectiveness of the Group's systems of internal control and that of the Property Manager;

*Other*

- (i) charitable/political donations;
- (ii) prosecution, defence or settlement of legal proceedings (other than debt collection in the ordinary course of business);
- (iii) the creation of any mortgage or charge over any of the assets of the Company or any of its subsidiaries to the extent not previously delegated by way of agreed delegation protocols to AMC;
- (iv) the giving of any guarantee or indemnity in respect of any obligations of a party other than a subsidiary;
- (v) Directors' and Officers' liability insurance;
- (vi) approval of policies;
- (vii) matters reserved for Board decisions.

Pursuant to the Asset Management Agreement, the Property Manager and Administrator carry out the execution of these strategies and policies on a day to day basis. All transactions arising under the above require the signatures of at least two Directors.

Matters that the Board considers suitable for delegation are contained in the terms of reference of its committees and the letters of appointment of the Property Manager, Investment Advisor and the Administrator (the relevant agreements concluded between the Company and Property Manager and Investments Advisor are described in the Section "*Related Party Transactions*" of this Prospectus, while the agreement with the Administrator is described in the Section "*Other information*" under "*Material Agreements*").

Where a decision is required between board meetings, this will be delegated to a committee to be formed in accordance with the Articles of Association.

*Appointment and removal of Director*

Pursuant to Article 99 of the Articles of Association, the Board shall have power at any time to appoint any person who is willing to act as a Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the number (if any) fixed pursuant to the Articles of Association. The appointment for a term does not apply to Directors. Any Director so appointed shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting if it is an Annual General Meeting. If not reappointed at such Annual General Meeting, he shall vacate office at its conclusion.

At each Annual General Meeting of the Company, one-third of the Directors who are subject to retirement by rotation (or if their number is not three or a multiple of three), the number nearest to, but (except where there are less than three Directors) not less than one-third, shall retire from office.



Pursuant to Article 102 of the Articles of Association, no Director shall vacate or be required to vacate his office as a Director on all by reason of his attaining or having attained the age of 70 or any other age.

Without prejudice to the provisions for retirement (by rotation or otherwise) contained in the Articles of Association the office of a Director shall *ipso facto* be vacated:

- (i) if Director (not being a person holding for a fixed term an executive office subject to termination if he ceases from any cause to be a Director) resigns his or her office by written notice signed by him sent to or deposited at the registered office or tendered at a board meeting;
- (ii) if he ceases to be a Director by virtue of the provisions of the Guernsey Law, is removed from office pursuant to the Articles of Association or becomes prohibited by law from being a director;
- (iii) if Director and his or her alternate director (if any) appointed pursuant to the Articles of Association shall have absented himself or herself (such absence not being absence with leave or by arrangement with the Board on the affairs of the Company) from meetings of the Board for a consecutive period of six months and the Board resolves that his or her office shall be vacated;
- (iv) if Director becomes of unsound mind or incapable;
- (v) if Director becomes insolvent or makes any arrangement or composition with his or her creditors generally;
- (vi) if Director is requested to resign by written notice signed by all his or her co-Directors (other than any alternate Director of the Director concerned);
- (vii) if the Company in General Meeting by ordinary resolution shall declare that he or she shall cease to be a Director; or
- (viii) if Director becomes resident in the United Kingdom and, as a result thereof, a majority of the Directors are resident in the United Kingdom.

#### *Composition of the Board*

As of the Prospectus Date, the Board consists of the following four members:

Name	Age	Position	Appointment Date	Business address
Quentin Spicer	62	Acting Non-Executive Chairman	9 February 2006	Wedlake Bell Guernsey P O Box 251 Farnley House, La Charroterie St Peter Port, Guernsey, GY1 4LG
Shelagh Mason	48	Non-Executive Director	3 February 2006	Richmond House, Les Banques, St Sampons, Guernsey, GY2 4BP
Michael Stockwell	59	Non-Executive Director	3 February 2006	Woodcote, Hempstead Road, Bovington, HP3 0DS
Helmut Tomanec	44	Non-Executive Director	3 February 2006	1010 Vienna, Opernring 19/10, Austria

The non-executive appointment letters provide that each of the Directors' appointments may be terminated on 90 days' notice by either of the Company or the Directors.

Set out below is information concerning Directors, and such information was prepared on the basis of their representations.

None of the Directors: (i) in the course of the last five years, has been sentenced by a valid judgment for fraud; (ii) save as disclosed below in respect of Mr. Quentin Spicer and Ms. Shelagh Mason, in the course of the last five years, has performed any supervisory or management functions in entities that became bankrupt, liquidated or were under receivership; (iii) has been formally accused nor subject to any sanctions imposed by government authorities or any other organizations (including professional organizations); and (iv) in the last five years, has been deprived of the right to perform any functions in the management or supervisory bodies

of any issuer nor has been deprived of the right to participate in the management or conduct of the affairs of any issuer.

No Director or proposed Director or member of a Director's or a proposed Director's family has any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Shares.

There exist no family relationships between the Directors, the Key Managers, AMC and the Adviser to the Board, besides the family relations between Gadi Danker and Dori Danker who are cousins.

***Mr Quentin Spicer, Non-Executive Director***

(Age 62). Mr Spicer, an English Solicitor and resident of Guernsey was head of the Property Department of Wedlake Bell and since 1996 he has been the senior partner of that company and a shareholder of Wedlake Bell Guernsey. He attended the College of Law in London which is the accredited college of the Law Society of England and Wales for qualification as an English Solicitor. He was a director of Property Acquisition and Management Limited (and subsidiaries), Collin Steward No. III Fund, PCC Limited, Brems Trustees Limited, WB Trustees, Brems Registrars and Nominees Limited, Coolstream Limited, Granges International Limited, Stanton International Limited, Mercator Group Holdings Limited, and Square Bay General Partner Limited. He is chairman of a number of companies including the Guernsey Housing Association LBG, ISIS Property Trust 2 Limited, RAB Special Situations Limited company and European Value and Income Fund Limited. Mr Spicer is also a non-executive director of a number of property investments funds and is a member of the Institute of Directors. In addition, Mr. Spicer currently holds director's position at the following companies: AUB General Partner of Quintain (Guernsey) Limited, AUB Prime Limited, PINE Trustee (Jersey) Limited, Protego Industrial Limited, Bizspace Management (Jersey) Limited, Protego Industrial Guernsey Limited, Bathgate Property Company Limited, Farley Investments Enterprises Limited, Farley Property Company Limited, Sesame Properties Limited, Summit Germany Limited, David Stein Limited and South African Property Opportunities PLC.

Mr Quentin Spicer was a non-executive director of Atlantic Healthcare Management Limited when it entered a members' voluntary liquidation on 20 August 2002 and was dissolved on 22 December 2004.

Mr Quentin Spicer was a non-executive director of UBK Opportunity Limited when it entered a members' voluntary liquidation on 12 August 2005. The liquidation is ongoing.

Mr Quentin Spicer was a non-executive director of Prime Riviera Properties Limited when it entered a members' voluntary liquidation on 18 December 2002 and was dissolved on 12 July 2005.

Mr Quentin Spicer was a non-executive director of Quarters Limited when it entered a members' voluntary liquidation on 16 January 2003 and was dissolved on 28 March 2003.

***Mrs Shelagh Mason Non-Executive Director***

(Age 48). Mrs Mason obtained a law degree LLB (2:1) at the Kings College in London. She is an English property solicitor with over 23 years experience in commercial property. She currently practises at Mason & Co in Guernsey, in which she also holds shares, specializing in English commercial property. Her last position in the United Kingdom was as a senior partner of Edge & Ellison (now part of Hammonds) where she was responsible for the running of the commercial property department across three offices in London, Birmingham and Leicester. 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. Her previous experience includes responsibility, alongside retained surveyors for the property requirements of many of the United Kingdom's largest listed companies and extensive experience in property development.

Mrs Mason is a member of the board of directors of Standard Life Investments Property Income Trust Limited, a property fund listed on both the London Stock Exchange and the Channel Islands Stock Exchange. Mrs Shelagh Mason was also a non-executive director at Ptarmigan Property Limited which was liquidated. She is also a non-executive director of Ptarmigan II Property, Chairman of the Guernsey Branch of the

Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association. She is also a non-executive director of MedicX Fund Limited, Standard Life Investments Property Holding Limited, PFB Regional Office Fund, Third Point Offshore Independent Voting Company Limited, and a director of ARSY Holding Limited and Wood Works Limited.

***Mr Michael Stockwell, Non-Executive Director, Audit Committee Chairman***

(Age 59). Mr Stockwell is a pension investments consultant for Kodak Limited and is responsible for asset allocation and investments manager appointments. Mr Stockwell is a trustee and a member of the investments board of Kodak Limited's United Kingdom pension plan (asset size GBP 1.1 billion). He is a member of the Chartered Institute of Insurance.

Mr Stockwell is an associate member of the Pensions Management Institute and has over 30 years experience in the pension investments area. This includes fifteen years as manager of one of the United Kingdom top 100 pension funds. Previously Mr Stockwell was European pensions investments director for a large US multinational with assets of over USD 2.5 billion in some fifteen European countries. He is also a director at FSI Financial Services.

***Dr Helmut Tomanec, Non Executive Director***

(Age 44). Mr. Tomanec holds a PhD in Law from the Vienna University. Dr Tomanec was an authorized officer of Österreichische Volksbanken AG 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 Central and Eastern Europe. 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 Central and Eastern Europe. In the past five years Mr. Tomanec held director's position at the following companies: Immoconsult Leasinggesellschaft m.b.H, Immocon Alpha Leasinggesellschaft m.b.H, Immocon Beta Leasinggesellschaft m.b.H, Immocon Gamma Leasinggesellschaft m.b.H, Immocon Delta Leasinggesellschaft m.b.H, Immocon Zeta Leasinggesellschaft m.b.H, Immocon Rho Leasinggesellschaft m.b.H, Immocon Psi Leasinggesellschaft m.b.H, Immoconsult Projektentwicklung GmbH, RAINER Liegenschaftsvermietung Gesellschaft m.b.H, Immoconsult Realitätenverwertung Gesellschaft m.b.H EKZ-Villach Gesellschaft m.b.H, Immoconsult eins Liegenschaftsvermietung Gesellschaft m.b.H, Immoconsult drei Liegenschaftsvermietung Gesellschaft m.b.H, Immoconsult vier Liegenschaftsvermietung Gesellschaft m.b.H, Immoconsult sechs Liegenschaftsvermietung Gesellschaft m.b.H, Immoconsult sieben Liegenschaftsvermietung Gesellschaft m.b.H, VOGEVA – Gebäudevermietung Gesellschaft m.b.H, Immoconsult Ismene Leasinggesellschaft m.b.H, KOTVA Immobilienvermietung Gesellschaft m.b.H, Mithra Unternehmensverwaltung Gesellschaft m.b.H, Betriebsanlagen & Wirtschaftsgüterleasing Gesellschaft m.b.H, Beethovenplatz Errichtungsgesellschaft m.b.H, FMZ-Verwertungs-und Verwaltungsgesellschaft m.b.H, PSI Liegenschaftsvermietung Gesellschaft m.b.H, Hebbel Projektentwicklung Gesellschaft m.b.H, Immoconsult Holding Gamma Gesellschaft m.b.H, Immoconsult Dike Leasinggesellschaft m.b.H, Immoconsult "Citycenter" Leasinggesellschaft m.b.H, Immocon Viribus Leasinggesellschaft m.b.H, Immocon Pax Leasinggesellschaft m.b.H, Immocon Tulia Leasinggesellschaft m.b.H, Immocon Dione Gesellschaft m.b.H, Immocon Ziel Leasinggesellschaft m.b.H, Immoconsult Asset Leasing GmbH, GVA-IMMOCONSULT Immobilien Treuhand GmbH, Immoconsult FMZI Leasinggesellschaft m.b.H, Immoconsult Indigo Leasinggesellschaft m.b.H, Bonifraterska Development Sp. z o.o., Immorom Alpha sri, Immorom Gama srl, Immorom Delta srl, Global Management Kft, GVA Polska Sp. z.o.o. Currently Mr. Tomanec is the Managing Director at Hallmark Properties GmbH, a real estate advisory and management company, holding also 50% of this company's share capital. He is also the Managing Director at the HT Helmut Tomanec Management GmbH.

***Mr Andreas Schlegel, Adviser to the Board of Atlas Estates***

Mr Schlegel is Chief Risk Officer for the RP Capital Group and until recently was Head of Market Risk Management at Merrill Lynch where he was responsible for all activities and products across the European time zone including Central and Eastern Europe countries. Mr Schlegel holds a Masters and a PhD in Economics and Finance from the University of Zurich.

**Audit Committee**

The Company has established an audit committee, comprising all of the Directors, under the chairmanship of Mr Stockwell. The audit committee has formally delegated duties and responsibilities.

The Audit Committee is appointed by the Board and as a minimum comprises of a Audit Committee Chairman and at least two other members. At least one member of the Committee should have recent, relevant financial knowledge.

The Board appoints the Audit Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.

The Audit Committee may ask the Property Manager CEO, Property Manager CFO, Administrator and any relevant advisor to attend meetings either regularly or by invitation in the Audit Committee meetings. The Audit Committee shall ask a representative of the external auditors to attend all meetings. The Committee should have at least one meeting, or part thereof, with the external auditor without management being present.

The quorum necessary for the transaction of business is two members. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee. The Audit Committee meets in each of March, September and December and at such other times as the Chairman of the Audit Committee requires. Meetings are arranged to tie in with the publication of the company's financial statements, always prior to a Board meeting where accounts or financial statements are to be approved. Meetings can be requested by the external auditor if they consider one is necessary. Meetings of the Audit Committee are summoned by the Secretary of the Audit Committee at the request of any member thereof. The Chairman of the Audit Committee attends the Annual General Meeting prepared to respond to any Shareholder questions on the Audit Committee's activities.

The duties of the Audit Committee include:

- (i) review of the effectiveness of the company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks as delegated to the Property Manager and Administrator;
- (ii) considering from time to time, and in any event at least annually, the need for an internal audit function, that may be delegated to the Property Manager. The Audit Committee will report the result of this review within its annual report to shareholders;
- (iii) considering and making recommendations to the Board as regards the appointment and re-appointment of the company's external auditors, and shall ensure that key partners within the appointed firm are rotated from time to time;
- (iv) meeting with the external auditors at least twice each year, once at the planning stage, where the scope of the audit will be considered, and once post audit at the reporting stage, and ensuring that any auditor's management letters and management's responses are reviewed;
- (v) review of the relationship with external auditors;
- (vi) review of the consistency of accounting policies both on a year to year basis and across the company and group. The Audit Committee shall review and challenge where necessary the company's financial statements;
- (vii) meeting formally with the Board of Directors/Property Manager/Administrator at least once a year to discuss such matters as the Annual Report and the relationship with the external auditors;

- (viii) in the light of its other duties, making whatever recommendations to the Board it deems appropriate and compiling a report to shareholders to be included in the company's Annual Report and Accounts;
- (ix) co-ordination of the external auditors.

The Audit Committee is authorised:

- (i) to seek any information it requires from any advisor to the Company in order to perform its duties;
- (ii) to obtain, at the company's expense subject to a maximum cost of EUR 30,000, outside legal or other professional advice on any matters within its terms of reference; and
- (iii) to call any employee of the Property Manager or Administrator to be questioned at a meeting of the Audit Committee as and when required.

### **Remuneration Committee**

The Company does not consider it necessary to establish remuneration and nomination committees as it has no executive directors. The Board as a whole annually reviews the level of Directors' fees.

### **Shares held by the Directors and Key Managers**

As of the Prospectus Date, none of the other Directors or of the Key Managers hold any Shares, excluding Mr. Quentin Spicer who is the beneficial owner of 14,785 Shares.

### **Conflict of Interest**

According to the representation furnished by each of the Directors as well as Key Managers, there is no conflict of interests between any duties to the Company, of the persons referred to above, and their private interests or other duties, besides the fact the Director, Dr Helmut Tomanec is the Managing Director at Hallmark Properties GmbH, which is a real estate advisory and management company, carrying out activities competitive to Atlas. In addition Dr. Tomanec holds 50% of Hallmark Properties GmbH's share capital.

According to the representation furnished by each of the Directors as well as Key Managers, there are no arrangements and/or understandings with the Company's major shareholders, customers, suppliers or others, pursuant to which any of the persons referred to above was selected as a member of the management or supervisory bodies or member of senior management.

Each of the AMC Shareholders has agreed that, for so long as AMC is retained as Property Manager and for so long as each such AMC Shareholder (or its permitted transferees) owns at least 10% of AMC, in the event that it or any of its corporate group (including holding companies), encounters a property-related opportunity in Central and Eastern Europe within the Company's criteria for investments, it will not pursue such opportunity without first referring such opportunity to AMC for consideration on behalf of the Company. In the event that AMC or the Company decides not to pursue such an opportunity, the relevant AMC Shareholder (or any member of its group) shall, if it has expressed such an intention to do so at the time of referral of an opportunity to AMC, be entitled to pursue that opportunity itself subject to certain exceptions and provided that if, prior to its completion of the transaction, there has been a material reduction in the price to be paid, before it may complete, the opportunity shall be referred back to the Company for further consideration by the Company for investments. Mr Ron Izaki has agreed that these provisions shall apply to him and to companies controlled by him.

The restrictions outlined above do not apply to any company or other entity or project or investments in which any AMC Shareholder (or a member of its corporate group) or Mr Izaki (or companies controlled by him) has less than a 10% holding or interest (with no rights to control the management thereof).

Mr Ron Izaki has interests (but no effective management control) in companies constituting part of the Izaki Group which, whilst they remain outside of his control, are excluded from the restrictions outlined above. Mr Ron Izaki has agreed, as a shareholder in those companies, to oppose (and not initiate) any decisions on real estate investments by those companies in which he would be precluded from making because of these restrictions (to the extent that such matters are referred to the shareholders of such companies) and, to the extent consistent with his fiduciary duties, as a director in any such company, to abstain from participating in the making of any such decisions.

Each of the AMC Shareholders has agreed that any transactions between the Company and such AMC Shareholder (or any other member of its corporate group) shall be carried out on an arm's length basis and any services provided by any such persons shall be provided on normal commercial terms. In particular, the AMC Shareholders have agreed that any acquisition after AIM Offering of a real estate asset from, or sale of a real estate asset to, the Company shall be at a price assessed by an independent valuer appointed by the Company.

#### **Directors' service agreements**

No Director has a service contract with the Company, nor are any such contracts proposed. Each of the Directors entered into a letter of appointment with the Company on or around 23 February 2006 which provide for them to act as a Non-Executive Director of the Company. The service agreements entered into with the Directors do not provide for any benefits payable upon termination thereof.

#### **Remuneration**

The Directors (other than those Directors who are also employees of the Company) shall be paid out of the funds of the Company by way of fees such sums not exceeding in the aggregate EUR 370,000 per annum as the Directors shall determine or as may otherwise be approved by the Company in General Meeting. Directors' fees shall be deemed to accrue from day to day. The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings (including expenses incurred by them in obtaining independent professional advice).

If any Director having been requested by the Board shall render or perform extra or special services or shall travel or go to or reside in any country not his usual place of residence for any business or other purpose of the Company he shall be entitled to receive such sum as the Board may think fit for expenses.

The Board may establish and maintain any employees' share scheme, share option or other share incentive scheme and establish (if such scheme so provides) and contribute to any scheme for the purchase by or transfer allotment or issue to trustees of shares in the Company to be held for the benefit of employees (including Directors) of the Company and lend money to such trustees or employees to enable them to purchase shares.

Pursuant the terms of the appointment letters, the Chairman receives a fee of GBP 32,000 per annum. Michael Stockwell, the chairman the Audit Committee, receives a fee of GBP 37,000 per annum. Each of the other Directors receives a fee of GBP 32,000 per annum. In addition, each Director is reimbursed for their reasonable traveling and out of pocket expenses.

The aggregate remuneration paid (including benefits in kind) to the Directors for the eleven month period ended 31 December 2006 as at the Prospectus Date amounts to EUR 227,456.

The tables below present the amount of gross remuneration paid in 2006 and in 2007 (also conditional or deferred) to each of the Board members and benefits in kind granted by the Company or its subsidiaries for the services rendered by such persons in all capacities entrusted to them.

**Board**

No.	Name	for 2006 (in EUR)	for 2007 (in GBP)
1	Quentin Spicer	43,560	37,000
2	Shelagh Mason	44,325	42,000
3	Michael Stockwell	50,932	44,500
4	Helmut Tomanec	44,294	37,000
5	Janos Eros*	44,345	-

\*Mr. Janos Eros has stepped down from the Board on 31 August 2006.

**Insurance**

Without prejudice to any other provisions of the Articles of Association, the Directors may exercise all the powers of the Company to purchase and maintain insurance for or for the benefit of any persons who are or were at any time Directors, officers, employees or auditors of the Company, or of any other body (whether or not incorporated) which is or was a subsidiary of the Company or otherwise associated with the Company or any Group Company or in which the Company or any such Group Company has or had any interest, whether direct or indirect, or of any predecessor in business of any of the foregoing, including (without prejudice to the generality of the foregoing) insurance against any costs, charges, expenses, losses or liabilities suffered or incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers and discretions and/or otherwise in relation to or in connection with their duties, powers or offices in relation to the Company or any such other body.

**Indemnity**

The Directors, alternate Director, Secretary, agent, employee and other officers or servants for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company and their respective heirs and executors shall be entitled to be indemnified (to the extent permitted by applicable law) out of the assets and profits of the Company from and against all actions expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts except such (if any) as they shall incur by or through their own wilful act neglect or default respectively and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipt for the sake of conformity or for any bankers or other person with whom any moneys or assets of the Company may be lodged or deposited for safe custody or for any bankers or other persons into whose hands any money or assets of the Company may come or for any defects of title of the Company to any property purchased or for insufficiency or deficiency of or defect in title of the Company to any security upon which any moneys of the Company shall be placed out or invested or for any loss, misfortune or damage resulting from any such cause as aforesaid or which may happen in or about the execution of their respective offices or trusts except the same shall happen by or through their own wilful act neglect or default.

**Amounts set aside to provide pension, retirement or similar benefits**

There are no amounts set aside to provide pension, retirement or similar benefits in the Company.

**Atlas Management Company**

The property investments held by the Company are externally managed by AMC. AMC was incorporated with limited liability in Guernsey on 22 February 2006. AMC has been established for the sole purpose of providing property management and ancillary services to the Company. The shareholders of AMC are comprised of members of the Izaki Group, RP Capital Group and Elran. The issued share capital of AMC is held as follows: RP Capital holds 42.5%, Elran holds 37.5% and the remaining 20% is held by the Izaki Group.

The Company has entered into the Property Management Agreement with AMC pursuant to which AMC is responsible, subject to the overall supervision of the Board, for management of the Group's real properties. AMC will provide advice on the sourcing and evaluation of investment proposals in-line with the Company's investment policy as well as advice in respect of the balance of the real property portfolio between income-generating and development properties (for details of the agreement with AMC please see the Section "Related Party Transactions").

### Investment Committee

Some of the AMC Directors form the Investment Committee of AMC which is responsible for reviewing and reporting on all potential investment into, and disposals from, the real property portfolio of the Company.

Set out below is information concerning AMC Directors who are members of the Investment Committee, and such information was prepared on the basis of their representations. None of these persons: (i) in the course of the last five years, has been sentenced by a valid judgment for fraud; (ii) in the course of the last five years, has performed any supervisory or management functions in entities that became bankrupt or liquidated or were under receivership; (iii) has been formally accused and subject to any sanctions imposed by government authorities or any other organizations (including professional organizations); and (iv) in the last five years, has been deprived of the right to perform any functions in the management or supervisory bodies of any issuer nor has been deprived of the right to participate in the management or conduct of the affairs of any issuer.

There exist no family relationships between members of the Investment Committee and between the members of the Investment Committee and Directors.

The names, addresses and descriptions of the Investment Committee members:

Name	Age	Position	Business Address
Ron Izaki	48	Director of AMC and Chairman of the Investment Committee	Ramat-Gen 52521, Israel
Rafael Berber	45	Chairman of AMC and Investment Committee member	Royal Bank Place, 1 Glatigny Esplanade, St Peter Port, Guernsey GY1 6BH
Gadi Dankner	40	Vice Chairman of AMC and Investment Committee member	37 Shaul Hamelech Blvd. (Europe House), Tel Aviv 64928, Israel

Brief biographies of the Investment Committee members are set out below:

#### *Ron Izaki, Director of AMC and Chairman of the Investment Committee*

(Age 48). Mr Izaki has a Bachelors Degree in civil engineering from the Israel Institute of Technology. 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 thousand 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.

#### *Rafael Berber, Chairman of AMC and Investment Committee member*

(Age 45). Mr Berber has a Bachelors Degree in Economics from Tel Aviv University and an MBA in Finance from New York University. Mr Berber is a founding partner of RP Capital Group a London-based investment group specializing in emerging markets which was founded with Petr Kellner in July 2004. Prior to founding RP Capital Group, Mr Berber was formerly Vice Chairman of Global Capital Markets & Financing, Global Head of Equity Linked Products, Global Head of Equity Trading and the Strategic Risk Group at Merrill Lynch. Mr Berber was also a director of the following companies: RP Asset Manager Holding Co Cayman Islands Limited, RP Holding Co Cayman Islands Limited, RP Capital Cayman Limited, RP Capital UK Limited, RP Capital Partners Cayman Islands Limited, RP Partners Fund, RP Explorer Fund LLC, RP Explorer Fund, RP Explorer Master Fund, RP Japan Opportunities Fund, RP Japan Opportunities Master Fund, Zarina Limited, Fogo Limited, Brava Limited, Boa Vista Limited, Nicalou Limited. Mr Berber also led the development of Merrill Lynch's European emerging markets business.



*Gadi Dankner, Vice Chairman of the AMC Board and Investment Committee member*

(Age 40). Mr Gadi Dankner has a Masters degree in Business Administration from Northwestern and Tel Aviv University. He is the Chairman of Elran D.D. Real Estate Ltd. a wholly owned subsidiary of Elran D.D. Holdings Ltd., which is wholly owned by Elran D.D. Investments Ltd., a company traded on the Tel Aviv Stock Exchange. He has successfully executed numerous real estate projects and has developed local real estate managerial platforms in various countries in which the projects were executed. Led by Mr Gadi Dankner, Elran has established a management team in Poland and invested in four residential projects totalling more than 1,800 units as well as the development of the first Warsaw Hilton in Poland. In addition, Mr Gadi Dankner led the development of Elran's local operations in Spain and Slovakia and the development of Israel's first theme park. Through privately held companies he has also established local real estate operations in the USA.

Mr Gadi Dankner is the Chairman of Elran D.D. Holdings Ltd. and also a Chairman of Elran D.D. Investments Ltd. as well as a director of the following companies: Elran D.D. Management Ltd., Elran D.D. Technologies Ltd., Elran D.D. Retail Ltd., Nicsay Carmel Ltd., Danran Holdings Ltd., Intact Investments Ltd., Intact Holdings Ltd., Intact Real Estate & Infrastructure Ltd., DMI Dankner Management & Investment Ltd., New Life Drugstores SRL, IPS Innovative Product Sales Ltd., DMR Financial Profile Ltd.

Previously, Mr Gadi Dankner was a director and shareholder of Autóker, a Hungarian real estate development company which held major land reserves in Budapest and built and sold more than 815 apartments during Mr Gadi Dankner's three and a half year tenure. Mr Gadi Dankner was also a director of Lumitest Ltd., Monson Helit Vanou Insurance Agency, DMR Investments Profile (2002) Ltd., Intact High-Tech Ltd., Chimergy Ltd.

As a consequence of his interests in Elran, Mr Gadi Dankner's entitlement to remuneration and other benefits from AMC is subject to Elran shareholder approval.

As of 1 February 2007 Mr. Danker was succeeded by Mr Amos Pickel on his position of CEO of AMC and became Vice Chairman of AMC and jointed Chairman of the Investment Committee. In addition, Mr. Danker assumed an active role as Chairman of AMC's Steering Committee, in charge of Atlas's strategic development.

**AMC Board**

In addition to the directors of AMC who comprise the Investment Committee, the other Board members of AMC are as follows:

Name	Age	Position	Business Address
Ron Izaki	48	Director of AMC and Chairman of the Investment Committee	Ramat-Gan 52521, Israel
Rafael Berber	45	Chairman of AMC and Investment Committee member	Royal Bank Place, 1 Glatigny Esplanade, St Peter Port, Guernsey GY1 6BH
Gadi Danker	40	Deputy Chairman of AMC and Investment Committee member	37 Shaul Hamelech Blvd. (Europe House), Tel Aviv 64928, Israel
Dori Dankner	46	Director of AMC	37 Shaul Hamelech Blvd. (Europe House), Tel Aviv 64928, Israel
Dr. Saradhi Rajan	39	Director of AMC	RP Capital, 33 Chester Street, London Swix 7XD

Set out below is information concerning the Directors of AMC who are not members of the Investment Committee, such information was prepared on the basis of their representations. None of these persons: (i) in the course of the last five years, has been sentenced by a valid judgment for fraud; (ii) in the course of the last five years, has performed any supervisory or management functions in entities that became bankrupt or liquidated or were under receivership; (iii) has been formally accused and subject to any sanctions imposed by government authorities or any other organizations (including professional organizations); and (iv) in the last five years, has been deprived of the right to perform any functions in the management or supervisory bodies of any issuer nor has been deprived of the right to participate in the management or conduct of the affairs of any issuer.

There are no family relationships between members of the AMC Board and between the members of the Investment Committee and Directors of the Company, with the exception of Mr Gadi Danker.

*Dori Dankner, Director of AMC*

(Age 47). Mr Dori Dankner has an MBA in Finance and International Business from New York University and a B.Sc in Industry and Management Engineering from Tel Aviv University. Mr Dori Dankner was previously a director and member of the Executive Committee of Partner Communications Company Ltd. (Orange Israel) and of Israel Salt Industries Ltd. which holds joint control of Hapoalim Bank Ltd., Israel's largest commercial bank. He also was a director of the following companies: Dankner Holdings Ltd., Dankner Properties Ltd., Dankner Investments Ltd., Dankner Communications Ltd, Connec T.V. Ltd., Cap Ventures Ltd., Israel Salt Industries Ltd., Matav – Cabels Communications Systems Ltd., Matav Investments Ltd., Matav Properties Ltd., Matbit Communications Systems Ltd., Partner Communications Ltd., Cables Communications Systems (Haifa-Hadera) Ltd.

Mr Dori Dankner has twenty years of real estate experience, establishing projects in Israel and Europe. He was part of Dankner Investments Ltd., a leading real estate company in Israel, which has built thousand of residential units and three shopping centers. He is the current chairman of the board of directors of Elran Investments Ltd. and DTH Television Group S.A. He also is a director of the following companies: Elran D.D. Holdings Ltd., Elran D.D. Real Estate Ltd., Elran D.D. Management Ltd., Elran D.D. Technologies Ltd., Elran D.D. Retail Ltd., Nichols Carmel Ltd., Elran Gmul Power Stations Ltd., Shamdar Holdings Ltd., Dankner D.D. Infrastructure Ltd., Sahaf Dan Investments Ltd., D.S.D. Investments Ltd.

*Dr. Saradhi Rajan, Director of AMC*

(Age 39). 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. Mr Rajan is currently a principal of RP Capital Group. Prior to joining RP Capital Group, Mr Rajan worked at Merrill Lynch in both 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. For 5 years he has also been a partner at Associated Agents&Merchants.

**AMC Senior Management**

The Property Manager's senior management team is comprised of experienced professionals with international real estate expertise.

The names, addresses and descriptions of senior management of AMC:

Name	Age	Position	Business Address
Amos Pickel	40	Chief Executive Officer	00 -854 Warsaw, Al. Jana Pawła II 23
Michael Williamson	50	Chief Financial Officer	33 Chester Street, London, SW1X, 7 XD
Piotr Halemba	45	Manager of Construction Exploitation and Technical	00 -854 Warsaw, Al. Jana Pawła II 23
Mordechai Debby	58	Country Manager for Slovakia	Venturska 1, Bratislava 811 01, Slovakia
Jakow Goldzak	62	Country Manager for Poland	00 -854 Warsaw, Al. Jana Pawła II 23
Libby Wieszman	41	Country Manager for Romania	Calea 13 Septembrie, no.90, 5 <sup>th</sup> floor, suite 5.20 and 5.19, Marriott Hotel, The Grand Complex, 5 <sup>th</sup> district, Bucharest, Romania
Tiberiu Spingold	61	Country Manager for Hungary	5 Szent Istvan Park. 1137 Budapest, Hungary
Warren John Mace	46	Country Manager for Bulgaria	Apartment 9, 5th Floor, 24 St Sveta – Petka, Plovdiv 4000, Bulgaria

The following information presents data on AMC management in accordance with their representations. None of the above persons: (i) has been validly and finally sentenced for fraud in the last five years; (ii) has performed any supervisory or management functions in entities which declared bankruptcy, have been liquidated or were submitted to mandatory management of a commissioner in the last five years with the exception of Mr Jakow Goldzak who was the president of Ero-gate, a company which was liquidated due to the fact that the project for which it was established was abandoned; (iii) has been formally charged or subject to any penalties imposed by any state authorities or by any other organisations (including professional organisations); and (iv) has been deprived of the right to perform any management or supervisory functions at any issuer or the right to participate in the management or operations of any issuer, in the last five years.

No family relations exist between the AMC officers, or between the AMC officers and the Directors.

*Amos Pickel, Chief Executive Officer of AMC*

(Age 40). Mr. Pickel holds a Masters in Law from New York University and a BA in Law from Tel Aviv University. Appointed effective 1 February 2007. From July 2006 he served as Managing Director of Income Producing Assets at AMC. From 1993 to 2006 he served as CEO and a member of the board of directors of Red Sea Group, a major developer of and investor in property throughout Central and Eastern Europe. Under Mr. Pickel's management, Red Sea Hotels co-developed the Plaza Centres Shopping Mall Chain in Central and Eastern Europe and the Park Plaza Hotel Chain in Western Europe. Mr Pickel currently serves as a non-executive director of 888 Holdings Plc and as an non-executive director of India Blue Mountains Management Limited and formerly served as a non-executive director of Gresham Hotel Group Plc.

*Michael Williamson, Chief Financial Officer*

(Age 50). Mr. Williamson is a chartered accountant, a member of the Institute of Chartered Accountants in England and Wales and holds a BSc (Econ) in Economics from the University of Wales. He is an alumni of Henley Management College in the UK. He has 20 years financial management experience in industry and commerce in a variety of sectors and on a global basis. In the 1990s he operated as a subsidiary and divisional Finance Director in the major 'blue-chip' global pharmaceutical corporations GlaxoSmithKline and Sanofi-Aventis. Since 2000 he has been Group Finance Director in the UK with FTSE 250 group MFI Plc and small market capitalization companies and provides the experience of operating listed groups. His most recent position with AIM listed LTG Technologies Plc involved the successful financial stabilisation and turnaround in performance of a new technology business, post the global technology market crash of 2001. Michael Williamson also served functions of a director of Redwing Mining Ltd. and LTG Technologies PLC. Currently he is a director of ASSW Limited.

*Piotr Halemba, Manager of Construction Exploitation and Technical*

(Age 45). Graduated from Politechnika Warszawska with a Master of Science degree in civil engineering (1987). Mr Halemba has extensive construction management experience in large scale construction projects throughout Poland. In the years 2000 to 2005 he worked as an area manager at Budokor-Warszawa S.A. Hochtief Polska Sp. z o.o. Prior to joining AMC, between 2005 and 2006 Piotr Halemba served as operations director, technical director and proxy chief executive officer of PORR (Polska) S.A.

*Mordechai Debby, Country Manager for Slovakia*

(Age 58). In 1974 Mr. Debby graduated from the Technion – The Institute of Technology in Haifa, Israel with a BSc degree in building and construction engineering in the faculty of Civil Engineering. In the years 1975 to 1979 he worked as an engineer in a big contractor's firm V.A. Building Contactors Ltd. In the years 1979 to 1980 Mr. Debby worked as a project manager in Kiam Project Managements in Israel. In the years 1980 to 1983 he worked for J.D.P. Construction Nigeria Ltd on a large scale project in Nigeria. Since 1983 he has been running his own project management and construction companies in Israel (M. Debby Engineering and Management, and Gidan Engineering and Construction) involved in numerous large scale development projects. In the years 2004 to 2005 he rendered services for investors in development in Hungary through his own companies mentioned above.

*Jakow Goldzak, Country Manager for Poland*

(Age 62). Graduated with honours in 1970 from Technion – the Israel Institute of Technology with a BSc degree in mechanical engineering. In 1983 he graduated from the faculty of Business Administration of the University of Haifa. In the years 1964 to 1966 he worked as an engineer for Israeli Railways. In the years

1968 to 1973 he served as Technical Office Manager at Vulkan Engineering Ltd in Haifa, Israel. Between 1973 to 1975 he was a technical manager at Peled Engineers Ltd in Haifa, Israel. In the years 1985 to 1999 he served as General Manager at Metal Works Kadmany Ltd. Between 1999 and 2005 he was involved in the development project of the Warsaw Hilton. In the years 2001 to 2005 he worked for Catalina Investment Sp. z o.o. as general manager for the development at Wyścigowa Street in Warsaw. In addition, in the years 2001 to 2006 he served as the member of the board of Catalina Investment Sp. z o.o. Between 2004 to 2006 he served as a board member of Jator Sp. z o.o. Between March 2005 and August 2005 he was a member of the board at Tajro Sp. z o.o. and in the years 2004 to 2006 in Yagal Sp. z o.o. In 2005 to 2006 he served as general manager at Elran Real Estates Eastern Europe (one of Atlas' founding shareholders) being involved in what later became the Platinum Towers Project. Since March 2006 he has been the country manager for Poland at AMC. Currently he is a member of the management board of the following companies: Atlas Estates (Millenium), Atlas Estates (Sadowa), Atlas Estates (Cybernetyki), Atlas Estates 1 Sp. z o.o., Atlas Estates 2 Sp. z o.o. Atlas Estates 3 Sp. z o.o., Atlas Estates 4 Sp. z o.o., Atlas Estates 5 Sp. z o.o., Catalina Residence, Capital Art Apartments, Zielono, HGC, Platinum Towers, HPO, DPM, GeTeCelia Sp. z o.o., Grzybowska Centrum and Properpol. Mr Goldzak was also a member of the management board of Ero-gate Sp. z o.o., which is under liquidation by virtue of a resolution of the extraordinary meeting of shareholders of Ero-gate sp. z o.o. dated 14 August 2007 on dissolving Ero-gate sp. z o.o. The company was established for the purpose of carrying out a development project which was eventually not taken up by the Group.

*Libby Wiezman, Country Manager for Romania*

(Aged 41). Graduated from the Academic Institute for Management in Tel Aviv with a BA degree in Business, major specialization in accounting. In the years 2001 to 2002 he was a member of the board in Red Sea Hotels Ltd. He has also served as director of Yamit company between 2001 and 2003. In 2005 he served as a member of the board of Diamond Casino Food Srl. In the years 2005 to 2007 he was the member of the board of Red Sea Rom Srl. Currently he serves as the member of the board administrator under Romanian law of Victoria Tower, Victoria Tower Hotel Management, Megarom Line, ATL Colosseum, World Real Estate, Amiti Exclusiv Investment, Craiova Mall Investitii, Atl Heptagon and Atlas Management Company ROMCO Srl.

*Tiberiu Spingold, Country Manager for Hungary*

(Age 61). In 1970, he graduated from the Polytechnic Institute, Cluj in Romania, with M.Sc. degree in Civil Engineering. In the years 1970 to 1973 Mr. Spingold he worked as a structural engineer for Regional Planning Institute, Oradea, while in year 1974 for Izhar & Carmel Ltd in Tel-Aviv, Israel. Between 1974 and he served as a construction supervisor for Israel Electric Corporation, while in the years 1975 to 1978 he was a site engineer for Raphaeli-Tabib Building Co. Ltd in Israel and in the years 1979 to 1980 for Dan Green Building Company (construction of Safari Park Ramat Gan complex). In the years 1981 to 1984 he worked as an assistant project manager in project Ramada Renaissance Hotel Jerusalem in Herzl for Hotel Jerusalem Ltd. Between 1986 and 1988 he served as a project manager of Marina Club All Suites hotel, in Eilat, in Israel for Entrepreneur Darlon Ltd, while in the years 1988 to 1990 for Entrepreneur: B.S. Blustein Ltd in Lev Eilat All Suites hotel in Eilat, Israel. Between 1990 and 1991 he was a project manager in Top Tower project for Dizengoff Center in Tel-Aviv. In the years 1991 to 1992 he worked as a project manager (involved in the erection of the structure only) for Dan Design Center Bnei Brak in Israel for Itzhaki Group Ltd. Between 1992 and 2003 Mr. Spingold owned and acted as a project consultant in Project Management and Supervision Firm. List of the major projects includes: chief engineer in Rimonim Hotels, Metropolitan Suites, in Tel-Aviv, Israel; Academic Technological Institute (Ayalon building) Holon, Izrael; Ramat Hanadiv Gardens Prima Palace Hotel Jerusalem; Ein Harod Museum of Art, Kibbutz Ein Harod, Israel; Astor Hotel Tel-Aviv, Israel; Residential Building Complex, Lod, Israel; Metropolitan Hotel, Tel-Aviv, Israel; Briza Hotel, Eilat, Israel; Zerah Families, Israel; execution of luxurious villa in Beit Zayit, Jerusalem, Israel. Between 2003 and 2006 he served as a project manager for Ashtrom Building Systems Ltd., Jamaica. In 2007 he worked as a project manager of Atlas Estates Kaduri-Shasha Ltd and Volan Project in Hungary.

*Warren John Mace, Country Manager for Bulgaria*

(Age 46 lat). He completed engineering courses at Croydon Technical University, and obtained the following professional certificates: ACIBSE, CEng, H.T.C. HVAC Design, T.E.C. HVAC Design and C.S.C.S. Management card. In 1977 –1981, he had an internship at J.Gardener & Co Ltd: Ductwork Design and Manufacturing Draughtsman and 1981 –1985 he had an internship at J.Sainsbury Plc: Engineering (the design department). In 1985 – 1989, he worked for Barrett & Wright Ltd. as senior design engineer, where he as

responsible for the design and execution of investments (especially retail trade and entertainment buildings). In 1989 – 1993, he worked as senior project manager at Aspclear Building Services Consultants. In 1993 – 1996, he worked for Cardy M&E Ltd. as contract manager. In 1996 – 1998, he was managing director at Riojazz Engineering Ltd (projects for the brewery sector). In 1998 –2001, he worked as contract manager and technical manager at CDS (maintenance) Ltd. In 2000 –2003, he worked for Benson Ltd. as technical service manager. In 2003 –2005, he worked as service engineering manager at Ardmore (Construction) Ltd. In 2005, he served as managing director at Crown Developments OOD.

### Options and Warrants

The Company has granted, to AMC Directors and AMC, 5,448,118 Warrants over 5,448,118 Shares pursuant to the terms of the Warrant Issuance Agreements:

All Warrants are exercisable at any time during the period commencing on admission to trading on AIM, i.e. 1 March 2006, and ending on the seventh anniversary of such admission, i.e. 1 March 2013. Further details of the Warrants and the Warrant Issuance Agreements are set out in the Section “*Shares and Share Capital*” of this Prospectus. As the Prospectus Date, no Warrants were exercised by their holders.

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

\* The Warrants held by AMC are designated for distribution among Key Managers.

## PRINCIPAL SHAREHOLDERS

The following table sets forth information with respect to the record ownership of our Shares as of the Prospectus Date, according to the Company's knowledge. Save as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who is interested directly or indirectly in 3% or more of the issued share capital of the Company.

Shareholder	Number of Shares	%
Livermore Investments Group Limited	9,579,345	19.77
Elran (D.D.) Real Estate Ltd	4,097,509	8.46
Rathbone Unit Trust Management Ltd	3,926,886	8.11
BCRE Izaki Properties B.V.	2,558,465	5.28
Laxey Partners	2,258,598	4.66
HSBC Global Custody UK Ltd	1,987,514	4.10
Siverock Commerce Ltd	1,846,643	3.81
RP Capital Group	1,623,429	3.35
Deutsche Bank AG London	1,605,433	3.31
Apollo Nominees Ltd	1,603,898	3.31
ABP Investments	1,500,000	3.10
<b>Total</b>	<b>32,587,720</b>	<b>67.26</b>

Moreover, on 14 December 2007 the Company informed that it repurchased 3,470,000 of its own Shares, representing 7.16% of the Company's share capital. As a result, the total number of Shares remaining at the disposal of the Shareholders (except for the Company) is 44,978,081.

Additionally, on the Date of the Prospectus one of the Directors, Mr Quentin Spicer, holds 14,785 Shares.

The Company has no other information regarding changes in its Shareholding structure.

The Shares are not preferred with respect to voting rights, so the number of the Shares held by the particular Shareholders corresponds to their respective votes at the General Meeting.

The Directors are not aware of any arrangements between the Shareholders the operation of which may at a subsequent date result in a change in control of the Company.

## RELATED PARTY TRANSACTIONS

The Group has in the past engaged and will continue in the future to engage in transactions with related parties, in particular with the Founder Shareholders and their related parties. The related parties referred to above are the parties defined as such in IAS 24 “Related Party Disclosures”, approved by the EU. All the agreements with the related parties are concluded at arms’ length. The information on the related party transactions concluded in 2006, together with the information on balances of receivables/payables from/to the related parties as of the end of the particular reporting periods, is presented in Note 24 to the Audited Consolidated Financial Statements. Set out below is a summary of all the material transactions between the Group and the related parties, entered into from the date of incorporation of the Company until the Prospectus Date.

The Group Companies has business relationships with a number of companies in which they own equity interests. The Company believes that the Group Companies conduct their business with these companies on terms that are, on balance, equivalent to those that would exist if the Group Companies did not have equity holdings in them. Except for some of the transactions and arrangements described below, none of these transactions is or was material to the Group.

### Property Management Agreement

Pursuant to the Property Management Agreement entered into on 24 February 2006 (as amended by a deed of rectification dated 29 June 2006) between the Company and AMC, the Company has appointed AMC to provide property advisory, management and development monitoring services to the Company from the date of its admission to AIM.

The key terms of the agreement are:

#### *Fees and Expenses*

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

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). Once this threshold is exceeded, AMC is entitled to receive a fee equal to 25% of the amount by which the Total Shareholder Return for the relevant financial period exceeds the Hurdle Rate for such period multiplied by the previous year’s closing Adjusted NAV per Share 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 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.

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). There may also be a termination fee payable to AMC (see “*Term and Termination*” below).

*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 AIM 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.

In the event the Company serves notice to terminate the agreement after the end of the initial seven year term at a time when, during the three preceding years, the average Total Shareholder Return was at least 12% per annum, on termination of the agreement at the end of the 12 month notice period AMC will be entitled to receive, in addition to any performance fee due in respect of the period up to termination and all other sums due to it, a further payment equal to the amount of all fees payable to AMC during the last full financial year prior to the notice of termination (the "Termination Fee").

In the event that the average Total Shareholder Return (as above) is less than 12% per annum during the fourth, fifth and sixth years of the agreement, the agreement may be terminated with effect from the seventh anniversary of AIM Offering subject to the Company giving to AMC not less than 180 days prior written notice expiring on or before such date.

The Property Management Agreement will terminate immediately following sale of all of the Property Portfolio or substantially all of the Portfolio and AMC shall, in addition to any other sums due to it, be entitled to a termination fee equal to the amount of fees AMC would have been entitled to receive (based on the last payment of fees due to it prior to the relevant termination) to the remainder of the initial fixed term of the Property Manager Agreement (if any) or otherwise a Termination Fee.

*Indemnity*

The Property Management Agreement contains an exclusion of liability on the part of AMC for all losses, damages, costs, claims or expenses arising as a result of AMC's performance of its obligations under the Property Management Agreement other than those arising as a result of the gross negligence, wilful misconduct or fraud on the part of AMC or as a result of AMC's material breach of its obligations under the agreement.

The Company also has undertaken to indemnify AMC and hold it harmless against all actions, proceedings, claims and demands and costs and expenses incidental thereto which may be brought against or threatened, suffered or incurred by AMC or any of its directors, officers and/or shareholders by reason of the performance of its duties under the Property Management Agreement except to the extent the same arises from AMC's gross negligence, willful misconduct or fraud or as a result of a material breach of its obligations under the agreement.

AMC has undertaken to indemnify and hold the Company harmless against all actions, proceedings, claims and demands and costs and expenses incidental thereto which may be brought, suffered or incurred by the Company or any of its directors or officers arising from AMC's gross negligence, wilful misconduct or fraud or as a result of AMC's material breach of its obligations. Other than to the extent such liability arises from wilful misconduct or fraud on the part of AMC, AMC's liability under this indemnity is capped at A10 million.

*The Services*

Under the Property Management Agreement, AMC agrees to provide strategic advisory services to the Company in relation to the Group's real estate investments activity in the Territory and to procure the provision, by either AMC's subsidiaries or third parties, of property management services to the Company's subsidiaries in their local jurisdictions. The services include strategic advice in relation to the mix of the



Company's investments in property in Central and Eastern Europe as well as individual project acquisition, disposal and development advice. The Property Manager also procures management advice and services to the Group in respect of the property portfolio including managing the relationships with occupiers of properties, compliance with lease and other agreements relating to the property investments and lease renewals and property lettings. In relation to developments, AMC will procure services in relation to project identification, evaluation and project management including negotiating with and managing developers and contractors and, where relevant, negotiating unit disposals and lettings after completion of developments or advising on disposals.

The Property Manager is entitled and responsible for the appointment (at the Company's cost) of all third party agent and adviser appointments necessary for the proper provision of its services and in addition will manage the Company's relationships with its external Administrator, Custodian, Company Secretary and Registrars.

AMC has authority, as agent, to bind the Company in relation to its day to day operation and to certain transactions relating to the Portfolio. The Property Manager will prepare and maintain a report on all investments in and prospective investments for the Portfolio of the Company for approval by the Board on a quarterly basis.

Investments approved in this way by the Board may proceed without the need for further approval of the Company provided all actions taken with respect to the same on behalf of the Company are within the scope of the relevant approval or are immaterial investments (under 1.5% of gross assets or 2.5% of Adjusted Net Asset Value).

The Manager may make investments below these levels outside these quarterly reports on behalf of the Company without approval where circumstances require and prior approval of the Board is not practical provided that no more than five such investments may be made in any 12 month period.

Under the agreement, the Company was obliged to enter into the agreement on the issuance of Warrants under which the Company issued Warrants to AMC and the AMC Directors over an aggregate 10% of the Company's Share Capital for the benefit of the directors and/or employees of or consultants to the Property Manager by way of incentivisation. Detailed information on the Warrants granted is presented in Section "*Directors and Key Managers*" under "*Options and Warrants*".

### **Investment advisory agreement**

Pursuant to the terms of the agreement dated 24 February 2006 the Company appointed RP Capital UK Limited to provide hedging, foreign exchange and cash management advisory services to the Company. The investments advisory agreement is terminable by either party on not less than thirty days' written notice and by any party forthwith upon any material breach by the other party of its obligations which is not remedied within ten days, or in the event that RP Capital UK Limited shall cease to be authorized by the UK Financial Services Authority and/or hold the necessary permissions from the UK Financial Services Authority to provide the services or on the insolvency of either party. RP Capital UK Limited has the benefit of an indemnity from the Company in relation to all costs, charges and liabilities incurred by RP Capital UK Limited in connection with the provision of the services under the investments advisory agreement other than arising from fraud, negligence, wilful default, breach of the agreement by RP Capital UK Limited or breach of any duty or liability to the Company under the rules of the UK Financial Services Authority. Pursuant to a side letter to the investments advisory agreement AMC agreed to assume the responsibility for paying to RP Capital UK the fees and reimbursing the expenses incurred by RP Capital UK Limited in the provision of the services during the term of the investments advisory agreement. The amount of the fees payable for the services shall be as agreed from time to time between RP Capital UK and AMC.

The Company has not used any hedging advisory services under the investment advisory agreement with RP Capital UK Limited. Consequently, the investment advisory agreement has a zero share in the Group's turnover.

## Lease Agreements

The below table sets out the key information on the lease agreements concluded between Atlas Management Company Poland and some of the Group Companies in Poland.

Lessor	Lessee	Object of the lease	Date of lease agreement	Monthly rent	Lease period
Atlas Management Company Poland	Capital Arts Apartments	office space at Atrium International, Al. Jana Pawla II 23, (first floor), 00-854 Warszawa with a total area of 20 m <sup>2</sup>	1 July 2006	PLN 2,000 + EUR 488	1 July 2006 – 14 June 2009
Atlas Management Company Poland	Zielono	office space at Atrium International, Al. Jana Pawla II 23, (first floor), 00-854 Warszawa with a total area of 20 m <sup>2</sup>	1 July 2006	PLN 2,000 + EUR 488	1 July 2006 – 14 June 2009
Atlas Management Company Poland	Atlas Estates (Cybernetyki)	office space at Atrium International, Al. Jana Pawla II 23, (first floor), 00-854 Warszawa with a total area of 20 m <sup>2</sup>	1 April 2007	PLN 2,000 + EUR 488	1 April 2007 – 14 June 2009
Atlas Management Company Poland	Atlas Estates (Millenium)	office space at Atrium International, Al. Jana Pawla II 23, (first floor), 00-854 Warszawa with a total area of 20 m <sup>2</sup>	1 December 2006	PLN 2,000 + EUR 488	1 December 2006 – 14 June 2009
Atlas Management Company Poland	Atlas Estates (Sadowa)	office space at Atrium International, Al. Jana Pawla II 23, (first floor), 00-854 Warszawa with a total area of 20 m <sup>2</sup>	1 April 2007	PLN 2,000 + EUR 488	1 April 2007 – 14 June 2009
Atlas Management Company Poland	DPM	office space at Atrium International, Al. Jana Pawla II 23, (first floor), 00-854 Warszawa with a total area of 20 m <sup>2</sup>	1 August 2006	PLN 2,000 + EUR 792	1 August 2006 – 14 June 2009
Atlas Management Company Poland	Properpol	office space at Atrium International, Al. Jana Pawla II 23, (first floor), 00-854 Warszawa with a total area of 20 m <sup>2</sup>	1 July 2006	PLN 2,000 + EUR 488	1 July 2006 – 14 June 2009
Atlas Management Company Poland	Atlas Estates Plus 1	office space at Atrium International, Al. Jana Pawla II 23, (first floor), 00-854 Warszawa with a total area of 20 m <sup>2</sup>	15 October 2007	PLN 2,000 + EUR 488	15 October 2007 – 14 June 2009
Atlas Management Company Poland	Atlas Estates 1	office space at Atrium International, Al. Jana Pawla II 23, (first floor), 00-854 Warszawa with a total area of 10 m <sup>2</sup>	9 November 2007	PLN 1,000 + EUR 243	9 November 2007 – 14 June 2009
Atlas Management Company Poland	Atlas Estates 2	office space at Atrium International, Al. Jana Pawla II 23, (first floor), 00-854 Warszawa with a total area of 10 m <sup>2</sup>	9 November 2007	PLN 1,000 + EUR 243	9 November 2007 – 14 June 2009

The below table sets out the key information on the lease agreement concluded between Atlas Management Company Hungary Kft and Ligetváros.

Lessor	Lessee	Object of the lease	Date of lease agreement	Monthly rent	Lease period
Ligetváros	Atlas Management Company Hungary Kft	office space at Ligetváros Centre (H-1071 Bp Damjanich u. 11-15 with a total area of 201.4 m <sup>2</sup>	1 August 2006	EUR 2542.66	undefined with 3 months notice

## Other agreements

### *Loan facility agreement of 29 September 2005, between Kendalside Ltd. and Circle Slovakia*

Under the above agreement Kendalside Ltd. extended a loan facility of EUR 2,695,797 to Circle Slovakia for the purpose of the acquisition by Circle Slovakia of a real property located in Bratislava, Slovakia, at Pri starom letisku. The parties agreed that the loan facility will be subordinated to the credit facility in the amount of EUR 24,926,000 granted to Circle Slovakia by Investkredit Bank AG. The loan facility is to be repaid by 31 August 2008. The loan facility bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. As of the Prospectus Date the borrower has used the loan facility in the amount of EUR 2,695,797.

*Loan facility agreement of 30 October 2006, between Eastfield Holding (Cyprus) Limited and EASTFIELD ATLAS (previously Slovak Investment & Development a.s.)*

Under the above agreement Eastfield Holding (Cyprus) Limited extended a loan facility of SKK 340,000,000 to EASTFIELD ATLAS (previously Slovak Investment & Development) for the purpose of covering ongoing investment and business expenses related to EASTFIELD ATLAS's investment in and operation of real estate assets in the Slovak Republic. The loan facility is to be repaid before 31 December 2015. The loan facility bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. As at the Prospectus Date the borrower has used the loan facility in the amount of EUR 50,000 and SKK 21,050,000.

*Loan agreement of 28 August 2007 concluded between Platinum Towers and Atlas Estates CF Plus 1*

Under the agreement, Platinum Towers agreed to grant a loan of PLN 14,050,000 to Atlas Estates CF Plus 1, to be repaid on 31 December 2010. The purpose of the loan was to finance: (i) the purchase of a real property located in Gdańsk, up to PLN 12,550,000 in the performance of a joint venture cooperation agreement concluded by AEIBV and CF Plus Sp. z o.o. and (ii) the costs of purchasing the said property and the day-to-day operations of Atlas Estates CF Plus 1 up to PLN 1,500,000. The loan bears interest of (i) WIBOR 3M (as at 29 August 2007) + 2% (i.e. 6.97% p.a.) until 30 September 2007; (ii) for each consecutive quarter shall be determined as WIBOR 3M (as announced on the last business day preceding the calendar quarter in question) plus 2% p.a.

On 26 November 2007 the rights and obligations under the agreement were assigned to Atlas Estates Coöperatief U.A. The assignment agreement is described below.

*Loan facility agreement dated 21 September 2007 made by and between Atlas Estates Investment B.V. and Platinum Towers*

Under the agreement, AEIBV extended to Platinum Towers a loan facility of EUR 4,000,000. The loan was for financing the current business expenses. The loan facility is to be repaid by 31 December 2010.

In the initial interest period, i.e. from the day of making the said agreement by 30 September 2007, the interest rate will be 5.975 % per annum. In the following interest periods, ending on 30 June, 30 September, 31 December and 31 March, respectively, the interest rate is 3 months EURIBOR p.a. (increased by a margin of 1.8 % p.a.) on the last day of the previous interest period, according to the notification sent by the Lender.

*Credit facility agreement dated 1 October 2007 between Atlas Estates Cooperatief U.A. and Centrum Logistyczne Babice Sp. z o.o.*

Pursuant to the agreement, Atlas Estates Cooperatief agreed to extend to Centrum Logistyczne Babice a credit facility of up to EUR 20,000,000 to be repaid by 31 December 2020. The credit facility was granted to cover the current costs of capital expenditures, expenses related to the conduct of such operations and maintenance of real estate in Poland.

Under the agreement, drawing instructions should be delivered in writing at least one week prior to the drawing date, unless the parties resolve otherwise. The lender is obliged to provide the requested drawing amount if it is lower or equal to the difference between the total amount of the facility and the sum of all the amounts which have already been drawn in the past.

In the initial interest period, i.e. from the date of execution of the agreement until 31 December 2007 the interest shall accrue at 6.592% annually. In the subsequent interest periods ending on 31 March, 30 June, 30 September and 31 December of each year respectively, interest shall accrue at the annual rate of EURIBOR 3M (plus a 1.8% annual margin) on the last day of the preceding interest period.

*Loan facility agreement dated 13 November 2007 between Atlas Estates Cooperatief U.A. and Platinum Towers Sp. z o.o.*

Pursuant to the agreement Platinum Towers extended to Atlas Estates Cooperatief a loan of EUR 8,000,000. The loan was granted to cover the current costs of operations. The loan is to be repaid by 31 December 2010.

In the first interest period, i.e. from the date of execution of the agreement until 31 December 2007 the interest shall accrue at 6.592% annually. In the subsequent interest periods ending on 31 March, 30 June, 30 September and 31 December of each year respectively, interest shall accrue at the annual rate of EURIBOR 3M (plus a 1.8% annual margin) on the last day of the preceding interest period.

*Assignment of rights and duties under the loan facility agreement dated 26 November 2007 between Platinum Towers Sp. z o.o. and Atlas Estates Coöperatief U.A.*

Under the assignment agreement, Platinum Towers assigned to Atlas Estates Coöperatief all the rights and duties under the loan agreement entered into on 28 August 2007 between Platinum Towers and Atlas Estates CF Plus 1 Sp. z o.o. As of the date of execution of the assignment agreement, the receivable of Platinum Towers under the loan agreement amounted to PLN 14,279,362 and was transferred in its entirety to Atlas Estates Coöperatief. In exchange, Atlas Estates Coöperatief agreed to pay to Platinum Towers the sum of EUR 3,885,117,83 (the equivalent of PLN 14,279,362). This amount will be paid with the proceeds from the loan extended by Platinum Towers to Atlas Estates Coöperatief.

## SHARES AND SHARE CAPITAL

### Company's Share Capital

As of 31 December 2006 and on the Prospectus Date, the Company's share capital amounted to EUR 484,880.81 and was divided into 48,448,081 ordinary shares. All the Shares are ordinary shares with a par value of EUR 0.01 per share. All of the Shares are fully paid up. The Company does not have any other classes of shares other than Ordinary Shares and does not contemplate the issue of any shares of such other classes. Shares of the Company are issued and exist under the laws of Guernsey. On the Prospectus Date, 48,448,081 Shares in issue, 46,297,137 Shares are held in CREST in uncertificated form and 2,150,944 Shares in certificated form.

### Changes in the Company's Share Capital

#### *Changes in the Company's share capital in the period covered by the historical financial information*

On 1 March 2006, upon admission to AIM, 32,324,400 Shares were issued for cash at a value of EUR 5.01 each. Also on 1 March 2006, upon admission to AIM, 13,702,981 Shares were issued to Founder Shareholders at a value of EUR 5.01 per share in exchange for an interest in a portfolio of property assets. On 20 March 2006, a further 3,365,700 Shares were issued for cash at a value of EUR 5.01 per Share as a result of the exercise of a greenshoe option in connection with AIM Offering. Between July and November 2006 the Company made market purchases of 945,000 of its own Shares for cancellation at an average price of 287p per Share.

#### *Changes in the Company's share capital after 31 December 2006*

There were no changes in the Company's share capital after 31 December 2006.

### Treasury Shares

Until the Company's first Annual General Meeting in 2007 the Directors had authority to buy-back, in accordance with The Company's Purchase of Own Shares Ordinance, 1998 (available in Guernsey registry files, at the address of Her Majesty's registrar, The Greffe, Royal Court House, St Peter Port, Guernsey, GY1 2PB), up to 14.99% of the Company's Shares in issue upon admission to trading on AIM. Such authority was renewed at the Annual General Meeting held on 25 July 2007. Pursuant to the resolution of 25 July 2007 the Company is authorised to make purchases of its own Shares, provided that:

- (i) the maximum aggregate number of Shares authorised to be purchased is 7,262,367;
- (ii) the minimum price payable by the Company for each Share is EUR 0.01 and the maximum price payable by the Company for each Share is an amount equal to 105% of the average of the middle market quotations for a Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Share is purchased;

The making and timing of any buy-backs will be at the absolute discretion of the Board. The authority shall expire either at the next Annual General Meeting in 2008 or on the date which is 18 months from the date of the resolution is passed, whichever occurs earlier.

On 10 July 2006 the Company announced its plans to buy back up to 5% of its Shares. The buy back programme was instigated to take advantage of what the Board felt was an unjustified discount in the Share price as compared to underlying Adjusted NAV per Share.

Between 13 July and 17 July 2006 the Company purchased for cancellation 250,000 of its ordinary shares at an average price range between 262 p to 250 p per ordinary Share. Between 24 July and 3 August 2006 the

Company purchased for cancellation 110,000 of its ordinary shares at an average price range between 262.2 p to 270 p per ordinary Share. Between 13 October and 3 November 2006 the Company purchased for cancellation 585,000 of its ordinary shares at an average price range between 302.5 p to 305 p per ordinary Share. In total, 945,000 shares, representing 1.9% of the Company's issued share capital, have been purchased at an average price of GBP 2.87 in the course of the share buy-back programme announced on 10 July 2006.

At an Extraordinary General Meeting held on 16 November 2006, a resolution was approved that permits the Company to hold any shares purchased from distributable reserves, as treasury Shares in accordance with The Companies (Purchase of Own Shares) (Treasury Shares) Ordinance, 2006, available in Guernsey registry files, at the address of Her Majesty's registrar, The Greffe, Royal Court House, St Peter Port, Guernsey, GY1 2PB),

On 7 December 2007, the Company announced a buy-back programme for up to 4,844,808 of its own Shares, i.e. Shares representing up to 10% of the Company's share capital. By 13 December 2007, the had purchased, in the performance of an agreement with Oriel Securities Limited, London, 3,470,000 own Shares. In view of the above, the Company has decided to suspend the own Share buy-back program announced on 7 December 2007.

The Company is planning to use the treasury Shares purchased in the course of the buy-back programme to improve the liquidity of the Shares at the WSE by selling such Shares at the WSE. the Company will sell the own Shares at the WSE only if it is offered a price equal to or higher than the price paid for the Shares by the Company under the buy-back program.

### **Authorized Capital**

The Company was incorporated with an authorised share capital of EUR 15,000 divided into 1.5 million Shares of which two Shares were issued nil paid. On 23 February 2006 the authorised share capital of the Company was increased from EUR 15,000 to EUR 1,000,000 by the creation of an additional 98,500,000 Shares.

According to the Articles of Association as amended on 24 February 2006 the authorised share capital of the Company is EUR 1,000,000 divided into 100,000,000 Shares of EUR 0.01.

According to the Articles of Association the unissued Shares within the scope of the authorised capital (pursuant to a resolution of the General Meeting) are at the disposal of the Board, which has the unconditional authority to allot, grant options or warrants over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into Shares to such persons on such terms and conditions and at such times as the Board determines. On the Prospectus Date the authorised capital amounts to 100,000,000 Shares and exclusively within the scope of this capital the Board may make additional issues. Any issue which exceeds the above number of Shares shall require a resolution of the General Meeting.

### **Warrants**

#### *Warrant Instrument*

On 23 February 2006 the Company executed and adopted the Warrant Instrument and thereby constituted up to 5,488,118 Warrants. The Warrants are exercisable during the period commencing on admission of the Shares to trading at AIM and expiring either: (i) seven years from such admission; or, (ii) upon an offeror becoming entitled to acquire the entire issued share capital of the Company, whichever date occurs earlier. Each of the Warrant recipients, i.e. the AMC and AMC Directors has agreed to certain restrictions on his/its ability to exercise or transfer the Warrants held by him/it. These restrictions are set out in the Warrant Issuance Agreements and summarised below.

The exercise price of each of the Warrants is GBP 3.41 per Share. The exercise price and number of 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.

*Warrant Issuance Agreements*

On 23 February 2006 the Company entered into Warrant Issuance Agreements with each of the Warrant Recipients under which the Company agreed to issue at, and subject to, admission of the Shares to trading at AIM, to the Warrant Recipients or as they shall direct Warrants over an aggregate of 10% of the share capital (assuming full exercise of the Warrants).

The Warrant Issuance Agreements also provide that:

- (a) the Warrants issued to each of the AMC Directors vest in two equal tranches on each of the first two anniversaries of admission to trading on AIM conditional upon such director not having resigned or having been removed for cause and the AMC Directors have undertaken to the Company not to exercise or transfer any Warrants held by him unless they have so vested;
- (b) the Warrants held by AMC vest in equal tranches on each of the first four anniversaries of admission of the Shares to trading at AIM and subject to the conditions set out in the incentive plan from time to time adopted by AMC for the benefit of its employees, directors and consultants and AMC has undertaken to the Company not to exercise or transfer any Warrants held by it unless they have so vested; and
- (c) notwithstanding the above restrictions the Warrants shall be freely exercisable or transferable in the event of a change of control of the Company (being a situation where a person or group of persons acting in concert together with their associates hold Share carrying not less than 50% of the voting rights of the Company at any time).

**Dilution**

The existing Shareholders (excluding the Company) owned 45,018,081 Shares representing 92.92 % of the Company's share capital and 83.53 % of the Fully Diluted Share Capital i.e. based on the assumption that all the Warrants granted under the Warrant Instrument have been exercised. The number of the issued Shares will not change in connection with the admission of the Admission Shares to trading on the WSE.

By 13 December 2007, the had purchased, in the performance of an agreement with Oriel Securities Limited, London, 3,470,000 own Shares representing 7.72% of the Company's share capital and 6.93% of the Fully Diluted Share Capital. In view of the above, the Company has decided to suspend the own Share buy-back program announced on 7 December 2007.

**Right to dividend**

The Company in general meeting may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board which may, for the purposes of determining such amount, disregard any realised or unrealised losses in respect of the valuation or realisation of any property portfolio assets that are accounted for in the income of the company under the accounting standard approved by the Board from time to time. The Board may at any time declare and pay such interim dividends as appear to be justified by the position of the Company.

Pursuant to the Articles of Association, dividend payments are due to such persons whose names are listed in the register of Shareholders as at the date the dividend is declared or on any other date determined by an ordinary resolution of the Shareholders or as the Board may determine, irrespective of whether the Shareholder entitled to receive the dividend payment transfers its Shares at a later date. The dividend shall not be payable until it is declared and then becomes a debt payable by the Company to the Shareholders. The Company shall make the dividend payment on the date determined by the Board.

The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the liabilities or obligations in respect of which the lien exists. The Board may deduct from any dividend payable to any Shareholder on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

All unclaimed dividends may be retained by the Company or invested or otherwise made use of by the Board for the benefit of the Company until claimed. All dividends unclaimed for a period of twelve years after having been declared or become due for payment shall be forfeited and cease to remain owing by the Company and shall revert to the Company.

#### ***Dividend distribution to the Polish Shareholders***

Dividend to the Polish Shareholders will be distributed through the clearing facilities of the KDPW. When the relevant resolution is adopted by the General Meeting, and the aggregate amount of the dividend distributions to be made has been determined, CREST will, acting pursuant to the instructions of an authorized representative of CREST (acting as a nominee for the Shares) will use Euroclear to announce the relevant information and will make an appropriate transfer of funds to the account of the KDPW. The KDPW will then transfer the relevant dividend distributions (as granted to the Polish Shareholders in the underlying resolution of the Shareholders Meeting) to the accounts of the KDPW participants maintaining the securities accounts in which the rights attached to the book-entry Shares owned by the Polish Shareholders are recorded.

#### **Pre-Emptive Rights**

There are no provisions of Guernsey Law which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash. Furthermore, the Company has not enshrined pre-emption rights in its Articles. However, the Company's Articles provide that the Company will not, without the prior approval of the Shareholders, issue Shares at a subscription price per Share below the Adjusted NAV per Share prevailing at that time without first offering the new Shares to its Shareholders pro rata to their existing holdings except for Shares issued on exercise of the Warrants and the first allotment of equity securities after the adoption of the Articles of Association on 24 February 2006.

#### **Distribution of Assets in the Event of Liquidation**

If the Company shall be wound up whether voluntarily or otherwise the liquidator may with the sanction of a special resolution divide among the Shareholders in specie the whole or any part of the assets of the Company and may with the like sanction vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the Shareholders as the Liquidator with the like sanction shall think fit.

If the Company shall be wound up, the surplus assets remaining after payment of all creditors shall be applied to the benefit of the Shareholders in the following priority: (i) firstly, in pro rata payments to Shareholders up to the sum equal to the nominal amount they have paid up; (ii) secondly, in the case of overpayment to the Shareholders of any balance then remaining, such payments being made in proportion to the number of Shares held.

#### **Right to Appoint and Dismiss Directors**

The Shareholders may, by ordinary resolution passed at a General Meeting, appoint any person to be a Director either to fill a casual vacancy or as an additional Director, provided an appropriate notice (the "Appointment Notice") has been left at the Registered Office no less than seven nor more than twenty one Clear Days before the date appointed for the General Meeting. The Appointment Notice must be in writing, signed by a Shareholder duly qualified to attend and vote at the General Meeting, and stating the Shareholder's intention to propose a person for election to the Board. The Appointment Notice must be accompanied by notice in writing signed by the person whom the Shareholder proposes to elect of his willingness to be elected.

At each Annual General Meeting, one-third of the Directors who are subject to retirement by rotation shall retire from office. If no Director is appointed by the Shareholders to fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless the Shareholders by ordinary resolution elect not to fill the vacancy or a resolution for the reappointment of the Director is put to the Shareholders and lost.



The Shareholders may, by ordinary resolution passed at a General Meeting, remove any person as a Director provided the General Meeting has been validly requisitioned. The Board may, whenever it thinks fit, and shall on the requisition in writing of one or more Shareholders representing not less than one-tenth of the issued share capital upon which all sums due have been paid, convene a General Meeting. The requisition must be dated, state the object of the meeting (which would include a proposal for the removal of a Director), be signed by the requisitionists and deposited at the Registered Office.

### **Variation of rights**

If at any time the share capital is divided into different classes of Shares, the rights attached to any class may be varied or abrogated only in the manner specifically determined for Shares of a given class (if determined) or in the absence of any such provision, either with the consent in writing of the holders of three quarters of the nominal amount of the issued Shares of that class, or with the sanction of a special resolution of the holders of the Shares of that class.

The holders of at least 15% in aggregate of the issued Shares of the class in question, (excluding any shares held as treasury shares) being persons who did not consent to the varying of the class of rights or their abrogation or who vote in favour of the resolution for the variation, may apply to the Royal Court of Guernsey (the "Court") to have the variation annulled. If such an application is made, the variation shall have no effect unless and until confirmed by the Court. The application to the Court must be made within a period of 21 days immediately following the date upon which the consent was given or the special resolution was passed (as the case may be) and may be made on behalf of the shareholders entitled to make the application by such of their number as they may appoint in writing for the purpose. The Court may annul the variation if satisfied that the variation would unfairly prejudice the Shareholders holding Shares of a given class, or confirm the variation if not so satisfied.

Unless otherwise provided by the terms of issue of any class of shares of the Company, all the provisions of the Articles relating to general meetings of the Company or to the proceedings at general meetings shall, mutatis mutandis, apply to every separate meeting of the holders of any class of shares of the Company, except that in the case of a meeting held in connection with the variation or abrogation of the rights attached to the Shares of the class:

- (a) the necessary quorum (other than at an adjourned meeting) shall be two persons at least holding or representing by proxy at least one-third in nominal amount of the issued shares of the class or, at any adjourned meeting of such holders, the holder or holders of shares of the class who are present in person or by proxy, whatever his or their holdings;
- (b) a poll may be demanded by any holder of shares of the class present in person or by proxy; and
- (c) the holders of Shares of the class shall, on a poll, have one vote in respect of every Share of the class held by them respectively.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of issue of the shares of that class) be deemed to be varied or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

### **Voting Rights and General Meetings**

#### *Voting Rights*

On a poll the holders of the Shares are entitled to 1 vote per Share (excluding those held in treasury). The Company's Articles of Association do not provide for any voting preferences.

Subject as provided in the Articles and subject to any special rights or restrictions for the time being attached to any class of share:

- (1) on a show of hands, every Shareholder (being an individual) present in person or (being a corporation) present through a duly authorized representative at a General Meeting, shall have one vote; and
- (2) on a poll, every Shareholder (being an individual) present in person or by proxy or (being a corporation) present by a duly authorized representative at a General Meeting shall have one vote for each Share held by him.

At any meeting a resolution put to the vote shall be decided by a show of hands or before or immediately following the declaration of the results of the show of hands, a poll is duly demanded. A poll may be demanded by:

- (i) by the Chairman; or
- (ii) by a Shareholder or Shareholders present in person or by proxy representing at least one-tenth of the total voting rights of all of the shareholders having the right to vote at the meeting; or
- (iii) by a Shareholder or Shareholders present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all of the shares conferring that right;
- (iv) by a Shareholder or Shareholders present in person or by proxy, in the case of resolutions on granting, amending, withdrawing or granting again, a right or consent to a non-market acquisition (in accordance with the definition in the Statute, the acquisition by the Company of treasury shares in a transaction which is not a market acquisition within the meaning of The Companies' Purchase of Own Shares Ordinance, 1998) of treasury Shares by the Company; or
- (v) by not less than five Shareholders present in person or by proxy and entitled to vote;
- (vi) and a demand submitted by a Shareholder's proxy shall be treated the same as a demand submitted by the Shareholder.

The demand for a poll may be withdrawn but only with the consent of the Chairman.

Unless a poll is so demanded and the demand is not withdrawn a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded.

Any corporation which is a Shareholder may by resolution of its Directors authorise such person as it thinks fit to act as its representative at any meeting of the Company and the person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual Shareholder of the Company.

In the case of an equality of votes, the Chairman shall, both on a show of hands and on a poll, have a casting vote. The casting vote is in addition to any vote to which he may be entitled as a Shareholder or as a proxy.

#### *Right to Request and/or Convene a General Meeting*

The Board may whenever it thinks fit and shall on the requisition in writing of one or more holders representing not less than one-tenth of the issued Share capital of the Company upon which all calls or other sums then due have been paid convene an extraordinary General Meeting. If there are not sufficient Directors capable of acting to call a general meeting, any Director may call a General Meeting. If there is no Director able to act, any two Shareholders may call a general meeting for the purpose of appointing Directors. The requisition shall be dated and shall state the object of the meeting and shall be signed by the requisitionists and deposited at the Office and may consist of several documents in like form each signed by one or more of

the requisitionists. If the Board does not cause a meeting to be held within twenty-one days from the date of the requisition being so deposited the requisitionists or a majority of them in value may themselves convene the meeting. Any meeting convened by requisitionists shall be convened in the same manner (as nearly as possible) as that in which meetings are convened by the Board.

#### *Convocations of General Meetings*

General meetings shall be held at least once in each calendar year. Other meetings of the Company shall be called extraordinary general meetings. General Meetings shall be held in Guernsey or elsewhere. A Shareholder may participate in a General Meeting by video link or telephone conference call or other electronic or telephonic means of communication provided that the Shareholders present at the meeting can hear and speak to the participating Shareholder. Not less than twenty one Clear Days' notice specifying the time and place of any general meeting and specifying also in the case of any special business the general nature of the business to be transacted shall be given by notice sent by post by the Secretary or other Officer of the Company or any other person appointed in that regard by the Board to such Shareholders as are entitled to receive notices to the directors and to the auditors (other than any who, under the provisions of these Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company) provided that with the consent in writing of all the Shareholders a meeting may be convened by a shorter notice or at no notice and in any manner they think fit. In every notice there shall appear a statement that a Shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a Shareholder.

#### *Proposed voting procedures for Polish Shareholders*

Under Guernsey law, the Company notifies its shareholders of any general meeting of the Company not less than 14 clear days prior to the date of the meeting (or 21 clear days if certain specified resolutions are to be put to shareholders of the Company for approval). The Company's Articles require that 21 clear days (not 14 clear days) notice be given to all shareholders of any general meeting. The shareholders who are registered holders on the record date for a particular meeting receive written notice by mail of the general meeting, which will include a form of proxy that describes the matters to be voted on and other disclosure required by Guernsey law. The shareholders of the Company have the opportunity to participate in and vote at the general meeting in person or by appointing a proxy to act for them.

Entities or persons that hold interests in Ordinary Shares through banks and brokers do not hold legal title to their Ordinary Shares because they are not registered as Shareholders on the register of members of the Company maintained in Guernsey. However, there are procedures in place so that these beneficial holders receive notice of General Meetings and forms of proxy and are able to vote the Ordinary Shares held through banks and brokers or to instruct someone who has the authority to vote. As a result of the different legal procedures that are generally accepted with respect to notification and conduct of general meetings in Guernsey and Poland, the existing procedures adopted by the Company will not be directly applicable to Polish Shareholders that beneficially own Ordinary Shares through securities accounts maintained by participants in the KDPW.

In relation to Polish Shareholders, the Board will implement additional notice and voting procedures for General Meetings, which will apply to the Polish Shareholders. The Company will notify the Polish Shareholders of the date and place of the General Meeting (with the record date of those eligible to vote as determined by the Directors) in the form of a press announcement published in a national daily newspaper, no later than 21 days prior to the planned date of the General Meeting. Furthermore, this information will be placed on the Company's website at [www.atlasestates.com](http://www.atlasestates.com). At the same time, CREST, through the Euroclear system, will provide KDPW with the power of attorney forms, as well as information required by holders of Ordinary Shares to attend the General Meeting.

Under the laws of Guernsey and the Company's Articles of Association, each Shareholder entered into the Company's register of members as at the day the Board establishes the rights, determined prior to the General Meeting, may vote at the General Meeting. A Polish Shareholder intending to vote at a General Meeting of the Company should apply to a brokerage house or a depository bank maintaining its investment account in which its holding of Ordinary Shares are recorded so as to provide it with additional information in this

regard, i.e. information required under the laws of Guernsey to be provided to CREST through Euroclear by a participant maintaining the securities account of a given Polish Shareholder. Should a Polish Shareholder vote by proxy, a relevant power of attorney form will be provided to CREST.

The Company intends that the brokerage houses and depository banks of the Polish Shareholders will receive information on General Meetings of the Company through the KDPW and the Euroclear i.e. the depository system connecting the KDPW with CREST. In addition, the information on General Meetings and any materials in relation to General Meetings will be published as Current Report in Poland. The Company will distribute notices of General Meetings of the Company (together with proxy forms) to the KDPW through the Euroclear. A Polish Shareholder interested in obtaining information materials in relation to general meetings will need to contact the participant in the KDPW operating the securities account in which the Ordinary Shares held by such Polish Shareholder is recorded. The participant in the KDPW will need to request that the KDPW provide the relevant materials to satisfy the request of the Polish Shareholders. The institutions responsible for distributing the voting materials and receiving voting instructions from the beneficial owners of Ordinary Shares will vote on behalf of Polish Shareholders based upon the voting instructions received. To be able to give voting instructions for a general meeting, a Polish Shareholder should request the brokerage house or the depository bank maintaining its investment account in which its holding of Ordinary Shares are recorded to provide the holder with a form of proxy statement (which simultaneously serves as an authorisation for proxies to vote at the general meeting). The form of proxy will be in English. Instructions for appointing a proxy will be placed on the form of proxy. A Polish Shareholder that intends to appoint a proxy to vote on its behalf will have to fill out the form of proxy and pass it to the brokerage house or the depository bank that maintains its investment account in which its holding of Ordinary Shares are recorded. Subsequently, such information will be forwarded to the KDPW to be distributed to foreign institutions acting as intermediaries for the purpose of arranging the general meeting. A Polish Shareholder may also participate in and vote at a general meeting in person.

In the event that the Company introduces a different voting procedure for the Polish Shareholders, it will be described in the form of a press release and in a manner consistent with applicable laws.

#### *General Meeting Resolutions*

The ordinary business of a General Meeting shall be:

- (i) to receive and consider the profit and loss account and the balance sheet of the Company and the reports of the Directors and the Auditors,
- (ii) to elect and re-elect Directors and appoint or re-appoint Auditors in the place of those retiring,
- (iii) to fix the remuneration of the Directors and Auditors,
- (iv) to sanction or declare dividends,
- (v) to grant or renew the authority of the Company to repurchase its own shares and
- (vi) to transact any other ordinary business which ought to be transacted at such meeting.

No business shall be transacted at any General Meeting unless a quorum is present. The quorum for a General Meeting shall, for all purposes be two Shareholders present in person or by proxy and entitled to vote.

A resolution in writing or contained in an electronic communication executed by or approved in writing by on behalf of each Shareholder who would have been entitled to vote upon it if it had been proposed at a General Meeting at which he was present shall be as effectual as if it had been passed at a general meeting duly convened and held and may consist of several instruments in the like form each executed by or on behalf of one or more Shareholders.

A special resolution is passed when a majority of no less than three-quarters of the votes recorded (including, where there is a poll, any votes cast by proxy) at a General Meeting in respect of which notice specifying the intention to propose the resolution has been duly given). The Shareholders' powers exercisable by a special resolution *inter alia*, include:

- (i) changes to the Company's object;
- (ii) changes to the Articles of Association;
- (iii) change of the Company's name;
- (iv) ratification of Directors' actions exceeding limitations on their powers;
- (v) relief from any liability of a Director incurred whilst exercising his powers;
- (vi) reduction in share capital;
- (vii) winding-up;
- (viii) appointing a liquidator;
- (ix) migration of the Company to another jurisdiction;
- (x) amalgamation of the Company;
- (xi) purchase of own Shares.

#### **Transfer of Shares**

The Directors shall have power to implement such arrangements as they may, in their absolute discretion, think fit in order for any class of shares to be admitted to settlement by means of the CREST. According to the Articles of Association amended by virtue of the resolution of the General Meeting dated December 2007, December 2007, the above-mentioned powers are also vested in the Directors with respect to admitting transactions involving shares of any class to be settled through KDPW's system.

The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any share which is not fully paid or on which the Company has a lien, provided, in the case of a listed share that this would not prevent dealings in the share from taking place on an open and proper basis. In addition, the Directors may refuse to register a transfer in respect of certificated shares if:

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

The Board may comment in its absolute discretion and without giving a reason, refuse to register any allotment or transfer of shares in favour of more than four joint transferees or a child, bankrupt or person of unsound mind.

The Board may only decline to register a transfer of an uncertificated share in the circumstances set out in regulations issued for this purpose under Guernsey Law or such as may otherwise from time to time be adopted by the Board on behalf of the Company in circumstances permitted by the United Kingdom Listing Authority, the London Stock Exchange and the rules of any relevant system and practices of the operator, and where, in the case of a transfer, to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

If the Board refuses to register the transfer of a share they shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee. The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any one year) as the Board may decide and either generally or in respect of a particular class of share provided that the Board may not suspend the registration of transfers of any participating security without the consent of the operator of the relevant system.

### **Ownership thresholds**

The Articles provide that any Shareholder who acquires or ceases to have an interest equal to 3% of the Shares in the Company must notify the Company of such interest within 2 business days. The notification to be given shall be in writing and must: specify the number of Shares in which the Shareholder making the notification knows he had an interest after the time when the obligation arose; or in the case where the Shareholder no longer has a notifiable interest in Shares, state that he no longer has that interest. In addition the notification must identify the Shareholder to which it relates and the number of Shares held by the Shareholder.

The Directors may require any Shareholder to furnish a notice in writing to confirm to the Company whether he holds an interest equal to 3% of the Shares in the Company.

### **Compulsory acquisition of Shares**

The Articles provide that if an offer is made for the Company's issued share capital, the offeror is entitled to acquire any remaining shares if it has received acceptances or purchased Shares subsequent to the making of the offer, amounting (in the aggregate) to 90% of the Shares or all the Shares of that class to which the offer relates. In the case of the aforementioned compulsory acquisition of Shares, the offeror may I his rights within certain time limits. The Articles also permit a minority Shareholder to require an offeror to buy Shares held by a minority shareholder, if that offeror has received acceptances or purchased Shares of the same class.

### **Alteration of capital and purchase of own Shares**

Subject to compliance with Guernsey Law and the Articles, the Company may:

- (i) by ordinary resolution, consolidate and divide all or any of its share capital into shares of larger amount than its existing share capital; subdivide all or any of its shares into shares of smaller amount; and cancel any shares which at the date of the resolution have not been taken or agreed to be taken by any person;
- (ii) by ordinary resolution increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe. Any new shares shall be of such class and amount and have such preference or priority as regards dividends or in the distribution of assets or as to voting or otherwise over any other shares of any class whether then issued or not or be subject to such stipulations deferring them to any other shares with regard to dividends or in the distribution of the assets as the Board may determine;
- (iii) by special resolution, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any incident authorized and consent required by Guernsey Law; and
- (iv) purchase any of its own shares whether or not they are redeemable and may pay in respect of such purchase otherwise than out of its distributable profits or the proceeds of fresh issue of shares.

### **Issue of new Shares**

According to the Articles of Association, any non-issued Shares in the authorised capital (pursuant to a resolution of the General Meeting) are at the disposal of the Board, which shall have the unconditional authority to allot, grant options or warrants over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons on such terms and conditions and at such

times as the Board determines but so that no share shall be allotted at a discount and so that the amount payable on application on each share shall be fixed by the Board. The Company's Articles provide that Shares will not, without the prior approval of the Shareholders, be issued at an issue price below the Adjusted NAV per Share prevailing at that time without first offer the new Ordinary Shares to its Shareholders pro rata to their existing holdings (subject to variation for the purposes of dealing with fractional entitlements and applicable local laws) except for the first allotment of equity securities following the adoption of the Articles and Ordinary Shares issued on exercise of the Warrants.

### **Disclosure of interest in Shares**

The Directors shall have power by notice in writing to require any Shareholder to disclose to the Company the identity of any person other than the Shareholder (an interested party) who has any interest in the shares held by the Shareholder and the nature of such interest. Any such notice shall require any information in response to such notice to be given in writing within such reasonable time as the Directors shall determine.

The Directors may be required to exercise their powers on the requisition of Shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as carries at that date the right of voting at general meetings of the Company.

If any Shareholder has been duly served with a notice given by the Directors and is in default for the prescribed period in supplying to the Company the information thereby required, then the Directors may in their absolute discretion at any time thereafter serve a notice (a direction notice) upon such Shareholder as follows:

- (a) a direction notice may direct that, in respect of:
  - (i) the shares comprising the shareholder account in the Register which comprises or includes the shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the default shares); and
  - (ii) any other shares held by the Shareholder;

the Shareholder shall have no right to vote at a General Meeting or meeting of the holders of any class of shares of the Company either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company or of the holders of any class of shares of the Company; and

- (b) where the default shares represent at least 0.25% of the class of shares concerned, then the direction notice may additionally direct that:
  - (i) in respect of the default shares, any dividend or part thereof which would otherwise be payable on such shares shall be retained by the Company without any liability to pay interest thereon when such money is finally paid to the Shareholder;
  - (ii) no transfer other than an approved transfer of any of the shares held by such Shareholder shall be registered unless:
    - (1) the Shareholder is not himself in default as regards supplying the information requested; and
    - (2) the transfer is of part only of the Shareholder's holding and when presented for registration is accompanied by a certificate by the Shareholder in a form satisfactory to the Directors to the effect that after due and careful enquiry the Shareholder is satisfied that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

If shares are issued to a Shareholder as a result of that Shareholder holding other shares in the Company and if the shares in respect of which the new shares are issued are default shares in respect of which the Shareholder is for the time being subject to particular restrictions, the new shares shall on issue become subject to the same restrictions whilst held by that Shareholder as such default shares. For this purpose, shares which the Company procures to be offered to Shareholders pro rata (or pro rata ignoring fractional

entitlements and shares not offered to certain Shareholders by reason of legal or practical problems associated with Offer Shares outside the United Kingdom or Guernsey) shall be treated as shares issued as a result of a Shareholder holding other shares in the Company.

Any direction notice shall have effect in accordance with its terms for as long as the default, in respect of which the direction notice was issued, continues but shall cease to have effect in relation to any shares which are transferred by such Shareholder by means of an approved transfer. As soon as practical after the direction notice has ceased to have effect (and in any event within seven days thereafter) the Directors shall procure that the restrictions imposed shall be removed and that dividends and other monies withheld are paid to the relevant Shareholder.

For the purpose of the Articles of Association:

- (a) a person shall be treated as appearing to be interested in any shares if the Shareholder holding such shares has given to the Company a notification which either (a) names such person as being so interested or (b) fails to establish the identities of those interested in the shares and (after taking into account the said notification and any other relevant notification) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares;
- (b) the prescribed period in respect of any particular Shareholder is 28 days from the date of service of the said notice except where the default shares represent at least 0.25% of the class of shares concerned in which case such period shall be fourteen days;
- (c) a transfer of shares is an approved transfer if but only if:
  - (i) it is a transfer of shares to an offeror by way or in pursuance of acceptance of a public offer made to acquire all the issued shares in the capital of the Company not already owned by the offeror or connected person of the offeror in respect of the Company; or
  - (ii) the Directors are satisfied that the transfer is made pursuant to a sale of the whole of the beneficial ownership of the shares to a party unconnected with the Shareholder and with other persons appearing to be interested in such shares; or
  - (iii) the transfer results from a sale made through a recognised investments exchange (as defined in the Financial Services and Markets Act 2000 of the United Kingdom) or any stock exchange outside the United Kingdom on which the Company's shares are listed or normally traded.

Any shareholder who has given notice of an interested party who subsequently ceases to have any party interested in his shares or has any other person interested in his shares shall notify the Company in writing of the cessation or change in such interest.

### **Matters relating to depositories**

#### ***CREST System***

CREST acts as a securities depository for the Admission Shares in the UK. CREST is an uncertificated share settlement system operated by CRESTCo, through which trades on AIM can be settled. The CREST system eliminates the need for physical movement of share certificates. Settlement of trades occurs throughout the day, with the CREST system offering effective delivery versus payment (DVP).

Only CREST members are able to hold stock in accounts within the CREST system and appear on the register of members of the Company (share register) as the legal owner of the securities. A CREST member must have a contract with a bank that in turn is under contract to make and receive payments in respect of the member's activities in CREST. The CREST member is linked up to CREST by computer network and must have the technical capacity to interface directly with CREST. The CREST member holds shares as nominee for the underlying beneficial owners, so the name of the CREST member, rather than the beneficial owner, is entered into the register of members of the Company as the legal owner.



Each CREST member may open a separate number of designated member accounts if it requires several legal entities to be recognized on the register of members of the Company (share register) and will establish sponsored memberships to facilitate this. Each member account appears as a designated account on the register of members and must be set up by the CREST member before it can be used for any CREST settlement activity. The member account facility enables CREST members to segregate holdings of individual holdings or funds.

The contents of each member account are mirrored on the register of members of the Company (share register). Whenever there is a transfer of stock to or from a member's account, CREST instructs the registrar to amend the register of members (share register) by sending an electronic register update record (RUR). The register of members (share register) is updated usually within two hours of the RUR being made available by CREST.

Only registered holders of Shares will be treated by the Company as the owners of such Shares and will be entitled to exercise rights incidental to the ownership of such Shares, including the right to vote, receive proxies, notices, distributions and dividends. Beneficial owners of shares may only exercise rights incidental to share ownership in accordance with the procedures and arrangements in effect from time to time between CREST and its members, subject to any statutory or regulatory requirements as may be in effect from time to time.

Any redemption proceeds, distributions or dividend payments paid with respect to the Admission Shares will be paid to CREST members, or such other nominee of CREST as may be requested by an authorized representative of CREST, as the registered holder. Disbursement of such payments to the beneficial owners is the responsibility of the CREST members.

In instances where a vote of the Shareholders is required, only registered holders will be entitled to vote. Holders of the Admission Shares (CREST members) are notified through the CREST proxy voting service that a general meeting of the Shareholders is to take place. CREST members complete and submit proxy appointments (including voting instructions) to the Company's registrars electronically. The Company (through its registrars) notifies CREST members of the outcome of resolutions voted on at the meeting and details of the proxy votes cast.

### ***KDPW System***

Pursuant to the Act on Public Offers, securities which are offered in a public offering or admitted to trading on a regulated market in Poland exist in uncertificated form as of the date of their registration under the relevant depository agreement concluded with the KDPW (dematerialization). Such agreement should be concluded before the commencement of a public offering or the submission of an application for admission of securities to trading on a regulated market. In the case of securities issued outside of Poland, such as the Shares, only those securities which are offered in a public offering or which are to be admitted to trading on the regulated market may be registered with the depository. Before concluding an agreement with the KDPW, an issuer is obliged to place such securities into a deposit maintained in Poland or to register such securities with an entity which serves as a central securities registry or a securities transaction clearing system in the relevant foreign jurisdiction. With respect to the Admission Shares, this requirement is met when the Shares are registered with the CREST.

Share deposit certificates evidencing the title to the Shares may be issued at the request of the account holder. Pursuant to Article 9 of the Act on Trading in Financial Instruments, a share deposit certificate confirms the title to exercise all rights arising from the securities which are not or cannot be exercised purely on the basis of entries in a securities account. The investors should note, however, that they will not be able to exercise the rights vested in them under the Admission Shares by using a share deposit certificate. In particular, the provisions of the Act on Trading in Financial Instruments authorising a shareholder to exercise certain of its rights with the use of a deposit certificate constitute part of a Polish corporate law regulation which does not apply to the Company.

Pursuant to the Act on Trading in Financial Instruments, the rights attached to dematerialised securities accrue as of the moment such securities are first registered in a securities account and inure to the benefits of the account holder. Under an agreement on the transfer of dematerialized securities, such securities are transferred as of the moment the relevant entry is made in the securities account. The relevant entry is made after the transfer of securities is registered on the appropriate accounts of the KDPW members. If the date establishing the rights of the holders of dematerialized securities falls on or after the date on which the transaction should be cleared at the depository for securities, and the securities continue to be registered in the transferor's account, the benefits inure to the benefit of the transferee and accrue as of the moment the securities are registered in the securities account of the transferee. If dematerialized securities are acquired by mere operation of the law, such securities are registered in the transferee's account at his request.

The current wording of the Articles of Association (as amended under resolution of the General Meeting dated 12 December 2007) enables the conversion of the Shares into uncertificated form in the KDPW depository system.

### **Form of trading on the AIM and the GPW**

All existing Shares of the Company are traded on the unregulated market of AIM, both the uncertificated shares deposited in the CREST as well as Shares in document form. In view of that fact, the number of the Shares to be admitted to trading on the WSE will be lower than the total number of the Shares. Given the fact that only Shares in uncertificated form (within the meaning of the Act on Trading in Financial Instruments) can be traded on the WSE, the Company will take steps to prevent the introduction to trading on the WSE any Shares which are not subject to the application for admission to trading based on this Prospectus, i.e. those Shares which will exist in document form. The Company shall, on a regular basis, monitor the number of the new uncertificated Shares recorded in the CREST and shall, as and when needed, submit appropriate application requesting the registration of such additional Shares at the KDPW and for the admission and introduction thereof to trading on the WSE, so as to ensure equal treatment of the holders of uncertificated Shares with respect to their ability to transfer the Shares between the systems of the KDPW and CREST and the ability to trade such Shares on the WSE and the AIM. The restriction provided for above will make it impossible to introduce to trading on the WSE any Shares which are not subject to the application for admission to trading based on this Prospectus, i.e. those Shares which will exist in document form.

### ***Trading between AIM and WSE***

Upon the admission of the Offer Shares to trading on the WSE, the transfer of rights attached to the book-entry form Shares will be effected via Euroclear. In order to transfer rights to Shares to the WSE, a holder of the Shares which is a participant of the CREST (i.e. a nominee) will place instructions to that effect with CREST, in line with the instructions it has received from the beneficial owner of the Ordinary Shares. Based on the instructions to transfer the given Shares from the AIM to the WSE, CREST will issue a document indicating the number and nominee of such Shares, and communicate the relevant instructions to Euroclear. Through Euroclear, the KDPW will receive instructions to register the Shares indicated by the participant of the CREST in the securities account of the KDPW participant maintaining the securities account of the beneficial owner of the Ordinary Shares.

## THE COMPANY

### Key information

Name and legal form:	Atlas
Registered office and address	Royal Bank Place, 1 Glatigny Esplanade, St. Peter Port, Guernsey GY1 2HS
Country of incorporation	Guernsey, British crown dependency
Telephone number	+(44) 01481 743 000
Fax number	+(44) 01481 711 506
E-mail address	info@atlasestatesltd.com
Home page	www.atlasestates.com
Place of Registration:	Guernsey
Registration Number:	44284

### Date of Incorporation

The Company was incorporated on 3 February 2006. The Company does not have a limited duration.

### Legislation under which the Issuer operates

The Companies (Guernsey) Laws 1994 to 1996, as amended.

### Field of activity of the Issuer

The Memorandum of Association of the Company provides that the Company's principal object is to act as an investments company. The objects of the Company are set out a section 3 of the Company's Memorandum of Association.

### Administration, Custodian, Secretarial and Registrar Arrangements

BNP Paribas Fund Services (Guernsey) Limited has been appointed as administrator, registrar, custodian and secretary pursuant to the administration agreement (for details, please see Section "*Other Information*" under "*Material Agreements*"). In such capacity, the Administrator is responsible for the general secretarial function required by Guernsey Law. The Administrator is also responsible for the Company's general administrative functions such as the calculation and publication of the both Basic and Adjusted Net Asset Value and the maintenance of accounting records. The Company utilises the services of Computershare Investor Services (Channel Islands) Limited as receiving agent in relation to the transfer and settlement of shares held in uncertificated form and as transfer agent.

### Structure of the Group

The Company is the holding company of the Atlas Group. It makes decisions on the establishment of special-purpose companies primarily intended for the execution of specific development projects. The subsidiaries of the Company, whether owned directly or through its other subsidiaries, are the following:

<b>Company</b>	<b>Registered seat</b>
Atlas Estates Coöperatief U.A.	Amsterdam, the Netherlands
Shelco Five Limited	Guernsey
Atlas Estates Investments B.V. (formerly Berghey Holdings B.V.)	Amsterdam, the Netherlands
Darenisto Limited	Nicosia, Cyprus
V.Vicks Properties B.V.	Amsterdam, the Netherlands
Trilby B.V.	Amsterdam, the Netherlands
Atlas Wola B.V.	Amsterdam, the Netherlands
DPM Sp. z o.o.	Warsaw, Poland
Platinum Towers Sp. z o.o.	Warsaw, Poland
Zielono Sp. z o.o.	Warsaw, Poland
Properpol Sp. z o.o.	Warsaw, Poland
Atlas Estates (Millennium) Sp. z o.o.	Warsaw, Poland
Atlas Estates (Cybernetyki) Sp. z o.o.	Warsaw, Poland
Atlas Estates CF Plus 1 Sp. z o.o.	Warsaw, Poland
Atlas Estates 1 Sp. z o.o.	Warsaw, Poland
Atlas Estates 2 Sp. z o.o.	Warsaw, Poland
Atlas Estates (Sadowa) Sp. z o.o.	Warsaw, Poland
Capital Art Apartments Sp. z o.o.	Warsaw, Poland
Grzybowska Centrum Sp. z o.o.	Warsaw, Poland
HGC S.A.	Warsaw, Poland
HPO Sp. z o.o.	Warsaw, Poland
Circle Slovakia s.r.o.	Bratislava, Slovakia
EASTFIELD ATLAS a.s.	Bratislava, Slovakia
Slovak Trade Company s.r.o.	Bratislava, Slovakia
WBS a.s.	Bratislava, Slovakia
World Real Estate SRL	Bucharest, Romania;
ATL Colosseum SRL	Bucharest, Romania
Megarom Line SRL	Bucharest, Romania
Craiova Mall Investitii SRL	Bucharest, Romania
Kalipi Holdings Limited	Nicosia, Cyprus
DNB Victoria Tower SRL	Bucharest, Romania
Victoria Tower Hotel Management SRL	Bucharest, Romania
ATL Heptagon SRL	Bucharest, Romania
Amiti Exclusiv Investment SRL	Bucharest, Romania
Cap East Kft	Budapest, Hungary
Felikon Kft	Budapest, Hungary
CI-2005 Investment Kft	Budapest, Hungary
Ligetváros Kft	Budapest, Hungary
Városliget Center Kft	Budapest, Hungary
Atlas Estates (Moszkva) Kft	Budapest, Hungary
Atlas Estates (Dékán) Kft	Budapest, Hungary
Atlas Estates (Vágány) Kft	Budapest, Hungary
Atlas Estates Kaduri-Shasha Zrt	Budapest, Hungary
Atlas Estates Project 8 Kft	Budapest, Hungary
Atlas Estates Limited EOOD	Sofia, Bulgaria
Immobul EOOD	Sofia, Bulgaria

All of the company's subsidiaries have been consolidated in the Group's financial statements prepared for the purposes of this Prospectus, except for Atlas Estates 1, Atlas Estates 2, Atlas Estates EOOD and Atlas Estates Project 8 Kft, which were formed after 30 June 2007, and Immobul EOOD, a share in which was purchased by the Company (indirectly through Atlas Estates EOOD) in the third quarter of 2007.

The chart below sets forth the structure of the Atlas Group.





**List of the Issuer's subsidiaries*****Atlas Estates Coöperatief U.A.***

Atlas holds 99% of shares in Atlas Estates Coöperatief, which entitles to exercise 99% of votes at the general meeting of Atlas Estates Coöperatief. The remaining 1% is held by Shelcofive.

Key information on Atlas Estates Coöperatief:

<b>Name and legal form:</b>	<b>Atlas Estates Coöperatief N.A</b>
Registered office and address	Oosteinde 7-11, 1017WT Amsterdam, the Netherlands
Share capital:	The cooperative has no share capital
Field of activity:	holding company

***Shelco Five Limited***

Atlas holds 100% of shares in the share capital of Shelcofive, which entitles to exercise 100% of votes at the general meeting of Shelco Five.

Key information on Shelco Five:

<b>Name and legal form:</b>	<b>Shelcofive Limited</b>
Registered office and address:	Royal Bank Place, 1 Glatengy Esplanade, St. Peter Port, Guernsey, GY1 2HS
Share capital:	Authorised share capital GBP 10,000 Issued share capital – 2 shares with a nominal value of GBP 1 each
Field of activity:	holding company

***Atlas Estates Investment B.V.***

Atlas Estates Coöperatief holds 100% of shares in the share capital of AEIBV, which entitles to exercise 100% of votes at the general meeting of AEIBV.

Key information on AEIBV:

<b>Name and legal form:</b>	<b>Atlas Estates Investment B.V.</b>
Registered office and address	the Netherlands, Amsterdam/ Oosteinde 7-11, 1017WT Amsterdam
Share capital:	EUR 18,200
Field of activity:	holding company

***Darenisto Limited***

AEIBV holds 100% of shares in the share capital of Darenisto, which entitles to exercise 100% of votes at the general meeting of Darenisto.

Key information on Darenisto:

<b>Name and legal form:</b>	<b>Darenisto Limited</b>
Registered office and address:	Cyprus, Arch Makariou III, 22, 3 <sup>rd</sup> Floor P.C. 1065, Nicosia
Share capital:	CYP 2,000
Field of activity:	holding company

***V.Vicks Properties B.V.***

AEIBV holds 50% of shares in the share capital of V.Vicks Properties, which entitles to exercise 50% of votes at the general meeting of V.Vicks Properties.

## Key information on V.Vicks Properties:

<b>Name and legal form:</b>	<b>V.Vicks Properties B.V.</b>
Registered office and address	the Netherlands, Amsterdam/ Oosteinde 7-11, 1017WT Amsterdam
Share capital:	EUR 18,600
Field of activity:	inactive

***Trilby B.V.***

AEIBV holds 100% of shares in the share capital of Trilby, which entitles to exercise 100% of votes at the general meeting of Trilby.

## Key information on Trilby:

<b>Name and legal form:</b>	<b>Trilby B.V.</b>
Registered office and address	the Netherlands, Amsterdam/ Oosteinde 7-11, 1017WT Amsterdam
Share capital:	EUR 18,600
Field of activity:	management company

***Atlas Wola B.V.***

AEIBV holds 100% of shares in the share capital of Atlas Wola, which entitles to exercise 100% votes at the general meeting of Atlas Wola.

## Key information on Atlas Wola:

<b>Name and legal form:</b>	<b>Atlas Wola B.V.</b>
Registered office and address	the Netherlands, Amsterdam/ Oosteinde 7-11, 1017WT Amsterdam
Share capital:	EUR 90,000,00
Field of activity:	holding company

***DPM Sp. z o.o.***

AEIBV holds 100% of shares in the share capital of DPM, which entitles to exercise 100% of votes at the general meeting of DPM.

## Key information on DPM:

<b>Name and legal form:</b>	<b>DPM Sp. z o.o.</b>
Registered office and address	00 -854 Warsaw, Al. Jana Pawła II 23
Share capital:	PLN 50,000
Field of activity:	management, accounting and administration services



***Platinum Towers Sp. z o.o.***

AEIBV holds 100% of shares in the share capital of Platinum Towers, which entitles to exercise 100% of votes at the general meeting of Platinum Towers.

## Key information on Platinum Towers:

<b>Name and legal form:</b>	<b>Platinum Towers Sp. z o.o.</b>
Registered office and address	00-844 Warsaw, ul. Grzybowska 63
Share capital:	PLN 15,350,000
Field of activity:	development company, Platinum Tower I and II Project

***Zielono Sp. z o.o.***

AEIBV holds 76% of shares in the share capital of Zielono, which entitles to exercise 76% of votes at the general meeting of Zielono. The remaining 24% shares in the share capital of Zielono are held by Dellwood.  
Key information on Zielono:

<b>Name and legal form:</b>	<b>Zielono Sp. z o.o.</b>
Registered office and address	00 -854 Warsaw, Al. Jana Pawła II 23
Share capital:	PLN 50,000
Field of activity:	development company, Zielono Project

***Properpol Sp. z o.o.***

AEIBV holds 100% of shares in the share capital of Properpol, which entitles to exercise 100% of votes at the general meeting of Properpol.

## Key information on Properpol:

<b>Name and legal form:</b>	<b>Properpol Sp. z o.o.</b>
Registered office and address	00 -854 Warsaw, Al. Jana Pawła II 23
Share capital:	PLN 50,000
Field of activity:	seeking and verifying potential investments, pre-realization for all new projects in Poland

***Atlas Estates (Millennium) Sp. z o.o.***

AEIBV holds 100% of shares in the share capital of Atlas Estates (Millennium), which entitles to exercise 100% of votes at the general meeting of Atlas Estates (Millennium).

## Key information on Atlas Estates (Millennium):

<b>Name and legal form:</b>	<b>Atlas Estates (Millennium) Sp. z o.o.</b>
Registered office and address	00 -854 Warsaw, Al. Jana Pawła II 23
Share capital:	PLN 50,000
Field of activity:	Millennium Plaza owner and manager

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

AEIBV holds 50% of shares in the share capital of Atlas Estates (Cybernetyki), which entitles to exercise 50% of votes at the general meeting of Atlas Estates (Cybernetyki). The remaining 50% is held by EdR Real Estates. The transfer of 50% of shares to EdR Real Estates is not registered yet.

## Key information on Atlas Estates (Cybernetyki):

<b>Name and legal form:</b>	<b>Atlas Estates (Cybernetyki) Sp. z o.o. w organizacji</b>
Registered office and address	00 -854 Warsaw, Al. Jana Pawła II 23
Share capital:	PLN 50,000
Field of activity:	development company, Diamond Apartments Project

***Atlas Estates CF Plus 1 Sp. z o.o.***

AEIBV holds 50% of shares in the share capital of Atlas Estates CF Plus 1, which entitles to exercise 50% of votes at the general meeting of Atlas Estates CF Plus 1.

## Key information on Atlas Estates CF Plus 1:

<b>Name and legal form:</b>	<b>Atlas Estates CF Plus 1 Sp. z o.o.</b>
Registered office and address	00 -854 Warszawa, Al. Jana Pawła II 23
Share capital:	PLN 50,000
Field of activity:	development company, Kokoszki Project

***Atlas Estates 1 Sp. z o.o.***

AEIBV holds 100% of shares in the share capital of Atlas Estates 1 which entitles to exercise 100% of votes at the general meeting of Atlas Estates 1. Atlas Estates 1 was established in August 2007 and for that reason some information is not applicable.

<b>Name and legal form:</b>	<b>Atlas Estates 1</b>
Registered office and address	00 -854 Warszawa, Al. Jana Pawła II 23
Share capital:	PLN 50,000
Field of activity:	development company
Reserves:	-
Profit or loss arising out of ordinary activities, after tax, for 2006:	Not applicable
Value according to which the Company discloses shares held in the accounts:	Not applicable
Amount still to be paid up on shares:	Not applicable
Amount of dividends received in the course of 2006 in respect of the shares held:	Not applicable
Amount of Issuer's payables and receivables with respect to Atlas Estates 1 Sp. z o.o.:	

***Atlas Estates 2 Sp. z o.o.***

AEIBV holds 100% of shares in the share capital of Atlas Estates 2 which entitles to exercise 100% of votes at the general meeting of Atlas Estates 2. Atlas Estates 2 was established in August 2007 and for that reason some information is not applicable.

<b>Name and legal form:</b>	<b>Atlas Estates 2</b>
Registered office and address	00 -854 Warszawa, Al. Jana Pawła II 23
Share capital:	PLN 50,000
Field of activity:	development company
Reserves:	-
Profit or loss arising out of ordinary activities, after tax, for 2006:	Not applicable
Value according to which the Company discloses shares held in the accounts:	Not applicable
Amount still to be paid up on shares:	Not applicable
Amount of dividends received in the course of 2006 in respect of the shares held:	Not applicable
Amount of Issuer's payables and receivables with respect to Atlas Estates 2 Sp. z o.o.:	

### ***Atlas Estates (Sadowa) Sp. z o.o.***

AEIBV holds 100% of shares in the share capital of Atlas Estates (Sadowa), which entitles to exercise 100% of votes at the general meeting of Atlas Estates (Sadowa).

#### Key information on Atlas Estates (Sadowa):

<b>Name and legal form:</b>	<b>Atlas Estates (Sadowa) Sp. z o.o.</b>
Registered office and address	00 -854 Warsaw, Al. Jana Pawła II 23
Share capital:	PLN 50.000
Field of activity:	Sadowa Business Park owner and manager

### ***Capital Art Apartments Sp. z o.o.***

AEIBV holds 76% of shares in the share capital of Capital Art Apartments, which entitles to exercise 76% of votes at the general meeting of Capital Art Apartments. The remaining 24% of shares in the Capital Art Apartments are held by Darenisto.

#### Key information on Capital Art Apartments:

<b>Name and legal form:</b>	<b>Capital Art Apartments Sp. z o.o.</b>
Registered office and address	00 -854 Warsaw, Al. Jana Pawła II 23
Share capital:	PLN 50,000
Field of activity:	development company, Capital Art Apartments Project

### ***Grzybowska Centrum Sp. z o.o.***

Trilby B.V. holds 100% of shares in the share capital of Grzybowska Centrum, which entitles to exercise 100% of votes at the general meeting of Grzybowska Centrum.

#### Key information on Grzybowska Centrum:

<b>Name and legal form:</b>	<b>Grzybowska Centrum Sp. z o.o.</b>
Registered office and address	00 -844 Warsaw, ul. Grzybowska 63
Share capital:	PLN 60,050,000
Field of activity:	holding company

**HGC S.A.**

Grzybowska Centrum holds 100% of shares in the share capital of HGC, which entitles to exercise 100% of votes at the general meeting of HGC.

## Key information on HGC:

<b>Name and legal form:</b>	<b>HGC S.A.</b>
Registered office and address	00 -844 Warsaw, ul. Grzybowska 63
Share capital:	PLN 28,048,000
Field of activity:	owner of the Warsaw Hilton and Convention Centre

**HPO Sp. z o.o.**

Grzybowska Centrum holds of 100% shares in the share capital of HPO, which entitles to exercise 100% of votes at the general meeting of HPO.

## Key information on HPO:

<b>Name and legal form:</b>	<b>HPO Sp. z o.o.</b>
Registered office and address	00 -844 Warsaw, ul. Grzybowska 63
Share capital:	PLN 16,717,000
Field of activity:	development company for the Platinum Towers III Project

**Circle Slovakia s.r.o.**

AEIBV holds of 50% shares in the share capital of Circle Slovakia, which entitles to exercise 50 % of votes at the general meeting of Circle Slovakia. The other 50% shares are held by Kendalside Limited.

## Key information on Circle Slovakia:

<b>Name and legal form:</b>	<b>Circle Slovakia s.r.o.</b>
Registered office and address	Ventúrska 1, PSC 811 01, SR, Bratislava, Slovakia
Share capital:	SKK 600,000
Field of activity:	Owner of the Vajnory Project

**EASTFIELDS ATLAS a.s.**

AEIBV holds 50% of shares in the share capital of EASTFIELD ATLAS, which entitles to exercise 50% of votes at the general meeting of EASTFIELD ATLAS. The other 50% shares are held by Kendalside Limited.

## Key information on EASTFIELD ATLAS:

<b>Name and legal form:</b>	<b>EASTFIELD ATLAS a.s.</b>
Registered office and address	Ventúrska 1, PSC 811 01, SR, Bratislava, Slovakia
Share capital:	SKK 26,300,000
Field of activity:	management of Slovak Trade Company and WBS

**Slovak Trade Company s.r.o.**

EASTFIELD ATLAS a.s. holds 100% of shares in the share capital of Slovak Trade, which entitles to exercise 100% of votes at the general meeting of Slovak Trade.

## Key information on Slovak Trade:

<b>Name and legal form:</b>	<b>Slovak Trade Company s.r.o.</b>
Registered office and address	Ventúrska 1, PSC 811 01, SR, Bratislava, Slovakia
Share capital:	SKK 25,200,000
Field of activity:	ownership and development of the Bašta Project in Košice

**WBS a.s.**

EASTFIELD ATLAS holds 100% of shares in the share capital of WBS, which entitles to exercise 100% of votes at the general meeting of WBS.

## Key information on WBS:

<b>Name and legal form:</b>	<b>WBS a.s.</b>
Registered office and address	Ventúrska 1, PSC 811 01, SR, Bratislava, Slovakia
Share capital:	SKK 1,000,000
Field of activity:	inactive

**World Real Estate SRL**

AEIBV holds 99% of shares in the share capital of World Real Estate, which entitles to exercise 99% of votes at the general meeting of World Real Estate. The remaining 1% of shares is held by Mr. Libby Wiezman.

## Key information on World Real Estate:

<b>Name and legal form:</b>	<b>World Real Estate SRL</b>
Registered office and address	90 Calea 13 Septembrie, within Complexul Multifunctional Grand, room 5.20, 5th floor, 5th district, Bucharest, Romania
Share capital:	RON 1,000
Field of activity:	buying and selling of own real estate (owner of the property for the Voluntari Land)

**ATL Colosseum SRL**

AEIBV holds 95% of shares in the share capital of ATL Colosseum, which entitles to exercise 95% of votes at the general meeting of ATL Colosseum. The remaining 5% of shares is held by Mr. Libby Wiezman.

## Key information on ATL Colosseum:

<b>Name and legal form:</b>	<b>ATL Colosseum SRL</b>
Registered office and address	Calea 13 Septembrie, nr 90, 5 <sup>th</sup> Floor, room 5.19, The Grand Complex, 5 <sup>th</sup> District, Bucharest, Romania
Share capital:	RON 200
Field of activity:	real estate development (promotion) (a shelf company established for the purpose of acquiring assets)

**S.C. Megarom Line SRL**

AEIBV holds 99% of shares in the share capital of Megarom Line, which entitles to exercise 99% of votes at the general meeting of Megarom Line. The remaining 1% of shares is held by Mr. David Magriso in trust for AEIBV.

## Key information on Megarom Line:

<b>Name and legal form:</b>	<b>S.C. Megarom Line SRL</b>
Registered office and address	90 Calea 13 Septembrie, Complexul Multifunctional Grand, room 5.20, 5 <sup>th</sup> floor, 5 <sup>th</sup> district, Bucharest, Romania
Share capital:	RON 1,000
Field of activity:	buying and selling of own real estate (owner of the property for the Solaris Project)

***Craiova Mall Investitii SRL***

AEIBV holds 99% shares in the share capital of Craiova Mall Investitii, which entitles to exercise 99% of votes at the general meeting of Craiova Mall Investitii. The remaining 1% of shares are held by Mr. Libby Weizman.

## Key information on Craiova Mall Investitii:

<b>Name and legal form:</b>	<b>Craiova Mall Investitii SRL</b>
Registered office and address	166 Calea Victoriei, Golden Tulip Complex, 2 <sup>nd</sup> floor, room 203, 1 <sup>st</sup> district, Bucharest, Romania
Share capital:	RON 2,000
Field of activity:	real estate development (promotion) (a shelf company established for the purpose of acquiring assets)

***Kalipi Holdings Limited***

Atlas Estates Investments holds 99.9% of shares in the share capital of Kalipi Holdings, which entitles to exercise 99.9% of votes at the general meeting of Kalipi Holdings. The remaining 0.1% of shares is held by Mr. David Magriso in trust for AEIBV.

## Key information on Kalipi Holdings:

<b>Name and legal form:</b>	<b>Kalipi Holdings Limited</b>
Registered office and address:	Cyprus, 3105 Limassol, 284, Arch Makarios III Ave., Fortuna Court, Block B
Share capital:	CYP 1,000
Field of activity:	holding company

***DNB Victoria Tower SRL***

Kalipi Holdings Limited holds 100% of shares in the share capital of Victoria Tower, which entitles to exercise 100% of votes at the general meeting of Victoria Tower.

## Key information on Victoria Tower:

<b>Name and legal form:</b>	<b>DNB Victoria Tower SRL</b>
Registered office and address:	166 Calea Victoriei, Ground floor, Room no. 1, first District, Bucharest, Romania
Share capital:	RON 200
Field of activity:	hotels, restaurants, bars (owner of the Golden Tulip Hotel and the plot where it is situated)

***Victoria Tower Hotel Management SRL***

Kalipi Holdings Limited holds 99% of shares in the share capital of Victoria Tower Hotel Management, which entitles to exercise 99% of votes at the general meeting of Victoria Tower Hotel Management. The remaining 1% of shares is held by AEIBV.

Key information on Victoria Tower Hotel Management:

<b>Name and legal form:</b>	<b>Victoria Tower Hotel Management SRL</b>
Registered office and address:	166 Calea Victoriei, 9 <sup>th</sup> Floor, Room 906, first District, Bucharest, Romania
Share capital:	RON 1,000
Field of activity:	offices activities

***ATL Heptagon SRL***

AEIBV holds 95% of shares in the share capital of Heptagon which entitles to exercise 95% of votes at the general meeting of Heptagon. The remaining 5% of shares is held by Mr. Libby Wiezman. The company was incorporated on 9 May 2007.

Key information on Heptagon:

<b>Name and legal form:</b>	<b>S.C. ATL Heptagon SRL</b>
Registered office and address:	90 Calea 13 Septembrie, et. 5, room 5.19, sector 5, Bucharest, Romania
Share capital:	RON 200
Field of activity:	business and management consultancy activities, real estates development (promotion) (a shelf company established for the purpose of acquiring assets)

***Amiti Exclusiv Investment SRL***

AEIBV holds 99% of shares in the share capital of Amiti which entitles to exercise 99% of votes at the general meeting of Amiti. The remaining 1% of shares is held by Mr. Libby Wiezman.

Key information on Amiti Exclusiv Investment:

<b>Name and legal form:</b>	<b>Amiti Exclusiv Investment SRL</b>
Registered office and address:	18 Bibescu Vodă Street, 2 <sup>nd</sup> Floor, Apartment 6, Room 1, 4 <sup>th</sup> Sector, Bucharest, Romania
Share capital:	RON 2,000
Field of activity:	business and management consultancy activities, real estates development (promotion) (shelf company established for the purpose of acquiring assets)

***Cap East Kft***

AEIBV holds 100% of the quota of the registered capital of Cap East, which entitles to bring resolutions in its sole discretion in its capacity of sole member of Cap East. AEIBV remains also the registered holder of 100% of the quota in the share capital of Cap East.

Key information on Cap East:

<b>Name and legal form:</b>	<b>Cap East Kft</b>
Registered office and address:	Hungary 1071 Budapest, Damjanich u. 11-15
Share capital:	HUF 12,500,000
Field of activity:	buying and selling/distribution of real estate (owner of the Metropol Office Building)

***Felikon Kft***

AEIBV holds 100% of the quota of the registered capital of Felikon, which entitles to bring resolutions in its sole discretion in its capacity of sole member of Felikon.

## Key information on Felikon:

<b>Name and legal form:</b>	<b>Felikon Ingatlankezelő es-hsznosító Kft</b>
Registered office and address	Hungary 1071 Budapest, Damjanich u. 11-15
Share capital:	HUF 4,000,000
Field of activity:	buying and selling real estate (owner of the Ikarus Industrial Park)

***CI-2005 Investment Kft***

AEIBV holds 100% of the quota of the registered capital of CI-2005, which entitles to bring resolutions in its sole discretion in its capacity of sole member of CI-2005.

## Key information on CI-2005:

<b>Name and legal form:</b>	<b>CI-2005 Investment Kft</b>
Registered office and address	Hungary 1071 Budapest, Damjanich u. 11-15
Share capital:	HUF 9,500,000
Field of activity:	real estate distribution, real estates investments and sale, real estates management (owner of the Atrium Homes residential development)

***Ligetváros Kft***

AEIBV holds 100% of the quota of the registered capital of Ligetváros, which entitles to bring resolutions in its sole discretion in its capacity of sole member of Ligetváros.

## Key information on Ligetváros:

<b>Name and legal form:</b>	<b>Ligetváros Kereskedelmi es Szolgáltató Kopont Kft</b>
Registered office and address	Hungary, 1071 Budapest, Damjanich u. 11-15
Share capital:	HUF 3,000,000
Field of activity:	holding, refurbishment and management of the Ligetváros Centre

***Városliget Center Kft***

AEIBV holds 51% of shares in the share capital of Városliget, which entitles to exercise 51% of votes at the general meeting of Városliget. The remaining 49% shares is held by Ligetváros.

## Key information on Városliget:

<b>Name and legal form:</b>	<b>Városliget Kft</b>
Registered office and address	Hungary 1071 Budapest, Damjanich u. 11-15
Share capital:	HUF 20,000,000
Field of activity:	buying and selling of real estate.



***Atlas Estates (Moszkva) Kft***

AEIBV holds 100% of the quota of the registered capital of Atlas Estates (Moszkva), which entitles to bring resolutions in its sole discretion in its capacity of sole member of Atlas Estates (Moszkva).

## Key information on Atlas Estates (Moszkva):

<b>Name and legal form:</b>	<b>Atlas Estates (Moszkva)Kft</b>
Registered office and address	Hungary, 1071 Budapest, Damjanich u. 11-15
Share capital:	HUF 3,000,000
Field of activity:	holding company, buying and selling of real estate.

***Atlas Estates (Dékán) Kft***

Atlas Estates (Moszkva) holds 100% of the quota of the registered capital of Atlas Estates (Dékán), which entitles to bring resolutions in its sole discretion in its capacity of sole member of Atlas Estates (Dékán).

## Key information on Atlas Estates (Dékán):

<b>Name and legal form:</b>	<b>Atlas Estates (Dékán) Kft</b>
Registered office and address	Hungary, 1071 Budapest, Damjanich u. 11-15
Share capital:	HUF 3,000,000
Field of activity:	established by Atlas Estates (Moszkva) as sole member, merely for the purpose of being the owner of real property.

***Atlas Estates (Vágány) Kft***

AEIBV holds 100% of the quota of the registered capital of Atlas Estates (Vágány), which entitles to bring resolutions in its sole discretion in its capacity of sole member of Atlas Estates (Vágány).

## Key information on Atlas Estates (Vágány):

<b>Name and legal form:</b>	<b>Atlas Estates (Vágány) Kft</b>
Registered office and address	Hungary, 1071 Budapest, Damjanich u. 11-15
Share capital:	HUF 3,000,000
Field of activity:	holding company, buying and selling of real estate.

***Atlas Estates Kaduri-Sasha Zrt***

Atlas Estates (Vágány) holds 50% of shares in the share capital of Atlas Estates Kaduri-Sasha which entitles to exercise 50% of votes at the general meeting of Atlas Estates Kaduri-Sasha.

## Key information on Atlas Estates Kaduri-Sasha:

<b>Name and legal form:</b>	<b>Atlas Estates Kaduri-Sasha Zrt</b>
Registered office and address	Hungary, 1134 Budapest, Lehel u. 17. B-C 1 em. 3-4
Share capital:	HUF 20,000,000
Field of activity:	purchase and sale of real estate

***Atlas Estates Project 8 Kft***

AEIBV holds 100% of the quota of the registered capital of Atlas Estates Project 8, which entitles to bring resolutions in its sole discretion in its capacity of sole member of Atlas Estates Project 8.

## Key information on Atlas Estates Project 8:

<b>Name and legal form:</b>	<b>Atlas Estates Project 8 Kft</b>
Registered office and address	Hungary, 1071 Budapest, Damjanich u. 11-15
Share capital:	HUF 3,000,000
Field of activity:	purchasing assets
Reserves:	-
Profit or loss arising out of ordinary activities, after tax, for 2006:	Not applicable
Value according to which the Company discloses shares held in the accounts:	Not applicable
Amount still to be paid up on shares:	Not applicable
Amount of dividends received in the course of 2006 in respect of the shares held:	Not applicable
Amount of Issuer's payables and receivables with respect to Atlas Estates 1 Sp. z o.o.:	-

***Atlas Estates Limited EOOD***

AEIBV holds 100% of shares in the share capital of Atlas Estates Limited EOOD which entitles to exercise 100% of votes at the general meeting of Atlas Estates Limited EOOD. Atlas Estates Limited EOOD was established in September 2007 and for that reason some information is not applicable.

## Key information on Atlas Estates Limited EOOD:

<b>Name and legal form:</b>	<b>Atlas Estates Limited EOOD</b>
Registered office and address	Bulgaria, 53-55 "Gen.Eduard I.Totleben blv., Sofia
Share capital:	BGN 5,000
Field of activity:	acquisition of real estate assets, development and performance of other activities in the field of real estate
Reserves:	-
Profit or loss arising out of ordinary activities, after tax, for 2006:	Not applicable
Value according to which the Company discloses shares held in the accounts:	Not applicable
Amount still to be paid up on shares:	Not applicable
Amount of dividends received in the course of 2006 in respect of the shares held:	Not applicable
Amount of debts owned to and by the Company with regard to the undertaking:	EUR 1,450,000

**Immobil EOOD**

Atlas Estates Limited EOOD holds 100% of shares in the share capital of Immobil EOOD which entitles to exercise 100% of votes at the general meeting of Immobil EOOD.

## Key information on Immobil EOOD:

Name and legal form:	Immobil EOOD
Registered office and address:	Bulgaria, 53-55 "Gen.Eduard I.Totleben blv., Sofia
Share capital:	BGN 2,556
Field of activity:	Real estate development
Reserves:	-
Profit or loss arising out of ordinary activities, after tax, for 2006:	EUR 236,275
Value according to which the Company discloses shares held in the accounts:	Not applicable
Amount still to be paid up on shares:	-
Amount of dividends received in the course of 2006 in respect of the shares held:	-
Amount of debts owned to and by the Company with regard to the undertaking:	EUR 21,840

## TAXATION

*The information below summarises the advice received by the Directors. This summary is not intended to constitute a complete analysis of the tax consequences of the acquisition, ownership and disposal of the Shares by the Investors. The Investors should, therefore, consult their own tax advisers on the tax consequences of such acquisition, ownership and disposal, including, in particular, the tax consequences under Polish law, the law of Guernsey, the law of the jurisdiction of their residence and the tax treaty between their country of residence and Guernsey. When determining the principles of taxation, treaties on the avoidance of double taxation (tax treaties), if any, entered into by Guernsey and the country of which the given corporate person or individual is resident, should be taken into account. These agreements may provide for lower rates of taxation on dividends received by corporate persons or individuals, or even exclude taxation in Guernsey altogether.*

*An investment in the Company involves a number of complex tax considerations. Changes in tax legislation in any of the countries in which the Company has or will have investments or in Guernsey (or in any other country in which a subsidiary of the Company through which investments are made, is located), or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Company to Investors.*

### **Guernsey Taxation**

The following summary of the anticipated tax treatment in Guernsey applies to persons holding Shares as an investment.

#### ***General***

The information below is applicable to the Company and to persons who are resident or ordinarily resident in Guernsey for taxation purposes and who hold shares in the Company as an investment. It is based on current Guernsey revenue law and published practice, which law or practice is, in principle, subject to any subsequent changes. The summary does not constitute legal or tax advice and is based on taxation law and practice at the Prospectus Date. Prospective investors should be aware that the level and bases of taxation may change from those described and should consult their own professional advisers on the implications of making an investment in, holding or disposing of Shares under the laws of the countries in which they are liable to taxation.

The following information does not deal with certain types of person, such as persons holding or acquiring Shares in the course of trade, collective investment schemes or insurance companies.

#### ***The Company***

The Company is registered in Guernsey as an exempt company and, therefore, will not be resident in Guernsey for the purposes of liability to Guernsey income tax. Under current law and practice in Guernsey, the Company being tax exempt will only be liable to tax in Guernsey in respect of income arising in Guernsey, other than bank deposit interest. A fee, currently GBP 600 per annum, is payable to the States of Guernsey (the Government) in respect of the Company's exempt status and an application for exempt status must be submitted annually to the Guernsey Income Tax Office. It is a condition of the exemption that no investment or other property situated in Guernsey, other than a relevant bank deposit or an interest in another body to which an exemption from tax has been granted, is acquired or held.

In response to the review carried out by the European Union Code of Conduct Group, the Policy Council of the States of Guernsey has announced that the States of Guernsey intends to abolish exempt status for the majority of companies with effect from January 2008 and to introduce a zero rate of tax for companies carrying on all but a few specified types of regulated business. However the States of Guernsey Administrator of Income Tax has advised that because certain existing categories of exempt tax vehicles were not regimes in Guernsey that were classified by the EU Code of Conduct Group as being harmful, it is intended that the Company will continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007.

These proposals have yet to be enacted. The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax), gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration. Document duty is payable, up to a maximum of GBP 5,000 in the lifetime of a company incorporated in Guernsey, on the creation or increase of authorised share capital, at the rate of 0.5 per cent. of the amount of the authorised share capital of that company. No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of shares.

### ***Shareholders***

Guernsey does not levy capital gains tax (with the exception of a dwellings profit tax) and, therefore, neither the Company nor any of its Shareholders will suffer any tax in Guernsey on capital gains. Payments made by the Company to non-Guernsey resident shareholders, whether made during the life of the Company or by distribution on the liquidation of the Company, including dividends, are not subject to Guernsey tax. Shareholders who are resident for tax purposes in Guernsey will incur Guernsey tax on any dividend paid on Shares owned by them.

Whilst the Company is no longer required to deduct Guernsey income tax from dividends on any Shares (if applicable) paid to Guernsey residents, the Company is required to make a return to the Guernsey Administrator of Income Tax of the names, addresses and gross amounts of income distributions paid to Guernsey resident shareholders during the previous year, on an annual basis, when renewing the Company's exempt tax status, as described above.

### **Polish Taxation**

There is no tax treaty between Poland and Guernsey, and the tax treaty between Poland and the United Kingdom does not cover Guernsey.

#### ***Income earned on the disposal of securities by individuals who are Polish tax residents***

In accordance with Article 3, section 1 of the Personal Income Tax Act, natural persons, provided that they reside within the territory of the Republic of Poland, are liable to pay tax on all of their income (revenue) regardless of the location of the source of revenues (unlimited tax obligation). A person residing within the territory of the Republic of Poland is any natural person who (i) has the centre of their personal or economic interests (centre of life interests) within the territory of Poland; or (ii) resides within the territory of Poland for more than 183 days in any tax year.

In the case of disposal of property located in another country by a Polish resident, the tax treaty between Poland and that country applies. As there is no tax treaty between Poland and Guernsey, the potential double taxation of income is not eliminated by means of a tax treaty but by Polish law. Taxation at source is regulated by the law of Guernsey. In Poland, income earned by Polish residents from the disposal of the Shares is taxed according to the following rules.

Pursuant to Article 30b, section 1 of the Personal Income Tax Act, income earned in Poland on the transfer of the ownership of securities (including the Shares) in exchange for consideration is taxed at a flat rate of 19%. Taxable income is computed as the difference between the proceeds from the disposal of securities and the tax-deductible costs, including the expenditure relating to the acquisition of these securities. Such income is subject to taxation as income due, even if not actually yet received. It is not aggregated with the other income of the individual and is taxed separately.

Entities intermediating in the sale of securities by an individual (e.g. brokerage houses) are required to deliver to that person and the appropriate tax office, information on the amount of income earned by that person, by the end of February of the year immediately following the year in which the gains are made (or losses are incurred) by such person on the disposal of securities. There is no requirement to pay tax advances during the tax year.

An individual who obtains gains (or incurs losses) on the sale of securities is required to calculate and pay the tax due, as well as submit, by 30 April of the calendar year immediately following the year in which such gains are obtained (or losses incurred), a separate tax return identifying the amount of the gains or losses. The tax return is to be submitted to the tax office competent for the place of residence of such taxpayer on the last day of the tax year, and if such person ceased to reside in Poland before that date, to the tax office competent for the person's last place of residence within the territory of Poland.

The above regulations shall not apply if a sale of securities for a consideration is a consequence of performance of any business activities, as in such case the revenues from the sale of securities should be qualified as originating from the performance of such activities and should be settled according to general terms.

The potential double taxation of income is avoided on the basis of Polish tax law which allows individuals who earn income from the disposal of securities in Poland and/or abroad, to deduct the tax paid in another country, if any, from the tax payable in Poland on the total amount of such income (Article 30b, section 5a and 5b of the Personal Income Tax Act).

***Income earned on the disposal of securities by individuals who are not polish tax residents***

In accordance with Article 3, section 2a of the Personal Income Tax Act, natural persons, if they do not reside within the territory of the Republic of Poland, are liable to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax obligation).

Income from the disposal of shares in a foreign entity by an individual who is not a Polish tax resident cannot be classified as income obtained in Poland and as a result is not taxed in Poland. In such case, the tax law of Guernsey and of the country of residence of the individual should be applied, modified in accordance with the tax treaty between Guernsey and the country of residence, if any.

However, in certain circumstances income earned by a non-Polish resident from the disposal of shares in a foreign company may be taxed in Poland, provided that such shares are held by a permanent establishment of the non-resident, which is located in Poland, and income from the disposal of these shares can be ascribed to the permanent establishment. The Polish tax law defines a permanent establishment as:

- (i) a permanent facility through which an entity which has its registered seat or management board within the territory of one country carries out all or part of its operations within the territory of another country, including without limitation a branch, a representative office, an office, a factory, a workshop or a location for mining natural resources;
- (ii) a building site, construction, assembly or installation conducted within the territory of one country by an entity having its registered seat or management board within the territory of another country;
- (iii) a person who, acting for and on behalf of an entity having its registered seat or management board within the territory of one country, operates within the territory of another country, provided that such person has a power of attorney to enter into agreements on behalf of such entity, and that such power of attorney is truly exercised, unless any treaty on the avoidance of double taxation to which the Republic of Poland is a party, provides otherwise.

Income earned by the non-resident through a permanent establishment is taxed according to the general rules, which can be modified by the tax treaty between Poland and the country of residence of the individual.

***Dividends and other income from a share in the profits of legal persons earned by individuals who are polish tax residents***

In light of Polish tax law, income from a share in the profits of legal persons is the income actually generated from such a share, including, *inter alia*, income from the redemption of shares, from the disposal of shares to the company in exchange for consideration with a view to redeeming the shares, the value of the assets received in connection with the liquidation of the legal person, income intended for a share capital increase, and income which is the equivalent of the amounts contributed to the share capital from other funds of the legal person.

Taxation of the dividend income obtained by an individual who is a Polish resident from a company resident in Guernsey, is regulated by provisions of Guernsey law and Polish law. As there is no tax treaty between these countries, the actual rules regarding taxation at source of dividend income are governed by tax law of Guernsey.

Pursuant to Article 30a, section 1 point 4 of the Personal Income Tax Act, dividend income and other income from a share in the profits of legal persons is not aggregated with income from any other sources, and is subject to taxation at a flat rate of 19% of the income earned. However, according to Article 30a, section 9 of the Personal Income Tax Act, Poland must grant a credit for the tax levied on dividends in Guernsey, if any, up to a certain limit.

Taxpayers should declare the amounts of tax due on dividend income earned outside of Poland, and the amounts of tax paid abroad, on a separate form. The tax is paid on an annual basis. The taxpayer is obliged to file a tax return with the tax office stating the amount of their income earned (loss sustained) in the tax year by 30 April of the year immediately following the tax year in question. Dividend income is declared in an annual tax return if the tax was not collected and transferred by the tax remitter. No advances towards income tax are collected with respect to dividend income.

***Dividends and other income from a share in the profits of legal persons earned by individuals who are not polish tax residents***

Dividend income paid by a company resident in Guernsey to a non-Polish tax resident is not taxed in Poland. The tax treaty between Guernsey and the country of residence of the individual should be applied.

However, in certain circumstances dividend income earned by a non-Polish resident from a foreign company may be taxed in Poland, provided that such income can be ascribed to the permanent establishment. Income earned by the non-resident through a permanent establishment is taxed according to the general rules, which can be modified by the tax treaty between Poland and the country of residence of the individual.

***Income earned on the disposal of securities by corporate persons who are Polish tax residents***

In accordance with Article 3, section 1 of the Corporate Income Tax Act, taxpayers having their seat or a management board within the territory of the Republic of Poland, are liable to pay tax on all of their income, irrespective of the location of the source of revenues. Thus, income from the disposal of the Shares earned by Polish residents is taxed in Poland.

Gains on the disposal of securities (including the Shares) by a corporate person having their seat (management board) within Poland are subject to taxation under the general rules stipulated in the Corporate Income Tax Act. Taxable income is the difference between the proceeds from the disposal of securities and the tax-deductible costs, including the expenditure relating to the acquisition of these securities. The income thus computed is aggregated with the other income of the corporate person. The income of a corporate person is taxed at a rate of 19% of the taxable income. The taxpayer can deduct the tax paid on the disposal of securities in Guernsey, if any.

Pursuant to Article 25 of the Corporate Income Tax Act, a corporate person which has disposed of securities is required to pay the due tax prepayment into the account of the appropriate tax office. The tax prepayment is calculated as the difference between the tax due on the income earned since the beginning of a given tax year and the aggregate tax prepayments due for the previous months of this year. The taxpayer is required to submit their annual tax return by the end of the third month of the year immediately following the year in which the gains are made.

***Income Earned on the Disposal of Securities by Corporate Persons Who Are Not Polish Tax Residents***

Foreign corporate persons taxed on the principles set forth below are legal persons, companies in organization, as well as non-corporate organizations other than partnerships, which have their registered office or management board outside the territory of the Republic of Poland. In accordance with Article 3, section 2 of the Corporate Income Tax Act, taxpayers, if they do not reside within the territory of the Republic of Poland, are liable to pay tax exclusively on income obtained within the territory of the Republic of Poland.

Income from the disposal of shares in an entity resident in Guernsey by a corporate person who is not a Polish tax resident cannot be classified as income obtained in Poland, and as a result is not taxed in Poland. The tax treaty between Guernsey and the country of residence of the company should be applied.

However, in certain circumstances income earned by a non-Polish resident from the disposal of shares in a foreign company may be taxed in Poland, provided that such shares are held by a permanent establishment of the non-resident, which is located in Poland, and income from the disposal of these shares can be ascribed to the permanent establishment. The Polish tax law defines a permanent establishment as:

- (i) a permanent facility through which an entity which has its registered seat or management board within the territory of one country carries out all or part of its operations within the territory of another country, including without limitation a branch, a representative office, an office, a factory, a workshop or a location for mining natural resources;
- (ii) a building site, construction, assembly or installation conducted within the territory of one country by an entity having its registered seat or management board within the territory of another country;
- (iii) a person who, acting for and on behalf of an entity having its registered seat or management board within the territory of one country, operates within the territory of another country, provided that such person has a power of attorney to enter into agreements on behalf of such entity, and that such power of attorney is truly exercised, unless any treaty on the avoidance of double taxation to which the Republic of Poland is a party, provides otherwise.

Income earned by the non-resident through a permanent establishment is taxed according to the general rules, which can be modified by the tax treaty between Poland and the country of residence of the corporate person.

***Dividends and other income from a share in the profits of legal persons earned by corporate persons who are Polish tax residents***

As a rule, dividend income and other income from a share in the profits of legal persons is subject to taxation at a flat rate of 19% of the income earned. The actual rules regarding taxation of dividend income at source are governed by the tax law of Guernsey.

The dividend income is aggregated with the other income of the corporate person. The income of a corporate person is taxed at a rate of 19% of the taxable income. The taxpayer can deduct the tax paid on dividends in Guernsey, if any.

The taxpayer is required to pay the due tax prepayment into the account of the appropriate tax office. The tax prepayment is calculated as the difference between the tax due on the income earned since the beginning of a given tax year and the aggregate tax prepayments due for the previous months of this year. The taxpayer is required to submit their annual tax return by the end of the third month of the year immediately following the year in which the gains are made.



***Dividends and other income from a share in the profits of legal persons earned by corporate persons who are not Polish tax residents***

Dividend income paid by a Guernsey company to a non-Polish tax resident is not taxed in Poland. The tax treaty between Guernsey and the country of residence of the individual should be applied.

However, in certain circumstances dividend income earned by a non-Polish resident from a foreign company may be taxed in Poland, provided that such income can be ascribed to the permanent establishment. Income earned by the non-resident through a permanent establishment is taxed according to the general rules, which can be modified by the tax treaty between Poland and the country of residence of the corporate person.

***Transfer tax (tax on civil law transactions)***

Transfer tax applies to sale or exchange contracts, if the rights which are the subject of the transaction are to be performed within the territory of the Republic of Poland (e.g. shares in a Polish company), or if the rights are performed outside the Republic of Poland, provided that the agreement evidencing the sale or exchange is concluded in the Republic of Poland and the purchaser is a Polish resident. The rate of this tax is set at 1% of the market value of the securities which are the subject of the transfer. In certain situations, the tax authorities may adjust the taxable base. The tax should be paid within 14 days after the transaction is concluded. However, pursuant to Article 9, section 9 of the Act on Transfer Tax, the sale of securities to brokerage houses and banks conducting brokerage activities is exempt from transfer tax, as is the sale of securities performed through an agency of brokerage houses and banks conducting brokerage activities.

The sale of shares in a Guernsey company by a non-Polish tax resident is not subject to transfer tax.

***Taxation of gifts and inheritance***

Polish gift or inheritance tax can only be imposed on individuals. Such tax may arise on a gift or inheritance of the Shares where the heir or the donee is a Polish resident. The amount of tax depends on the relationship of the donor/deceased to the donee/heir.

**United Kingdom Taxation*****Stamp duty and stamp duty reserve tax***

The Company is incorporated in Guernsey, and consequently it is not subject to stamp duty or stamp duty reserve tax in the United Kingdom. No United Kingdom stamp duty will be payable on the transfer of the Shares, whether within or between different territories, provided that any instrument of transfer is not executed in the United Kingdom and does not relate to any property situated, or to any matter or thing done or to be done in the United Kingdom. Stamp duty reserve tax will not be payable on an agreement to transfer the Shares, whether within or between different territories. These comments will apply for so long as the Company does not maintain a share register in the United Kingdom. The Company does not, and does not intend to, maintain a share register in the United Kingdom.

Stamp duty will not be payable as long as any instrument transferring the Shares is executed and retained outside the United Kingdom at all times. If an instrument of transfer is executed in, or subsequently brought into the United Kingdom, stamp duty could be payable at the current rate of 0.5% of the consideration, rounded up to the nearest £5.

The comments provided above are intended as a guide only to the general stamp duty and stamp duty reserve tax position and do not relate to persons such as market makers, brokers, dealers or intermediaries or where the Shares are issued to a depositary or clearing system or its nominee or agent. Prospective investors should seek advice from their professional advisers on their specific taxation implications for them of subscribing for, purchasing, holding, converting or selling shares under the laws of their country, state of citizenship, domicile or residence.

## SECURITIES MARKET REGULATIONS

*The summary of the securities market regulations applicable to the Company set forth below is intended for general information only and contains certain significant issues which could be relevant in connection with the listing of the Shares on the WSE and AIM. The summary does not purport to be a comprehensive description of all the topics described below.*

### **General**

The Ordinary Shares were admitted to trading on the AIM on 1 March 2006. The AIM is an alternative securities exchange market operated by London Stock Exchange plc. As a result of the AIM listing, the Company is subject to certain rules and regulations under the AIM Rules. Although the Company's registered office is in Guernsey, and it is therefore a foreign entity governed by Guernsey law, once the Admission Shares are listed on the WSE, the Polish securities regulations will also apply to the Company and the Shareholders as a result of the public offering in Poland and the listing of the Shares on the WSE.

In particular, the Shareholders should be aware that the purchase of the Shares on the WSE or AIM will be subject to regulations on trading large blocks of Shares, which are applicable on both markets. The regulations applicable to the Company and the Shareholders in connection with the listing of the Shares on both the AIM and the WSE are summarised below.

### **Disclosure of information**

#### ***Polish requirements***

An issuer whose securities are sought to be admitted to trading on a regulated market, or are admitted to trading on such a market, should simultaneously provide the following information to the Polish Financial Supervision Authority and to the WSE and, 20 minutes thereafter, also make it available to the public:

- (i) inside information (any information of a precise nature relating directly or indirectly to one or more issuers of financial instruments, one or more financial instruments, or the acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments);
- (ii) current and interim information.

#### ***AIM requirements***

A company whose securities are admitted to the AIM must without delay make an announcement through a regulatory information service ("RIS") approved by the London Stock Exchange of any new developments in its financial condition, its scope of activity, the performance of its business or its expectation of its performance which, if made public, would be likely substantially affect the price of its AIM securities.

AIM companies must also disclose without delay certain general information to RIS. Examples of the type of general information that must be disclosed include any dealings in the company's shares by the directors, any changes to the directors and any material change between the company's actual trading performance or financial condition and any profit forecast, estimate or projection.

An AIM company must also prepare half-yearly financial reports within three months after the end of the relevant period and annual accounts in accordance with IFRS within six months after the end of the financial year to which they relate.

### **The Company's position regarding the observance of disclosure obligations**

The scope of information to be publicly disclosed by the Company in connection with the listing of its shares on the AIM differs from the mandatory disclosures to be made in connection with the admission of the

Admission Shares to trading on the WSE. After the Company's Shares have been admitted to trading on the WSE, the Company will comply with the ongoing disclosure requirements applicable under Polish law and the AIM Rules. The Company will make any such required disclosures simultaneously on both markets through the relevant information systems (in both the Polish and English language).

### **Disclosure requirements for acquisitions and disposals of Ordinary Shares**

#### ***Polish requirements***

In accordance with Article 69, paragraph 1 of the Act on Public Offers, anyone who:

- (i) has reached or exceeded the threshold of 5%, 10%, 20%, 25%, 33%, 50% or 75% of the total vote in a public company; or
- (ii) holds at least 5%, 10%, 20%, 25%, 33%, 50% or 75% of the total vote in such a company and, as a result of reducing this share, holds respectively 5%, 10%, 20%, 25%, 33%, 50% or 75% or less of the total vote,
- (iii) is obliged to notify the Polish Financial Supervision Authority within four days of the date of change in the share of the total vote or from the date on which such person learned of such change or could have learned of such change had such person applied due care.

Pursuant to Article 69, paragraph 2 of the Act on Public Offers, the duty to notify the Polish Financial Supervision Authority and the relevant publicly traded company also applies if the shares of a company traded on the official exchange market representing at least 2% of the total vote at a shareholders' meeting are purchased or sold by any shareholder who already owns shares representing more than 10% of the total vote at a general meeting. The duty to notify the Polish Financial Supervision Authority and the relevant publicly traded company also arises in the case where any person holding shares representing more than 33% of the total vote at a general meeting purchases or sells shares of this public company representing at least 1% of the total vote at a general meeting.

#### ***AIM requirements***

AIM companies must disclose without delay to an RNS any changes to the shareholding of a shareholder above 3% which increases or decreases their holding by at least 1%. The Articles of Association provide that any shareholder who acquires or ceases to have an interest equal to 3% of the Ordinary Shares must notify the Company of such interest.

### **Insider trading**

The Act on Trading in Financial Instruments in Poland defines "confidential information as any information of a precise nature, relating, directly or indirectly, to one or more issuers of financial instruments, or acquisitions or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments.

Anyone who gains confidential information by virtue of membership of the governing bodies of a company, by virtue of an interest in the share capital of the company, or as a result of having access to confidential information in connection with employment, or a mandate or any other contract or any legal relationship of a similar nature, is prohibited from using such information. The actions regarded as prohibited use of confidential information, include:

- (i) acquiring or disposing of, for their own account or for the account of a third party, any of the issuer's shares, derivative rights attached thereto or other financial instruments related to such shares;
- (ii) recommending or inducing other persons to acquire or dispose of any financial instruments affected by the confidential information;

- (iii) enabling or facilitating the confidential information regarding one or more issuers of shares, or the issuer of any other financial instruments, to be obtained by an unauthorized person.

Under the Act on Trading in Financial Instruments, any person who makes publicly available or who uses inside information in breach of the law, may be subject to a fine or imprisonment, or both of these sanctions. The maximum fine that can be imposed is PLN 5,000,000; whereas, the length of imprisonment depends on the type of offence and can range from three months to eight years.

Part V of the UK Criminal Code of 1993 contains prohibitions which apply to an individual who is in possession of confidential information and is aware that such information is of a confidential nature, then deals in securities that are price-affected securities in relation to such information.

The above Act defines “confidential information” as information which relates to particular securities or to a particular issuer or issuers (not to securities or issuers in general), is specific or precise, has not been made public and if it were made public, would be likely to have a significant effect on the price of any securities. The information need not necessarily relate to securities in the company of which the individual is a director or with which he is otherwise connected.

Dealings include acquisitions and disposals on a regulated market (which for these purposes includes the AIM) and, in addition, dealings by, or effected in reliance on, a professional intermediary.

An individual may have obtained such confidential information through acting as a director, employee or shareholder of a company, through having access to such information by virtue of his employment, position or profession, or directly or indirectly through one of the aforementioned persons. The scope of the above provisions also covers former directors if such information was obtained in one of the above ways.

A given individual may also be guilty of an offence if he encourages another person to deal in securities that are price-affected in relation to the confidential information (if he knows or has reasonable cause to believe a dealing would take place). Where such individual has encouraged another to deal in such securities it does not matter whether such other person is aware that the price or value of the securities would be affected by the confidential information.

The offence of insider dealing is also committed where a person who knowingly has inside information from an inside source discloses the information to another person otherwise than in the proper performance of the functions of his employment, office or profession.

All the criminal offences outlined above carry, on conviction, a fine and/or a sentence of up to seven years’ imprisonment. It is also possible that an insider could face civil sanctions, such as being called to account for the profits made by such insider dealing.

Insider dealing also constitutes one of the types of market abuse behaviour that is addressed in section 118 of the UK Financial Services and Markets Act of 2000 (“FSMA”) that provides for a civil regime relating to “market abuse”. A breach of this regime permits the Financial Services Authority in the UK (“FSA”) to take action against certain persons, as referred to below. Market abuse, in essence, is market manipulation or information abuse. Specifically, market abuse consists of behaviour that occurs in relation to “qualifying” investments “admitted to trading” (or where an application for admission to trading has been made) on a “prescribed market” (which includes the AIM).

Section 118(2) of the FSMA defines “Insider dealing” as a situation where an insider deals, or attempts to deal, in a qualifying investment or related investment on the basis of confidential information relating to the investment in question.

For the purposes of the market abuse regime an “insider” means any person who has confidential information as a result of his being a director or shareholder of an AIM company or as a result of having access to such information through the exercise of his employment, position or profession.

The FSA may take action, not only against a person who has engaged in market abuse, but also against a person who has instructed or encouraged another person to engage in behaviour which, if engaged in by the person doing the instructing or encouraging, would amount to market abuse (section 123 (1) FSMA). Such action may include the imposition of an unlimited financial penalty by the FSA, publication by the FSA of a statement that a person has engaged in market abuse, applying to the court for an injunction restraining the market abuse or requiring a person to take steps remedying the market abuse, applying to the court for a freezing injunction if it is satisfied that a person may be engaging or may have been engaged in market abuse and applying to the court for a restitution order.

### Takeovers

As a result of the dual listing of the Shares on both the WSE and the AIM, the Company will be subject to the takeover rules applicable in Poland and the UK (as a result of the provisions of the City Code).

The City Code is issued and administered by the Panel on Takeovers and Mergers of the United Kingdom and applies to all takeover and merger transactions, however effected, where the offeree company is a public company, whether quoted or unquoted, incorporated and resident in the United Kingdom, the Channel Islands or the Isle of Man. Atlas Estates is a company to which the City Code applies and the Shareholders are accordingly entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code, when a person or a group of persons acting in concert acquires an interest in shares (which is widely defined) in a company which is subject to the City Code, and such interests in shares (when taken together with interests in shares already held) carry 30% or more of the voting rights of the Company, such person or group of persons is normally obliged to make a general offer in cash to all of the Company's shareholders to acquire the remaining equity share capital at the highest price paid by any member of such concert party within the preceding 12 months.

Pursuant to Article 72 of the Act on Public Offers, any acquisition of such a number of shares in a public company that results in an increase in the proportion of the total vote by more than:

- (i) 10% of the total vote in a period of less than 60 days by an entity, whose share of the total vote in this company is less than 33%;
- (ii) 5% of the total vote in a period of less than 12 months by a shareholder, whose share in the total vote in this company amounts to at least 33%,
- (iii) may only take place through the announcement of a tender offer to subscribe for the sale or conversion of these shares.

Pursuant to Article 73 of the Act on Public Offers, 33% of the total vote in a public company may only be exceeded as a result of a tender offer to acquire or exchange shares in such company, in such number of shares which confers the right to at least 66% of the total vote, unless the 33% threshold is to be exceeded as a result of a tender offer referred to in Article 74 of the Act on Public Offers.

Pursuant to Article 74, paragraph 1 of the Act on Public Offers, 66% of the total vote in a public company may only be exceeded as a result of a tender offer to acquire or exchange the remaining shares in this company.

Pursuant to Article 75, paragraph 4 of the Act on Public Offers, shares encumbered with a pledge may not be traded until the pledge expires, with the exception of the case in which such shares are purchased in performance of an agreement on the creation of financial collateral, as defined by the Act on Certain Types of Financial Collateral.

In accordance with Article 77 of the Act on Public Offers, the tender offer may only be announced after the creation of collateral by the person making the tender offer for not less than 100% of the value of the shares covered by the tender. The collateral should be documented with a certificate from the bank or other financial

institution which granted, or intermediated in the granting of, the collateral. The tender offer is announced and carried out through the agency of an entity conducting brokerage activities in the territory of Poland, which is obliged – within seven working days before the opening of the subscription period – to simultaneously notify the Polish Financial Supervision Authority and the company managing the regulated market on which the given shares are quoted, of the intention to announce the tender offer. A tender offer may not be abandoned, unless another entity announces a tender offer for the same shares after the first tender is announced. A tender offer for the remaining shares in a given company may be abandoned only if another entity announces a tender offer for the remaining shares in the company at a price not lower than the price of the first tender offer.

### ***Squeeze-out***

In accordance with Article 82 of the Act on Public Offers, a shareholder in a public company, who independently or jointly with its subsidiaries, parent entities, or entities with which the shareholder has concluded an agreement referred to in Article 87, paragraph 1.5 of the Act on Public Offers (i.e. a written or verbal understanding on the acquisition of shares in a public company by the entities that are parties to this understanding or on consistent voting at the general meeting on matters of importance to the company), has reached or exceeded 90% of the total vote in this company, is entitled to the right to demand the sale of all the shares held by the remaining shareholders (mandatory buyout). The acquisition of shares in a mandatory buyout does not require the consent of the shareholder to whom the demand is addressed. An announced mandatory buyout may not be abandoned.

The Articles of Association provide for the right of an offeror to demand the acquisition of any remaining Ordinary Shares if it has received acceptances of the offer or purchased Ordinary Shares amounting to 90% of the Ordinary Shares to which the offer relates. The attention of investors is drawn to the summary of the provisions of the Articles of Association set out in “*Shares and Share Capital*”.

### ***Sell-out***

In accordance with Article 83 of the Act on Public Offers, a shareholder in a public company may demand that his shares be acquired by another shareholder who has reached or exceeded 90% of the total vote in this company. The shareholder that has reached or exceeded 90% of the total vote, as well as its subsidiaries and parent entities, are jointly and severally obliged to respond to this demand within 30 days of the date of its submission. The obligation to acquire the shares from the shareholder rests jointly and severally on every party to the agreement referred to in Article 87, paragraph 1.5 of the Act on Public Offers, if the parties to the agreement jointly hold, together with their parent entities and subsidiaries, at least 90% of the total vote.

The Articles of Association include provisions relating to the right of a minority shareholder to require an offeror to buy his Ordinary Shares where the offeror has received acceptance or has purchased shares equivalent to 90% of the Ordinary Shares to which the offer relates. The attention of investors is drawn to the summary of the provisions of the Articles of Association set out in “*Shares and Share Capital*”.

### **Entities subject to the obligations under Polish law related to holding of substantial blocks of Shares**

In accordance with Article 87 of the Act on Public Offers, the obligations specified in the regulations on significant blocks of shares rest:

- (i) on the entity that reached or exceeded the threshold of the total vote specified in the Act on Public Offers in connection with: (a) the occurrence of a legal event other than a legal action; (b) acquisition or disposal of bonds convertible into a public company’s shares or deposit receipts issued in connection with the shares of such a company, or other securities conferring the right or obligation to acquire shares in the company; or (c) obtaining the status of a parent entity of an incorporated company or another legal person holding a public company’s shares or of a different incorporated company or a different legal person which is the parent entity of the public company, or the occurrence of another legal event in relation to the subsidiary;

- (ii) on an investments fund – also in the event that a given threshold of the total vote specified in these regulations is reached or exceeded in connection with shares held jointly by other investments funds managed by the same management company or other investments funds established outside of the territory of Poland but managed by the same company;
- (iii) on the entity who reaches or exceeds the given threshold of the total vote specified in these regulations in connection with shares held: (a) by a third party on its own behalf, but upon instruction or for the benefit of the entity, except shares acquired in performance of the actions referred to in Article 69, paragraph 2.2 of the Act on Trading in Financial Instruments; (b) in performance of the actions referred to in Article 69, paragraph 2.4 of the Act on Trading in Financial Instruments – with regard to the shares in a managed securities portfolios under which this entity, as the portfolio manager, may exercise voting rights at the general meeting on behalf of its principals; (c) by a third party with which this entity entered into an agreement concerning the transfer of right to exercise voting rights;
- (iv) on an entity conducting brokerage activities in the territory of Poland, which in its capacity as a representative of security holders in relations with issuers of such securities, exercises upon instruction by a third party the voting rights in a public company, unless the third party provided a binding instruction on how the entity is to vote;
- (v) jointly on all entities bound by a written or oral agreement on acquisition of shares in a public company or on their consistent voting at the general meeting regarding issues material to the company, even if only one of these entities has taken or has intended to take actions giving rise to such obligations; and
- (vi) on entities that enter into such an agreement as referred to in the previous paragraph, holding shares in a public company whose aggregate number confers the right to such a number of votes which results in reaching or exceeding a given threshold as specified in these regulations.

In the cases referred to in the last two sub-paragraphs, the obligations specified in the regulations on substantial blocks of shares may be performed by one of the parties to the agreement, as specified by the parties thereto.

The obligations specified in the regulations on substantial blocks of shares arise also if the voting rights are attached to:

- (i) securities comprising collateral; this does not apply to situations in which the entity for the benefit of which the collateral was established, has the right to exercise voting rights and declares its intention to exercise that right – in such case the voting rights are deemed to be held by the entity for the benefit of which the collateral was established;
- (ii) shares which confer the voting rights on a given entity personally and for life; or
- (iii) securities deposited or registered with an entity which may dispose of them at its own discretion.

In accordance with Article 88 of the Act on Public Offers, bonds that are convertible into a public company's shares and deposit notes issued in connection with such a company's shares are considered securities, to which such a share of the total number of votes as the holder of these securities may achieve as a result of the conversion into shares is related. This applies respectively to other securities, from which the right or duty to acquire shares in a public company arises.

According to Article 89, paragraph 1 of the Act on Public Offers, the shareholder may not exercise voting rights conferred by:

- (i) shares of a public company which are the subject of a legal action or other legal events resulting in the given threshold of the total vote being reached or exceeded if this threshold is reached or exceeded in breach of the obligations to notify the Financial Supervision Authority, to dispose of the shares or to announce the tender offer specified respectively in Article 69, Article 72, paragraph 1 or Article 73, paragraph 1 of the Act on Public Offers;

- (ii) all the shares in a public company, if the threshold of 66% of the total vote is exceeded in breach of the obligations to announce the tender offer specified in Article 74, paragraph 1 of the Act on Public Offers; and
- (iii) the shares in a public company acquired as part of the tender offer at a price set in breach of the duty to propose a so-called fair price per share in the call as specified in Article 79 of the Act on Public Offers.

Subject to the provisions of other acts, voting rights in a public company exercised in breach of the above restriction are not counted when establishing the result of a vote on a resolution of the general meeting.

#### ***Persons acting in concert***

Rule 9 of the City Code also states that, if any person or group of persons acting in concert holds interests in shares carrying not less than 30%, but not more than 50%, of the voting rights, and such person, or any person acting in concert with him, acquires any additional interests in shares which increases their percentage of the voting rights, such person or group of persons is, in the same way, obliged to make a general offer to all shareholders.

In view of the Founders' collective involvement in the provision of management services to the Company by affiliates of the Founders pursuant to the Property Management Agreement, the Founders, AMC and the AMC Directors (together the "Concert Party") are deemed to be acting in concert for the purposes of the City Code.

Under Rule 9 of the City Code the increase in the holding of the Concert Party pursuant to the exercise of the Warrants could trigger the obligation to make a general offer to all other shareholders to acquire the balance of the shares not held by it at the highest price paid by any of the members of the Concert Party in the preceding 12 months.

The Panel will in appropriate cases grant a waiver of such an obligation provided, inter alia, that the issue of shares and the waiver of the requirement for an offer under Rule 9 is approved by a vote of independent shareholders (i.e. excluding the Concert Party) in a general meeting. The Panel has agreed to waive any obligation of the Concert Party (and any member of it) to make a general offer for Ordinary Shares that might otherwise arise under Rule 9 of the City Code in relation to the exercise of the Warrants. Rule 9 of the City Code will, however, continue to apply to each member of the Concert Party separately and accordingly, otherwise than as set out in this document, no member of the Concert Party individually may increase their respective holding above 30% without incurring an obligation under Rule 9 of the City Code. While the Concert Party owns between 30 and 50% of the issued ordinary share capital any increase in the voting rights held by the Concert Party, other than pursuant to the exercise of the Warrants, would trigger an obligation to make a general offer pursuant to Rule 9 of the City Code.

In addition, the Company has the right to satisfy one third of the performance fee payable to AMC pursuant to the terms of the Property Management Agreement by the issue of ordinary Shares. The Company has undertaken not to exercise this right to the extent that such an issue would oblige AMC and/or the Concert Party to make a general offer for Ordinary Shares that might arise under Rule 9 of the City Code.

#### **Corporate governance**

Since there are no formal corporate governance rules which would bind the Company in the country of its registered office, i.e. in Guernsey, the Company observes the rules and regulations which the Board adopts from time to time. The Board has resolved, where appropriate, to comply with the Combined Code.

According to the WSE Rules the Company, as the issuer of shares admitted to stock exchange trading on the WSE, will be obliged in the future to comply with the corporate governance rules adopted by the WSE Management Board. The currently binding corporate governance rules entitled "Code of Best Practice for



WSE Listed Companies” have been adopted by the WSE Management Board pursuant to the resolution dated 4 July 2007 and came into force on 1 January 2008. The Code of Best Practices for WSE Listed Companies is available on the [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) website.

Pursuant to the WSE Rules, if any of the corporate governance rules are not complied with either permanently or incidentally, the issuer is obliged to publish a report with the information which of the principles is or has not been complied with, what were the circumstances and reasons for not complying with such rule and how the issuer intends to eliminate the consequences, if any, of not complying with such rule or what steps it intends to take to decrease the risk of not complying with the corporate governance rules in the future. The report should be published on the official website of the issuer and in a manner analogous to that used for publication of current reports. The report should be published immediately after the issuer becomes reasonably aware that any specific rule will not be complied with either permanently or incidentally, in each case immediately after the occurrence of an event which breached the relevant corporate governance rule.

The Management Board of the Stock Exchange may resolve that a specific part of the corporate governance rules is not subject to the obligation to publish the above referenced report as in the resolution dated 11 December 2007 with respect to the corporate governance rules contained in part I of the “Good Practices for WSE Listed Companies” (“Recommendations for Good Practices of Companies Listed on a Stock Exchange”).

Moreover, in accordance with the WSE Rules, the Company shall be obliged to attach to the annual report a report on the Company’s compliance with the corporate governance rules. The scope and structure of such report have been defined by the WSE Management Board in the resolution dated 11 December 2007.

The Company intends, to the extent practicable, to comply with the majority of the corporate governance rules defined in the “Code of Best Practices for WSE Listed Companies”. However, certain principles might only apply to the Company to the extent permitted by Guernsey laws, and therefore our compliance with certain rules will be limited by the differences between Guernsey and Polish legal systems, procedures and accepted practices. In particular, we will not have two separate governing bodies (supervisory board and management board) which are obligatory in Polish joint stock companies. As a result, the Company will apply those principles which refer to the relationships between the supervisory and management boards, not directly but generally in seeking to adhere to their spirit.

## OTHER INFORMATION

### Material Agreements

#### *Agreements entered into by the Company*

##### *Non-exclusive joint venture framework agreement dated 5 March 2007 concluded between AEIBV and EdR Real Estate*

Pursuant to the agreement the parties entered into a joint venture on a 50:50 basis for the purpose of acquiring lands in Eastern and Central Europe or elsewhere and thereafter co-operating as partners in the development, construction and marketing of primarily residential condominium development projects as shall be decided for each and every case but also other projects. For each project entered into by the parties, they will form Special Purpose Vehicle (SPV) in the relevant country that will acquire rights to the land (or in the legal entity which owns rights to the land) for the project owned 50:50 by the parties. Appropriate changes in the structure (but not changes in the pro-rata share of each party) may be required to reflect the requirements of local law or tax considerations of the parties, which may require the parties to form a holding company owned 50:50 by the parties, which shall be the fully owned parent company of the SPV. The articles of association and incorporation documents of each holding company and SPV will reflect the provisions of the agreement, including the first right of refusal, the tag along and drag along rights. EdR Real Estate is mandated by the terms of its fund not to invest in new projects from the expiry of four years from the date of the final closing of said fund, anticipated to be 31 March 2007, i.e. no new projects will be commenced after 31 March 2011. The joint venture will target: (i) prime residential developments and other projects; (ii) projects resulting in a minimum 20% development margin (on costs); and (iii) projects resulting in a minimum base IRR (on equity) of 20%. Each party shall contribute to each holding company the required capital in the form of capital contributions, shareholders' loans, securities, guarantees or other on a 50:50 split between the parties which shall be used to acquire, develop and market the projects and for working capital, all as set out in approved related budgets. Each party shall have 50% of the voting rights in each holding or SPV company. Each SPV will engage Atlas or an affiliate company of Atlas, as manager to manage the daily operations of the projects for which the manager will receive a project management fee. The profits from each project will be split on a 50:50 basis, with a performance fee payable to Atlas if agreed IRR thresholds are exceeded. Each party shall have the right to invest alone and/or with other parties, and be involved in projects of the same kind and nature such as the joint venture shall invest in, in cities and countries in which the joint venture shall invest, and each party will not be obligated to propose to the other party to participate in such projects.

##### *Administration Agreement dated 23 February 2006 between the Company and BNP Paribas Fund Services (Guernsey) Limited*

Pursuant to the terms of such agreement the Company appointed BNP Paribas Fund Services (Guernsey) Limited to provide administrative, company secretarial, custodial and certain accounting services to the Company. BNP Paribas Fund Services (Guernsey) Limited shall be paid an annual fee of GBP 165,000 per annum. The Company shall pay or reimburse BNP Paribas Fund Services (Guernsey) Limited in respect of all reasonable out of pocket expenses incurred in connection with the discharge of its duties. The Administration Agreement is terminable by either party: (i) upon not less than six months' written notice; (ii) immediately upon either party giving the other party written notice in the event of the insolvency of the other party or the other party committing a material breach and (if such breach is capable of remedy) such breach not being rectified within thirty days of service of notice requiring remedy of the breach; or (iii) BNP Paribas Fund Services (Guernsey) Limited ceasing to be the holder of a licence under Guernsey Law enabling it to perform its duties under the Administration Agreement; or (iv) if the Administrator shall be deemed to be resident for tax purposes within the United Kingdom or the United States of America. BNP Paribas Fund Services (Guernsey) Limited has the benefit of an indemnity from the Company in relation to liabilities arising out of or in connection with the performance of its duties under the administration agreement other than those arising by reason of fraud, wilful default, bad faith or gross negligence on the part of BNP Paribas Fund Services (Guernsey) Limited.

***Agreements of the Group Companies*****Poland*****Agreements related to the Warsaw Hilton***

*Management agreement of 12 March 2002, between HGC and Hilton International Co.*

Under the above agreement, the parties agreed on the selection of a site, the construction, furnishing, equipping, opening, use and operation of the Warsaw Hilton. Hilton International Co. was contracted to provide its technical assistance services for a fixed fee of USD 300,000 (plus VAT). Furthermore, Hilton International Co. is contracted and entitled to manage the Warsaw Hilton independently. HGC agreed to pay to Hilton International Co.: (i) a basic management fee in the amount of 2.5% of the Warsaw Hilton's revenue (as defined in the agreement), and (ii) an incentive fee in the amount of 9% of the Hilton Hotel's adjusted gross operating profit (as defined in the agreement) which in the aggregate, in any fiscal year of the first five fiscal years, cannot be lower than USD 500,000 a year (otherwise HGC is required to pay the difference). If the fees are increased due to an additional payment by HGC (as described above), HGC is entitled to offset from the aggregate amount of the paid fees any amount exceeding USD 2,500,000 for first five fiscal years. According to the agreement, once Hilton International Co. has deducted its fees, it will transfer the remainder of the Warsaw Hilton's gross operating profit (as defined in the agreement) to HGC. The above agreement sets out the conditions of the mutual settlement of accounts in detail, in particular HGC agreed to provide sufficient working capital funds in the estimated amount of USD 800,000 to ensure the efficient operation of the Warsaw Hilton. Without the prior written consent of Hilton International Co., Trilby is not entitled to assign the above agreement to any other party, except HGC's subsidiary. The above agreement was concluded for the period of construction of the Warsaw Hilton as well as the initial operating term of 20 years (as defined in the agreement) and can be extended for two successive periods of five years each.

The agreement was originally concluded between Hilton International Co. and Trilby. The rights and obligations of Trilby under the agreement were assigned by Trilby to HGC under an assignment agreement dated 9 June 2004.

*Agreement of 28 January 2004, between HGC and Budimex – Dromex S.A. as amended.*

Under the above agreement Budimex – Dromex S.A. agreed to carry out construction works with regard to the Warsaw Hilton. The value of the agreement, is EUR 25,500,000. On the Prospectus Date under this agreement the Company is still obliged to pay EUR 1,366,704.

***Agreements related to Platinum Towers I, II and III***

*Agreement of 9 July 2002, between Platinum Towers and Majewski, Wyszyński, Hermanowicz – Architekci (MWH).*

Under the above agreement MWH is required, in collaboration with Yaski – Sivan Yaski, to render specified architectural services related to Platinum Towers I and II, in particular to design the project, to execute the design and to coordinate all the architectural, engineering and consulting work required for the construction of the project. MWH's fee for the services is 3.25% of the value of Platinum Towers I and II, which as of the date of the agreement was estimated in the amount of USD 22,500,000.

*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 3 quarter 2009.

*Agreement concluded on 8 May 2006 between AEIBV, Stronginfo Consultant Ltd. and Columbia Enterprises B.V.*

Under an agreement AEIBV acquired from Stronginfo Consultant Ltd. and Columbia Enterprises B.V. their entire shareholdings (a certain number of shares) in the following companies: Trilby(which holds the entire

share capital of Grzybowska Centrum, HGC and HPO), HPA and DPM. For the transfer of the title to the shares, AEIBV undertook to pay USD 45,200,000 to Stronginfo Consultants Ltd. and Columbia Enterprises B.V. and such payment had been made on May 16, 2006. Furthermore, under the agreement AEIBV undertook to pay an additional remuneration to Stronginfo Consultant Ltd., in the amount of 18% of the excess of the selling price per square meter of the net residential units area in two high-rise buildings owned by HPA (Towers I and II) and in Tower III (owned by HPO) with respect to the average price of PLN 6,500 per square meter (excluding VAT) (the "Exceeding Amount") of the net residential area sold by AEIBV. The agreement specifies the formulas to calculate the average price and to measure the net residential area. In the case where AEIBV builds an office building on the land owned by HPO (Tower III), Stronginfo Consultant Ltd. will receive (instead of the remuneration calculated according to the aforementioned formula for a residential area) the remuneration calculated according to the following formula:  $A*B*C*D$ , where A is the gross office (non-residential) area, B is the ratio between the net and gross total built areas of the two residential high-rise buildings, C is the Exceeding Amount amount of additional remuneration (specified for each residential high-rise building), and D is 18%.

#### ***Agreements related to the Capital Art Apartments Project***

*Agreement of 17 October 2006, between Capital Art Apartments and WARBUD S.A.*

Under the above agreement, WARBUD S.A. agreed to carry out construction works with regard to the Capital Art Apartments Project. The value of the agreement is PLN 10,100,000 (plus VAT).

*Agreement of 28 March 2007, between Capital Art Apartments and MITEK S.A.*

Under the above agreement, MITEK S.A. agreed to carry out construction works, as the general contractor, with regard to the first stage of the Capital Art Apartments Project. The minimum value of the agreement is PLN 46,015,190.80 (plus VAT).

#### ***Agreements concerning the Kokoszki Project***

*Share purchase agreement concluded on 29 August 2007 by AEIBV and CF Plus Sp. z o.o.*

Based on the agreement, AEIBV agreed to transfer the ownership of 250 shares in Atlas Estates CF Plus 1, with a nominal value of PLN 100 each, representing 50% of the shares in the share capital of Atlas Estates CF Plus 1. CF Plus Sp. z o.o. agreed to pay a purchase price of PLN 25,000. The ownership of the equity stake in Atlas Estates CF Plus 1 was transferred to CF Plus Sp. z o.o. upon the conclusion of the agreement. The agreement was concluded on the condition precedent that if CF Plus Sp. z o.o. fails to provide financing for Atlas Estates CF Plus 1 in the form of a shareholder loan of PLN 8,347,500 by 31 March 2008, the shares in question will be transferred back to AEIBV for PLN 1,500,000. The reverse transfer of the shares to AEIBV in return for a price equal to their nominal value will also occur if Atlas Estates CF Plus 1 fails to acquire, by 30 November 2007, the right of perpetual usufruct of the real properties indicated in the preliminary agreement for the purchase of real estate concluded on 30 March 2008 by and between Projekt Sadowa Sp. z o.o. and Atlas Estates CF Plus 1. The parties agreed to provide financing to Atlas Estates CF Plus 1 in the form of shareholder loans or loans granted by other entities which have equity links with the shareholders, at the ratio of 45% (CF Plus Sp. z o.o.) to 55% (AEIBV).

*A joint venture agreement dated 29 August 2007 by and between CF Plus Sp. z o.o. and Atlas Estates Investment B.V.*

The parties agreed to cooperate in the form of a joint venture with a view to purchasing rights to real property and shares or interests in entities holding rights to real estate in Central and Eastern Europe, as well as to cooperate on the development of land, construction and sale of residential properties. The parties agreed that they shall acquire rights and obligations arising from their joint venture on a 50:50 basis. The parties intend to establish an SPV for each project, in which they shall each hold 50% of the shares, and which shall purchase rights to real estate or, if so required by the applicable domestic regulations, the parties shall establish a dominant company for a given SPV, in which each of the parties shall have 50% equity interests.

45% of the costs of each project shall be borne by the party presenting the new project, and 55% shall be borne by the party consenting to participating in the project. The costs of the project include the purchase price of the real estate, and other related costs, as well as the working capital.

Furthermore, the parties concluded a separate agreement in order to pursue a construction investment called Kokoszki Project. If certain conditions stipulated in the agreement are met, a portion of the project costs will be financed by AEIBV in the form of a loan of PLN 8,840,000 granted by Platinum Towers Sp. z o.o. to Atlas Estates CF Plus 1 Sp. z o.o.

#### ***Agreements related to Millennium Plaza***

*Preliminary Share Purchase Agreement dated 11 January 2008 between AEIBV and Portfolio Real Estate Sp. z o.o.*

Pursuant to the agreement, AEIBV agreed to transfer the ownership of all the shares held by AEIBV (i.e. 100%) in Atlas Estates (Millennium) in favor of Portfolio Real Estate Sp. z o.o. The preliminary purchase price payable after the satisfaction of the conditions defined in the agreement was first established in the amount of EUR 14,466,108 and will be subject to adjustment on the basis of interim financial statements of Atlas Estates (Millennium) and the formula described in the agreement at the time of the execution of the agreement transferring the ownership title to the shares in Atlas Estates (Millennium). Additionally, Portfolio Real Estate Sp. z o.o. has committed to repay the loan facilities set forth in the agreement. The ownership of the shares in Atlas Estates (Millennium) will be transferred to Portfolio Real Estate Sp. z o.o. upon the satisfaction of the conditions defined in the agreement, however, not later than on 31 October 2008. The terms of the execution of the final agreement include, among other things, the assignment of the rights and obligations of Reform Company Sp. z o.o. under a lease agreement for the underground car park in the building at Al. Jerozolimskie, entered into between the Capital City of Warsaw and Reform Company Sp. z o.o. in favour of Atlas Estates (Millennium), and the termination of agreements between Reform Company Sp. z o.o. and Atlas Estates (Millennium) with respect to the above referenced car park. The agreement imposes certain restrictions on AEIBV with respect to the exercise of the rights related to the shares held thereby in Atlas Estates (Millennium), and relating to taking actions which exceed the ordinary scope of business, until the date of the execution of the final agreement or termination of the preliminary share purchase agreement.

#### **Romania**

##### ***Agreements related to Golden Tulip Hotel***

*Concession Agreement dated 24 April 2000 concluded between S.C. Mercury Enterprises S.R.L. (the previous owner of the Golden Tulip Hotel) and Primăria Municipiului București (General Council of the Bucharest Municipality)*

On the basis of the agreement S.C. Mercury Enterprises S.R.L. obtained a concession right over a plot of land at 166 Calea Victoriei in Bucharest, with the total area of 440 m<sup>2</sup> (365.26 m<sup>2</sup> according to the measurements). Victoria Tower acquired the rights under and obligations of S.C. Mercury Enterprises S.R.L. under the concession agreement by way of an agreement concluded on 2 June 2006. The concession is granted for a term of 49 years, starting with May 30, 2000 when S.C. Mercury Enterprises S.R.L. gained possession of the land plot. The concession agreement can be extended by a period of time equal to half its initial term maximum, by the simple agreement of the parties, by way of an addendum. Two years before the end of the concession, the conceding authority shall inform the concessionaire, in writing, of his option regarding the termination or extension of the concession term.

The royalty according to the adjudicated offer is of RON 20,917.49 (EUR 6,577) per year, exclusive of VAT, plus a commission of 1 percent calculated at the value of the royalty of the concession.

The royalty for the concession shall be recalculated yearly according to the exchange rate, as transmitted by the qualified authorities and it shall be paid for the entire duration of the concession. The payment shall be made at the exchange rate on the payment date. The royalty is paid yearly within 30 days after the beginning

of the year for the current year. In the event of delay in the payment of the royalty, a penalty of 0.5 percent per day shall be paid, calculated based on the due amount.

According to the concession agreement, the concessionaire must respect the provisions set out in the tender offer that is annexed to the concession agreement. Failure of the concessionaire to comply with its obligations; may trigger the right of the conceding authority to withdraw the concession with no charge.

The concession agreement provides that the concessionaire has the obligation to provide, in accordance with applicable legal requirements, parking spaces in order to meet the needs of the inhabitants, visitors and employees.

*Franchise Agreement dated 23 July 2004 concluded between Victoria Tower, as franchisee, and Golden Tulip Franchise Ltd., as franchisor*

The object of the agreement is a non-exclusive franchise and related commercial, training, procurement and business support and sales and marketing services, including also the right to use the website [www.goldentulipbucharest.com](http://www.goldentulipbucharest.com) for the entire duration of the franchise. Victoria Tower has undertaken not to directly or indirectly maintain any (contractual) relationship with any other services organization providing sales and marketing and/or referral services for the Golden Tulip Hotel and not to join a reservation system other than the system contemplated by the agreement, without the franchisor's (i.e. Golden Tulip Franchise Ltd.) prior written consent. The duration of the agreement is 5 years and one month following the pre-opening period. The agreement automatically extends for consecutive 5-years terms unless it is terminated by the Victoria Tower based on a written notice sent one year before the expiry of the contractual duration.

The franchise fee is equal to EUR 6,675 per quarter. It amounted to EUR 2,225 per month of June.

*Hotel Management Services Agreement dated 1 April 2007, concluded between Victoria Tower as beneficiary and Directflow Investments Limited as service provider*

The object of the agreement is providing the management of the operation and maintenance services for the Golden Tulip Hotel. The agreement entered into force on 1 April 2007 and it is concluded for an unlimited period of time. Victoria Tower has the obligation to pay to Directflow Investments Limited a management fee, which has the following structure:

- (i) basic fee amounting to 3% of the total net revenue of the Golden Tulip Hotel; the net revenue of the Golden Tulip Hotel means all revenues and income (excluding any VAT and city tax) of any kind delivered directly from the operation of the Hotel by Directflow Investments Limited net of any reductions, adjustments, allowances, rebates, insurance proceeds (but including business interruption proceeds) and bad debts.
- (ii) incentive fee equalling 7.5% of the net operating profits ("NOP"); NOP means the net revenue of the Hotel, less all expenses and less all provisions needed to reflect the Hotel future obligations. The incentive fee shall be annually adjusted following the issuance of the annual financial reports of the Golden Tulip Hotel by the hotel's auditors (the "Annual Incentive Fee").

The Annual Incentive Fees shall be calculated as follows (calculated pro-rata for each year which does not start on January 1 and/or does not end on December 31): (a) if the Hotel NOP exceeds Euro 1,400,000 – 12% of the NOP; (b) if the Hotel NOP exceeds Euro 1,300,000 – 10% of the NOP; (c) if the Hotel NOP exceeds Euro 1,200,000 – 9% of the NOP; (d) If the Hotel NOP exceeds Euro 1,100,000 – 8% of the NOP; (e) if the Hotel NOP exceeds Euro 1,000,000 – 7% of the NOP; (f) if the Hotel NOP exceeds Euro 900,000 – 5% of the NOP; (g) if the Hotel NOP exceeds Euro 800,000 – 3% of the NOP; (h) if the Hotel NOP is equal or less than Euro 800,000 – no incentive fee. The 7.5% incentive fee already paid to the Service Provider during a particular year shall be offset from the Annual Incentive Fee.

The total fee paid for the month of June 2007 amounted to EUR 13,001.

Victoria Tower may for any reason terminate the agreement by giving Directflow Investments Limited a written notice of termination 12 months in advance and the Service Provider may for any reason terminate the agreement by giving Victoria Tower a written notice of termination 3 months in advance. In certain cases of material breach expressly provided by the agreement, the non-defaulting party may terminate the agreement by giving to the defaulting party a written notice of termination 15 days in advance.

Directflow Investments Limited may not assign its rights and obligations under the agreement without the prior written consent of Victoria Tower.

#### ***Other material agreements***

#### **Hungary**

##### ***Agreements related to the Városliget Project***

*Agreement on success fee dated 8 June 2006 between Ligetváros Project 2 Kft and Városliget as amended on 17 May 2007*

Under the agreement Ligetváros Project 2 Kft, which is a company owned by the former owners of Városliget and Ligetváros, will support Városliget with the re-zoning and development project according to the provisions of the co-operation agreement between Városliget and the District of Erzsébetváros in Budapest (for details of the co-operation agreement please see below). As a consideration for the support service, a success fee up to EUR 1,500,000 plus VAT will be paid to Ligetváros Project 2 Kft by Városliget. The success fee is only due if the relevant body of the District of Erzsébetváros adopts the new local urban plan providing for the desired re-zoning for the Városliget Project by 28 February 2008 at the latest. Any payment of the fee will be reduced by 25% if the desired re-zoning is obtained later than 2 October 2007. Pursuant to the quota sale and purchase agreement dated 8 June 2006 AEIBV is responsible by means of a suretyship for the performance by Városliget of its obligations towards Ligetváros Project 2 Kft.

*Co-operation agreement regarding the real property in Budapest where the Városliget Project is located dated 28 March 2006 between Városliget and the Local Municipality of Erzsébetváros*

Pursuant to the agreement if the successful re-zoning of the area is resolved the parties agreed that the plots no. 33413 and 33414 shall be unified and a condominium agreement shall be established on the basis of which the district of Erzsébetváros shall own approximately 10% and Városliget shall own approximately 90% of such condominium.

##### ***Agreements related to the Volán Project***

*Share purchase agreement dated 14 September 2006, between S.Elya Ltd, Nagar Kadur & Zmira Ltd and Ligetváros*

The rights of Ligetváros under the above agreement were assigned to Atlas Estates (Vágány) as of 2 March 2007. Apart from the provisions on the sale of the 50% of the shares in Atlas Estates Kaduri-Shasha to Atlas Estates (Vágány) the agreement includes provisions giving Atlas Estates (Vágány) a key role in the development of the Volán Project. In particular, under the agreement the representatives of Atlas Estates (Vágány) are rganizati to take any actions with respect to the execution, design, development, marketing and sales of the Volán Project, no other rganizational is required from any other members of the authorities of Atlas Estates Kaduri-Shasha, appointed by S.Elya Ltd and Nagar Kadur & Zmira Ltd. Among others, the representatives of Atlas Estates (Vágány) are rganizati to perform any legal and other actions, including, the signing of agreements with contractors and suppliers, the announcement of tenders, setting forth working schedules, taking all the necessary actions before authorities with respect to the design, planning and construction of the Volán Project, obtaining licenses, obtaining finance for the Volán Project, marketing and selling. All such actions will be consulted with S.Elya Ltd and Nagar Kadur & Zmira Ltd. The approval of the representatives of both S.Elya Ltd and Nagar Kadur & Zmira Ltd and Atlas Estates (Vágány) and a unanimous decision of the relevant corporate authorities of Atlas Estates Kaduri-Shasha is required only for any action which materially differs from the outlines of the Volán Project as set out in the agreement.

*Agreement dated 18 January 2007, between Atlas Estates Kaduri-Shasha and Bálint és Társa Építészek Irodája Kft.*

Under the agreement Bálint és Társa Építészek Irodája Kft is to design and supervise construction of residential and office buildings as well as the hotel. The fee due to be paid to Bálint és Társa Építészek Irodája Kft amounts to HUF 390,000,000 + VAT.

## **Slovakia**

### ***Agreements related to the Vajnory Project***

*Management agreement of 30 December 2005, between EASTFIELD a.s. and Circle Slovakia*

Under the above agreement EASTFIELD a.s. provides economic and organizational advisory services to Circle Slovakia in respect of the Vajnory Project. The agreement was concluded for an unlimited period of time. The annual remuneration payable to EASTFIELD a.s. was changed on 24 September 2007 to EUR 115,020. In addition a lump sum of EUR 30,000 for the services rendered in connection with the establishment of daily business procedure was paid to EASTFIELD a.s.

### ***Agreements related to the Bašta Project***

*Real property donation agreement dated 11 September 2006, between EASTFIELD a.s. and Slovak Trade Company, s.r.o.*

Under the above agreement EASTFIELD a.s. donated to Slovak Trade a part of the real property for the Bašta Project located at Tovarenska Street in Košice, Slovakia.

Real property sale agreement dated 7 September 2006, between EASTFIELD a.s. and Slovak Trade Company, s.r.o.

Under the above agreement EASTFIELD a.s. sold to Slovak Trade a part of the real property for the Bašta Project located at Tovarenska Street in Košice, Slovakia for a price of SKK 25,000,000 (plus 19% VAT).

*Share Purchase agreement dated 10 October 2006, between Kendalside Limited and AEIBV*

Under the above agreement Kendalside Limited sold to AEIBV 50% of the shares in EASTFIELD ATLAS a.s. (former business name Slovak Investment & Development a.s.) for the price of SKK 50,000,000. Additionally, the parties agreed that: (i) the rest of the shares (i.e. 50%) shall be sold to Eastfield Holding (Cyprus) Limited, and (ii) EASTFIELD ATLAS a.s. (former business name Slovak Investment & Development a.s.) will have an exclusive right to take over any project any party to this agreement is considering to acquire in Slovakia.

## **Material Proceedings court and arbitration proceedings**

### ***Group Companies***

*Administrative decision regarding an encumbrance of the bank accounts of Atlas Estates (Moszkva)*

On 3 December 2007, the Hungarian tax and finance supervisory authority encumbered the HUF and EUR accounts of Atlas Estates (Moszkva) by way of a direct collection order of HUF 95,283,010 (i.e. approx. EUR 366,000). As at the Prospectus Date, in view of the fact that Atlas Estates (Moszkva) has paid its tax liabilities, proceedings are pending aimed at lifting the encumbrances on the company's accounts.

*Administrative proceeding to which Atlas Estates (Dekan) is a party*

On 3 July 2007, the Hungarian tax and finance authority imposed stamp duty on Atlas Estates (Dekan) in the amount of HUF 95,283,010 (i.e. approx. EUR 366,000). The abovementioned decision imposing such tax duty became final and executable on 18 July 2007. Consequently, there is a risk that the decision, as final, will be enforced by the Hungarian tax and finance supervisory authority by a way of a direct collection order



according to which the bank accounts of Atlas Estates (Dekan) may be encumbered in the amount of HUF 95,283,010. Atlas Estates (Dekan) has appealed against the tax authority's decision stating that the imposition of the stamp duty in the amount of HUF 95,283,010 was unlawful and requesting that it be corrected to the justified amount of HUF 19,043,802. The administrative proceeding is pending as at the Prospectus Date.

Save for the abovementioned administrative proceedings no legal or arbitration proceedings are active, pending or threatened against, or being brought by, the Group which are having or may have a significant effect on the Group's financial position.

#### **Financial advisor**

UniCredit CA IB Polska Sp. z o.o., with its registered seat at ul. Emilii Plater 53, Warsaw, provides specific financial advisory services to the company in connection with the introduction of the Admission Shares to trading on the WSE.

#### **Legal advisors to the Company**

The legal advisor to the Issuer as to Guernsey Law is Ozannes with its principal place of business at PO Box 186, 1 Le Marchant Street, St. Peter Port, Guernsey GY1 4HP.

Weil, Gotshal & Manges – Paweł Rymarz Sp k., with its registered seat at ul. Emilii Plater 53, Warsaw, acts as the Company's legal advisor with respect to Polish legal regulations governing the introduction of the Admission Shares to trading on the WSE.

The legal advisor to the Issuer as to Hungarian Law is Nagy és Trócsányi Ügyvédi Iroda with its principal place of business at Ugocsa utca 4/B, H-1126 Budapest.

The legal advisor to the Issuer as to Slovakian Law is Roland Uhrina from the Law Office Uhrina Reken Potoma with its principal place of business at Ventúrska 1, 811 01 Bratislava.

The legal advisor to the Issuer as to Romanian Law is Muşat & Asociații Attorneys at Law with its principal place of business at 43 Aviatorilor Blvd., 1st District, Code 011853, Bucharest.

#### **Property Valuer**

The real estate valuation expert who prepared the summary valuation of the Group's real estate in accordance with the international RICS standards included in this Prospectus is Cushman Wakefield.

#### **Other**

No person (other than professional advisers otherwise disclosed in this Prospectus and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the Prospectus Date; or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company or any member of the Group on or after completion of the admission of Shares on the WSE any of the following:

- (i) fees totalling ten thousand pounds (GBP 10,000) (or the equivalent amount in any other currency) or more;
- (ii) securities in the Company with a value of ten thousand pounds (GBP 10,000) (or the equivalent amount in any other currency) or more calculated by reference to the issue price; or
- (iii) any other benefit with a value of ten thousand pounds (GBP 10,000) (or the equivalent amount in any other currency) or more at the date of completion of the admission of Shares on the WSE.



**REPRESENTATIONS  
OF THE PERSONS RESPONSIBLE  
FOR THE INFORMATION GIVEN  
IN THE PROSPECTUS**

## **REPRESENTATION PURSUANT TO COMMISSION REGULATION (EC) No. 809/2004**

The Company bears responsibility for the contents of this Prospectus and represents that to the best of its knowledge, and having taken reasonable care to ensure that such is the case the information contained in the Prospectus is in accordance with the facts and contains no omission likely to affect its import.

### **Atlas Estates Limited**

On behalf of the Company

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**Quentin Spicer**

**Non-Executive Director**

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**Shelagh Mason**

**Non-Executive Director**

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**Michael Stockwell**

**Non-Executive Director**

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**Helmut Tomanec**

**Non-Executive Director**

## **REPRESENTATION of AMC**

### **ACTING AS THE ENTITY PREPARING THE INFORMATION PROVIDED FOR IN SPECIFIC SECTIONS OF THE PROSPECTUS**

Acting on behalf of AMC, I hereby represent that, to the best of my knowledge and having exercised reasonable care to ensure that such is the case, the information contained in the below referenced sections of the prospectus for which AMC is responsible, is accurate, true and in accordance with the facts and contains no omission likely to affect its import.

AMC's liability shall be limited to the information included in section "Business Overview" of the Prospectus.

**On behalf of AMC**

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## **REPRESENTATION of Ozannes**

### **ACTING AS THE ENTITY PREPARING THE INFORMATION PROVIDED FOR IN SPECIFIC SECTIONS OF THE PROSPECTUS**

Acting on behalf of Ozannes, I hereby represent that, to the best of my knowledge and having exercised reasonable care to ensure that such is the case, the information contained in the below referenced sections of the Prospectus for which Ozannes is responsible, is accurate, true and in accordance with the facts and contains no omission likely to affect its import.

Ozannes' liability shall be limited to the information included in Chapter "Shares and Share Capital" of this Prospectus, as far as it applies to Guernsey law and in the Chapter "Taxation", in section "Guernsey Taxation" of this Prospectus. Provided always that this representation is strictly limited to matters in respect of Guernsey law and not in relation to any questions of fact whatsoever.

**On behalf of Ozannes**

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## SWORN TRANSLATION FROM ENGLISH

### OŚWIADCZENIE OZANNES

#### JAKO PODMIOTU SPORZĄDZAJĄCEGO INFORMACJE ZAWARTE W OKREŚLONYCH CZĘŚCIACH PROSPEKTU EMISYJNEGO

Działając w imieniu Ozannes oświadczam, iż zgodnie z moją najlepszą wiedzą i przy dołożeniu należytej staranności, by zapewnić taki stan, informacje zawarte w wymienionych poniżej częściach niniejszego Prospektu, za które Ozannes jest odpowiedzialny, są prawdziwe, rzetelne i zgodne ze stanem faktycznym oraz w częściach tych nie pominięto niczego, co mogłoby wpływać na ich znaczenie.

Odpowiedzialność Ozannes jest ograniczona do informacji zawartych w Rozdziale „Akcje i Kapitał Zakładowy” niniejszego Prospektu, w zakresie, w jakim dotyczą one regulacji prawa Guernsey oraz w Rozdziale „Opodatkowanie”, w punkcie „Opodatkowanie na Guernsey” niniejszego Prospektu. Zawsze z zastrzeżeniem, że niniejsze oświadczenie jest ściśle ograniczone do spraw dotyczących regulacji prawa Guernsey a nie w stosunku do jakichkolwiek kwestii faktycznych.

## **REPRESENTATION of Weil, Gotshal & Manges**

### **ACTING AS THE ENTITY PREPARING THE INFORMATION PROVIDED FOR IN SPECIFIC SECTIONS OF THE PROSPECTUS**

Acting on behalf of Weil, Gotshal & Manges, I hereby represent that, to the best of my knowledge and having exercised reasonable care to ensure that such is the case, the information contained in the below referenced sections of the Prospectus for which Weil, Gotshal & Manges is responsible, is accurate, true and in accordance with the facts and contains no omission likely to affect its import.

The liability of Weil, Gotshal & Manges shall be limited to the following sections of the Prospectus:

- in Chapter “Market and Legal Environment”, section “Legal Environment”, “Poland”; and
- in Chapter “Securities Market Regulations”; and
- in Chapter “Taxation”, section “Taxation in Poland”.

**On behalf of Weil, Gotshal & Manges**

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## **REPRESENTATION of Nagy és Trócsányi Ügyvédi Iroda**

### **ACTING AS THE ENTITY PREPARING THE INFORMATION PROVIDED FOR IN SPECIFIC SECTIONS OF THE PROSPECTUS**

Acting on behalf of Nagy és Trócsányi Ügyvédi Iroda, I hereby represent that, to the best of my knowledge and having exercised reasonable care to ensure that such is the case, the information contained in the below referenced sections of the Prospectus for which Nagy és Trócsányi Ügyvédi Iroda is responsible, is accurate, true and in accordance with the facts and contains no omission likely to affect its import.

Nagy és Trócsányi Ügyvédi Iroda's liability shall be limited to the information included in Chapter "Market and Legal Environment", section "Legal Environment", "Hungary" of this Prospectus.

**On behalf of Nagy és Trócsányi Ügyvédi Iroda**

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## **REPRESENTATION of Roland Uhrina**

### **ACTING AS THE ENTITY PREPARING THE INFORMATION PROVIDED FOR IN SPECIFIC SECTIONS OF THE PROSPECTUS**

Acting on behalf of Roland Uhrina, I hereby represent that, to the best of my knowledge and having exercised reasonable care to ensure that such is the case, the information contained in the below referenced sections of the Prospectus for which Roland Uhrina is responsible, is accurate, true and in accordance with the facts and contains no omission likely to affect its import.

Roland Uhrina's liability shall be limited to the information included in Chapter "Market and Legal Environment", section "Legal Environment", "Slovakia" of this Prospectus.

**On behalf Roland Uhrina**

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## **REPRESENTATION of Muşat & Asociații Attorneys at Law**

### **ACTING AS THE ENTITY PREPARING THE INFORMATION PROVIDED FOR IN SPECIFIC SECTIONS OF THE PROSPECTUS**

Acting on behalf of Muşat & Asociații Attorneys at Law, I hereby represent that, to the best of my knowledge and having exercised reasonable care to ensure that such is the case, the information contained in the below referenced sections of the Prospectus for which Muşat & Asociații Attorneys at Law is responsible, is accurate, true and in accordance with the facts and contains no omission likely to affect its import.

Muşat & Asociații Attorneys at Law's liability shall be limited to the information included in Chapter "Market and Legal Environment", section "Legal Environment", "Romania" of this Prospectus.

**On behalf of Muşat & Asociații Attorneys at Law**

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## DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Prospectus:

<b>Act on Apartment Ownership</b>	Act on Apartment Ownership, dated 24 June 1994 (Dz. U. of 2000, No. 80, item 903, with subsequent amendments)
<b>Act on Capital Markets Supervision</b>	Act on the Supervision over Capital Markets, dated 29 July 2005 (Dz. U. of 2005, No. 183, item 1537)
<b>Act on Forests</b>	Act on Forests, dated 28 September 1991 (Dz. U. of 2005, No. 45, item 435, with subsequent amendments)
<b>Act on Housing Cooperatives</b>	Act on Housing Cooperatives, dated 15 December 2000 (Dz. U. of 2003, No. 119, item 1116, with subsequent amendments)
<b>Act on Mortgages and Land and Mortgage Registers</b>	Act on Mortgages and Land and Mortgage Registers, dated 6 July 1982 (Dz. U. of 2001, No. 124, item 1361, with subsequent amendments)
<b>Act on Public Offers</b>	Act on Public Offers and on the Terms of Introducing Financial Instruments to Organized Trading Systems and on Public Companies, dated 29 July 2005 (Dz. U. of 2005, No. 184, item 1539)
<b>Act on Public Trading in Securities</b>	Act on Public Trading in Securities, dated 21 August 1997 (Dz. U. of 2002, No. 49, item 447, as amended)
<b>Act on Real Property Management</b>	Act on Real Property Management, dated 21 August 1997 (Dz. U. of 2004, No. 261, item 2603, with subsequent amendments)
<b>Act on Structuring the Agricultural System</b>	Act on Structuring the Agricultural System, dated 11 April 2003 (Dz. U. of 2003, No. 64, item 592)
<b>Act on the Acquisition of Real Property by Foreigners</b>	Act on the Acquisition of Real Property by Foreigners, dated 24 March 1920 (Dz. U. of 2004, No. 167, item 1758, with subsequent amendments)
<b>Act on the Protection of Agricultural and Forestry Land</b>	Act on the Protection of Agricultural and Forestry Land, dated 3 February 1995 (Dz. U. of 2004, No. 121, item 1266, with subsequent amendments)
<b>Act on the Protection of Competition and Consumers</b>	Act on Competition and Consumer Protection, dated 16 February 2007 (Dz. U. of 2007, No. 50, item 331, as amended)
<b>Act on the Protection of Tenants' Rights</b>	Act on the Protection of Tenants' Rights, Council Housing Resources, and on Amending the Civil Code, dated 21 June 2001 (Dz. U. of 2005, No. 31, item 266, with subsequent amendments)
<b>Act on Trading in Financial Instruments</b>	Act on Trading in Financial Instruments, dated 29 July 2005 (Dz. U. of 2005, No. 183, item 1538)
<b>Act on Transfer Tax</b>	Act on Actions under the Civil Law, dated 9 September 2000 (Dz. U. of 2005, No 41, item 339, as amended)
<b>Adjusted NAV per Share</b>	Basic NAV per Share adjusted for the Group's share in increase or decrease in valuation of development land and for deferred tax liability or asset on this increase or decrease, respectively, per Share.
<b>Administrator</b>	BNP Paribas Fund Services (Guernsey) Limited
<b>Admission Shares</b>	all of the Company's existing ordinary shares, each with a nominal value of EUR 0.01 admitted to AIM

<b>AEIBV</b>	Atlas Estates Investments B.V., a company incorporated in the Netherlands with its registered seat in Amsterdam
<b>AIM</b>	the Alternative Investment Market market operated by the London Stock Exchange Plc
<b>AIM Admission</b>	The admission of the Company's shares to trading on AIM
<b>AIM Admission Price</b>	The issue price for the Shares under the AIM Offering which is the equivalent of EUR 5.01 (or GBP 3.41) per Share
<b>AIM Offering</b>	the Company's offering on AIM on 1 March 2006
<b>AIM Rules</b>	the rules for AIM companies and their nominated advisors issued by the London Stock Exchange
<b>AMC Directors</b>	the directors of AMC
<b>AMC Poland</b>	Atlas Management Company (Poland) Sp. z o.o., with its registered seat in Warsaw
<b>AMC Shareholders</b>	the shareholders of AMC being members of the Founder Groups
<b>AMC, Atlas Management Company or Property Manager</b>	Atlas Management Company Limited, a company incorporated in Guernsey with registered number 44386
<b>Articles of Association</b>	the articles of association of the Company
<b>ATL Colosseum</b>	ATL Colosseum SRL, a company incorporated in Romania with its registered seat in Bucharest
<b>Atlas Estates (Cybernetyki)</b>	Atlas Estates (Cybernetyki) Sp. z o.o, with its registered seat in Warsaw
<b>Atlas Estates (Dékán)</b>	Atlas Estates (Dékán) Ingatlanforgalmazó Kft, a company incorporated in Hungary with its registered seat in Budapest
<b>Atlas Estates (Kaduri Shasha)</b>	Atlas Estates Kaduri- Shasha Ingatlanforgalmazó Zártkörűen Működő Részvénytársaság, a company incorporated in Hungary with its registered seat in Budapest
<b>Atlas Estates (Millennium)</b>	Atlas Estates (Millennium) Sp. z o.o, with its registered seat in Warsaw
<b>Atlas Estates (Moszkva)</b>	Atlas Estates (Moszkva) Kft, a company incorporated in Hungary with its registered seat in Budapest
<b>Atlas Estates (Sadowa)</b>	Atlas Estates (Sadowa) Sp. z o.o, with its registered seat in Warsaw
<b>Atlas Estates (Vágány)</b>	Atlas Estates (Vágány), Kft, a company incorporated in Hungary with its registered seat in Budapest
<b>Atlas Estates 1</b>	Atlas Estates 1 Sp. z o.o, with its registered seat in Warsaw
<b>Atlas Estates 2</b>	Atlas Estates 2 Sp. z o.o, with its registered seat in Warsaw
<b>Atlas Estates CF Plus 1</b>	Atlas Estates CF Plus 1 Sp. z o.o, with its registered seat in Warsaw
<b>Atlas Estates Coöperatief</b>	Atlas Estates Coöperatief U.A., co-operative association incorporated in the Netherlands with its registered seat in Amsterdam
<b>Atlas, the Company or the Issuer</b>	Atlas Estates Limited, a company incorporated in Guernsey with registered number 44284

<b>Atlas House Office Building</b>	the Atlas House building in Sofia, located at 53-55 Totleben boulevard owned indirectly by Altas Estates Limited EOOD
<b>Atrium Homes</b>	a residential building to be constructed in Budapest at. Hun utca 4.B, 13 <sup>th</sup> District, on a real property owned by CI-2005
<b>Audited Consolidated Financial Statements</b>	Financial Statements of the Group as of and for the year ended 31 December 2006 prepared in accordance with International Financial Reporting Standards as adopted by the European Union
<b>Auditors</b>	PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, at Al. Armii Ludowej 14, 00-638 Warsaw, Poland
<b>Basic NAV or Basic Net Asset Value</b>	the Group's total assets minus its total liabilities as shown in the consolidated financial statements of the Company prepared in accordance with the IFRS. In determining Basic Net Asset Value the Group's property interests are taken at their most recent third party valuation adjusted for the Group's percentage interest in those properties
<b>Basic NAV per Share or Basic Net Asset Value per Share</b>	the NAV divided by the number of Shares in issue at the relevant date assuming the exercise immediately prior to that date of all outstanding Warrants. NAV per Share at the end of an accounting period is determined after the deduction of any dividends declared, or to be declared, but not yet paid in respect of that period.
<b>Bašta Project</b>	development project to be carried out on real property located at Tovarenska Street in Košice, Slovakia owned by Slovak Trade
<b>Board or the Directors</b>	the directors of the Company including any duly appointed committee thereof
<b>BUBOR</b>	<i>Budapest Interbank Offered Rate</i> Budapest, an indication for determining the rate for loans granted on the Budapest interbank market
<b>Cap East</b>	Cap East Kft, a company incorporated in Hungary, with its registered seat in Budapest
<b>Capital Art Apartments</b>	Capital Art Apartments Sp. z o.o, with its registered seat in Warsaw
<b>Capital Art Apartments</b>	Capital Art Apartments Sp. z o.o. with its registered seat in Warsaw
<b>Capital Art Apartments Project</b>	a residential building to be constructed in Warsaw at. Ul. Giełdowa 4 on a real property owned by Capital Art Apartments
<b>Capital Group or Group, Group Companies</b>	the Company and its subsidiaries
<b>CI-2005</b>	CI-2005 Investment Ingatlanberuházó Kft, a company incorporated in Hungary with its registered seat in Budapest
<b>Circle Slovakia</b>	Circle Slovakia s.r.o, a company incorporated in Slovakia with its registered seat in Bratislava
<b>CIT Act</b>	Act on the Corporate Income Tax, dated 15 February 1992 (Dz. U. of 2000, No. 54, item 654, as amended)
<b>City Code</b>	the UK City Code on Takeovers and Mergers
<b>City of Warsaw</b>	the capital city of Warsaw within its administrative boundaries

<b>Civil Code</b>	Act of 23 April 1964 – The Civil Code (Dz. U. Of 1964, No. 16, item 93, as amended)
<b>Clear Days</b>	in relation to a notice period under the Articles, this means the period excluding the day when the notice is given or deemed to be given and the day for which it is given or which it is to take effect
<b>Company Shares, Shares, Ordinary Shares</b>	ordinary shares with a nominal value of EUR 0.01 each in the share capital of Atlas
<b>Council Regulation on Concentration</b>	Council Regulation (EC) No. 139/2004 dated 20 January 2004 on the control of concentration between undertakings (Official Journal of the EU, 19 January 2004)
<b>Craiova Mall Investitii</b>	Craiova Mall Investitii SRL, a company incorporated in Romania with its registered seat in Bucharest
<b>CREST</b>	the computerized system operated by CRESTCo in accordance with which securities may be held and transferred in uncertificated form
<b>CW Valuation Report</b>	the valuation report of the Portfolio prepared by the Property Valuer
<b>CYP</b>	Cyprus Pound, the legal tender in the Republic of Cyprus
<b>Darenisto</b>	Darenisto Limited, a limited liability company incorporated in Cyprus with its registered seat in Nicosia, Cyprus.
<b>Director or Directors</b>	member or members of the Board of the Company
<b>DPM</b>	DPM Sp. Z o.o. with its registered seat in Warsaw
<b>Dz. U.</b>	The Official Journal of the Republic of Poland
<b>EASTFIELD ATLAS</b>	EASTFIELD ATLAS a.s., a company incorporated in Slovakia with its registered seat in Bratislava
<b>EdR Real Estate</b>	Edmond de Rothschild Real Estate (Eastern Europe) S.C. A. SICAR with its registered seat in Luxembourg
<b>EEA or European Economic Area</b>	zone of economic cooperation between members states of the European Union and the European Free Trade Association (EFTA), which entered into force in 1994. In essence, the EEA extends the benefits of the single European market to the three non-EU EFTA states of Norway, Iceland, and Lichtenstein
<b>EFTA</b>	the European Free Trade Association
<b>Elran</b>	Elran (D.D.) Real Estate Ltd, a company incorporated in Israel
<b>Environmental Protection Act</b>	Environmental Protection Act, dated 27 April 2001 (Dz. U. Of 2006, No. 129, item 902, with subsequent amendments)
<b>Ero-Gate</b>	Ero-Gate Sp. Z o.o. under liquidation, with its registered seat in Warsaw
<b>EU</b>	European Union
<b>EUR or Euro</b>	the legal tender in twelve countries of the Economic and Monetary Union, i.e. in Austria, Belgium, Finland, France, Greece, Spain, the Netherlands, Ireland, Luxembourg, Germany, Portugal and Italy

<b>EURIBOR</b>	Euro Interbank Offered Rate, a daily reference rate based on the averaged interest rates at which banks offer to lend unsecured funds to other banks in the euro wholesale money market (or interbank market)
<b>Euroclear</b>	the settlement system for dematerialised shares, used to settle transactions made on the AIM, maintained by Euroclear Bank with its registered office in Brussels at 1 Boulevard de Roi Albert
<b>Felikon</b>	Felikon Ingatlankezelő es Hasznosító Kft, a company incorporated in Hungary with its registered seat in Budapest
<b>Founder Groups</b>	the Izaki Group, RP Capital Group and Elran
<b>Founder Shareholders</b>	Elran, RP Explorer Master Fund, RP Partners Fund and Izaki Group
<b>Fully Diluted Share Capital</b>	the fully diluted ordinary share capital of the Company amounting to 53,930,199 Shares, assuming full exercise of the Warrants
<b>GBP</b>	pound sterling, the legal tender in the United Kingdom
<b>General Meeting</b>	the General Meeting of the Company
<b>Golden Tulip Hotel</b>	the four-star Golden Tulip Hotel in Bucharest, located at 166 Calea Victoriei in Bucharest, Romania, owned by S.C. DNB Victoria Tower S.R.L.
<b>Grzybowska Centrum</b>	Grzybowska Centrum Sp. z o.o, with its registered seat in Warsaw
<b>Guernsey Law</b>	the Companies (Guernsey) Laws 1994 to 1996 (as amended)
<b>GUS</b>	Główny Urząd Statystyczny (Main Statistics Office)
<b>Heptagon</b>	S.C. ATL Heptagon with its registered seat in Bucharest
<b>HGC</b>	HGC S.A. with its registered seat in Warsaw
<b>Hilton International</b>	Hilton International Co., a company incorporated in Delaware, USA
<b>HPO</b>	HPO Sp. z o.o, with its registered seat in Warsaw
<b>HUF</b>	Hungarian Florins, the legal tender in the Republic of Hungary
<b>Hurdle Rate</b>	<p>12% or, where the Adjusted NAV per Share at the commencement of the relevant accounting period is below the previous highest Adjusted NAV (as adjusted by the deduction of all dividends declared or to be declared, or paid or to be paid in respect of all subsequent periods prior to the relevant accounting period), such rate as is calculated according to the following formula (expressed as a percentage):</p> $\text{Hurdle Rate} = \frac{(\text{Revised Hurdle} - \text{NAV} \times \text{Share})}{\text{NAV} \times \text{Share}}$
<b>IAS</b>	International Accounting Standards
<b>IbnGR</b>	Instytut Badań nad Gospodarką Rynkową (The Institute for Market Economics)
<b>IFRS</b>	International Financial Reporting Standards as adopted by the European Union
<b>Ikarus Industrial Park</b>	the Ikarus Industrial Park in Budapest, located at Arany János u. 53, 1160 Budapest, owned by Felikon



<b>Immobul EOOD</b>	Atlas Estates Limited EOOD, a company duly organized and existing under the laws of Bulgaria, with its registered seat in Sofia
<b>Initial Portfolio</b>	the real estate interests acquired by the Company on 1 March 2006 from the Founder Shareholders
<b>Investment Advisor</b>	RP Capital UK Limited
<b>Investment Committee</b>	investment committee of AMC
<b>Izaki Group</b>	entities controlled by Mr Ron Izaki including affiliates of such companies and companies under the control of BCH-Brack Capital Holdings and BCRE-Izaki (Netherlands) XI B.V.
<b>Kalipi</b>	Kalipi Holdings Limited a company incorporated in Cyprus with its registered seat in Nicosia
<b>Key Managers</b>	the Directors of AMC (including the those which are members of the Investments Committee) and senior management of AMC
<b>KNF</b>	Komisja Nadzoru Finansowego (The Polish Financial Supervision Authority)
<b>Kokozski Project</b>	planned development of 130,000 m <sup>2</sup> of residential and commercial space
<b>KW</b>	Land and Mortgage Register
<b>Ligetváros</b>	Ligetváros Kereskedelmi es Szolgáltató Központ Kft a company incorporated in Hungary with its registered seat in Bucharest
<b>Ligetváros Centre</b>	office and retail complex in Budapest, located at Dembinszky Utca 12, 1070 Budapest, owned by Ligetváros
<b>Megarom Line</b>	S.C. Megarom Line SRL, a company incorporated in Romania, with its registered seat in Bucharest
<b>Metropol Office Building</b>	the Metropol office building in Budapest, located at Túzer Utca 41, 1134 Budapest owned by Cap East
<b>Millennium Plaza</b>	the Millennium Plaza building in Warsaw, located at Al. Jerozolimskie 123 owned by Atlas Estates (Millennium)
<b>Moszkva Office Building</b>	the Moszkva office building in Budapest, located at Margit Körút 105 owned by Atlas Estates (Dékán)
<b>Muşat &amp; Asociații Attorneys at Law</b>	Muşat & Asociații Attorneys at Law with its registered seat at 43 Aviatorilor Blvd., 1st District, Code 011853, Bucharest, Romania
<b>Nagy és Trócsányi Ügyvédi Iroda</b>	Nagy és Trócsányi Ügyvédi Iroda with its registered seat at Ugocsa utca 4/B, H-1126 Budapest, Hungary
<b>National Depository for Securities or the KDPW</b>	Krajowy Depozyt Papierów Wartościowych S.A. (The National Depository for Securities) with its registered seat in Warsaw, Poland
<b>NBP</b>	Narodowy Bank Polski (National Bank of Poland)
<b>NTA</b>	net tangible assets
<b>PIT Act, Personal Income Tax Act</b>	Act on the Personal Income Tax, dated 26 July 1991 (Dz. U. of 2000, No. 14, item 176, as amended) of Poland
<b>Platinum Tower III</b>	project of an residential multilevel building to be constructed in Warsaw at ul Grzybowska on a real property owned by HPO

<b>Platinum Towers</b>	Platinum Towers Sp. Z o.o. (previously HPA Sp. Z o.o.) with its registered seat in Warsaw
<b>Platinum Towers I and II</b>	project of two multilevel residential towers to be constructed in Warsaw at ul. Grzybowska on the property being in the perpetual usufruct of Platinum Towers
<b>Platinum Towers Project</b>	project of three residential multilevel buildings to be constructed in Warsaw at ul Grzybowska on a real properties owned by HPO and Platinum Towers
<b>PLN or Polish zloty</b>	the Polish zloty, the legal tender in the Republic of Poland, introduced to monetary trading on 1 January 1995
<b>Polish Shareholders</b>	the Shareholders holding Ordinary Shares registered in the security accounts maintained by the participants of the KDPW
<b>Portfolio</b>	the Group's portfolio of real estate interests
<b>Properpol</b>	Properpol Sp. Z o.o. with its registered seat in Warsaw
<b>Property Management Agreement</b>	the property manager and adviser management agreement dated 24 February 2006 between the Company and AMC, a summary of which is set out in Section "Related Party Transactions"
<b>Property Valuer, CW</b>	Cushman & Wakefield Deak Polota Deak Ferenc utca 15 Budapest 1052, Hungary
<b>Prospectus</b>	this prospectus
<b>Prospectus Directive</b>	directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, and amending Directive 2001/34/EC
<b>Registered Office</b>	registered office of the Company at Royal Bank Place, 1 Glatigny Esplanade, St. Peter Port, Guernsey GY1 2HJ
<b>Regulation 809</b>	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements
<b>Regulation of General Foreign Exchange Permits</b>	the Regulation of the Minister of Finance, dated 3 September 2002, on general foreign exchange permits (Dz. U. Of 2002, No. 154, item 1273, as amended)
<b>Regulation on Current and Interim Information</b>	the Regulation of the Minister of Finance, dated 19 October 2005, on current and interim information to be disclosed by issuers of securities (Dz. U. Of 2005, No. 209, item 1774, as amended)
<b>Roland Uhrina</b>	the legal advisor to the Issuer as to Slovakian Law, from the Law Office Uhrina Reken Potoma with its principal place of business at Ventúrska 1, 811 01 Bratislava.
<b>RON</b>	the new Romanian leu, the legal tender in the Republic of Romania
<b>RP Capital Group</b>	the group of companies including RP Capital UK Limited, RP Explorer Master Fund, RP Partners Fund and any companies affiliated or managing the specified affiliated companies

<b>Sadowa Business Park</b>	an office building in Gdańsk, located at ul. Sadowa 8, owned by Atlas Estates (Sadowa)
<b>Shareholders</b>	shareholders of the Company
<b>Shareholders' Meeting</b>	shareholders meeting of the Company
<b>SKK</b>	the Slovak koruna, the legal tender in the Republic of Slovakia
<b>Slovak Trade</b>	Slovak Trade Company s.r.o., a company incorporated in Slovakia with its registered seat in Bratislava
<b>Solaris Project</b>	a retail and residential development project on real property in Bucharest at 25, Electronicii Street, 2 <sup>nd</sup> District owned by Megarom Line
<b>Statute</b>	means the following corporate documents: Articles of Association and Memorandum of Association
<b>Stock Exchange Bylaws, WSE Bylaws</b>	by-laws of the WSE adopted by WSE Board resolution No. 1/1110/2006 dated 4 January 2006
<b>Tax Ordinance</b>	Law of 29 August 1997 – Tax Ordinance (uniform text: Journal of Laws of 2005, No. 8, Item 60, as amended)
<b>Total Shareholders Return</b>	the sum of the growth in Adjusted NAV (calculated as the Adjusted NAV per Share at the end of the relevant accounting period less the Adjusted NAV per Share at the end of the previous accounting period) and an amount equal to the aggregate dividends and other distributions per Share declared or paid in respect of such accounting period expressed as a percentage of the Adjusted NAV per Share at the end of the previous accounting period
<b>Trilby</b>	Trilby BV, a company incorporated in the Netherlands with its registered seat in Amsterdam
<b>UK or the United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>Unaudited Consolidated Condensed Interim Financial Information</b>	Unaudited Consolidated Condensed Interim Financial Information for the six months ended 30 June 2007 and prepared in accordance with IAS 34
<b>UOKiK</b>	<i>Urząd Ochrony Konkurencji i Konsumentów</i> (Office for the Protection of Competition and Consumers in Poland)
<b>Vajnory Project</b>	a development project in Bratislava at Pri Starom Letisku in Vajnory District to be developed on real property owned by Circle Slovakia
<b>Városliget</b>	Városliget Center Kft a company incorporated in Hungary
<b>Városliget Project</b>	a development project in Budapest at Rottenbiller u. 31 and 33, 1070 Budapest to be developed on real property owned by Városliget
<b>Victoria Tower</b>	S.C. DNB Victoria Tower SRL, a company incorporated in Romania
<b>Victoria Tower Hotel Management</b>	Victoria Tower Hotel Management SRL, a company incorporated in Romania
<b>Volán Project</b>	a development project in Budapest in Szabolcs u.13 to be developed on real property owned by Atlas Estates (Kaduri-Shasha)
<b>Voluntari Land</b>	a development project in Voluntari, Pipera in Bucharest to be developed on real property owned by World Real Estate

<b>Warrant Instrument</b>	the warrant instrument of the Company dated 23 February 2006, a summary of which is set out in Section “ <i>Shares and Share Capital</i> ”
<b>Warrant Issuance Agreements</b>	the agreements each dated 23 February 2006 between (1) the Company and (2) each of the Warrant Recipients for the issuance of Warrants to the Warrant Recipients
<b>Warrant Recipients</b>	the Property Manager and the AMC Directors
<b>Warrants</b>	the warrants to subscribe for Shares pursuant to the Warrant Instrument granted by the Company to the Warrant Recipients
<b>Warsaw Hilton</b>	the Hilton Warsaw & Convention Centre, a five star hotel located in Warsaw at ul. Grzybowska 63 owned by HGC
<b>Water Act</b>	Water Act, dated 18 July 2001 (Dz. U. of 2005, No. 239, item 219, with subsequent amendments)
<b>WBS</b>	WBS a.s., a company incorporated in Slovakia with its registered seat in Bratislava
<b>Weil, Gotshal &amp; Manges</b>	Weil, Gotshal & Manges – Paweł Rymarz Sp. k. with its registered seat in Warsaw, at Emilli Plater 53, 00-113 Warsaw
<b>WIBOR</b>	Warsaw Interbank Offered Rate; an indication for determining the rate for loans granted on the Warsaw interbank market
<b>World Real Estate</b>	World Real Estate SRL, a company incorporated in Romania
<b>WSE</b>	Warsaw Stock Exchange in Warsaw, Poland
<b>WSE Principles of Best Practices</b>	principles of corporate governance as referred to in resolution No. 44/1062/2004 of the Board of the WSE dated 15 December 2004 concerning acceptance of the principles of corporate governance for joint-stock companies that are issuers of shares, convertibles bonds with or without attached priority rights, and admitted to stock exchange trading on an official market
<b>WSE Rules</b>	rules of the WSE together with the WSE detailed regulations
<b>Zielono</b>	Zielono Sp. z o.o. with its registered seat in Warsaw
<b>Zielono Project</b>	a residential building to be constructed in Warsaw at ul. Przasnyska 9 on a real property owned by Zielono

**ANNEX 1**

**FINANCIAL INFORMATION**



## FINANCIAL INFORMATION

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**Independent Auditor's Report**

**To the Board of Directors of Atlas Estates Limited**

**PricewaterhouseCoopers Sp. z o.o.**

Al. Armii Ludowej 14

00-638 Warszawa

Poland

Telephone +48 (22) 523 4000

Facsimile +48 (22) 523 4040

[www.pwc.com/pl](http://www.pwc.com/pl)

We have audited the accompanying consolidated financial statements of Atlas Estates Limited located in Guernsey GY1 2HS, Royal Bank Place, 1 Glatigny Esplanade, St Peter Port (the "Company") and its subsidiaries (together the "Group"), prepared for the purpose of the Prospectus and presented on pages F-5 to F-44, which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period from its incorporation to 31 December 2006, as well as notes to the consolidated financial statements comprising a summary of accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

These consolidated financial statements have been prepared by the Company for inclusion in the Prospectus in accordance with Annex 1, item 20.1 of Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the "EU Prospectus Regulation"). The Board of Directors of the Company is responsible for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditor's Report**

**To the Board of Directors of Atlas Estates Limited (cont.)**

*Opinion*

In our opinion, the accompanying consolidated financial statements give, for the purposes of the Prospectus, a true and fair view of the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the for the period from its incorporation to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the European Union.

*Declaration*

For the purposes of item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Tomasz Konieczny  
Member of Management Board  
Registered Auditor  
No. 90070/7670

Registered Audit Company  
No. 144

Warsaw, 14 November 2007

ATLAS ESTATES LIMITED GROUP  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR 11 MONTHS ENDED 31 DECEMBER 2006

Atlas Estates Limited  
Royal Bank Place  
1 Glategny Esplanade  
St Peter Port  
Guernsey GY1 2HS  
Company number: 44284

**ATLAS ESTATES LIMITED GROUP  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR 11 MONTHS ENDED 31 DECEMBER 2006**

**CONSOLIDATED INCOME STATEMENT**

Eleven months ended 31 December 2006

	€'000	Notes
<b>Revenue</b>	<b>5,321</b>	3
Cost of sales	(2,482)	6
<b>Gross profit</b>	<b>2,839</b>	
Administrative expenses	(17,031)	6
Other operating expenses	(580)	6
Other operating income	650	6
Increase in value of investment properties	5,612	13
Other gains and losses – net	(167)	5
Impairment charge in relation to goodwill	(13,354)	10
Negative goodwill realised on acquisitions	11,398	25
<b>Operating loss</b>	<b>(10,633)</b>	
Finance income	2,507	4
Finance costs	(1,663)	4
<b>Loss on ordinary activities before taxation</b>	<b>(9,789)</b>	
Tax expense	(840)	7
<b>Loss for the period</b>	<b>(10,629)</b>	
<b>Attributable to:</b>		
Equity shareholders	(10,690)	
Minority interests	61	
	<b>(10,629)</b>	
Loss per €0.01 ordinary share - basic	<b>21.8 eurocents</b>	9
Loss per €0.01 ordinary share - diluted	<b>21.8 eurocents</b>	9

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**CONSOLIDATED BALANCE SHEET**

31 December 2006

	€'000	Notes
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	162	10, 11
Land under operating lease	18,422	11
Property, plant and equipment	88,818	12
Investment property	67,585	13
Other loans receivable	327	
Deferred tax asset	1,821	20
	<b>177,135</b>	
<b>Current assets</b>		
Inventory	99,205	15
Trade and other receivables	22,241	16
Cash and cash equivalents	62,672	17
	<b>184,118</b>	
<b>TOTAL ASSETS</b>	<b>361,253</b>	
<b>Current liabilities</b>		
Trade and other payables	(30,724)	18
Bank loans	(2,892)	19
	<b>(33,616)</b>	
<b>Non-current liabilities</b>		
Other payables	(6,047)	18
Bank loans	(76,170)	19
Deferred tax liabilities	(21,558)	20
	<b>(103,775)</b>	
<b>TOTAL LIABILITIES</b>	<b>(137,391)</b>	
<b>NET ASSETS</b>	<b>223,862</b>	
<b>EQUITY</b>		
Share capital	484	21
Revaluation reserve	2,981	23
Other distributable reserve	226,406	23
Other reserves	2,851	23
Retained Loss	(10,148)	
<b>Equity attributable to equity holders of the parent</b>	<b>222,574</b>	
<b>Minority Interests</b>	<b>1,288</b>	24
<b>TOTAL EQUITY</b>	<b>223,862</b>	
<b>Basic net asset value per share</b>	<b>€4.59</b>	

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Eleven months ended 31 December 2006

	Note	Share capital	Other reserves	Retained loss	Total	Minority interest	Total equity
		€'000	€'000	€'000	€'000	€'000	€'000
<b>As at 3 February 2006</b>		-	-	-	-	-	-
Exchange adjustments		-	3,152	-	3,152	(31)	3,121
Revaluation of properties		-	3,680	-	3,680	-	3,680
Deferred tax on exchange adjustments		-	(301)	-	(301)	3	(298)
Deferred tax on revaluation of properties		-	(699)	-	(699)	-	(699)
Net income recognised directly in equity		-	5,832	-	5,832	(28)	5,804
Result for the period		-	-	(10,690)	(10,690)	61	(10,629)
Total recognised income and expense for the period		-	5,832	(10,690)	(4,858)	33	(4,825)
Issue of shares	21	493	246,472	-	246,965	-	246,965
Costs of issue of shares	21	-	(14,049)	-	(14,049)	-	(14,049)
Minority arising on acquisition		-	-	-	-	1,255	1,255
Shares bought back and cancelled	21	(9)	(3,977)	-	(3,986)	-	(3,986)
Share based payments		-	-	542	542	-	542
Dividends paid	8	-	(2,040)	-	(2,040)	-	(2,040)
<b>As at 31 December 2006</b>		<b>484</b>	<b>232,238</b>	<b>(10,148)</b>	<b>222,574</b>	<b>1,288</b>	<b>223,862</b>

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

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**CONSOLIDATED CASH FLOW STATEMENT**

Eleven months ended 31 December 2006

	Note	€'000
<b>Cash flows from operating activities</b>		
Loss on ordinary activities before taxation		(9,789)
Adjustments for:		
Finance costs		1,663
Finance income		(2,507)
<b>Operating loss</b>		<b>(10,633)</b>
Depreciation of property, plant and equipment		192
Amortisation of intangible assets		21
Gain on sale of property, plant and equipment		(74)
Net goodwill arising on acquisitions charged to the income statement		1,956
Increase in value of investment properties		(5,612)
Effects of foreign exchange		167
Charge relating to share based payments		542
		<b>(13,441)</b>
<b>Changes in working capital</b>		
Increase in inventory		(5,168)
Increase in trade and other receivables		(1,114)
Increase in trade and other payables		7,982
		<b>1,700</b>
<b>Cash outflow generated from operations</b>		<b>(11,741)</b>
Interest received		2,457
Interest paid		(1,592)
Tax paid		(128)
<b>Net cash outflow from operating activities</b>		<b>(11,004)</b>
<b>Investing activities</b>		
Acquisition of subsidiaries – net of cash acquired	25	(53,099)
Amounts placed on escrow in relation to property acquisitions		(1,800)
Deposits paid to secure future property acquisitions		(15,024)
Purchase of investment property		(12,821)
Purchase of property, plant and equipment		(17,260)
Proceeds from disposal of property, plant and equipment		169
Purchase of intangible assets - software		(183)
<b>Net cash used in investing activities</b>		<b>(100,018)</b>
<b>Financing activities</b>		
Dividends paid		(2,079)
Payments to acquire or redeem the entity's own shares		(3,986)
Share issue costs paid		(14,049)
Proceeds on issue of shares		178,451
New bank loans and overdrafts raised		10,329
New loans granted to partners		(327)
New loans received from minority investors		2,286
<b>Net cash from financing activities</b>		<b>170,625</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>59,603</b>
Effect of foreign exchange rates		3,069
<b>Cash and cash equivalents at 31 December</b>		<b>62,672</b>

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STATEMENT OF ACCOUNTING POLICIES**

***Basis of preparation***

These consolidated financial statements have been prepared for the purposes of the Atlas Estates Limited Prospectus.

These consolidated financial statements have been approved for inclusion in the Prospectus of the Company by the Board of Directors on 14 November 2007.

These financial statements have been prepared in accordance with 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 an historical cost basis as amended by the revaluation of investment properties and land and buildings. The principal accounting policies are set out below.

***Changes in relation to previously published consolidated financial statements***

The Company published its first consolidated financial statements for 11 months ended 31 December 2006 on 11 June 2007.

Net assets and net result of the Group for the period, presented in these consolidated financial statements are the same as those presented in the published statutory consolidated financial statements. However, an additional charge of €700,000 has been made to administrative expenses and a credit to tax expense has been recognised for the benefit of additional costs arising in operating subsidiaries. There have also been some changes that have been made to the note disclosures to incorporate the requirements of the EU Prospectus Directive.

***Basis of consolidation***

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

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

The interest of minority shareholders is stated at the minority’s proportion of the fair value of the assets and any liabilities recognised. 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.

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

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



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***Segmental reporting***

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

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

***Revenue recognition***

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

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

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

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

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

***Share based payments***

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

***Foreign currencies***

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

Transactions in foreign currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value, which are denominated in foreign currencies, are

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translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

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

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

***Leases***

Where the Group is the lessee:

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

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

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 are initially recognised in the balance sheet at fair value of the payments made and are classified in accordance with the designated use of the individual property (inventory, investment property or separate balance sheet item where the property is designated for own use or does not qualify as inventory or investment property).

Where the land held under operating lease classified as inventory (related to development of housing units) the initially recognised value is not subsequently revalued, unless the carrying value exceeds net realisable value.

Where the land 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

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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 inventory or 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 recorded at the proceeds received, net of direct issue costs. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

***Intangible assets***

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

***Property, plant and equipment***

Land (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.

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

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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	10% to 33% per annum
Motor vehicles	20% per annum

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

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

***Inventories of housing units***

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

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***Trade receivables***

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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 cost of sales. 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 cost of sales 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. 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.

***Financial liabilities and equity***

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

***Bank borrowings***

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

***Trade payables***

Trade payables are 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.

***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

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liable to a fixed fee of £600 per annum. The Directors intend to conduct the Company's affairs such that it continues to remain eligible for exemption.

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

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

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

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

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

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

***Dividends***

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

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

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods and which the entity has not early 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 (revised March 2007; effective for annual periods beginning on or after 1 January 2009).
- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', It introduces new disclosures relating to financial instruments. The group will apply IFRS 7 from 1 January 2007, but it is not expected to have any material impact on the classification and valuation of the group's financial instruments.

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- IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU) - The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires a company to report financial and descriptive information about its operating segments and specifies how a company should report such information. The Group will apply IFRS 8 from 1 January 2009. The Group is currently assessing the impact of the IFRS 8 on its financial statements.
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007).
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006).
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.
- 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 is not expected to have any material impact on the Group's financial statements.
- 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; not yet adopted by the EU), addresses how companies, that grant their customers loyalty award credits when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points (not yet adopted by EU) - no such arrangement exists within the Group.
- IFRIC 14, The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 July 2008; not yet adopted by EU), addresses certain aspects of the accounting for pension plans. No such plans exist within the Group.

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**1. Financial risk management**

**1.1 Financial risk factors**

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

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

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

*(a) Market risk*

*(i) Foreign exchange risk*

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

In the period covered by these consolidated financial statements the Group has not entered into any currency hedging transactions.

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

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

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

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

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



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(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

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

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

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

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

*(b) Credit risk*

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

*(c) Liquidity risk*

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

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

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	<b>31 December 2006</b>
	<b>€'000</b>
<b>Financial assets – current</b>	
Trade receivables – maturity within one year	22,241
Cash and cash equivalents – maturity within one year	62,672
	<b>84,913</b>
<b>Financial liabilities – non-current borrowings</b>	
Between 1 and 2 years	(27,967)
Between 2 and 5 years	(15,755)
Over 5 years	(37,836)
	<b>(81,558)</b>
<b>Financial liabilities – current</b>	
Borrowings	(2,892)
Trade and other payables – maturity within one year	(30,724)
	<b>(33,616)</b>

## 1.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 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 2006 was as follows and is low as cash raised at the placing shares was awaiting investment:

	<b>31 December 2006</b>
	<b>€'000</b>
Total borrowings	(84,450)
Less: cash and cash equivalents	62,672
Net debt	(21,778)
Total equity	(223,862)
<b>Total capital</b>	<b>(245,640)</b>
Gearing ratio	8.9%

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**2. Critical accounting estimates and judgements**

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

**2.1 Critical accounting estimates and assumptions**

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

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

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

*(b) Inventory*

The Group's main activities is the development and sale of residential apartments. The process of obtaining zoning and permits may in itself take some time. This period is then added to by the time taken to construct the apartments. In this time the 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. To enable this review, management have appointed an appropriately qualified engineer to monitor and control the costs of construction.

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

*(c) Income taxes*

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

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

*Distinction between investment properties and owner-occupied properties*

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

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

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**3. Business and geographical segments**

**Primary reporting format – Business segments**

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

Segment information about these businesses is presented below:

	Property rental	Residential sales	Hotel operations	2006
	€'000	€'000	€'000	€'000
<b>Revenue</b>	5,321	-	-	5,321
<b>Segment result</b>	4,712	(413)	(1,127)	3,172
Unallocated costs				(13,805)
<b>Operating loss</b>				<b>(10,633)</b>
Finance cost				(1,663)
Finance income				2,507
<b>Loss before tax</b>				<b>(9,789)</b>
Tax on loss on ordinary activities				(840)
<b>Loss for the period</b>				<b>(10,629)</b>
Attributable to minority interests				(61)
<b>Net profit attributable to equity shareholders</b>				<b>(10,690)</b>
<b>Segment assets</b>	63,295	111,589	101,626	276,510
Share of joint venture assets				3,253
Unallocated assets				81,490
<b>Total assets</b>				<b>361,253</b>
<b>Segment liabilities</b>	(20,842)	(42,977)	(49,668)	(113,487)
Share of joint venture liabilities				(783)
Unallocated liabilities				(23,121)
<b>Total liabilities</b>				<b>(137,391)</b>
<b>Other segment items</b>				
Capital expenditure	228	8,728	85,145	
Depreciation	29	66	93	
Amortisation	16	1	3	

There are immaterial sales between the business segments. Unallocated costs represent corporate expenses and the net impairment charge for goodwill. Segment assets include property, plant and equipment, goodwill, inventories, debtors and operating cash. Segment liabilities comprise operating liabilities and

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

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

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

**Secondary reporting format – geographical segments**

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

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

	Revenue €'000	Segment assets €'000	Capital expenditure €'000	Depreciation €'000	Amortisation €'000
Poland	243	159,658	95,638	147	5
Hungary	5,078	69,381	228	29	16
Slovakia	-	37,799	64	16	-
Romania	-	31,052	-	-	-
	<b>5,321</b>	<b>297,890</b>	<b>95,930</b>	<b>192</b>	<b>21</b>
Investment in joint ventures		3,253			
Unallocated assets		60,110			
		<b>361,253</b>			
<b>Analysis of revenue by category continuing operations</b>			<b>2006 €'000</b>		
Rental income			5,321		
Sales of apartments			-		
Other			-		
<b>Total</b>			<b>5,321</b>		

**4. Finance income - net**

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

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**5. Other gains and losses – net**

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

**6. Expenditure analysed by nature of expense**

Administrative expenses are analysed by the nature of the expense as follows:

	<b>2006</b>
	<b>€'000</b>
Staff costs - wages and salaries	914
- social security costs	186
- pension costs	33
	1,133
Amortisation of intangible assets	21
Depreciation of property, plant and equipment	192
Repairs and maintenance expenditure	15
Incentive fee and management fee payable to AMC (note 26)	9,400
Audit and tax services	427
Share based payments (note 22)	542
Other administrative expenses	5,375
Profit on disposal of property plant and equipment	(74)
	<b>17,031</b>
Cost of sales	2,482
Administrative expenses	17,031
Other operating income	(650)
Other operating expenses	580
	<b>19,443</b>

**7. Tax on profit on ordinary activities**

	<b>2006</b>
	<b>€'000</b>
<b>Continuing operations</b>	<b>€'000</b>
Current tax	(128)
Deferred tax	(712)
<b>Taxation</b>	<b>(840)</b>

**Tax on items charged to equity**

	<b>2006</b>
	<b>€'000</b>
Deferred tax on exchange movements offset in reserves	(301)
Deferred tax on revaluations	(699)
	<b>(1,000)</b>

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

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

	<b>2006</b>
	<b>€'000</b>
Loss on ordinary activities before tax	(9,789)
Tax on loss on ordinary activities at average country rate – 19%	(1,860)
Factors affecting charge:	
Permanent differences	1,569
Utilisation of brought forward tax losses	(135)
Adjustment to deferred tax relating to a change in tax rates in the year	557
Deferred tax not recognised on losses	645
Differences in local tax rates	64
<b>Tax charge for period</b>	<b>840</b>

**8. Dividends**

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

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

**9. Loss per share**

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

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

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

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



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**10. Goodwill**

	<b>2006</b>
	<b>€'000</b>
<b>Cost</b>	
At 3 February 2006	-
Acquisitions through business combinations (see note 25)	13,354
<b>At 31 December 2006</b>	<b>13,354</b>
<b>Aggregate impairment</b>	
At 3 February 2006	-
Impairment charge	(13,354)
<b>At 31 December 2006</b>	<b>(13,354)</b>
<b>Net book amount at 31 December 2006</b>	<b>-</b>

The underlying assets and liabilities of the Group relate to its property assets and development projects. Such assets and liabilities were independently valued as at their acquisition date. 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.

**11. Intangible assets**

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

Land under operating lease of €18,500,000 arose under business combinations. During the period amortisation of €78,000 was charged to the income statement.

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**12. Property, plant and equipment**

	Buildings	Plant and equipment	Motor vehicles	Total
	€'000	€'000	€'000	€'000
<b>Cost or valuation</b>				
At 3 February 2006	-	-	-	-
Acquisitions through business combinations	67,431	113	113	67,657
Additions at cost	16,909	305	46	17,260
Exchange adjustments	427	(2)	5	430
Disposals	(7)	(29)	(72)	(108)
Revaluation	3,680	-	-	3,680
<b>At 31 December 2006</b>	<b>88,440</b>	<b>387</b>	<b>92</b>	<b>88,919</b>
<b>Accumulated depreciation</b>				
At 3 February 2006	-	-	-	-
Charge for the year	(18)	(80)	(16)	(114)
Disposals	2	10	1	13
<b>At 31 December 2006</b>	<b>(16)</b>	<b>(70)</b>	<b>(15)</b>	<b>(101)</b>
<b>Net book value at 31 December 2006</b>	<b>88,424</b>	<b>317</b>	<b>77</b>	<b>88,818</b>

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

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

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

	2006
	€'000
Cost	84,760
Accumulated depreciation	(16)
<b>At 31 December 2006</b>	<b>88,744</b>

**13. Investment property**

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

The fair value of the Group's investment property at 31 December 2006 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield. The valuation, which conforms to

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International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

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

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

**14. 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 2006 are as follows:

	<b>€'000</b>
No later than one year	3,440
Later than one year and no later than 5 years	9,178
Later than 5 years	8,848
<b>At 31 December 2006</b>	<b>21,466</b>

**15. Inventories**

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

The Group consumed €nil of inventories during the period.

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

**16. Trade and other receivables**

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

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**17. Cash and cash equivalents**

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

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

**18. Trade and other payables**

	<b>€'000</b>
<b>Current</b>	
Trade payables	(2,835)
Other tax and social security	(300)
Deferred consideration (note 25e)	(14,154)
Other creditors	(3,086)
Accruals and deferred income	(10,349)
	<b>(30,724)</b>
<b>Non-current – other payables</b>	
Loans from minority investors	(5,388)
Other non-current trade and other payables	(659)
	<b>(6,047)</b>
	<b>(36,771)</b>

The loans from minority investors were unsecured and bore interest between 3.9% and 10.0% per annum. The book value of the loans are considered to be approximately equal to their fair value. They are repayable within 1-2 years.

**19. Bank loans**

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

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

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

	Euro	Zloty
Bank loans	5.75% to 6.10%	6.44%

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

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

	Euro €'000	Zloty €'000	Total €'000
Bank loans and overdrafts	69,874	9,188	79,062

The Group has the following undrawn borrowing facilities:

Floating rate:	Euro €'000
Expiring beyond one year	13,791

## 20. Deferred tax

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

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

	€'000
At 3 February 2006	-
Acquisitions through business combinations	(17,880)
Charged to income statement	(712)
Charged to equity	(1,000)
Exchange differences	(145)
<b>At 31 December 2006</b>	<b>(19,737)</b>

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

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

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

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

  

<b>Deferred tax assets – non-current</b>	<b>Tax losses</b>	<b>Other</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
At 3 February 2006	-	-	-
Acquisitions through business combinations	19	87	106
Charged to the income statement	841	849	1,690
Other	-	25	25
<b>At 31 December 2006</b>	<b>860</b>	<b>961</b>	<b>1,821</b>

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

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

**21. Share capital and premium**

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

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

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

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

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

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

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

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

The Company exercised this authority between July and November 2006 to make market purchases of its own shares for cancellation. A total of 945,000 shares have been bought back under the authority detailed above at an average price of 287.37 pence per share (€4.17 per share).

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

(h) Upon admission to AIM on 1 March 2006 the Company issued warrants to subscribe for 5,114,153 of its shares to the Property Manager and its directors. Warrants for a further 37,965 were issued upon exercise of the Green Shoe on 15 March 2006. Outstanding warrants over 5,488,118 Ordinary shares of €0.01 each were in issue at 31 December 2006 with exercise dates ranging from 1 March 2007 to 1 March 2013 and having an exercise price of €5.00. Details of the grant and exercise dates and exercise price of warrants issued can be found in note 22.

## **22. Share based payment**

On 23 February 2006 the Company executed and adopted a Warrant Instrument and thereby constituted up to 5,114,153 Warrants that were issued on 24 February 2006 conditional upon the Company's admission to AIM on 1 March 2006. This was increased by 373,965 on 20 March 2006 upon the exercise of the Greenshoe provisions of the placing agreement. The Warrants are exercisable during the period commencing on Admission to AIM and expiring on the earlier of: (i) seven years from Admission; or, (ii) upon an offeror becoming entitled to acquire the entire issued share capital of the Company. Each of the

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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 year	1 year
Expected volatility	15%	15%
Option life (years)	7 years	7 years
Expected life (years)	7 years	7 years
Risk free rate	4.3%	4.3%
Expected dividends expressed as a dividend yield	8.29%	8.29%
Possibility of ceasing employment before vesting	Nil	Nil
Fair value per warrant option	18 eurocents	18 eurocents

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

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



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**23. Other reserves**

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

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

**24. Minority interest**

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

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**25. Acquisition of subsidiary undertakings**

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

	<b>Book Value</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Net assets acquired</b>			
Intangible assets	4	-	4
Land under operating lease	11,453	7,047	18,500
Property, plant and equipment	32,993	34,606	67,599
Investment property	37,400	-	37,400
Shareholder loans receivable	459	(459)	-
Deferred tax assets	106	-	106
Loans due from associates	6,105	-	6,105
Inventory	54,383	17,654	72,037
Trade and other receivables	3,895	-	3,895
Cash	3,577	-	3,577
Shareholder loans payable	(89,261)	79,883	(9,378)
Banks Loan	(59,821)	-	(59,821)
Trade and other payables	(8,552)	-	(8,552)
Deferred tax liabilities	(3,037)	(11,268)	(14,305)
Overdrafts	(1,173)	-	(1,173)
Current tax liabilities	(44)	-	(44)
<b>Net assets</b>	<b>(11,513)</b>	<b>127,463</b>	<b>115,950</b>
Minority interests			(1,255)
Goodwill			11,956
Negative Goodwill			(6,338)
<b>Total consideration</b>			<b>120,313</b>
Satisfied by:			
Equity			68,515
Cash			51,798
			<b>120,313</b>

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

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

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

On 9 May 2006, the Group acquired the remaining 66.67% of Trilby B.V., HPA Sp z o.o. and 50% of DPM Sp z. o.o. for a cash consideration of €36.003 million. This group of companies owns and manages various property assets in Poland which the Group acquired on 1 March 2006 and is included in the table above. The transaction has been accounted for by the purchase method of accounting. Negative goodwill of €6,338,000 arose on this further acquisition.

These companies were either intermediary holding companies or development companies and did not trade within the period 1 March 2006 to 8 May 2006. Therefore the above results, which are consolidated in the Group results from 1 March 2006, represent the result of those companies for the equivalent 11 month period for which the Group was in existence.

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

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

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

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

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- (c) On 10 October 2006, the Group acquired a 50% interest in the share capital of Slovak Investment and Development for a cash consideration of €1.372 million. This company has investments in land assets in Kosice, Slovakia. This transaction has been accounted for using the purchase method of accounting.

	<b>Book Value</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Share of Net assets acquired</b>			
Investment property	343	-	343
Trade and other receivables	94	-	94
Cash	15	-	15
Shareholder loans payable	(14)	-	(14)
Trade and other payables	(94)	-	(94)
	344	-	344
Goodwill			1,028
Total consideration			1,372
Satisfied by:			
Cash			1,372

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

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

	<b>Book Value</b>	<b>Fair value adjustments</b>	<b>Fair value</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Net assets acquired</b>			
Inventory	4,524	17,476	22,000
Trade and other receivables	240	(240)	-
Cash	20	-	20
Shareholder loans payable	(4,730)	4,730	-
Trade and other payables	(9)	-	(9)
Deferred tax liabilities	-	(2,796)	(2,796)
	45	19,170	19,215
Goodwill			(5,061)
Total consideration			14,154
Satisfied by:			
Deferred consideration (note 18)			14,154

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

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

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Where negative goodwill arose on an acquisition, this amount has immediately been credited to the income statement in the period.

**26. Related party transactions**

(a) As described at Note 25(a) above, on 24 February 2006 the Company completed the acquisition of a number of corporate entities from the founder shareholders of the Group, namely RP Capital Group entities, Elran (DD) Real Estates Ltd (“Elran”) and Izaki Group entities, details of which were as follows:

- Berghey acquisition agreement. The Company entered into the Berghey Acquisition Agreement with Elran and acquired the entire issued share capital of Berghey. In addition shareholder loans to Berghey were assigned to the Company.
- Darenisto acquisition agreement. The Company entered into the Darenisto Acquisition Agreement with RP Funds (“RP”), and acquired the entire registered share capital of Darenisto.
- Cap East acquisition agreement. The Company entered into the Cap East Acquisition Agreement with Brack Cap Real Estate Development (Netherlands) BV, and acquired the entire registered share capital in Cap East Kft.
- CI-2005 acquisition agreement. The Company entered into the CI-2005 Acquisition Agreement with Brack Cap Real Estate Development (Netherlands) BV and acquired the entire registered share capital in CI-2005 Investment Kft.
- Emerald Acquisition Agreement. The Company entered into the Emerald Acquisition Agreement with Emerald, and acquired the entire registered stake in Circle Slovakia S.R.O.
- Lanos acquisition agreement. The Company entered into the Lanos Acquisition Agreement with Lanos, and acquired the entire registered stake in Capital Art Apartments and Nowy Zoliborz
- Silverock acquisition agreement. The Company entered into Silverock Acquisition Agreement with Silverock Commerce Limited (Osterreichische Volksbanken-Aktiengesellschaft (OVAG) Group), and acquired (i) the shares held by Silverock in each of QSJ and TPK and (ii) the entire registered stake in Circle Slovakia S.R.O.
- Felikon acquisition agreement. The Company entered into the Felikon Acquisition Agreement with BCRE Properties and BCRE Izaki BV (both the Izaki Group), and acquired the entire registered share capital of Felikon Kft.

The consideration for the above transactions was settled in shares and/or cash as follows:

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

There were no balances outstanding as at 31 December 2006.

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

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- (c) Silverock Commerce Limited is an investment subsidiary of Osterreichische Volksbanken-Aktiengesellschaft (OVAG), an Austrian Bank. Throughout the period to 31 December 2006 OVAG provided loan facilities to a number of Atlas projects and investments. All such facilities were entered into on an arms length basis with market standard commercial terms. At exchange rates prevailing on 31 December 2006 a total of €57,403,360 was due to the OVAG Group. Interest paid or capitalised to the OVAG Group for the period ended 31 December 2006 was €2,877,830.
- (d) During the period the Group made a short term loan of €500,000 to one of its minority partners. The loan was made at arms length and carried an interest rate of Euribor plus 3%. At 31 December 2006 an amount of €17,000 remained outstanding.
- (e) Key management compensation

	€'000
Fees for non-executive directors	227

The Group has appointed Atlas Management Company Limited (“AMC”) to manage its property portfolio. AMC is owned by the founder shareholders of the Group. In consideration of the services provided by AMC, AMC received a management fee of €3.8 million for the period ended 31 December 2006. In accordance with the property management agreement, AMC will receive an annual management fee of 2% of the previous year’s closing NAV (less any un-invested net proceeds of the IPO or any subsequent equity capital raising) subject to a minimum fee in each of the two periods to 31 December 2007 equivalent to an annual payment of €4.6 million..

In addition, AMC 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 per cent. of the amount by which the Total Shareholder Return for the relevant financial period exceeds the Hurdle Rate for such period multiplied by the previous year’s closing NAV, after the deduction of any dividends declared or to be declared but not yet paid in respect of that period. The performance fee for the period ended 31 December 2006 was €5.6 million.

- (f) Under the loan agreement of 29 September 2005 Kendalside Ltd. (subsidiary of Eastfield) extended a loan facility of EUR 2,695,797 to Circle Slovakia for the acquisition of a real property. The loan facility is to be repaid by 31 August 2008, and bears interest at a variable rate equal to the sum of EURIBOR and the lender’s margin. As of the 31<sup>st</sup> December 2006 Circle Slovakia has drawn the loan facility in the amount of EUR 2,695,797.
- (g) Under the loan agreement of 30 October 2006 Eastfield Holding (Cyprus) Limited extended a loan facility of SKK 340,000,000 to Eastfield Atlas (previously Slovak Investment and Development) 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 the 31<sup>st</sup> December 2006 the borrower has used the loan facility in the amount of SKK 21,724,780.

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**27. Post balance sheet events**

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

**The Millennium Plaza, Warsaw, Poland**

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

**Volan Development Project, Budapest, Hungary**

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

- (b) On 29 March 2007 Atlas completed the acquisition of the Golden Tulip hotel in Bucharest, Romania, via the purchase of 100% of the share capital of Kalipi Holdings Limited a company incorporated in Cyprus. Kalipi in turn owns 100% the hotel owning company and the hotel management company. Atlas paid €7.5 million in cash for the shares.
- (c) On 31 May 2007 Atlas entered into a 50:50 joint venture with EdR Real Estate (Eastern Europe) S.C.A.SICAR that then completed the acquisition of the Cybernetyki project in Warsaw, Poland. This asset comprised of a 3,100 square metre plot of land currently zoned for office development, but to be re-zoned to allow residential development. The JV paid €6.5 million for the land.
- (d) On 31 May 2007, the Directors of Atlas declared that the interim dividend would be payable on 29 June 2007 and the amount of 6,046 (€'000) has been subsequently paid.
- (e) On 2 July 2007, Atlas completed the acquisition of an income producing asset in Gdansk, Poland. The Sadowa Office building is a modern office building comprising 7,471 sqm of high quality office space over 6 floors in the City Centre. The occupancy level is 99% with 6,000 sqm of net leasable office space. The acquisition price was €9.5 million, the Building generates €850,000 in Net Operating income, a yield of over 9%. The property was recently valued at €11.3 million.
- (f) On 4 July 2007, Atlas bought out its JV partner's interest in its Voluntari land in Romania. Atlas now owns 100% of the land having acquired the outstanding 40% for €8.6 million. This was settled by €6.4 million in cash and the remainder in setoff of shareholder loans made to the JV.

The Voluntari land comprises 3 plots with a total surface area of 99,116 square metres. It is situated in the north of Bucharest.

- (g) In August 2007 the Group entered into 50/50 joint venture with CF Plus Sp. z o.o., and together with its partner will acquire a development land in Gdańsk for EUR 14.3 million.
- (h) Also in August 2007 the Group entered the conditional purchase agreement for 500 shares of a nominal value of 10 leva each and the aggregate value of 5,000 leva, constituting 100% of the share capital of IMMOBUL EOOD. On 15 October 2007 the purchase transaction was completed.



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**28. Principal subsidiary companies**

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

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

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## Independent Auditor's Report

### To the Board of Directors of Atlas Estates Limited

**PricewaterhouseCoopers Sp. z o.o.**  
Al. Armii Ludowej 14  
00-638 Warszawa  
Poland  
Telephone +48 (22) 523 4000  
Facsimile +48 (22) 523 4040  
[www.pwc.com/pl](http://www.pwc.com/pl)

We have audited the accompanying consolidated financial statements of Atlas Estates Investment B.V. (previously Berghey Holdings B.V.) located in Amsterdam 1017WT, Oosteinde 7-11 ("Atlas Estates Investment") and its subsidiaries (together "the Atlas Estates Investment Group"), prepared for the purpose of the Prospectus and presented on pages F-47 to F-86, which comprise the consolidated balance sheets as of 28 February 2006 and 31 December 2004 and the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the periods of 14 and 12 months then ended, as well as notes to the consolidated financial statements comprising a summary of accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

These consolidated financial statements have been prepared by Atlas Estates Limited (the "Issuer") for inclusion in the Prospectus in accordance with Annex 1, item 20.1 of Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the "EU Prospectus Regulation"). The Board of Directors of the Issuer is responsible for the preparation and fair presentation of the consolidated financial statements of the Atlas Estates Investment Group in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditor's Report**

**To the Board of Directors of Atlas Estates Limited (cont.)**

*Opinion*

In our opinion, the accompanying consolidated financial statements give, for the purposes of the Prospectus, a true and fair view of the financial position of the Atlas Estates Investment Group as of 28 February 2006 and 31 December 2004, and of its financial performance and its cash flows for the periods of 14 and 12 months then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Declaration*

For the purposes of item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Tomasz Konieczny  
Member of Management Board  
Registered Auditor  
No. 90070/7670

Registered Audit Company  
No. 144

Warsaw, 14 November 2007

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Atlas Estates Investment B.V. Group  
(formerly Berghey Holdings B.V. Group)  
Oosteinde 7-11  
1017 WT  
Amsterdam, Netherlands

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**CONSOLIDATED INCOME STATEMENTS**

	12 months ended 31 December 2004 €'000	14 months ended 28 February 2006 €'000	Notes
<b>Revenue</b>	-	413	3
<b>Gross profit</b>	-	413	
Administrative expenses	(43)	(1,427)	6
Other operating expenses	-	(38)	6
Other operating income	-	71	6
Impairment of Goodwill	-	(169)	9
Other gains / (losses) – net	(4)	1,806	5
Loss on disposal of subsidiary	-	(5)	23b
<b>Operating profit/(loss)</b>	<b>(47)</b>	<b>651</b>	
Finance income	590	336	4
Finance costs	(655)	(999)	4
Share of profit/(loss) of associates	(229)	12	12
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>(341)</b>	<b>-</b>	
Tax expense	-	(54)	7
<b>Profit/(loss) for the period</b>	<b>(341)</b>	<b>(54)</b>	
<b>Attributable to:</b>			
Equity shareholders	(341)	(228)	
Minority interests	-	174	
	<b>(341)</b>	<b>(54)</b>	
Profit/(Loss) per €100 ordinary share - basic	<b>(€1,874)</b>	<b>(€1,252)</b>	8
Profit/(Loss) per €100 ordinary share - diluted	<b>(€1,874)</b>	<b>(€1,252)</b>	8

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**CONSOLIDATED BALANCE SHEETS**

	31 December 2004	28 February 2006	
	€'000	€'000	Notes
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	-	1	10
Goodwill	10	-	9
Property, plant and equipment	-	139	11
Investment in associates	1,666	-	12
Loans to associates	5,222	7,441	14
	<b>6,898</b>	<b>7,581</b>	
<b>Current assets</b>			
Inventory	-	44,764	13
Trade and other receivables	337	1,896	14
Cash and cash equivalents	35	417	16
	<b>372</b>	<b>47,077</b>	
<b>TOTAL ASSETS</b>	<b>7,270</b>	<b>54,658</b>	
<b>Current liabilities</b>			
Trade and other payables	(7,906)	(30,325)	17
	<b>(7,906)</b>	<b>(30,325)</b>	
<b>Non-current liabilities</b>			
Obligation related to associates	-	(559)	12
Bank loans	-	(24,482)	18
	-	<b>(25,041)</b>	
<b>TOTAL LIABILITIES</b>	<b>(7,906)</b>	<b>(55,366)</b>	
<b>NET ASSETS</b>	<b>(636)</b>	<b>(708)</b>	
<b>EQUITY</b>			
Share capital	18	18	20
Other reserves	156	138	21
Retained Losses	(811)	(1,039)	
<b>Equity attributable to equity holders of the parent</b>	<b>(637)</b>	<b>(883)</b>	
<b>Minority Interests</b>	<b>1</b>	<b>175</b>	<b>22</b>
<b>TOTAL EQUITY</b>	<b>(636)</b>	<b>(708)</b>	

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Other reserves	Retained losses	Total	Minority interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000
<b>As at 1 January 2004</b>	18	37	(470)	(415)	1	(414)
Result for the period	-	-	(341)	(341)	-	(341)
Exchange adjustments	-	119	-	119	-	119
<b>As at 31 December 2004</b>	<b>18</b>	<b>156</b>	<b>(811)</b>	<b>(637)</b>	<b>1</b>	<b>(636)</b>
Exchange adjustments	-	(18)	-	(18)	-	(18)
Result for the period	-	-	(228)	(228)	174	(54)
<b>As at 28 February 2006</b>	<b>18</b>	<b>138</b>	<b>(1,039)</b>	<b>(883)</b>	<b>175</b>	<b>(708)</b>

Gains and losses recognised directly in equity amounted to: gain in the amount of EUR 119 thousands (for the period of 12 months ended on 31 December 2004) and loss in the amount of EUR 18 thousands (for the period of 14 months ended on 28 February 2006). Total losses recognised in equity for the periods presented above were equal to: loss in the amount of EUR 222 thousands (for the period of 12 months ended on 31 December 2004) and EUR 72 thousands (for the period of 14 months ended on 28 February 2006).



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**CONSOLIDATED CASH FLOW STATEMENTS**

	12 months ended 31 December 2004	14 months ended 28 February 2006
	€'000	€'000
<b>Cash flows from operating activities</b>		
Loss before tax for the period	(341)	-
Adjustments for:		
Finance costs	655	999
Finance income	(590)	(336)
<b>Operating profit/(loss)</b>	<b>(276)</b>	<b>663</b>
Depreciation of property, plant and equipment	-	46
Share of associates loss/(profit), obligation related to associates	229	(12)
Effects of foreign exchange	4	(1,806)
Impairment of goodwill	-	169
Other	2	-
	<b>235</b>	<b>(1,603)</b>
<b>Changes in working capital</b>		
Increase in inventory	-	(42,579)
Increase in trade and other receivables	(117)	(1,343)
Increase in trade and other payables	222	472
	<b>105</b>	<b>(43,450)</b>
<b>Cash outflow generated from operations</b>	<b>64</b>	<b>(44,390)</b>
Interest received	590	-
Interest paid	(655)	(3)
<b>Net cash outflow from operating activities</b>	<b>(1)</b>	<b>(44,393)</b>
<b>Investing activities</b>		
Acquisition of subsidiaries – net of cash acquired	(7)	-
Acquisition of associates	(1,985)	261
Purchase of property, plant and equipment	-	(201)
Repayment of loans	105	-
<b>Net cash used in investing activities</b>	<b>(1,887)</b>	<b>60</b>
<b>Financing activities</b>		
New bank loans and overdrafts raised	-	24,482
New loans granted to or from partners	-	20,219
Increase in shareholder loans	1,919	-
<b>Net cash from financing activities</b>	<b>1,919</b>	<b>44,701</b>
<b>Net increase in cash and cash equivalents in the period</b>	<b>31</b>	<b>368</b>
Effect of foreign exchange rates	-	14
<b>Cash at beginning of period</b>	<b>-</b>	<b>35</b>
<b>Cash and cash equivalents at period end</b>	<b>35</b>	<b>417</b>

Movements in working capital have taken into account the change in recognition of Platinum Towers (formerly HPA) and DPM from associates to joint ventures.

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**General Information**

These consolidated financial statements have been prepared for the purposes of the Atlas Estates Limited admission prospectus. Atlas Estates Investment B.V. Group's current parent and ultimate parent company is Atlas Estates Limited.

These consolidated financial statements show the financial history of Atlas Estates Investment B.V. Group (formerly Berghey Holdings B.V. Group) since 1 January 2004 to the moment of acquisition of the Atlas Estates Investment B.V. Group by Atlas Estates Limited, and have been prepared in line with the accounting policies adopted by Atlas Estates Limited in their consolidated financial statement for the period ending 31 December 2006.

These consolidated financial statements have been approved for the purposes of inclusion in the admission prospectus of Atlas Estates Limited by the Board of Directors of Atlas Estates Limited on 14 November 2007.

Atlas Estates Investment B.V. (formerly Berghey Holdings B.V.) is a holding company that has interests in various property development companies in Poland and Slovakia which together form the group Atlas Estates Investment B.V. Group (formerly Berghey Holdings B.V. Group). Atlas Estates Investment B.V. Group's main activities is the development and sale of residential apartments.

***Basis of preparation***

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The consolidated financial statements have been prepared on an historical cost basis. The principal accounting policies are set out below.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 have been adopted in the preparation of these financial statements. They have not had any effect on these financial statements:

- IAS 19 (Amendment), Employee Benefits;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment.

Certain new standards and interpretations have been published that are mandatory for Atlas Estates Investment B.V. Group's accounting periods beginning on or after 1 January 2007 or later periods and which the entity has not early adopted, none of these standards are expected to have a significant impact on recognition or measurement of Atlas Estates Investment B.V. Group's assets or liabilities.

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- IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009).
- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', It introduces new disclosures relating to financial instruments. Atlas Estates Investment B.V. Group will apply IFRS 7 from 1 January 2007, but it is not expected to have any material impact on the classification and valuation of Atlas Estates Investment B.V. Group's financial instruments.
- IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU) - The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires a company to report financial and descriptive information about its operating segments and specifies how a company should report such information. Atlas Estates Investment B.V. Group will apply IFRS 8 from 1 January 2009. Atlas Estates Investment B.V. Group is currently assessing the impact of the IFRS 8 on its financial statements.
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007).
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006).
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.
- 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 is not expected to have any material impact on Atlas Estates Investment B.V. Group's financial statements.
- 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 Atlas Estates Investment B.V. Group.
- IFRIC 13, Customer Loyalty programmes (effective for annual periods beginning on or after 1 July 2008; not yet adopted by the EU), addresses how companies, that grant their customers loyalty award credits when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points (not yet adopted by EU) - no such arrangement exists within Atlas Estates Investment B.V. Group.
- IFRIC 14, The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 July 2008; not yet adopted by EU), addresses certain aspects of the accounting for pension plans. No such plans exist within the Atlas Estates Investment B.V. Group.

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***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Atlas Estates Investment B.V. and its subsidiaries up to 28 February 2006. Subsidiaries are those entities that are controlled by Atlas Estates Investment B.V. Control is achieved where Atlas Estates Investment B.V. has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

The consolidated financial statements are prepared in Euro and presented in thousands of Euro ("€'000"). The Atlas Estates Investment B.V. Group uses a different presentation currency from the functional currency of Polish Zloty and Slovakian Koruna's as it conducts its operations within the European Union and it enables better comparison with other companies. The parent company's functional currency is Euro.

***Associates***

Associates are all entities over which the Atlas Estates Investment B.V. Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in Associates are accounted for using the equity method of accounting and are initially recognised at cost. Atlas Estates Investment B.V. Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see Note 12).

The Atlas Estates Investment B.V. Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When Atlas Estates Investment B.V. Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, Atlas Estates Investment B.V. Group recognises further losses consistent with Atlas Estates Limited policy.

Unrealised gains on transactions between the Atlas Estates Investment B.V. Group and its associates are eliminated to the extent of Atlas Estates Investment B.V. Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Atlas Estates Investment B.V. Group.

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***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.

Atlas Estates Investment B.V. Group's primary reporting segments are geographical. There has been no segmental analysis carried out by business segment due to the Atlas Estates Investment B.V. Group operating in only one business segment.

***Revenue recognition***

Revenue comprises rental income, service charge and other recoveries from tenants and the supply of utilities to tenants of Atlas Estates Investment B.V. Group's investment and trading properties.

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

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.

***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, being the presentation currency for the consolidated financial statements.

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

Gains and losses arising on the settlement of monetary items and on the re-translation of monetary items are included in the income statement for the period. Those that arise on the re-translation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising

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on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items any exchange component of that gain or loss is also recognised directly in equity.

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

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

***Leases***

Where the land held under operating lease classified as inventory (related to development of housing units) the initially recognised value is not subsequently revalued, unless the carrying value exceeds net realisable value.

***Borrowing costs***

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

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

***Intangible assets***

Intangibles represent computer software used in Atlas Estates Investment B.V. Group's operations. Computer software is amortised over its useful economic life of two years.

***Property, plant and equipment***

Fixtures and fittings 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:

Fixtures and Fittings	10% to 33% per annum
Motor vehicles	20% per annum

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

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continued**

***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. Atlas Estates Investment B.V. Group's policy on impairment is set out below.

***Impairment***

The carrying amounts of Atlas Estates Investment B.V. Group's non-monetary assets (subject to amortisation), 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 either obtaining an independent assessment of its market value less any costs that would be incurred to realise its value, or assessing its value in use.

***Inventories***

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

***Trade receivables***

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that Atlas Estates Investment B.V. 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 'selling and marketing costs' in the income statement.

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***Cash and cash equivalents***

Cash and cash equivalents consist of cash balances, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and which form an integral part of Atlas Estates Investment B.V. Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

***Financial liabilities and equity***

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

***Bank borrowings***

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

***Trade payables***

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

***Equity instruments***

Equity instruments issued by the Atlas Estates Investment B.V. Group are recorded at the proceeds received, net of any direct issue costs.



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***Taxation***

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

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

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

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

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

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

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**1. Financial risk management**

**1.1 Financial risk factors**

Atlas Estates Investment B.V. 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 management under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with Atlas Estates Investment B.V. Group's operating units. Board of Directors 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. Management 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 Atlas Estates Investment B.V. Group.

*(a) Market risk*

*(i) Foreign exchange risk*

Atlas Estates Investment B.V. Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Polish zloty and Slovak crowns. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

To date Atlas Estates Investment B.V. Group has not entered into any currency hedging transactions.

*(ii) Price risk*

Atlas Estates Investment B.V. Group is exposed to property price and property rentals risk. Atlas Estates Investment B.V. 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 Atlas Estates Investment B.V. Group has no significant interest-bearing assets denoted in currencies other than euro, its income and operating cash flows from such assets are substantially independent of changes in market interest rates.

Atlas Estates Investment B.V. Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose Atlas Estates Investment B.V. Group to cash flow interest rate risk.

Atlas Estates Investment B.V. Group's cash flow and fair value interest rate risk is periodically monitored by management. Management analyses its interest rate exposure on a dynamic basis. It takes on exposure

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to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are considered including refinancing, renewal of existing positions, alternative financing and hedging. The scenarios are reviewed on a periodic basis to verify that the maximum loss potential is within the limit given by management.

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

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values. The increase or decrease in interest is calculated based on the net of cash and interest bearing loans as at 28 February 2006 and for a year following.

An increase in 100 basis points in interest yields would result in an increase in net interest payable of €529,583 (twelve months ended 31 December 2004) and €615,187 (fourteen months ended 28 February 2006). A decrease in 100 basis points in interest yields would result in a decrease in net interest payable of €529,583 (twelve months ended 31 December 2004) and €615,187 (fourteen months ended 28 February 2006).

*(b) Credit risk*

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

*(c) Liquidity risk*

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

A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at entity level.

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	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Financial assets – current</b>		
Trade and other receivables – maturity within one year	337	1,956
Cash and cash equivalents – maturity within one year	35	417
	<b>372</b>	<b>2,373</b>
<b>Financial assets – non-current loans</b>		
Repayable on demand	-	7,440
Between 1 and 2 years	-	-
Between 2 and 5 years	-	-
Over 5 years	-	-
	-	<b>7,440</b>
<b>Financial liabilities – non-current borrowings</b>		
Between 1 and 2 years	-	(17,995)
Between 2 and 5 years	-	(6,487)
Over 5 years	-	-
	-	<b>(24,482)</b>
<b>Financial liabilities – current</b>		
Repayable on demand	(7,270)	(28,898)
Trade and other payables – maturity within one year	(636)	(1,427)
	<b>(7,906)</b>	<b>(30,325)</b>

## **1.2 Capital risk management**

Atlas Estates Investment B.V. Group's objectives when managing capital are to safeguard Atlas Estates Investment B.V. 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, Atlas Estates Investment B.V. 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, Atlas Estates Investment B.V. 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 borrowings and loans to related parties, 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.

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Atlas Estates Investment B.V. Group's longer term strategy is to maintain a gearing ratio within 50% to 70%. The gearing ratio as at the reporting dates was as follows:

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
Total borrowings (including loans from related parties)	(7,898)	(41,512)
Less: cash and cash equivalents	35	417
<b>Net debt</b>	<b>(7,863)</b>	<b>(41,095)</b>
Total equity	(636)	(710)
<b>Total capital</b>	<b>(8,499)</b>	<b>(41,805)</b>
Gearing ratio	92.5%	98.3%

## **2. Critical accounting estimates and judgements**

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

### **2.1 Critical accounting estimates and assumptions**

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

#### *(a) Inventory*

Atlas Estates Investment B.V. Group's main activities is the development and sale of residential apartments. The process of obtaining zoning and permits may in itself take some time. It also takes time to construct the apartments. In this time the costs of the land and the construction are recorded within inventory. Atlas Estates Investment B.V. Group appointed an appropriately qualified engineer to review the net realisable value of its development properties.

In addition to this, Atlas Estates Investment B.V. Group retains Cushman & Wakefield to undertake an independent assessment of the net realisable value of its developments on a bi-annual basis. A significant amount of judgement is required in assessing the value of development properties under construction.

#### *(b) Income taxes*

Atlas Estates Investment B.V. 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. Atlas Estates Investment B.V. 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.

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**3. Business and geographical segments**

Atlas Estates Investment B.V. Group only has one business segment being the development and sale of residential premises. Consequently, no business segmental analysis has been carried out.

**Primary reporting format – geographical segments**

Atlas Estates Investment B.V. Group manages its business segments on a region wide basis. The operations are based in two main countries within Atlas Estates Investment B.V. Group's region of focus with mainly cash balances being held by the parent company. Atlas Estates Investment B.V. Group's customers are from the same territories as its assets. The assets and liabilities are disclosed by location. The two principal territories are:

- Poland, and
- Slovakia

Geographical Segment information is presented below for the period ended 31 December 2004:

	Poland €'000	Slovakia €'000	Total €'000
<b>Revenue</b>	-	-	-
<b>Segment results</b>	165	-	165
Unallocated costs			(441)
<b>Operating loss</b>			(276)
Finance cost			(655)
Finance income			590
<b>Loss before tax</b>			(341)
Tax on loss on ordinary activities			-
<b>Loss for the period</b>			(341)
Profit/loss attributable to minority interests			-
<b>Net profit attributable to equity shareholders</b>			(341)
<b>Segment assets</b>	-	-	-
Unallocated assets			7,270
<b>Total assets</b>			7,270
<b>Segment liabilities</b>	-	-	-
Unallocated liabilities			(7,906)
<b>Total liabilities</b>			(7,906)
<b>Other segment items</b>			
Capital expenditure	-	-	
Depreciation	-	-	
Amortisation	-	-	

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There are immaterial sales between the business segments. Segment assets include investment in associates, loans to associates, goodwill in associates, loans to joint ventures and operating cash. Segment liabilities comprise loans from the parent and payables.

Geographical Segment information is presented below for the period ended 28 February 2006:

	Poland	Slovakia	Total
	€'000	€'000	€'000
<b>Property Rental Revenue</b>	413	-	413
<b>Segment results</b>	<b>(447)</b>	<b>778</b>	<b>331</b>
Unallocated costs/revenues			501
<b>Operating profit</b>			<b>832</b>
Finance cost			(999)
Finance income			336
<b>Profit before tax</b>			<b>169</b>
Tax on profit on ordinary activities			(54)
<b>Profit for the period</b>			<b>115</b>
Profit/loss attributable to minority interests			174
<b>Net profit(loss) attributable to equity shareholders</b>			<b>(59)</b>
<b>Segment assets</b>	<b>12,710</b>	<b>31,864</b>	<b>44,574</b>
Unallocated assets			10,084
<b>Total assets</b>			<b>54,658</b>
<b>Segment liabilities</b>	<b>(13,466)</b>	<b>(30,824)</b>	<b>(44,290)</b>
Unallocated liabilities			(11,076)
<b>Total liabilities</b>			<b>(55,366)</b>
<b>Other segment items</b>			
Capital expenditure	201	-	201
Depreciation	61	-	61
Amortisation	1	-	1
Impairment of goodwill	-	-	169

There are immaterial sales between the business segments. Segment assets include PPE, inventory, receivables and operating cash. Segment liabilities comprise operating liabilities such as bank loans, overdrafts and payables. Unallocated assets and liabilities include loans to associates, JV's and parent entity.

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**4. Finance costs – net**

	<b>12 months ended 31 December 2004</b>	<b>14 months ended 28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
Interest payable to related parties (note 24)	(441)	(773)
Interest payable on other loans	(214)	(226)
<b>Finance costs</b>	<b>(655)</b>	<b>(999)</b>
<b>Finance income – interest income</b>	<b>590</b>	<b>336</b>
<b>Finance costs – net</b>	<b>(65)</b>	<b>(663)</b>

**5. Other gains and losses – net**

	<b>12 months ended 31 December 2004</b>	<b>14 months ended 28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
Unrealised foreign exchange gains	393	1,587
Unrealised foreign exchange losses	(397)	167
Realised foreign exchange gains	-	368
Realised foreign exchange losses	-	(316)
	<b>(4)</b>	<b>1,806</b>



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**6. Expenditure analysed by nature of expense**

Administrative expenses and other operating income and expenses are analysed by the nature of the expense as follows:

	<b>12 months ended 31 December 2004</b>	<b>14 months ended 28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
Staff costs - wages and salaries	-	(122)
- social security costs	-	(21)
- pension costs	-	(2)
	-	(145)
Depreciation of property, plant and equipment	-	(61)
Repairs and maintenance expenditure	-	(17)
General overhead costs	-	(207)
Legal fees	-	(274)
Audit and tax services	-	(28)
Other professional fees	-	(243)
Management fees	-	(145)
Other administrative expenses	(43)	(307)
	<b>(43)</b>	<b>(1,427)</b>
Administrative expenses	(43)	(1,427)
Other operating income	-	71
Other operating expenses	-	(38)
	<b>(43)</b>	<b>(1,394)</b>
Number of employees	-	15

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**7. Tax on profit on ordinary activities**

	12 months ended 31 December 2004	14 months ended 28 February 2006
	€'000	€'000
<b>Continuing operations</b>		
Current tax	-	(31)
Deferred tax	-	(23)
<b>Taxation</b>	<b>-</b>	<b>(54)</b>

	12 months ended 31 December 2004	14 months ended 28 February 2006
	€'000	€'000
Deferred tax on exchange movements	-	16
	-	16

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:

	12 months ended 31 December 2004	14 months ended 28 February 2006
	€'000	€'000
<b>Group</b>		
Profit/(Loss) on ordinary activities before tax	(341)	-
Tax on loss on ordinary activities at average country rate – 19%	65	-
Factors affecting charge:		
Permanent differences	(65)	(31)
Other differences	-	(23)
<b>Tax charge for period</b>	<b>-</b>	<b>(54)</b>

There were no income tax liabilities or receivables as at either of the reporting dates.

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**8. Loss per share**

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

**12 months ended 31 December 2004**

	Loss	Weighted average number of shares	Per share amount
	€'000		€
<b>Basic EPS</b>			
Loss attributable to equity shareholders	(341)	182	(1,874)

**14 months ended 28 February 2006**

	Loss	Weighted average number of shares	Per share amount
	€'000		€
<b>Basic EPS</b>			
Loss attributable to equity shareholders	(228)	182	(1,252)

During the period covered by these accounts, Atlas Estates Investment B.V. Group (formerly Berghey Holdings B.V. Group) did not issue any capital instruments which would have an influence on the diluted EPS figure.

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**9. Goodwill**

	€'000
<b>Cost</b>	
At 1 January 2004	-
Acquisitions through business combinations (see note 23c)	10
<b>At 31 December 2004</b>	<b>10</b>
Goodwill recognised due to change in status to joint venture (note 12)	157
Acquisitions through business combinations (see note 23b and 23d)	2
<b>At 28 February 2006</b>	<b>169</b>
<b>Aggregate impairment</b>	
At 1 January 2004	-
Impairment charge	-
<b>At 31 December 2004</b>	<b>-</b>
Impairment charge	(169)
<b>At 28 February 2006</b>	<b>(169)</b>
<b>Net book amount at 31 December 2004</b>	<b>10</b>
<b>Net book amount at 28 February 2006</b>	<b>-</b>

The underlying assets and liabilities of Atlas Estates Investment B.V. Group relate to its property assets and development projects. Such assets and liabilities were independently valued as at their acquisition date. Atlas Estates Investment B.V. 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.

Analysis of amounts charged to the Income Statement

	12 months ended 31 December 2004 €'000	14 months ended 28 February 2006 €'000
Impairment charge in relation to acquired goodwill	-	169
<b>Net charge to the Income Statement</b>	<b>-</b>	<b>169</b>

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**10. Intangible assets**

	<b>Computer software €'000</b>
<b>Cost or valuation</b>	
At 1 January 2004	-
<b>At 31 December 2004</b>	-
Additions	2
<b>At 28 February 2006</b>	2
<b>Amortisation</b>	
At 1 January 2004	-
<b>At 31 December 2004</b>	-
Charge for the period	(1)
<b>At 28 February 2006</b>	(1)
<b>Net book value at 28 February 2006</b>	<b>1</b>

**11. Property, plant and equipment**

	<b>Fixtures and fittings €'000</b>	<b>Motor Vehicles €'000</b>	<b>Total €'000</b>
<b>Cost or valuation</b>			
At 1 January 2004	-	-	-
<b>As at 31 December 2004</b>	-	-	-
Additions at cost	155	46	201
Disposals	(2)	(1)	(3)
<b>At 28 February 2006</b>	<b>153</b>	<b>45</b>	<b>198</b>
<b>Accumulated depreciation</b>			
At 1 January 2004	-	-	-
<b>As at 31 December 2004</b>	-	-	-
Charge for the year	(56)	(5)	(61)
Disposals	2	-	2
<b>At 28 February 2006</b>	<b>(54)</b>	<b>(5)</b>	<b>(59)</b>
<b>Net book value at 31 December 2004</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value at 28 February 2006</b>	<b>99</b>	<b>40</b>	<b>139</b>

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**12. Investment in associates, obligations related to associates, changes of status of joint ventures**

	Share of net assets/liabilities €'000	Goodwill €'000	Total €'000
At 1 January 2004	(414)	209	(205)
Additions	2,018	82	2,100
Obligations relating to associates	(229)	-	(229)
<b>At 31 December 2004</b>	<b>1,375</b>	<b>291</b>	<b>1,666</b>
Share of profit/(loss) in associate	12	-	12
Change in status to joint venture and obligations relating to associates	(2,080)	(157)	(2,237)
<b>At 28 February 2006</b>	<b>(693)</b>	<b>134</b>	<b>(559)</b>

**Goodwill Summary**

	€'000
Acquisition of Trilby – June 2003	134
Acquisition of DPM – June 2004 (note 23a)	75
Acquisition of DPM – September 2004 (note 23a)	71
Acquisition of Platinum Towers (formerly HPA) – September 2004 (note 23b)	34
Acquisition of Platinum Towers (formerly HPA) – December 2004 (note 23b)	(23)
<b>At 31 December 2004</b>	<b>291</b>
Change in status to joint venture (HPA and DPM to note 9)	(157)
<b>At 28 February 2006</b>	<b>134</b>

Summarised financial information of associates is as follows. The change in treatment from associate to joint venture is detailed further in note 26:

DPM	31 December 2004 €'000	28 February 2006 €'000
Share of associates balance sheet:		
Current assets	132	-
Non current assets	16	-
Current liabilities	(170)	-
Net assets	(22)	-
Revenues	46	-
Profit/(Loss)	102	-
Carrying amount of investment	<b>124</b>	-

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<b>Platinum Towers (formerly HPA)</b>	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
Share of associates balance sheet:		
Current assets	68	-
Non current assets	2,183	-
Current liabilities	(149)	-
Net assets	2,102	-
Revenues	410	-
Profit/(Loss)	63	-
Carrying amount of investment	<b>2,113</b>	-

<b>Trilby</b>	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
Share of associates balance sheet:		
Current assets	1,807	1,210
Non current assets	7,885	14,617
Current liabilities	(1,906)	(2,042)
Non Current liabilities	(8,311)	(14,787)
Net assets	(525)	(1,002)
Revenues	-	113
Profit/(Loss)	(394)	12
Carrying amount of investment	<b>(571)</b>	<b>(559)</b>

**13. Inventories**

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
Land held for development (including rights to perpetual usufruct)	-	43,683
Construction expenditures	-	1,081
	-	<b>44,764</b>

Atlas Estates Investment B.V. Group consumed €nil of inventories during the period.

Details of inventories pledged for bank loans are included in note 18.

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**14. Trade and other receivables**

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Current</b>		
Trade receivables	-	94
<b>Trade receivables– net</b>	<b>-</b>	<b>94</b>
Loans to related parties (note 24)	325	1,624
VAT and tax receivable	-	152
Prepayments and accrued income	12	9
Other receivables	-	17
	<b>337</b>	<b>1,896</b>
<b>Non Current</b>		
Loans to related parties (note 24)	5,171	7,441
Other Loans receivable	51	-
	<b>5,222</b>	<b>7,441</b>

Loans to related parties or constitute a pledge for bank loans from OVAG. Receivables from apartment sales in Capital Art apartments are also assigned to Investkredit as security over their loan.

The fair value of trade and other receivables is equal to the book value recorded in the financial statements.

**15. Operating lease receivables – where the Atlas Estates Investment B.V. Group is a lessor**

Atlas Estates Investment B.V. Group has two non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Both leases have an expiration date in December 2006

The future aggregate minimum lease receipts under non-cancellable operating leases which are not recognised as an asset as at the reporting periods are as follows:

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
No later than one year	209	189
Later than one year and no later than 5 years	267	-
Later than 5 years	-	-
<b>Total</b>	<b>476</b>	<b>189</b>



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**16. Cash and cash equivalents**

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	35	417
	<b>35</b>	<b>417</b>

**17. Trade and other payables**

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Current</b>		
Trade payables	(8)	(759)
Other tax and social security	-	(73)
Loans from related parties (note 24)	(7,898)	(17,030)
Related party trade payables (note 24)	-	(13)
Accruals and deferred income	-	(174)
VAT and corporate tax payable	-	(65)
Other loans payable (a)	-	(11,868)
Other payables	-	(343)
	<b>(7,906)</b>	<b>(30,325)</b>

(a) Other loans payables are on terms of WIBOR + 2.25%, LIBOR + 2.15%, or EURIBOR + 2.35%. They are repayable on demand.

The fair value of trade and other payables is equal to the book value recorded in the financial statements.

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**18. Bank loans**

	31 December 2004	28 February 2006
	€'000	€'000
<b>Current</b>		
<i>Bank loans and overdrafts due within one year or on demand</i>		
Secured	-	-
<b>Non-current</b>		
<i>Repayable within two years</i>		
Secured	-	(17,995)
<i>Repayable within three to five years</i>		
Secured	-	(6,487)
<i>Repayable after five years</i>		
Secured	-	-
<b>Total</b>	<b>-</b>	<b>(24,482)</b>

The OVAG loan provided to Circle Slovakia S.R.O. of €17,995,000 is secured on land owned by Circle Slovakia S.R.O. in inventory with the value of €31,537,501 in these consolidated financial statements.

The loan from Investkredit to Capital Art Apartments Sp. z o.o. of €4,788,776 is secured with the mortgage over land included in inventory owned by Capital Art Apartments with the value of €8,810,725. It is also secured by the transfer of shares to Roggia Ltd (OVAG appointed entity), the assignment of receivables from apartment sales and subordination of shareholder loans.

The loan from Investkredit to Zielono Sp. z o.o. of €1,697,933 is secured with the mortgage over land owned by Zielono Sp. z o.o., with the value of €2,830,502. It is also secured by the transfer of shares to Roggia Ltd (OVAG appointed entity), the assignment of receivables from apartment sales and subordination of shareholder loans.

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

	Euro	Zloty
Bank loans	5.75% to 6.10%	6.44%

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

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

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Bank loan details by currency for the period ended 28 February 2006:

	Euro €'000	Zloty €'000	Total €'000
Bank overdrafts	-	-	-
Bank loans	17,995	6,487	24,482
<b>Total</b>	<b>17,995</b>	<b>6,482</b>	<b>24,482</b>

Atlas Estates Investment B.V. Group has the following total borrowing facilities as at 28 February 2006:

	Euro €'000	Zloty PLN'000
Bank overdrafts	-	-
Bank loans	24,926	73,529
<b>Total</b>	<b>24,926</b>	<b>73,529</b>

**19. Capital Commitments and Contingencies**

Atlas Estates Investment B.V. Group has no expenditure commitments or contingencies of significance as at either of the reporting dates.

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**20. Share capital**

	Number of shares	Ordinary shares €'000	Total €'000
<b>Authorised</b>			
Ordinary shares of €100 each	900	90	90
<b>Issued and fully paid</b>			
At 1 January 2004	182	18	18
<b>At 31 December 2004</b>	<b>182</b>	<b>18</b>	<b>18</b>
<b>At 28 February 2006</b>	<b>182</b>	<b>18</b>	<b>18</b>

The Group was incorporated with an authorised share capital of €18,200 divided into 182 Ordinary Shares all of which were issued fully paid. On 28 February 2006, 100% of Atlas Estates Investment's (formerly Berghey's) share capital was acquired by Atlas Estates Limited.

**21. Other reserves**

	Translation €'000
At 1 January 2004	37
Exchange differences	119
<b>At 31 December 2004</b>	<b>156</b>
Exchange differences	(18)
<b>At 28 February 2006</b>	<b>138</b>

**22. Minority interest**

	€'000
At 1 January 2004	1
Share of net profit of subsidiaries	-
<b>At 31 December 2004</b>	<b>1</b>
Share of net profit of subsidiaries	174
<b>At 28 February 2006</b>	<b>175</b>

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**23. Changes to the Atlas Estates Investment B.V. Group structure and transactions with subsidiaries, associates and joint ventures**

- (a) In September 2004, the Group's holding in DPM Sp. z.o.o was increased from 40% to 50% and consideration of €59,000 was paid in cash. Fair values of the net assets acquired at the date of acquisition were as follows:

	Fair value €'000
<b>Net assets acquired</b>	
Tangible Fixed Assets	2
Receivables	1
Cash	37
Loans	(22)
Payables	(30)
<b>Net assets</b>	<b>(12)</b>
Minority interests	-
Goodwill	71
Total consideration	59
Satisfied by:	
Cash	59

Berghey also has goodwill from the purchase of the 40% shareholding of DPM in June 2003 amounting to €76,000.

- (b) In September 2004, a 50% stake in Platinum Towers Sp. z.o.o. (formerly HPA) was acquired for consideration of €1,683,000. Platinum Towers Sp. z.o.o. is a private company based in Poland which develops property. The investment in Platinum Towers Sp. z.o.o. has been included in the Group's balance sheet at its fair value at the date of acquisition.

	Fair value €'000
<b>Net assets acquired</b>	
Tangible Fixed Assets	1,726
Receivables	39
Cash	11
Loans	(126)
Payables	(1)
<b>Net assets</b>	<b>1,649</b>
Goodwill	34
Total consideration	1,683
Satisfied by:	
Cash	1,683

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In December 2004, the holding of Platinum Towers Sp. z.o.o. was increased from 50% to 57.238% for a consideration of €242,000. Fair values of the net assets acquired at the date of acquisition were as follows:

	<b>Fair value</b>
	<b>€'000</b>
<b>Net assets acquired</b>	
Tangible Fixed Assets	275
Receivables	8
Cash	1
Loans	(19)
Payables	-
<b>Net assets</b>	<b>265</b>
Goodwill	<b>(23)</b>
<b>Total consideration</b>	<b>242</b>
Satisfied by:	
Cash	242

In February 2005, 23.908% of the holding of Platinum Towers Sp. z.o.o. was sold for a consideration of €810,000. Platinum Towers is part of the Polish geographical segment. Fair values of the net assets sold at the date of disposal were as follows:

	<b>Fair value</b>
	<b>€'000</b>
<b>Net assets disposed</b>	
Tangible Fixed Assets	850
Receivables	24
Cash	3
Loans	(62)
Payables	-
<b>Net assets</b>	<b>815</b>
Loss on disposal	<b>(5)</b>
<b>Total consideration</b>	<b>810</b>
Satisfied by:	
Receivable	810

This was a non-cash transaction that was settled via intercompany account.

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- (c) In December 2004, a 90% holding in Capital Art Apartments was acquired for consideration of €13,000. Capital Art Apartments is a company based in Poland which develops property. The investment in Capital Art Apartments has been included in the Group's balance sheet at its fair value at the date of acquisition. Fair values of the net assets acquired at the date of acquisition were as follows:

	<b>Fair value</b>
	<b>€'000</b>
<b>Net assets acquired</b>	
Cash	2
Loans	5
Payables	(4)
<b>Net assets</b>	<b>3</b>
Goodwill	10
<b>Total consideration</b>	<b>13</b>
Satisfied by:	
Cash	13

- (d) In June 2005, a 60% holding in Nowy Zoliborz Sp. z.o.o. was acquired for a consideration of €11,000. Nowy Zoliborz Sp. z.o.o. is a company based in Poland. The investment in Nowy Zoliborz Sp. z.o.o. has been included in the Group's balance sheet at its fair value at the date of acquisition. Fair values of the net assets acquired at the date of acquisition were as follows:

	<b>Fair value</b>
	<b>€'000</b>
<b>Net assets acquired</b>	
Cash	275
Loans	(265)
Payables	(6)
<b>Net assets</b>	<b>4</b>
Goodwill	7
<b>Total consideration</b>	<b>11</b>
Satisfied by:	
Cash	11

Fair values were equal to book value in this instance as the only asset in the company was cash and the main liability was a loan.

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**24. Related party transactions**

The following table sets out the total balances outstanding with related parties for the relevant financial year:

<u>Balance Sheet transactions</u>	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Current assets</b>		
<i>Other Loans receivable</i>		
Trilby (b)	307	-
DPM (c)	18	-
	<b>325</b>	<b>-</b>
<i>Trade receivable</i>		
Elran (e)	-	1,594
Trilby (b)	-	30
	<b>-</b>	<b>1,624</b>
<b>Non Current Assets</b>		
<i>Shareholder Loans receivable</i>		
Trilby (b)	4,834	7,210
DPM (c)	197	131
Platinum Towers (formerly HPA) (d)	140	100
	<b>5,171</b>	<b>7,441</b>
<b>Current Liabilities</b>		
<i>Other Loans payable</i>		
Elran – interest payable (e)	(441)	-
Elran – other (e)	(187)	-
	<b>(628)</b>	<b>-</b>
<i>Trade payable</i>		
Elran (e)	-	(13)
	<b>-</b>	<b>(13)</b>
<b>Non Current Liabilities</b>		
<i>Shareholder Loans payable</i>		
Elran (e)	(7,270)	(17,030)
	<b>(7,270)</b>	<b>(17,030)</b>
<i>Bank Loans</i>		
OVAG (a)	-	(24,482)
	<b>-</b>	<b>(24,482)</b>
<b>Income Statement transactions</b>		
<b>Interest Income</b>		
DPM (c)	9	15
Trilby (b)	135	314
V Vicks	2	2
Ero-gate	2	1
Platinum Towers (formerly HPA) (d)	3	-
	<b>151</b>	<b>332</b>
<b>Interest Expense</b>		
Elran (e)	(441)	(773)
	<b>(441)</b>	<b>(773)</b>



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*Terms and conditions of transactions with related parties*

Loans that are made between the company, its subsidiaries and associates and the parent are undertaken at market rates with interest payable. They have no fixed schedule for repayment of the interest or the capital. For these reporting periods, Atlas Estates Investment B.V. Group has not made a provision for doubtful debts in relation to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. None of the loans are secured or guaranteed by any other parties. Relationships for the above transactions are described below:

- (a) Silverrock Commerce Limited is an investment subsidiary of Osterreichische Volksbanken-Aktiengesellschaft (OVAG), an Austrian Bank. It also has significant influence over Capital Art Apartments and Nowy Zoliborz. All bank facilities with OVAG were entered into on an arms length basis with market standard commercial terms. At exchange rates prevailing on 28 February 2006 a total of €24,481,592 was due to the OVAG Group. Interest paid or capitalised to the OVAG Group for the period ended 28 February 2006 was €341,792.
- (b) Trilby was an associate of Berghey Holdings B.V. during the reporting periods and the loan bears interest of LIBOR + 1%.
- (c) DPM was an associate during the reporting period ended 31 December 2004 and a Joint Venture during the reporting period ended 28 February 2006. DPM received contractual income from related parties for rent, accounting services, telephone charges and other. The loan receivable from DPM bears interest of LIBOR + 2%.
- (d) Platinum Towers (formerly HPA) was an associate during the reporting period ended 31 December 2004 and a Joint Venture during the reporting period ended 28 February 2006 and the loan bears interest of LIBOR + 2.15%.
- (e) Elran was Berghey Holdings B.V.'s parent entity during the reporting periods and until 28 February 2006. The loan bears interest of LIBOR + 1%.

The parent and ultimate parent company of Berghey Holdings B.V. throughout these reporting periods was Elran (DD) Real Estate Limited.

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**25. Post balance sheet events**

Berghey Holdings B.V. changed its name to Atlas Estates Investment B.V. on 1 March 2006.

**26. Principal subsidiary, associate and joint venture companies**

Country of incorporation	Name of the entity	Status	Percentage Holding 31/12/04	Percentage Holding 28/02/06
Poland	Platinum Towers Sp. z.o.o.	Development	57.24%	33.33%
Poland	DPM Sp. z.o.o.	Development	50%	50%
Poland	Zielono Sp. z.o.o. (formerly Nowy Zoliborz Sp. z.o.o.)	Investment	-	60%
Poland	Properpol Sp. z.o.o.	Investment	-	100%
Poland	Capital Art Apartments Sp. z.o.o.	Investment	90%	90%
Netherlands	Trilby B.V.	Investment	33.33%	33.33%
Slovakia	Circle Slovakia s.r.o.	Development	-	78.25%

The above lists the subsidiaries, associates and joint ventures of Atlas Estates Investment B.V. Group for the relevant reporting periods. The treatment of the companies in these financial statements is as follows:

- Platinum Towers (formerly HPA) – an associate during the reporting period ended 31 December 2004 (deemed not to have control even when holding was 57.24%. This is because the effective management and strategic direction of this group was provided by Trilby who owned the other 42.76%. This is consistent with other entities owned jointly by Berghey and Trilby), and a Joint Venture during the reporting period ended 28 February 2006 because of the changes in the shareholders' structure.
- DPM – associate in 2004 and joint venture in February 2006.
- Nowy Zoliborz – subsidiary since acquired.
- Properpol – subsidiary since acquired.
- Capital Art Apartments – subsidiary throughout periods.
- Trilby – associate throughout periods.
- Circle Slovakia – subsidiary since acquired.

The following is a summary of the joint ventures that are accounted for using proportionate consolidation:

(a) Platinum Towers (formerly HPA) was accounted for as an associate using the equity method in 2004. However, it was accounted for using proportionate consolidation in the 14 months ended 28 February 2006. Aggregate amounts in Platinum Towers' financial statements for the reporting dates were as follows:

**ATLAS ESTATES INVESTMENT B.V. GROUP  
(FORMERLY BERGHEY HOLDINGS B.V. GROUP)  
CONSOLIDATED FINANCIAL STATEMENTS FOR ATLAS ESTATES  
INVESTMENT B.V. GROUP (FORMERLY BERGHEY HOLDINGS B.V. GROUP)  
FOR 12 MONTHS ENDED 31 DECEMBER 2004  
AND 14 MONTHS ENDED 28 FEBRUARY 2006  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
continued**

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
Current assets	119	1
Non current assets	3,813	5,096
Current liabilities	(260)	(1,125)
Non current liabilities	-	(418)
Net assets	3,672	3,554
Income	267	-
Expenses	(157)	(335)
Profit	110	(335)

(b) DPM was accounted for as an associate using the equity method in 2004. However, it was accounted for using proportionate consolidation in the 14 months ended 28 February 2006. Aggregate amounts in DPM's financial statements for the reporting dates were as follows:

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>€'000</b>	<b>€'000</b>
Current assets	264	128
Non current assets	32	22
Current liabilities	(340)	(120)
Non current liabilities	-	(277)
Net assets	(44)	(247)
Income	724	419
Expenses	(520)	(642)
Profit	204	(223)

**27. Key management personnel compensation**

The remuneration for management services was not paid to individuals. The management company involved in the management of Berghey was Larix during the relevant reporting periods. The amount paid to Larix was €nil (2004) and €84,840 (February 2006). No short-term employee benefits, post-employment benefits, other benefits or share based payments were incurred for management in either reporting period.

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## Independent Auditor's Report

### To the Board of Directors of Atlas Estates Limited

**PricewaterhouseCoopers Sp. z o.o.**  
Al. Armii Ludowej 14  
00-638 Warszawa  
Poland  
Telephone +48 (22) 523 4000  
Facsimile +48 (22) 523 4040  
[www.pwc.com/pl](http://www.pwc.com/pl)

We have audited the accompanying consolidated financial statements of Trilby B.V. located in Amsterdam 1017WT, Oosteinde 7-11 ("Trilby") and its subsidiaries (together "the Trilby Group"), prepared for the purpose of the Prospectus and presented on pages F-89 to F-120, which comprise the consolidated balance sheets as of 8 May 2006 and 31 December 2004 and the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the period from 1 January 2005 to 8 May 2006 and for 12 months ended 31 December 2004, as well as notes to the consolidated financial statements comprising a summary of accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

These consolidated financial statements have been prepared by the Atlas Estates Limited (the "Issuer") for inclusion in the Prospectus in accordance with Annex 1, item 20.1 of Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the "EU Prospectus Regulation"). The Board of Directors of the Issuer is responsible for the preparation and fair presentation of the consolidated financial statements of the Trilby Group in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditor's Report**

**To the Board of Directors of Atlas Estates Limited (cont.)**

*Opinion*

In our opinion, the accompanying consolidated financial statements give, for the purposes of the Prospectus, a true and fair view of the financial position of the Trilby Group as of 8 May 2006 and 31 December 2004, and of its financial performance and its cash flows for the period from 1 January 2005 to 8 May 2006 and for 12 months ended 31 December 2004 in accordance with International Financial Reporting Standards as adopted by the European Union.

*Declaration*

For the purposes of item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Tomasz Konieczny  
Member of Management Board  
Registered Auditor  
No. 90070/7670

Registered Audit Company  
No. 144

Warsaw, 14 November 2007

TRILBY B.V. GROUP  
CONSOLIDATED FINANCIAL STATEMENTS FOR TRILBY B.V. GROUP  
FOR 12 MONTHS ENDED 31 DECEMBER 2004  
AND FOR THE PERIOD FROM 1 JANUARY 2005 TO 8 MAY 2006

Trilby B.V.  
Oosteinde 7-11  
1017 WT  
Amsterdam, Netherlands

**TRILBY B.V. GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR TRILBY B.V. GROUP**  
**FOR 12 MONTHS ENDED 31 DECEMBER 2004**  
**AND FOR THE PERIOD FROM 1 JANUARY 2005 TO 8 MAY 2006**

**CONSOLIDATED INCOME STATEMENTS**

	12 months ended 31 December 2004	1 January 2005 to 8 May 2006	
	€'000	€'000	Notes
<b>Revenue</b>	-	339	3
<b>Gross profit</b>	-	339	
Administrative expenses	(1,114)	(1,353)	6
Other operating expenses	(507)	(168)	6
Other operating income	447	137	6
Gain on disposal of shares in subsidiary	11	-	20
Other gains and losses – net	690	2,486	5
<b>Operating profit/(loss)</b>	<b>(473)</b>	<b>1,441</b>	
Finance income	4	37	4
Finance costs	(513)	(919)	4
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>(982)</b>	<b>559</b>	
Tax	-	6	7
<b>Profit/(Loss) for the period</b>	<b>(982)</b>	<b>565</b>	
<b>Attributable to:</b>			
Equity shareholders	(919)	565	
Minority Interests	(63)	-	
	<b>(982)</b>	<b>565</b>	
Profit/(Loss) per ordinary share – basic (€'000)	(5)	3	8
Profit/(Loss) per ordinary share – diluted (€'000)	(5)	3	8



**TRILBY B.V. GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR TRILBY B.V. GROUP**  
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**AND FOR THE PERIOD FROM 1 JANUARY 2005 TO 8 MAY 2006**

**CONSOLIDATED BALANCE SHEETS**

	31 December 2004	8 May 2006	
	€'000	€'000	Notes
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land under operating lease	11,557	11,453	9
Property, plant and equipment	11,651	33,944	11
Other loans receivable	26	28	12
	<b>23,234</b>	<b>45,425</b>	
<b>Current assets</b>			
Inventory	3,762	-	10
Trade and other receivables	636	1,813	12
Cash and cash equivalents	1,025	662	13
	<b>5,423</b>	<b>2,475</b>	
<b>TOTAL ASSETS</b>	<b>28,657</b>	<b>47,900</b>	
<b>Current liabilities</b>			
Trade and other payables	(25,074)	(30,184)	14
Bank loans	(145)	(389)	15
	<b>(25,219)</b>	<b>(30,573)</b>	
<b>Non-current liabilities</b>			
Bank loans	(5,012)	(20,105)	15
	<b>(5,012)</b>	<b>(20,105)</b>	
<b>TOTAL LIABILITIES</b>	<b>(30,231)</b>	<b>(50,678)</b>	
<b>NET LIABILITIES</b>	<b>(1,574)</b>	<b>(2,778)</b>	
<b>EQUITY</b>			
Share capital	18	18	17
Other reserves	17	313	18
Retained Losses	(3,674)	(3,109)	
<b>Equity attributable to equity holders of the parent</b>	<b>(3,639)</b>	<b>(2,778)</b>	
<b>Minority Interests</b>	<b>2,065</b>	<b>-</b>	
<b>TOTAL EQUITY</b>	<b>(1,574)</b>	<b>(2,778)</b>	

**TRILBY B.V. GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR TRILBY B.V. GROUP**  
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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Other reserves	Retained losses	Total	Minority interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000
<b>As at 1 January 2004</b>	18	-	(2,692)	(2,674)	-	(2,674)
Minority interest arising on disposal of shares in subsidiary	-	-	-	-	2,002	2,002
Result for the period	-	-	(982)	(982)	63	(919)
Exchange adjustments	-	17	-	17	-	17
<b>As at 31 December 2004</b>	<b>18</b>	<b>17</b>	<b>(3,674)</b>	<b>(3,639)</b>	<b>2,065</b>	<b>(1,574)</b>
Result for the period	-	-	565	565	-	565
Disposal of subsidiary	-	-	-	-	(2,065)	(2,065)
Exchange adjustments	-	296	-	296	-	296
<b>As at 8 May 2006</b>	<b>18</b>	<b>313</b>	<b>(3,109)</b>	<b>(2,778)</b>	<b>-</b>	<b>(2,778)</b>

Gains and losses recognised directly in equity amounted to: gain in the amount of EUR 17 thousands (for the period of 12 months ended on 31 December 2004) and loss in the amount of EUR 296 thousands (for the period from 1 January 2005 to 8 May 2006). Total gains and losses recognised in equity for the periods presented above were equal to: loss in the amount of EUR 902 thousands (for the period of 12 months ended on 31 December 2004) and gain in the amount of EUR 861 thousands (for the period from 1 January 2005 to 8 May 2006).

**TRILBY B.V. GROUP**  
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**CONSOLIDATED CASH FLOW STATEMENTS**

	<b>12 months ended 31 December 2004</b>	<b>1 January 2005 to 8 May 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Cash flows from operating activities</b>		
Profit/(Loss) before tax for the period	(982)	559
Adjustments for:		
Finance costs	513	919
Finance income	(4)	(37)
<b>Operating profit/(loss)</b>	<b>(473)</b>	<b>1,441</b>
Depreciation and amortisation	116	187
Foreign exchange gains/losses	(690)	(2,486)
Profit on sale of inventory settled via loan	445	-
Gain on sale of shares	(11)	-
	<b>(613)</b>	<b>(858)</b>
<b>Changes in working capital</b>		
Decrease in trade and other receivables	160	(1,177)
Increase in trade and other payables	3,734	174
	<b>3,894</b>	<b>(1,003)</b>
<b>Cash outflow generated from operations</b>	<b>3,281</b>	<b>(1,861)</b>
Interest received	2	-
Interest paid	-	(105)
<b>Net cash outflow from operating activities</b>	<b>3,283</b>	<b>(1,966)</b>
<b>Investing activities</b>		
Acquisition of subsidiaries – net of cash acquired	(241)	-
Proceeds from disposal of subsidiaries – net of cash disposed	1,672	-
Purchase of property, plant and equipment	(12,064)	(17,766)
Proceeds from disposal of property, plant and equipment	4,622	-
Purchase of intangible assets - software	-	(2)
Interest on bank loans	(92)	-
<b>Net cash used in investing activities</b>	<b>(6,103)</b>	<b>(17,768)</b>
<b>Financing activities</b>		
New bank loans and overdrafts raised	5,157	15,338
New loans received/(granted)	(1,352)	4,081
<b>Net cash from financing activities</b>	<b>3,805</b>	<b>19,419</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>	<b>985</b>	<b>(315)</b>
Effect of foreign exchange rates	-	(48)
<b>Cash and cash equivalents at beginning of period</b>	<b>40</b>	<b>1,025</b>
<b>Cash and cash equivalents at period end</b>	<b>1,025</b>	<b>662</b>
	<b>985</b>	<b>(363)</b>

**TRILBY B.V. GROUP  
CONSOLIDATED FINANCIAL STATEMENTS FOR TRILBY B.V. GROUP  
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STATEMENT OF ACCOUNTING POLICIES**

**General Information**

These consolidated financial statements have been prepared for the purposes of the Atlas Estates Limited IPO Prospectus.

These consolidated financial statements show the financial history of Trilby B.V. consolidated group from 1 January 2004 to the moment of acquisition of the group by Atlas Estates Limited, and have been prepared in line with the accounting policies adopted by Atlas Estates Limited in their consolidated financial statements for the period ending 31 December 2006. The reason for the 16 month period from 1 January 2005 to 8 May 2006 is that Trilby B.V. Group's accounts were consolidated into Atlas Estates Limited from this date. As a result, the amounts in the Income Statement, Statement of Changes in Equity, Cash Flow Statement and related notes are not comparable.

During the period covered by the financial statements Trilby B.V.'s parent company was Northview B.V. until 10 February 2005 and Stronginfo Consultants post 10 February 2005. Trilby B.V.'s ultimate parent company was Beeri Towers King Solomon Limited until 10 February 2005 and was then Hershey Friedman until 8 May 2006. Trilby B.V.'s current parent company is Berghey Holdings B.V and the ultimate parent is Atlas Estates Limited.

These consolidated financial statements have been approved for the purposes of inclusion in the IPO Prospectus of Atlas Estates Limited by the Board of Directors of Atlas Estates Limited on 14 November 2007.

Trilby B.V. is a holding company that has interests in various property development companies in Poland which together form the Trilby B.V. Group. The main activity of the Trilby B.V. Group is the development and construction of hotel operations.

***Basis of preparation***

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The consolidated financial statements have been prepared on an historical cost basis. The principal accounting policies are set out below.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but have been adopted by the entity in the preparation of these financial statements:

- IAS 19 (Amendment), Employee Benefits;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment.

**TRILBY B.V. GROUP**  
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**STATEMENT OF ACCOUNTING POLICIES**  
continued

Certain new standards and interpretations have been published that are mandatory for Trilby B.V. Group's accounting periods beginning on or after 1 January 2007 or later periods and which the entity has not early adopted, none of these standards are expected to have a significant impact on recognition or measurement of Trilby B.V. Group's assets or liabilities.

- IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009).
- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', It introduces new disclosures relating to financial instruments. Trilby B.V. Group will apply IFRS 7 from 1 January 2007, but it is not expected to have any material impact on the classification and valuation of the group's financial instruments.
- IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU) - The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires a company to report financial and descriptive information about its operating segments and specifies how a company should report such information. Trilby B.V. Group will apply IFRS 8 from 1 January 2009. Trilby B.V. Group is currently assessing the impact of the IFRS 8 on its financial statements.
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007).
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006).
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.
- 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 is not expected to have any material impact on Trilby B.V. Group's financial statements.
- 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 Trilby B.V. Group.
- IFRIC 13, Customer Loyalty programmes (effective for annual periods beginning on or after 1 July 2008; not yet adopted by the EU), addresses how companies, that grant their customers loyalty award credits when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points (not yet adopted by EU) - no such arrangement exists within Trilby B.V. Group.
- IFRIC 14, The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 July 2008; not yet adopted by EU), addresses certain aspects of the accounting for pension plans. No such plans exist within Trilby B.V. Group.

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**STATEMENT OF ACCOUNTING POLICIES**  
continued

***Basis of consolidation***

The consolidated financial statements incorporates the consolidated financial statements of Trilby B.V. and its subsidiaries up to 8 May 2006. Subsidiaries are those entities that are controlled by Trilby B.V. Control is achieved where a 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 acquired or disposed of during the period are included from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the consolidated financial statements of subsidiaries and joint ventures to bring the accounting policies used into line with those used by Trilby B.V. Group.

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

The consolidated financial statements are prepared in Euro and presented in thousands of Euro ("€'000"). Trilby B.V. Group uses a different presentation currency from the functional currency of Polish Zloty and Slovakian Koruna's as it conducts its operations within the European Union and it enables better comparison with other companies. The parent company's functional currency is Euro.

***Going Concern***

As at 8 May 2006, Trilby has net liabilities. On that date, Atlas Estates Limited acquired Trilby and began funding and continues to fund Trilby.

***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.

Trilby B.V. Group's primary reporting segments is business activity. However, during the reporting periods, Trilby B.V. Group only operated out of one geographical segment, Poland.

***Revenue recognition***

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.

***Foreign currencies***

The individual financial statements of each 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 company are expressed in Euro, which is the functional currency of Trilby B.V. Group and the presentation currency for the consolidated financial statements.

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continued

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

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

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

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

**Leases**

Long term lease contracts for land – the Trilby B.V. 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 Trilby B.V. Group, and which are classified as operating leases.

***Borrowing costs***

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

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

***Intangible assets***

Intangibles represent computer software used in the Trilby B.V. Group's operations. Computer software is amortised over its useful economic life.

***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.

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**STATEMENT OF ACCOUNTING POLICIES**  
continued

Properties in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Trilby B.V. 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.

Plant and equipment 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:

Plant and equipment	10% to 33% per annum
Motor vehicles	20% per annum

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

***Impairment***

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

The recoverable value of an asset is assessed by obtaining an independent assessment of its market value less any costs that would be incurred to realise its value. Alternatively, value in use is also considered when assessing the market value of an asset.

***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 using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that Trilby B.V. 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.



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***Cash and cash equivalents***

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

***Financial liabilities and equity***

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

***Bank borrowings***

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

***Trade payables***

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

***Equity instruments***

Equity instruments issued by Trilby B.V. Group are recorded at the proceeds received, net of any direct issue costs.

***Taxation***

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

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

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

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

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

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

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**1. Financial risk management**

**1.1 Financial risk factors**

Trilby B.V. 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 management under policies approved by the Board of Directors. The management identify and evaluates financial risks in close co-operation with Trilby B.V. Group's operating units. Written principles for overall risk management are approved, and management oversee the development of policies covering specific areas such as foreign exchange risk and interest-rate risk. Management 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 Trilby B.V. Group.

*(a) Market risk*

*(i) Foreign exchange risk*

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

To date Trilby B.V. Group has not entered into any currency hedging transactions.

Trilby B.V. 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.

*(ii) Price risk*

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

Trilby B.V. Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Trilby B.V. Group's cash flow and fair value interest rate risk is periodically monitored by management. Interest rate exposure is analysed 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

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that unexpected movements arise. Various scenarios are considered including refinancing, renewal of existing positions, alternative financing and hedging. The scenarios are reviewed on a periodic basis to verify that the maximum loss potential is within the limit given by management.

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

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values. The increase or decrease in interest is calculated based on the net of cash and interest bearing loans as at 8 May 2006 and for a year following.

An increase in 100 basis points in interest yields would result in an increase in net interest payable of €371,120 (twelve months ended December 2004), €501,272 (sixteen months ended 8 May 2006). A decrease in 100 basis points in interest yields would result in a decrease in net interest payable of €371,120 (twelve months ended December 2004), €501,272 (sixteen months ended 8 May 2006).

*(b) Credit risk*

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

*(c) Liquidity risk*

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

A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at entity level.

	31 December 2004	8 May 2006
	€'000	€'000
<b>Financial assets – current</b>		
Trade and other receivables – maturity within one year	636	1,813
Cash and cash equivalents – maturity within one year	1,025	662
	<b>1,661</b>	<b>2,475</b>
<b>Financial liabilities – non-current borrowings</b>		
Between 1 and 2 years	(5,012)	(20,105)
Between 2 and 5 years	-	-
Over 5 years	-	-
	<b>(5,012)</b>	<b>(20,105)</b>
<b>Financial liabilities – current</b>		
Borrowings	(145)	(389)
Loans from related parties	(14,719)	(14,135)
Trade and other payables – maturity within one year	(10,355)	(16,049)
	<b>(25,219)</b>	<b>(30,573)</b>

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**1.2 Capital risk management**

Trilby B.V. 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, Trilby B.V. 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, Trilby B.V. Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and related party loans, 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.

Trilby B.V. Group's longer term strategy is to maintain a gearing ratio within 50% to 70%. The gearing ratio as at the 2 reporting dates was as follows:

	<b>31 December 2004</b>	<b>8 May 2006</b>
	<b>€'000</b>	<b>€'000</b>
Total borrowings	(19,876)	(34,629)
Less: cash and cash equivalents	1,025	662
Net debt	(18,851)	(33,967)
Total equity	(1,574)	(2,778)
<b>Total capital</b>	<b>(20,425)</b>	<b>(36,745)</b>
Gearing ratio	92.3%	92.4%

**2. Critical accounting estimates and judgements**

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

**2.1 Critical accounting estimates and assumptions**

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

*(a) Income taxes*

Trilby B.V. 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. Trilby B.V. 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.

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*(b) Consolidation of HPA*

Trilby B.V. Group holds a 43% interest in HPA Sp. z.o.o. as at 31 December 2004. HPA has been consolidated into Trilby B.V. Group's accounts, even though it had only 43% shareholding. This is because Trilby controlled the operating and financing decisions of HPA. Determining the control of a company requires significant judgement and doesn't just come down to voting rights. Management have exercised their judgement having regard to this.

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**3. Business and geographical segments**

**12 months ended 31 December 2004**

**Primary reporting format – Business segments**

For management purposes, Trilby B.V. Group is currently organised into two operating divisions – the development of land into of commercial/residential property and the construction and subsequent operation of a hotel. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Development of residential property €'000	Hotel operations €'000	Total €'000
<b>Revenue</b>	-	-	-
<b>Segment result</b>	(241)	(278)	(519)
Unallocated costs	-	-	46
<b>Operating loss</b>	-	-	(473)
Finance cost	-	-	(513)
Finance income	-	-	4
<b>Loss before tax</b>	-	-	(982)
Tax on loss on ordinary activities	-	-	-
<b>Loss for the period</b>	-	-	(982)
Profit attributable to minority interests	-	-	63
<b>Net loss attributable to equity shareholders</b>	-	-	(919)
<b>Segment assets</b>	7,903	19,520	27,423
Unallocated assets	-	-	1,234
<b>Total assets</b>			28,657
<b>Segment liabilities</b>	(400)	(13,018)	(13,418)
Unallocated liabilities	-	-	(16,813)
<b>Total liabilities</b>	-	-	(30,231)
<b>Other segment items</b>			
Capital expenditure	-	11,461	
Depreciation	37	65	

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

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Unallocated assets represent corporate cash balances, receivables, property, plant and equipment and deferred tax assets.

Unallocated liabilities include corporate accruals, trade and other payables and holding company shareholder loans.

**Secondary reporting format – geographical segments**

During the reporting periods, Trilby B.V. Group only operated out of one geographical segment, Poland.

**1 January 2005 to 8 May 2006**

**Primary reporting format – Business segments**

For management purposes, Trilby B.V. Group is currently organised into two operating divisions – the development of land into of commercial/residential property and the construction and subsequent operation of a hotel. These divisions are the basis on which the Trilby B.V. Group reports its primary segment information

Segment information about these businesses is presented below:

	Development of residential property €'000	Hotel operations €'000	Total €'000
<b>Unallocated Revenue</b>	-	-	339
<b>Segment result</b>	(197)	(61)	(258)
Unallocated costs/revenues	-	-	1,360
<b>Operating profit</b>	-	-	1,441
Finance cost	-	-	(919)
Finance income	-	-	37
<b>Profit before tax</b>	-	-	559
Tax on profit on ordinary activities	-	-	6
<b>Profit for the period</b>	-	-	565
<b>Net profit attributable to equity shareholders</b>	-	-	565
<b>Segment assets</b>	4,267	40,760	45,027
Unallocated assets	-	-	2,873
<b>Total assets</b>	-	-	47,900
<b>Segment liabilities</b>	(303)	(33,843)	(34,146)
Unallocated liabilities	-	-	(16,532)
<b>Total liabilities</b>	-	-	(50,678)
<b>Other segment items</b>			
Capital expenditure	-	18,256	
Depreciation	59	124	



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There are immaterial sales between the business segments. Unallocated costs/revenues represent corporate expenses and foreign exchange gains. Segment assets include property, plant and equipment, goodwill, inventories, debtors and operating cash. Segment liabilities comprise operating liabilities and exclude taxation. Capital expenditure comprises additions to property, plant and equipment.

Unallocated assets represent corporate cash balances, receivables, property, plant and equipment and deferred tax assets.

Unallocated liabilities include corporate accruals, trade and other payables and holding company shareholder loans.

**Secondary reporting format – geographical segments**

During the reporting periods, the Group only operated out of one geographical segment, Poland.

**4. Finance costs - net**

	12 months ended 31 December 2004	1 January 2005 to 8 May 2006
	€'000	€'000
Interest payable on other loans (*)	(279)	(487)
Interest payable to related parties (note 19)	(225)	(415)
Other similar charges	(9)	(17)
<b>Finance costs</b>	<b>(513)</b>	<b>(919)</b>
<b>Finance income – interest income</b>	<b>4</b>	<b>37</b>
<b>Finance costs – net</b>	<b>(509)</b>	<b>(882)</b>

\* Other loans are disclosed in note 14.

**5. Other gains and losses – net**

	12 months ended 31 December 2004	1 January 2005 to 8 May 2006
	€'000	€'000
Unrealised foreign exchange gains	4,598	4,879
Unrealised foreign exchange losses	(3,911)	(2,403)
Realised foreign exchange gains	102	215
Realised foreign exchange losses	(99)	(205)
	<b>690</b>	<b>2,486</b>

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**6. Expenditure analysed by nature of expense**

Administrative expenses are analysed by the nature of the expense as follows:

	12 months ended 31 December 2004	1 January 2005 to 8 May 2006
	€'000	€'000
Staff costs - wages and salaries	(69)	(148)
- social security costs	(14)	(29)
General overhead costs	(83)	(177)
Depreciation and amortisation	(177)	(312)
Right of perpetual usufruct fees	(116)	(187)
Audit and tax services	(629)	(284)
Legal fees	(98)	(92)
Other administrative expenses	(8)	(74)
Profit on disposal of property plant and equipment	(3)	(227)
	(1,114)	(1,353)
Administrative expenses	(1,114)	(1,353)
Other operating income	447	137
Other operating expenses	(507)	(168)
	(1,174)	(1,384)
Number of employees	8	23

**7. Tax on profit on ordinary activities**

	12 months ended 31 December 2004	1 January 2005 to 8 May 2006
	€'000	€'000
Deferred tax	-	6
<b>Taxation</b>	-	6

	12 months ended 31 December 2004	1 January 2005 to 8 May 2006
	€'000	€'000
Deferred tax on exchange movements	-	6
	-	6

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Taxation has been calculated by applying the standard corporate tax rates in Poland. 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:

	12 months ended 31 December 2004	1 January 2005 to 8 May 2006
	€'000	€'000
Profit/(Loss) on ordinary activities before tax	(1,228)	559
Tax on loss on ordinary activities at average country rate – 19%	233	(106)
Factors affecting charge:		
Permanent differences	53	(82)
Other differences	(286)	194
<b>Tax charge for period</b>	<b>-</b>	<b>6</b>

There were no income tax liabilities or receivables as at either of the reporting dates.

**8. Profit/(Loss) per share**

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

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

**31 December 2004**

	Profit/(Loss)	Weighted average number of shares	Per share amount
	€'000		€'000
<b>Basic EPS</b>			
Profit/(Loss) attributable to equity shareholders	(982)	182	(5)

**8 May 2006**

	Profit/(Loss)	Weighted average number of shares	Per share amount
	€'000		€'000
<b>Basic EPS</b>			
Profit/(Loss) attributable to equity shareholders	565	182	3

During the period covered by these accounts, Trilby B.V. Group did not issue any capital instruments which would have an influence on the diluted EPS figure.

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**9. Intangible assets**

	Computer software €'000
<b>Cost</b>	
At 1 January 2004	-
<b>At 31 December 2004</b>	-
Additions	2
<b>At 8 May 2006</b>	2
<b>Amortisation</b>	
At 1 January 2004	-
<b>At 31 December 2004</b>	-
Charge for the period	(2)
<b>At 8 May 2006</b>	(2)
<b>Net book value at 31 December 2004</b>	-
<b>Net book value at 8 May 2006</b>	-

Land under operating lease of €11,557,000 at 31 December 2004 and €11,453,000 at 8 May 2006 with amortisation of €78,000 and €104,000 charged to the income statement respectively.

**10. Inventories**

	31 December 2004	8 May 2006
	€'000	€'000
Land held for development	3,762	-

Trilby B.V. Group consumed €nil of inventories during the periods.

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**11. Property, plant and equipment**

	Buildings under construction	Plant and equipment	Motor Vehicles	Total
	€'000	€'000	€'000	€'000
<b>Cost</b>				
At 1 January 2004	4,229	21	-	4,250
Additions at cost	12,101	14	-	12,115
Disposals	(4,622)	-	-	(4,622)
Exchange adjustment	-	-	-	-
<b>As at 31 December 2004</b>	<b>11,708</b>	<b>35</b>	<b>-</b>	<b>11,743</b>
Additions at cost	20,642	48	46	20,736
Exchange adjustment	1,669	(9)	-	1,660
Disposals	-	(5)	(11)	(16)
<b>At 8 May 2006</b>	<b>34,019</b>	<b>69</b>	<b>35</b>	<b>34,123</b>
<b>Accumulated depreciation</b>				
At 1 January 2004	(45)	(9)	-	(54)
Charge for the year	(32)	(6)	-	(38)
Exchange adjustment	-	-	-	-
<b>As at 31 December 2004</b>	<b>(77)</b>	<b>(15)</b>	<b>-</b>	<b>(92)</b>
Charge for the year	(56)	(25)	(2)	(83)
Exchange adjustment	(13)	3	1	(9)
Disposals	-	5	-	5
<b>At 8 May 2006</b>	<b>(146)</b>	<b>(32)</b>	<b>(1)</b>	<b>(179)</b>
<b>Net book value at 31 December 2004</b>	<b>11,631</b>	<b>20</b>	<b>-</b>	<b>11,651</b>
<b>Net book value at 8 May 2006</b>	<b>33,873</b>	<b>37</b>	<b>34</b>	<b>33,944</b>

Bank borrowings are secured by a mortgage over the total value of land and buildings. Included in land and buildings is €73,260 (31 December 2004) and €320,598 (8 May 2006) of interest on loan finance capitalised.

**12. Trade and other receivables**

	31 December 2004	8 May 2006
	€'000	€'000
<b>Current</b>		
Trade receivables	30	62
Less: provision for impairment of receivables	-	(33)
<b>Trade receivables – net</b>	<b>30</b>	<b>29</b>
Other receivables	2	111
VAT and tax receivable	601	528
Amounts due from fellow subsidiaries	-	1,119
Prepayments and accrued income	3	26
	<b>636</b>	<b>1,813</b>
<b>Non Current</b>		
Other loans receivable due from shareholders	26	28
	<b>26</b>	<b>28</b>

The fair value of trade and other receivables is equal to the book value recorded in the financial statements.

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**13. Cash and cash equivalents**

	<b>31 December 2004</b>	<b>8 May 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	1,025	662
	<b>1,025</b>	<b>662</b>

**14. Trade and other payables**

	<b>31 December 2004</b>	<b>8 May 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Current</b>		
Trade payables	(2,488)	(4,690)
Other tax and social security	-	(23)
Other loans payable (note a)	(4,782)	(10,302)
Other payables	(3,085)	(1,028)
Loans from related parties (note 19)	(14,719)	(14,135)
Accruals and deferred income	-	(6)
	<b>(25,074)</b>	<b>(30,184)</b>

(a) Other loans payable are denominated in US dollars, on terms of LIBOR plus between 1% and 2.5% and are repayable on demand.

The fair value of trade and other payables is equal to the book value recorded in the financial statements.

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**15. Bank Loans**

	<b>31 December 2004</b>	<b>8 May 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Current</b>		
<i>Bank loans and overdrafts due within one year or on demand</i>		
Secured	(145)	(389)
<b>Non-current</b>		
<i>Repayable within two years</i>		
Secured	(5,012)	(20,105)
<i>Repayable within three to five years</i>		
Secured	-	-
<i>Repayable after five years</i>		
Secured	-	-
	(5,012)	(20,105)
<b>Total</b>	<b>(5,157)</b>	<b>(20,494)</b>

The bank loans are secured with a mortgage over the land owned by HGC, pledge on HGC shares, pledge on movables owned by HGC, assignment of revenue from hotel operations and rent obtained from the casino and fitness centre, assignment of rights from insurance policies, subordination of shareholder loans. Overdrafts are secured with assignment of VAT return receivables, bills of exchange and a guarantee given by GC. The overdraft balances are €145,000 (31 December 2004) and €389,000 (8 May 2006).

The overdraft limit throughout the reporting periods was €1,300,000 and the bank loan facility was €36,500,000. The effective interest rates as at the balance sheet dates were 5.63% (2004) and 5.87% (8 May 2006).

**16. Capital Commitments and Contingencies**

The Trilby B.V. Group has no expenditure commitments or contingencies of significance as at either of the reporting dates.

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**17. Share capital**

	Number of shares	Ordinary shares	Total €'000
<b>Authorised</b>			
Ordinary shares of €100 each	900	90	90
<b>Issued and fully paid</b>			
At 1 January 2004	182	18	18
<b>At 31 December 2004</b>	<b>182</b>	<b>18</b>	<b>18</b>
<b>As at 8 May 2006</b>	<b>182</b>	<b>18</b>	<b>18</b>

Trilby B.V. was incorporated with an authorised share capital of €18,200 comprising of 182 Ordinary Shares all of which were issued and fully paid. Since incorporation there have been no alterations to Trilby B.V.'s share capital. There has been no change in the number of issued shares during the relevant reporting periods. On 8 May 2006, the remaining 66.6% of the shares in Trilby B.V. were purchased by Berghey Holdings B.V. The ultimate parent company of Trilby B.V. on this date became Atlas Estates Limited.

**18. Other reserves**

	Translation €'000
At 1 January 2004	-
Exchange differences	17
<b>At 31 December 2004</b>	<b>17</b>
Exchange differences	296
<b>At 8 May 2006</b>	<b>313</b>



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**19. Related party transactions**

<b>Balance Sheet transactions</b>	<b>31 December 2004</b>	<b>8 May 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Current Liabilities</b>		
<i>Loans from parent companies</i>		
Northview (a)	(566)	-
Beeri Towers (b)	(8,244)	-
Columbia (c)	-	(4,144)
Hershey Friedman (d)	-	(792)
	<b>(8,810)</b>	<b>(4,936)</b>
<i>Loans from companies with significant influence over Trilby or its parent companies</i>		
Dirom (e)	(78)	-
Stooga (e)	(479)	-
Arenson (e)	(61)	-
Berghey (f)	(5,291)	(6,931)
ElRan (g)	-	(1,495)
	<b>(5,909)</b>	<b>(8,426)</b>
<i>Loans from companies under the common control of Stronginfo</i>		
Coldhyde (h)	-	(503)
Danrom (h)	-	(270)
	-	(773)
<b>Total</b>	<b>(14,719)</b>	<b>(14,135)</b>
<b>Income Statement transactions</b>		
<i>Interest expense on the above loans</i>		
Interest expense – Northview	(14)	-
Interest expense – Beeri Towers	(196)	-
Interest expense – Dirom	(1)	-
Interest expense – Stooga	(11)	-
Interest expense – Arenson	(3)	-
Interest expense – Danrom	-	(9)
Interest expense – Berghey	-	(406)
<b>Total</b>	<b>(225)</b>	<b>(415)</b>

All these loans are denominated in US dollars.

Relationships are described below:

- (a) Northview controlled Trilby B.V. Group until 10 February 2005 and the loan bears interest of LIBOR + 1 -1.25%.
- (b) Beeri Towers, through its subsidiary Northview, controlled Trilby B.V. Group until 10 February 2005 and the loan bears interest of LIBOR + 1%
- (c) Columbia, through its subsidiary Stronginfo, has controlled Trilby B.V. Group since 10 February 2005 and the loan is interest-free.
- (d) Hershey Friedman has had ultimate control of Trilby B.V. Group since 10 February 2005 and the loan is interest-free.
- (e) Dirom, Stooga and Arenson all held significant influence over Beeri Towers, who through its subsidiary Northview, controlled Trilby B.V. Group until 10 February 2005. All loans bore interest of LIBOR + 1%.
- (f) Berghey held significant influence over Trilby B.V. during both reporting periods and the loan bears interest of LIBOR + 1%.
- (g) Elran, through its subsidiary Berghey Holdings B.V. , held significant influence over Trilby B.V. during both reporting periods and the loan is interest-free.
- (h) Coldhyde and Danrom were under the common control of Stronginfo, which has controlled Trilby B.V. group since 10 February 2005. Coldhyde was an interest-free loan while Danrom's loan bore interest of LIBOR + 1 – 1.5%.

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**20. Changes to the Trilby B.V. Group structure and transactions with subsidiaries, associates and joint ventures**

(a) In September 2004, a 50% stake in HPA Sp. z.o.o. was sold for consideration of €1,683,000. HPA is a private company based in Poland which develops property. Gain on disposal was as follows:

	<b>€'000</b>
<b>Net assets</b>	
Inventory	3,452
Receivables	78
Cash	22
Loans	(252)
Payables	(2)
<b>Total net assets</b>	<b>3,298</b>
Minority interest	<b>(1,649)</b>
Book value remaining	<b>1,649</b>
Book value disposed	<b>1,649</b>
Total consideration	<b>1,683</b>
Gain on Disposal	<b>34</b>

(b) In December 2004, an additional 7.238% of HPA was sold for a consideration of €242,000. Loss on disposal was as follows:

	<b>€'000</b>
<b>Net assets</b>	
Inventory	1,899
Receivables	56
Cash	7
Loans	(132)
Payables	-
<b>Total net assets</b>	<b>1,830</b>
Minority interest	<b>(265)</b>
Book value remaining	<b>1,565</b>
Book value disposed	<b>265</b>
Total consideration	<b>242</b>
Loss on disposal	<b>(23)</b>

(c) In January 2005, the remaining 42.762% of shares in HPA were sold for a consideration of €1,417,725. From this date, HPA stopped being consolidated. Gain on disposal was established as follows:

	<b>€'000</b>
<b>Net assets</b>	
Inventory	1,608
Receivables	51
Cash	-
Loans	(241)
Payables	-
<b>Total net assets</b>	<b>1,418</b>
Book value disposed	<b>1,418</b>
Total consideration	<b>1,418</b>
Gain/(loss) on disposal	<b>-</b>

HPA was part of the development of residential property segment.

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**21. Post balance sheet events**

There are no significant post balance sheet events.

**22. Principal subsidiary companies**

<b>Country of incorporation</b>	<b>Name of subsidiary entity</b>	<b>Status</b>	<b>31 December 2004 Percentage of nominal value of issued shares and voting rights held by Trilby B.V. Group</b>	<b>8 May 2006 Percentage of nominal value of issued shares and voting rights held by Trilby B.V. Group</b>
Poland	Grzybowska Centrum Sp. z o.o.	Holding	100%	100%
Poland	HGC S.A.	Hotel construction	100%	100%
Poland	HPA Sp z.o.o.	Development	42.76%	-
Poland	HPO Sp z.o.o.	Development	100%	100%

The above lists the current operating subsidiaries of the Group. All subsidiaries are consolidated. Minority Interest represents the 57% interest held by Berghey B.V. in HPA Sp. z.o.o. HPA has been consolidated into Trilby's accounts because, even though it had only 43% shareholding, Trilby controlled the operating and financing decisions of HPA. When HPA was disposed of in the period ended 8 May 2006, there was no longer any Minority Interest as the remaining subsidiaries were 100% owned.

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**23. IFRS first time adoption**

The Trilby B.V. Group has applied the following exemptions in the preparation of these financial statements:

- Business combinations – Trilby B.V. Group has elected not to apply IAS 3 (Business Combinations) retrospectively to past business combinations. No goodwill is therefore recognised in these financial statements as a result.
- Fair value as deemed cost – Trilby B.V. Group have elected for the fair value of an item of Property, Plant and Equipment as at transition to IFRS to be taken to be its deemed cost.
- Cumulative translation differences – Trilby B.V. Group has elected not to apply IAS 21 (Effects of Changes in Foreign Exchange Rates) meaning that cumulative translation differences at transition to IFRS are taken to be nil.
- Assets and liabilities of subsidiaries, associates and joint ventures – Trilby B.V.'s subsidiaries have not become an adopter of IFRS. Since they have adopted IFRS after its parent entity, the carrying amounts of all their assets and liabilities are measured in these financial statements at the carrying amounts as in the financial statements of those individual subsidiaries.

Income Statement adjustments under IFRS	Note	2004 P&L – Dutch GAAP	Adjustments	2004 P&L - IFRS
		€'000	€'000	€'000
Revenue	1	6	(6)	-
<b>Gross profit</b>		<b>6</b>	<b>(6)</b>	<b>-</b>
Administrative expenses	2	(446)	(668)	(1,114)
Other operating expenses	2	(117)	(390)	(507)
Other operating income	2	-	447	447
Gain on disposal of shares in subsidiary	3	124	(113)	11
Other gains – net	4	281	409	690
Share of associates profit	5	14	(14)	-
<b>Operating profit/(loss)</b>		<b>(138)</b>	<b>(335)</b>	<b>(473)</b>
Finance income	1	135	(131)	4
Finance costs	1	(801)	288	(513)
<b>Profit/(Loss) before taxation</b>		<b>(804)</b>	<b>(178)</b>	<b>(982)</b>
Tax		-	-	-
<b>Profit/(Loss) for the period</b>		<b>(804)</b>	<b>(178)</b>	<b>(982)</b>

**Notes:**

1. Elimination of intercompany income and expenses.
2. Additional income and expenses included due to inclusion of HPA as a subsidiary.
3. Using the correct calculation of gains on disposal of subsidiary being proceeds minus the fair value of assets disposed of.
4. Correcting foreign exchange translation.
5. Elimination of share of associates profit.

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<b>Balance Sheet under IFRS</b>	<b>Opening Balance Restatement</b>	<b>1 January 2004 – Dutch GAAP</b>	<b>Adjustments</b>	<b>1 January 2004 – IFRS</b>
		<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment in associate		1,632	(1,632)	-
Property, plant and equipment		19,402	(3,571)	15,831
		<b>21,034</b>	<b>(5,203)</b>	<b>15,831</b>
<b>Current assets</b>				
Trade and other receivables		400	(28)	372
Cash and cash equivalents		40	-	40
		<b>440</b>	<b>(28)</b>	<b>412</b>
<b>TOTAL ASSETS</b>		<b>21,474</b>	<b>(5,231)</b>	<b>16,243</b>
<b>Current liabilities</b>				
Trade and other payables		(1,415)	-	(1,415)
Other loans payable		(5,382)	2,236	(3,146)
		<b>(6,797)</b>	<b>2,236</b>	<b>(4,561)</b>
<b>Non-current liabilities</b>				
Bank loans				
Loans due to associates		(81)	81	-
Other loans payable		(15,530)	1,175	(14,355)
		<b>(15,611)</b>	<b>1,256</b>	<b>(14,355)</b>
<b>TOTAL LIABILITIES</b>		<b>(22,408)</b>	<b>3,492</b>	<b>(18,916)</b>
<b>NET LIABILITIES</b>		<b>(934)</b>	<b>(1,739)</b>	<b>(2,673)</b>
<b>EQUITY</b>				
Share capital		18	-	18
Other reserves		6	(6)	-
Retained Losses		(958)	(1,733)	(2,691)
<b>TOTAL EQUITY</b>		<b>(934)</b>	<b>(1,739)</b>	<b>(2,673)</b>

The fundamental difference in treatment relates to HPA being recognised as an associate under Dutch GAAP and recognised as an investment in subsidiary under IFRS. The remaining differences arise due to foreign exchange differences as the Dutch GAAP accounts were prepared in US dollars and IFRS accounts were prepared in Euros.

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**24. Key management personnel compensation**

The remuneration for management services was not paid to individuals. The 2 management companies involved in the management of Trilby were Larix and Jabelco during the relevant reporting periods. The amount paid to these companies was €23,356 (2004) and €44,843 (May 2006). No short-term employee benefits, post-employment benefits, other benefits or share based payments were incurred for management in either reporting period.

**Independent Auditor's Report**

**To the Board of Directors of Atlas Estates Limited**

**PricewaterhouseCoopers Sp. z o.o.**  
Al. Armii Ludowej 14  
00-638 Warszawa  
Poland  
Telephone +48 (22) 523 4000  
Facsimile +48 (22) 523 4040  
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We have audited the accompanying financial statements of Felikon Ingatlankezeles-hsznosito Kft located in 1071 Budapest, Damjanich u. 11-15 ("Felikon"), prepared for the purpose of the Prospectus and presented on pages F-123 to F-146, which comprise the balance sheets as of 28 February 2006 and 31 December 2004 and the income statements, statements of changes in equity and cash flow statements for the periods of 14 and 12 months then ended, as well as notes to the financial statements comprising a summary of accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

These financial statements have been prepared by Atlas Estates Limited (the "Issuer") for inclusion in the Prospectus in accordance with Annex 1, item 20.1 of Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the "EU Prospectus Regulation"). The Board of Directors of the Issuer is responsible for the preparation and fair presentation of the financial statements of Felikon in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditor's Report**

**To the Board of Directors of Atlas Estates Limited (cont.)**

*Opinion*

In our opinion, the accompanying financial statements give, for the purposes of the Prospectus, a true and fair view of the financial position of Trilby as of 28 February 2006 and 31 December 2004, and of its financial performance and its cash flows for the for the periods of 14 and 12 months then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Declaration*

For the purposes of item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Tomasz Konieczny  
Member of Management Board  
Registered Auditor  
No. 90070/7670

Registered Audit Company  
No. 144

Warsaw, 14 November 2007



FELIKON KFT  
FINANCIAL STATEMENTS FOR FELIKON KFT  
FOR 12 MONTHS ENDED 31 DECEMBER 2004  
AND 14 MONTHS ENDED 28 FEBRUARY 2006

Felikon KFT  
11-15 Damjanich utca  
Budapest  
H-1071  
Hungary

**FELIKON KFT**  
**FINANCIAL STATEMENTS FOR FELIKON KFT**  
**FOR 12 MONTHS ENDED 31 DECEMBER 2004**  
**AND 14 MONTHS ENDED 28 FEBRUARY 2006**

**INCOME STATEMENTS**

	12 months ended 31 December 2004	14 months ended 28 February 2006	
	HUF'000	HUF'000	Notes
<b>Revenue</b>	<b>872,195</b>	<b>1,083,359</b>	
Cost of sales	(341,789)	(495,185)	5
<b>Gross profit</b>	<b>530,406</b>	<b>588,174</b>	
Administrative expenses	(276,139)	(374,004)	5
Other operating expenses	(38,807)	(14,720)	5
Other operating income	2,175	34,954	5
Increase in value of investment properties	1,999,231	2,450,403	9
Other gains – net	138,234	68,339	4
<b>Operating profit/(loss)</b>	<b>2,355,100</b>	<b>2,753,146</b>	
Finance income	10,462	6,833	3
Finance costs	(94,328)	(144,367)	3
<b>Profit before taxation</b>	<b>2,271,234</b>	<b>2,615,612</b>	
Income tax	(383,619)	(666,325)	6
<b>Profit for the period</b>	<b>1,887,615</b>	<b>1,949,287</b>	

**FELIKON KFT**  
**FINANCIAL STATEMENTS FOR FELIKON KFT**  
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**BALANCE SHEETS**

	<b>31 December 2004</b>	<b>28 February 2006</b>	
	<b>HUF'000</b>	<b>HUF'000</b>	<b>Notes</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	-	7,092	7
Property, plant and equipment	29,335	32,459	8
Investment property	4,500,000	7,316,902	9
	<b>4,529,335</b>	<b>7,356,453</b>	
<b>Current assets</b>			
Trade and other receivables	187,188	149,941	10
Cash and cash equivalents	465,474	140,527	11
	<b>652,662</b>	<b>290,468</b>	
<b>TOTAL ASSETS</b>	<b>5,181,997</b>	<b>7,646,921</b>	
<b>Current liabilities</b>			
Trade and other payables	(474,505)	(138,261)	12
Bank overdrafts and loans	(104,314)	(151,590)	13
	<b>(578,819)</b>	<b>(289,851)</b>	
<b>Non-current liabilities</b>			
Other payables	(799,332)	(55,112)	12
Bank loans	(1,404,372)	(2,315,475)	13
Deferred tax liabilities	(388,128)	(1,025,850)	14
	<b>(2,591,832)</b>	<b>(3,396,437)</b>	
<b>TOTAL LIABILITIES</b>	<b>(3,170,651)</b>	<b>(3,686,288)</b>	
<b>NET ASSETS</b>	<b>2,011,346</b>	<b>3,960,633</b>	
<b>EQUITY</b>			
Share capital	4,000	4,000	15
Other reserves	165,699	165,699	15
Retained earnings	1,841,647	3,790,934	
<b>TOTAL EQUITY</b>	<b>2,011,346</b>	<b>3,960,633</b>	

**FELIKON KFT**  
**FINANCIAL STATEMENTS FOR FELIKON KFT**  
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**AND 14 MONTHS ENDED 28 FEBRUARY 2006**

**STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Other reserves	Retained earnings	Total equity
	HUF'000	HUF'000	HUF'000	HUF'000
<b>As at 1 January 2004</b>	4,000	165,699	(45,968)	<b>123,731</b>
Result for the period			1,887,615	<b>1,887,615</b>
<b>As at 31 December 2004</b>	4,000	165,699	1,841,647	<b>2,011,346</b>
Result for the period			1,949,287	<b>1,949,287</b>
<b>As at 28 February 2006</b>	<b>4,000</b>	<b>165,699</b>	<b>3,790,934</b>	<b>3,960,633</b>

Total gains and losses recognised in equity for the periods presented above were equal to the results for these periods.

**FELIKON KFT**  
**FINANCIAL STATEMENTS FOR FELIKON KFT**  
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**AND 14 MONTHS ENDED 28 FEBRUARY 2006**

**CASH FLOW STATEMENTS**

	12 months ended 31 December 2004	14 months ended 28 February 2006
	HUF'000	HUF'000
<b>Cash flows from operating activities</b>		
Profit before tax for the period	2,271,234	2,615,612
Adjustments for:		
Finance costs	94,328	144,367
Finance income	(10,462)	(6,833)
<b>Operating profit</b>	<b>2,355,100</b>	<b>2,753,146</b>
Depreciation of property, plant and equipment	15,952	16,093
Amortisation	-	3,410
Foreign exchange difference on long term loans	848	33,701
Debt release	-	6,173
Revaluation of property	(1,999,231)	(2,583,063)
Impairment of bad debts	3,280	105,818
Loss/(Gain) on sale of property, plant and equipment	46,115	(8,423)
	<b>(1,933,036)</b>	<b>(2,426,291)</b>
<b>Changes in working capital</b>		
Changes in trade receivables	(4,410)	(72,496)
Changes in other receivables	182,044	11,118
Changes in trade payables	73,456	(80,955)
Changes in other payables	(189,333)	37,247
	<b>61,757</b>	<b>(105,086)</b>
<b>Cash outflow generated from operations</b>	<b>483,821</b>	<b>311,829</b>
Interest received	10,462	6,833
Interest paid	(94,328)	(144,367)
Tax paid	(16,900)	(18,641)
<b>Net cash outflow from operating activities</b>	<b>383,055</b>	<b>155,654</b>
<b>Investing activities</b>		
Purchase of investment property	(197,191)	(233,839)
Purchase of software	-	(10,502)
Proceeds from sale of fixed assets	-	16,836
Purchase of property, plant and equipment	(2,630)	(27,630)
<b>Net cash used in investing activities</b>	<b>(199,821)</b>	<b>(255,135)</b>
<b>Financing activities</b>		
Repayment of loan to banks	(200,000)	(1,508,659)
Proceeds from new bank loans	65,546	2,433,364
Proceeds from loans from related parties	232,263	
Repayment of loan to other parties	-	(1,042,956)
<b>Net cash from financing activities</b>	<b>97,809</b>	<b>(118,251)</b>
<b>Net increase in cash and cash equivalents in the period</b>	<b>281,043</b>	<b>(324,947)</b>
Effect of foreign exchange rates	-	-
<b>Cash and cash equivalents at start of period</b>	<b>184,431</b>	<b>465,474</b>
<b>Cash and cash equivalents at end of period</b>	<b>465,474</b>	<b>140,527</b>

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***General Information***

These financial statements have been prepared for the purposes of the Atlas Estates Limited issue Prospectus. Felikon Kft's current parent company and ultimate parent is Atlas Limited.

These financial statements show the financial history of Felikon Kft since 1 January 2004 to the moment of acquisition of Felikon Kft by Atlas Estates Limited, and have been prepared in line with the accounting policies adopted by Atlas Estates Limited in their consolidated financial statement for the period ending 31 December 2006.

At the end of the period covered by the financial statements the Felikon Kft parent and ultimate parent company was BCRE Izaki Properties BV.

These financial statements have been approved for the purposes of inclusion in the issue prospectus of Atlas Estates Limited by the Board of Directors of Atlas Estates Limited on 14 November 2007. The main activities of Felikon Kft are the ownership of the Ikarus Industrial Park and the receiving of rental income from tenants of this property.

***Basis of preparation***

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

For the purpose of the financial statements, the results and financial position of Felikon Kft are expressed in Hungarian Forints, which is the functional currency of the Felikon Kft and the presentation currency for the financial statements.

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

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

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The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 have been adopted in the preparation of these financial statements. They have not had any effect on these financial statements:

- IAS 19 (Amendment), Employee Benefits;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment.

Certain new standards and interpretations have been published that are mandatory for the Felikon Kft accounting periods beginning on or after 1 January 2007 or later periods and which the entity has not early adopted, none of these standards are expected to have a significant impact on recognition or measurement of the Felikon Kft assets or liabilities.

- IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009).
- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', It introduces new disclosures relating to financial instruments. Felikon Kft will apply IFRS 7 from 1 January 2007, but it is not expected to have any material impact on the classification and valuation of the Felikon Kft financial instruments.
- IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU) - The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires a company to report financial and descriptive information about its operating segments and specifies how a company should report such information. Felikon Kft will apply IFRS 8 from 1 January 2009. Felikon Kft is currently assessing the impact of the IFRS 8 on its financial statements.
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007).
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006).
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.
- 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 is not expected to have any material impact on the Felikon Kft financial statements.

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- 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 Felikon Kft.
- IFRIC 13, Customer Loyalty programmes (effective for annual periods beginning on or after 1 July 2008; not yet adopted by the EU), addresses how companies, that grant their customers loyalty award credits when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points (not yet adopted by EU) - no such arrangement exists within Felikon Kft.
- IFRIC 14, The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 July 2008; not yet adopted by EU), addresses certain aspects of the accounting for pension plans. No such plans exist within Felikon Kft.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect Felikon Kft financial statements.

***Reporting Periods***

These financial statements cover 2 reporting periods being the year ended 31 December 2004 and the 14 months ended 28 February 2006. The reason for the 14 month period is that the Felikon Kft's accounts were consolidated into Atlas Estates Limited from 1 March 2006. As a result, the amounts in the Income Statement, Statement of Changes in Equity, Cash Flow Statement and related notes are not entirely comparable.

***Currency***

The financial information is prepared in Hungarian Forints and presented in thousands of Hungarian Forints ("HUF'000").

***Segmental Reporting***

Felikon Kft only has one business segment being Property Rental and one geographical segment being Hungary. Consequently, no segmental analysis has been carried out.

***Revenue recognition***

Revenue comprises rental income and other recoveries from tenants and the supply of utilities to tenants of the Felikon Kft's investment property.

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

***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.



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

***Intangible assets***

Intangibles represent computer software and other intangibles used in the Felikon Kft's operations. Computer software is amortised over its useful economic life of five years.

***Property, plant and equipment***

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 Felikon Kft'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.

Furniture, fixtures and fittings 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:

Furniture, fixtures and fittings	10% to 33% per annum
Motor vehicles	20% per annum

Felikon Kft reviews the useful lives of assets annually and takes into account any expected residual values when calculating depreciation rates.

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

***Impairment***

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

***Investment Property***

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

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

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***Trade receivables***

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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 'selling and marketing costs'. 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 'selling and marketing costs' 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. Bank overdrafts that are repayable on demand and which form an integral part of the Felikon Kft's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

***Financial liabilities and equity***

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

***Bank borrowings***

Borrowings are recognised initially at fair value, net of transactions costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

***Trade payables***

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

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*Equity instruments*

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

*Taxation*

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

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

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

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

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**1. Financial risk management**

**1.1 Financial risk factors**

Felikon Kft'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 project manager in Hungary. Management regularly review the risks in each territory and assume the ultimate responsibility for risk management.

*(a) Market risk*

*(i) Foreign exchange risk*

Felikon Kft's operations are exposed to foreign exchange risk arising from exposure primarily with respect to the Euro. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities.

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

*(ii) Price risk*

Felikon Kft is exposed to property price and property rentals risk. Felikon Kft 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 Felikon Kft has no significant interest-bearing assets denoted in currencies other than euro, its income and operating cash flows from such assets are substantially independent of changes in market interest rates.

The Felikon Kft's interest rate risk arises from long-term borrowings (Note 13). Borrowings issued at variable rates expose Felikon Kft to cash flow interest rate risk.

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

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

*(b) Credit risk*

Credit risk arises from cash and cash equivalents as well as credit exposures with respect to rental customers, including outstanding receivables. Credit risk is managed on a local basis and the Felikon Kft 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

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more frequent review. Felikon Kft has policies in place to ensure that where possible rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions. The utilisation of credit limits is regularly monitored.

*(c) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Project managers aim to maintain flexibility by keeping cash available.

**1.2 Capital risk management**

Felikon Kft's objectives when managing capital are to safeguard Felikon Kft'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, Felikon Kft may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Felikon Kft 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 borrowings and related party loans, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

Felikon Kft's longer term strategy is to maintain a gearing ratio within 50% to 70%. The gearing ratio was as follows at the reporting dates:

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>HUF'000</b>	<b>HUF'000</b>
Total borrowings	(2,545,442)	(2,467,065)
Less: cash and cash equivalents	465,474	140,527
Net debt	(2,079,968)	(2,326,538)
Total equity	(2,011,346)	(3,960,633)
<b>Total capital</b>	<b>(4,091,314)</b>	<b>(6,287,171)</b>
Gearing ratio	50.8%	37.0%

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**2. Critical accounting estimates and judgements**

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

**2.1 Critical accounting estimates and assumptions**

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

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

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

The source of information for the valuations include:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Assumptions used in valuation:

The principle assumptions underlying Cushman & Wakefield's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These assumptions are regularly compared to actual market yield data, and actual transactions realised by Felikon Kft and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition. For the reporting periods, Felikon Kft owns Investment Properties with fair value of THUF 4,500,000 (2004) and THUF 7,316,902 (Feb 2006). The Income Statement includes THUF 2,106,446 (2004) and THUF 2,343,188 (Feb 2006) fair value gain on investment properties.

*(b) Income taxes*

Significant estimates are required in determining the provision for income taxes. Felikon Kft 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 balances in the period in which such determination is made.

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Deferred income tax assets are primarily due to tax losses carried forward under local tax regime. Losses generated during the first few years of operation (number of years depending on the local tax regulation) may be utilized for an unlimited period of time, these assets are recognized in the balance sheet. Management is reviewing the likeliness of the utilization of deferred tax assets generated on a case-by-case basis and includes deferred tax asset including tax losses carried forward for those companies only where the utilization seems to be likely based on the budgeting results. Based on historical experience, all tax losses carried forward are either utilised or it is likely that they can be utilised. If the circumstances change adversely, the previously recognised deferred tax asset would be written off.

**2.2 Critical judgments in applying the Felikon Kft's accounting policies**

*Distinction between investment properties and owner-occupied properties*

Felikon Kft determines whether a property qualifies as investment property. In making its judgment, Felikon Kft 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 Felikon Kft accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. Felikon Kft considers each property separately in making its judgment.

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**3. Finance cost - net**

	<b>12 months ended 31 December 2004</b>	<b>14 months ended 28 February 2006</b>
	<b>HUF'000</b>	<b>HUF'000</b>
Interest expense on bank borrowings	(67,923)	(89,642)
Interest expense from related parties	(23,009)	(12,014)
Other similar charges	(3,396)	(42,711)
<b>Finance costs</b>	<b>(94,328)</b>	<b>(144,367)</b>
<b>Finance income</b>	<b>10,462</b>	<b>6,833</b>
<b>Finance cost – net</b>	<b>(83,866)</b>	<b>(137,534)</b>

**4. Other gains – net**

	<b>12 months ended 31 December 2004</b>	<b>14 months ended 28 February 2006</b>
	<b>HUF'000</b>	<b>HUF'000</b>
Unrealised foreign exchange gains	134,611	133,636
Unrealised foreign exchange losses	(848)	(33,701)
Realised foreign exchange gains	4,553	725
Realised foreign exchange losses	(82)	(32,321)
	<b>138,234</b>	<b>68,339</b>



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**5. Expenditure analysed by nature of expense**

Cost of sales, administrative expenses and other operating income and expenses are analysed by the nature of the expense as follows:

	<b>12 months ended</b>	<b>14 months ended</b>
	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>HUF'000</b>	<b>HUF'000</b>
Staff costs - wages and salaries	28,644	52,985
- social security costs	4,156	7,816
- pension costs	10,298	8,742
	<b>43,098</b>	<b>69,543</b>
Amortisation of intangible assets	-	3,410
Depreciation of property, plant and equipment	15,953	16,094
Legal Fees	3,137	14,503
Audit and tax services	9,549	10,277
Property and other tax	86,795	106,559
Advisory fees	40,027	69,255
Other administrative expenses	35,245	40,772
Other professional fees	42,334	43,592
	<b>276,139</b>	<b>374,004</b>
Maintenance	58,247	29,175
Cleaning	20,691	3,876
Guarding	45,924	32,163
Electricity	105,328	143,722
Gas	97,492	159,313
Water, Sewerage	10,827	17,422
Bad debt write-off	3,280	105,286
Other	-	4,277
	<b>341,789</b>	<b>495,185</b>
Cost of sales	341,789	495,185
Administrative expenses	276,139	374,004
Other operating income	(2,175)	(34,954)
Other operating expenses	38,807	14,720
	<b>654,560</b>	<b>848,954</b>

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**6. Tax on profit on ordinary activities**

There were no discontinued activities in the period covered by the financial statements.

	12 months ended 31 December 2004	14 months ended 28 February 2006
	HUF'000	HUF'000
Current tax	(106)	(28,603)
Deferred tax	(383,513)	(637,722)
<b>Taxation</b>	<b>(383,619)</b>	<b>(666,325)</b>

	12 months ended 31 December 2004	14 months ended 28 February 2006
	HUF'000	HUF'000
Deferred tax on exchange movements	(21,195)	-
Deferred tax on revaluations and other	(362,318)	(637,722)
	<b>(383,513)</b>	<b>(637,722)</b>

Taxation has been calculated by applying the standard corporate tax rate ruling in Hungary being 17.36% (2004) and 21.28% (February 2006). The local taxes and solidarity tax have also been taken into account. 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:

	12 months ended 31 December 2004	14 months ended 28 February 2006
	HUF'000	HUF'000
Profit/(Loss) on ordinary activities before tax	2,271,234	2,615,612
Tax on profit on ordinary activities at country rate – 17.36% (2004) and 21.28% (February 2006)	(394,286)	(556,602)
Factors affecting charge:		
Permanent differences (i)	6,475	(45,327)
Non-taxable income	18,016	15,339
Impact of solidarity tax (ii)	-	(101,231)
Other (iii)	(13,824)	21,496
<b>Tax charge(credit) for period</b>	<b>(383,619)</b>	<b>(666,325)</b>

- (i) The government has introduced an additional tax of 4% in 2006 which is calculated on profit before tax. As a result, the opening deferred tax balance had to be restated to reflect the higher tax rate.
- (ii) Permanent differences include non-deductible interest expense due to thin capitalisation rules and bad debts write off.
- (iii) Other adjustments relate to differences in tax base for other income based taxes like local business tax and innovation tax, losses for which deferred tax was not recognized plus other movements.

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**7. Intangible assets**

	Computer software	Other	Total
	HUF'000	HUF'000	HUF'000
<b>Cost or valuation</b>			
<b>At 1 January 2004</b>	-	-	-
Additions	210	9,930	10,140
Disposals	-	-	-
Other	200	369	569
<b>At 28 February 2006</b>	<b>410</b>	<b>10,299</b>	<b>10,709</b>
<b>Amortisation</b>			
<b>At 1 January 2004</b>	-	-	-
Charge for the period	(60)	(3,350)	(3,410)
Other	(15)	(192)	(207)
<b>At 28 February 2006</b>	<b>(75)</b>	<b>(3,542)</b>	<b>(3,617)</b>
<b>Net book value at 31 December 2004</b>	-	-	-
<b>Net book value at 28 February 2006</b>	<b>335</b>	<b>6,757</b>	<b>7,092</b>

**8. Property, plant and equipment**

	Motor Vehicles	Furniture, Fixtures and Fittings	Total
	HUF'000	HUF'000	HUF'000
<b>Cost or valuation</b>			
At 1 January 2004	-	84,255	84,255
Additions at cost	-	2,630	2,630
Disposals	-	(39,997)	(39,997)
<b>As at 31 December 2004</b>	-	<b>46,888</b>	<b>46,888</b>
Additions at cost	23,757	4,237	27,994
Disposals	-	(20,888)	(20,888)
Other	6,060	(6,628)	(568)
<b>At 28 February 2006</b>	<b>29,817</b>	<b>23,607</b>	<b>53,425</b>
<b>Accumulated depreciation</b>			
At 1 January 2004	-	(8,952)	(8,952)
Charge for the year	-	(15,952)	(15,952)
Disposals	-	7,351	7,351
<b>As at 31 December 2004</b>	-	<b>(17,553)</b>	<b>(17,553)</b>
Charge for the year	(6,190)	(9,904)	(16,094)
Disposals	-	12,475	12,475
Other	(2,674)	2,879	205
<b>At 28 February 2006</b>	<b>(8,864)</b>	<b>(12,103)</b>	<b>(20,965)</b>
<b>Net book value at 31 December 2004</b>	-	<b>29,335</b>	<b>29,335</b>
<b>Net book value at 28 February 2006</b>	<b>20,953</b>	<b>11,506</b>	<b>32,459</b>

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**9. Investment property**

	<b>HUF'000</b>
At 1 January 2004	2,303,578
Additions	197,191
Fair value gains	1,999,231
<b>As at 31 December 2004</b>	<b>4,500,000</b>
Additions	233,839
Fair value gains	2,583,063
<b>At 28 February 2006</b>	<b>7,316,902</b>

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

For the net book value of fixed assets pledged as collateral for bank loans, see note 13.

The property rental income earned by Felikon Kft from its investment property, all of which is leased out under operating leases, amounted to THUF 872,195 (12 months ended 31 December 2004) and 1,083,359 (14 months ended 28 February 2006). Direct operating expenses arising on the investment property in the period amounted to THUF 341,789 (12 months ended 31 December 2004) and THUF 495,185 (14 months ended 28 February 2006).

**10. Trade and other receivables**

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>HUF'000</b>	<b>HUF'000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	110,806	180,022
Less: provision for impairment of receivables	(3,280)	(105,818)
<b>Trade debtors – net</b>	<b>107,526</b>	<b>74,204</b>
Other debtors	34,929	22,044
Accrued income	44,175	53,055
Prepayments	558	638
	<b>187,188</b>	<b>149,941</b>

**11. Cash and cash equivalents**

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>HUF'000</b>	<b>HUF'000</b>
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	121,082	17,889
Short term bank deposits	344,392	122,638
	<b>465,474</b>	<b>140,527</b>

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**12. Trade and other payables**

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>HUF'000</b>	<b>HUF'000</b>
<b>Current</b>		
Trade payables	(115,578)	(34,623)
Other tax and social security	(10,227)	(25,960)
Other creditors	-	(9,166)
Loans from related parties	(282,985)	-
Accruals and deferred income	(65,715)	(68,512)
	<b>(474,505)</b>	<b>(138,261)</b>
<b>Non-current</b>		
Related party loans (note 16)	(753,798)	-
Deposits from lessees	(45,534)	(55,112)
	<b>(799,332)</b>	<b>(55,112)</b>
	<b>(1,273,837)</b>	<b>(193,373)</b>

**13. Bank loans**

	<b>31 December 2004</b>	<b>28 February 2006</b>
	<b>HUF'000</b>	<b>HUF'000</b>
<b>Current</b>		
<i>Loans and overdrafts due within one year or on demand</i>		
Secured	(104,314)	(151,590)
<b>Non-current</b>		
<i>Repayable within two years</i>		
Secured	(232,221)	(379,737)
<i>Repayable within three to five years</i>		
Secured	(396,317)	(648,074)
<i>Repayable after five years</i>		
Secured	(775,834)	(1,287,664)
	<b>(1,404,372)</b>	<b>(2,315,475)</b>
<b>Total</b>	<b>(1,508,686)</b>	<b>(2,467,065)</b>

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

All loans are denominated in Euros.

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

The foreign exchange gains or losses relating to capitalised borrowing costs were not themselves capitalised during the respective reporting periods.

**14. Deferred tax**

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

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

	<b>HUF'000</b>
<b>At 1 January 2004</b>	(4,615)
Charged to income statement	(383,513)
<b>At 31 December 2004</b>	<b>(388,128)</b>
Charged to income statement	(637,722)
<b>At 28 February 2006</b>	<b>(1,025,850)</b>

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

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

<b>Deferred tax liabilities – non-current</b>	<b>Revaluation of IP and other HUF'000</b>	<b>Total HUF'000</b>
At 1 January 2004	(4,615)	(4,615)
Profit and loss (charge)/credit	(383,513)	(383,513)
<b>At 31 December 2004</b>	<b>(388,128)</b>	<b>(388,128)</b>
Profit and loss charge/(credit)	(637,722)	(637,722)
<b>At 28 February 2006</b>	<b>(1,025,850)</b>	<b>(1,025,850)</b>

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**15. Share capital and premium**

	Number of shares	Ordinary shares HUF'000	Share premium HUF'000	Total HUF'000
<b>Authorised</b>				
Ordinary shares of 4,000,000 HUF each	4,000,000	4,000		4,000
<b>Issued and fully paid</b>				
At 1 January 2004	-	4,000	165,699	169,699
<b>At 31 December 2004</b>	-	<b>4,000</b>	<b>165,699</b>	<b>169,699</b>
<b>At 28 February 2006</b>	-	<b>4,000</b>	<b>165,699</b>	<b>169,699</b>

**16. Related party transactions**

<u>Balance Sheet transactions</u>	<b>31 December 2004</b> HUF'000	<b>28 February 2006</b> HUF'000
<b>Current</b>		
<i>Sister Company</i>		
Cap East Kft	6,173	-
BCI Brack Capital Investment Ltd	(246,096)	-
<i>Parent company</i>		
BCRE Izaki Properties BV	(36,889)	59
	<b>(276,812)</b>	<b>59</b>
<b>Non-current</b>		
<i>Parent company</i>		
BCRE Izaki Properties BV	(753,798)	-
	<b>(753,798)</b>	<b>-</b>
<b>Total</b>	<b>(1,030,610)</b>	<b>59</b>

In the last quarter of 2004, Felikon Kft received a loan from BCI Brack Capital Investment Ltd for the total amount of USD 1,365,000. The loan is denominated in USD and bears no interest. The loan was granted for a period of not more than one year and was fully repaid in June 2005.

In the last quarter of 2004, Felikon Kft received an additional loan from Brack Capital Ikarus (Netherlands) BV (who held the majority interest in 2004) for the total amount of EUR 150,000. The loan is denominated in EUR and bears 3% interest per annum. The loan was granted for a period of not more than one year and was fully repaid in June 2005. An amount of HUF 59 was owed to Felikon by BCRE Izaki Properties BV as at February 2006.

In October 2003, Felikon Kft received a loan for the total amount of EUR 3,065,092. The loan is denominated in EUR and bears an interest rate of 3% per annum. On 30 June 2005, Felikon Kft repaid the whole amount (loan principle and interest).

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<u>Profit and loss transactions</u>	<b>12 months ended 31 December 2004</b>	<b>14 months ended 28 February 2006</b>
	<b>HUF'000</b>	<b>HUF'000</b>
<b>Cost of Sales</b>		
<i>Fellow subsidiaries</i>		
Cap Investment	-	18,513
<b>Finance costs</b>		
<i>Parent company</i>		
BCRE Izaki Properties BV	(23,009)	(12,014)
<b>Investment income</b>		
<i>Parent company</i>		
BCRE Izaki Properties BV	-	351
<b>Other operating expenses</b>		
<i>Fellow subsidiaries</i>		
Cap East Kft debt release	-	(6,173)
<b>Total</b>	<b>(23,009)</b>	<b>677</b>

BCRE Izaki Properties BV finance costs are on the loan mentioned above. The finance income is the amount calculated on the overpayment. BCRE Izaki Properties BV was the parent of Felikon at 28 February 2006.

The Cap East Kft loan was written off to the P&L during the period ended 28 February 2006.

Cap Investment Kft provided Felikon Kft real estate agent services (HUF 12,512,500) and other consultancy services (HUF 6,000,000) totalling HUF 18,512,500. This amounts consists of the key management compensation.

The remuneration for management services was paid by the parent entity. No amounts were paid to management by Felikon.

**17. Subsequent events**

- (a) The Felikon Kft's investment property was valued at €30.4 million as at 30 June 2006.
- (b) On 1 March 2006, the Felikon Kft's shareholding changed. Atlas Estates Ltd acquired all the shares in Felikon Kft as it listed on the AIM. As a result, Atlas Estates Limited is now the ultimate owner of Felikon Kft.



## **Report on Review of Interim Financial Information**

### **To the Board of Directors of Atlas Estates Limited**

#### *Introduction*

We have reviewed the accompanying consolidated condensed interim financial information of Atlas Estates Limited located in Guernsey GY1 2HS, Royal Bank Place, 1 Glatigny Esplanade, St Peter Port (the "Company") and its subsidiaries (together the "Group"), prepared for the purpose of the Prospectus and presented on pages F-149 to F-171, which comprises the consolidated condensed balance sheet as of 30 June 2007 and the consolidated condensed statements of income, changes in equity and cash flows for the six-month period then ended, as well as notes to the consolidated condensed interim financial information comprising a summary of accounting policies and other explanatory notes.

This consolidated condensed interim financial information has been prepared by the Company for inclusion in the Prospectus in accordance with Annex I, item 20.6 of Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the "EU Prospectus Regulation"). The Board of Directors of the Company is responsible for the preparation and presentation of the consolidated condensed interim financial information of the Group in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (IAS 34). Our responsibility is to express a conclusion, for the purpose of the Prospectus, on this consolidated condensed interim financial information based on our review.

#### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information for the six-month period ended 30 June 2007 is not prepared, in all material respects, for the purpose of the Prospectus, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

*Declaration*

For the purposes of item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Tomasz Konieczny  
Member of Management Board  
Registered Auditor  
No. 90070/7670

Registered Audit Company  
No. 144

Warsaw, 14 November 2007

ATLAS ESTATES LIMITED GROUP  
CONSOLIDATED, CONDENSED INTERIM FINANCIAL INFORMATION  
FOR 6 MONTHS ENDED 30 JUNE 2007

Atlas Estates Limited  
Royal Bank Place  
1 Glatigny Esplanade  
St Peter Port  
Guernsey GY1 2HS  
Company number: 44284

**ATLAS ESTATES LIMITED GROUP**  
**CONSOLIDATED, CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR 6 MONTHS ENDED 30 JUNE 2007**

**CONSOLIDATED CONDENSED INCOME STATEMENT**

Six months ended 30 June 2007

	Six Months ended 30 June 2007	Five Months ended 30 June 2006 Restated	Notes
	€'000	€'000	
<b>Revenue</b>	<b>10,222</b>	<b>1,983</b>	<b>1</b>
Cost of sales	(2,653)	(769)	
<b>Gross profit</b>	<b>7,569</b>	<b>1,214</b>	
Administrative expenses	(13,751)	(3,293)	2
Other operating income	1,705	111	
Other operating expenses	(839)	-	
Increase in value of investment properties	34,785	2,300	
Other gains / (losses) – net	31	(372)	
Negative goodwill arising on acquisition	389	721	
<b>Operating profit/(loss)</b>	<b>29,889</b>	<b>681</b>	
Financial income	800	1,808	
Finance costs	(2,957)	(1,293)	
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>27,732</b>	<b>1,196</b>	
Tax expense	(6,082)	(720)	3
<b>Profit/(Loss) for the period</b>	<b>21,650</b>	<b>476</b>	
Attributable to:			
Equity Shareholders	21,632	476	
Minority Interests	18	-	
	<b>21,650</b>	<b>476</b>	
<b>Earnings/(loss) per €0.01 ordinary share – basic</b>	<b>44.65 eurocents</b>	<b>0.97 eurocents</b>	4
<b>Earnings/(loss) per €0.01 ordinary share – diluted</b>	<b>44.65 eurocents</b>	<b>0.97 eurocents</b>	4

All activities of the Group are continuing operations.

The notes on pages F-154 to F-171 form a part of the consolidated condensed interim financial information.

**ATLAS ESTATES LIMITED GROUP**  
**CONSOLIDATED, CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR 6 MONTHS ENDED 30 JUNE 2007**

**CONSOLIDATED CONDENSED BALANCE SHEET**

As at 30 June 2007

	30 June 2007	31 December 2006	
	€'000	€'000	Notes
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	858	162	
Land held under operating lease	18,329	18,422	
Property, plant and equipment	114,492	88,818	6
Investment property	198,024	67,585	7
Other loans receivable	3,084	327	
Other receivables	192	-	
Deferred tax asset	3,623	1,821	
	<b>338,602</b>	<b>177,135</b>	
<b>Current assets</b>			
Inventory	125,823	99,205	8
Trade and other receivables	14,982	22,241	
Cash at bank and in hand	42,462	62,672	9
	<b>183,267</b>	<b>184,118</b>	
<b>TOTAL ASSETS</b>	<b>521,869</b>	<b>361,253</b>	
<b>Current liabilities</b>			
Trade and other payables	(37,876)	(30,724)	
Bank overdrafts and loans	(14,185)	(2,892)	11
	<b>(52,061)</b>	<b>(33,616)</b>	
<b>Non-current liabilities</b>			
Other payables	(11,359)	(6,047)	
Bank loans	(171,258)	(76,170)	11
Deferred tax liabilities	(33,957)	(21,558)	
	<b>(216,574)</b>	<b>(103,775)</b>	
<b>Total liabilities</b>	<b>(268,635)</b>	<b>(137,391)</b>	
<b>NET ASSETS</b>	<b>253,234</b>	<b>223,862</b>	
<b>EQUITY</b>			
Share capital	484	484	
Revaluation reserve	10,825	2,981	
Other distributable reserves	222,375	226,406	
Other reserves	6,761	2,851	
Retained earnings	11,483	(10,148)	
<b>Equity attributable to equity holders of the parent</b>	<b>251,928</b>	<b>222,574</b>	
<b>Minority Interest</b>	<b>1,306</b>	<b>1,288</b>	
<b>TOTAL EQUITY</b>	<b>253,234</b>	<b>223,862</b>	

Basic net asset value per share

EUR 5.20

EUR 4.59

**ATLAS ESTATES LIMITED GROUP**  
**CONSOLIDATED, CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR 6 MONTHS ENDED 30 JUNE 2007**

**CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY**

Six months ended 30 June 2007

<b>Group</b>	<b>Share capital</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Minority interest</b>	<b>Total equity</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>As at 3 February 2006</b>						
Issue of shares	493	246,472		246,965		246,965
Cost of issue		(13,528)		(13,528)		(13,528)
Minority arising on acquisition				-	1,255	1,255
Profit for the period			476	476		476
Share based payments			(246)	(246)		(246)
Exchange adjustments		(1,146)		(1,146)		(1,146)
Revaluation of properties		1,000		1,000		1,000
<b>As at 30 June 2006</b>	<b>493</b>	<b>232,798</b>	<b>230</b>	<b>233,521</b>	<b>1,255</b>	<b>234,776</b>
<b>As at 1 January 2007</b>	<b>484</b>	<b>232,238</b>	<b>(10,148)</b>	<b>222,574</b>	<b>1,288</b>	<b>223,862</b>
Profit for the period			21,792	21,792	18	21,810
Revaluation of properties		9,662		9,662		9,662
Deferred tax on revaluation of properties		(1,818)		(1,818)		(1,818)
Share based payments			(161)	(161)		(161)
Exchange adjustments		3,910		3,910		3,910
Dividends paid		(4,031)		(4,031)		(4,031)
<b>As at 30 June 2007</b>	<b>484</b>	<b>239,961</b>	<b>11,483</b>	<b>251,928</b>	<b>1,306</b>	<b>253,234</b>

**ATLAS ESTATES LIMITED GROUP**  
**CONSOLIDATED, CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR 6 MONTHS ENDED 30 JUNE 2007**

**CONSOLIDATED CONDENSED CASH FLOW STATEMENT**

Six months ended 30 June 2007

	Six months ended 30 June 2007 €'000	Five months ended 30 June 2006 €'000	Notes
<b>Cash outflow generated from operations</b>	<b>(5,838)</b>	<b>(7,086)</b>	10
Interest received	655	1,062	
Interest paid	(2,208)	(229)	
Tax paid	(124)	17	
<b>Net cash outflow from operating activities</b>	<b>(7,515)</b>	<b>(6,236)</b>	
<b>Investing activities</b>			
Acquisition of subsidiaries	(11,163)	(51,961)	
Amounts placed on escrow in relation to property acquisitions	-	(1,800)	
Purchase of investment property	(91,736)	(9,326)	
Purchase of property, plant and equipment	(3,969)	(5,144)	
New loans granted to JV partners	(2,757)	-	
Purchase of intangible assets - software	(696)	-	
<b>Net cash used in investing activities</b>	<b>(110,321)</b>	<b>(68,231)</b>	
<b>Financing activities</b>			
Dividends paid	(4,031)	-	
Share issue costs paid	-	(13,528)	
Proceeds on issue of shares	-	178,451	
New bank loans raised	88,421	4,916	
New loans received from minority investors	1,012	4,607	
<b>Net cash from financing activities</b>	<b>85,402</b>	<b>174,446</b>	
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>	<b>(32,434)</b>	<b>99,979</b>	
Effect of foreign exchange rates	(1,436)	1,968	
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>	<b>(33,870)</b>	<b>101,947</b>	
<b>Cash and cash equivalents at the beginning of the period</b>	<b>62,147</b>	<b>-</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>28,277</b>	<b>101,947</b>	
<b>Cash and cash equivalents</b>			
Cash at bank and in hand	42,462	103,057	
Bank overdrafts	(14,185)	(1,110)	
	<b>28,277</b>	<b>101,947</b>	

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***Basis of preparation***

This consolidated condensed interim financial information has been prepared for the purposes of the Atlas Estates Limited Prospectus.

This consolidated condensed interim financial information has been approved for inclusion in the Prospectus of the Company by the Board of Directors on 14 November 2007.

This consolidated condensed Interim information has been prepared in accordance with IAS 34. The financial information has been prepared on an historical cost basis as amended by the revaluation of land and buildings. The information contained in this document is unaudited and these Interim financial statements do not represent the group's statutory accounts. The comparative financial information is only 5 months to 30 June 2006 because the Group was only formed in February 2006. The principal accounting policies are set out below.

***Basis of consolidation***

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

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

The interest of minority shareholders is stated at the minority's proportion of the fair value of the assets and any liabilities recognised. 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.

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

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



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***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. The Group's primary reporting segments are business.

***Revenue recognition***

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

Revenue from the sale of hotel rooms, food and beverages are recognised on an accruals basis net of VAT and other sales related taxes.

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

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

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

***Share based payments***

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

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*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 de-nominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value, which are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

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

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

*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 are initially recognised in the balance sheet at fair value of the payments made and are classified in accordance with the designated use

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of the individual property (inventory, investment property or separate balance sheet item where the property is designated for own use or does not qualify as inventory or investment property).

Where the land held under operating lease is classified as inventory (related to development of housing units) the initially recognised value is not subsequently revalued, unless the carrying value exceeds net realisable value.

Where the land 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 inventory or 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 recorded at the proceeds received, net of direct issue costs. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

***Intangible assets***

Intangibles represent computer software used in the Group's operations 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 useful life of the lease

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***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 the 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.

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

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

Buildings	Over 50 years
Plant and equipment	10% to 33% per annum
Motor vehicles	20% per annum

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

***Goodwill***

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

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***Impairment***

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

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

***Investment property***

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

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

***Inventories of housing units***

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs those overheads that have been incurred in bringing the inventories to their present location and costs. 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 using the effective interest 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 cost of sales. 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 cost of sales in the income statement.

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***Cash and cash equivalents***

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

***Restricted bank deposits***

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

***Financial liabilities and equity***

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

***Bank borrowings***

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

***Trade payables***

Trade payables are 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.

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***Taxation***

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

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

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

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

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

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

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

***Dividends***

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

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

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The group has applied the following standards for the period commencing 1 January 2007. There has been no significant impact to the financial information as a result of applying these standards for the first time.

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', It introduces new disclosures relating to financial instruments. The group will apply IFRS 7 from 1 January 2007, but it is not expected to have any material impact on the classification and valuation of the group's financial instruments.
- IFRIC 7, Applying the restatement approach under IAS29 (effective for annual periods beginning on or after 1 March 2006).
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007).
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006).
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods and which the entity has not 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 (revised March 2007; effective for annual periods beginning on or after 1 January 2009).
- IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU) - The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires a company to report financial and descriptive information about its operating segments and specifies how a company should report such information. The Group will apply IFRS 8 from 1 January 2009. The Group is currently assessing the impact of the IFRS 8 on its financial statements.
- 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 is not expected to have any material impact on the Group's financial statements.
- 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; not yet adopted by the EU), addresses how companies, that grant their customers loyalty award credits when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points (not yet adopted by EU) - no such arrangement exists within the Group.
- IFRIC 14, The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 July 2008; not yet adopted by EU), addresses certain aspects of the accounting for pension plans. No such plans exist within the Group.



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**1. Segmental reporting**

**Primary reporting format – Business Segments**

<b>6 months ended 30 June 2007</b>	<b>Property rental</b>	<b>Residential sales</b>	<b>Hotel operations</b>	
<b>Income Statements</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Revenue	5,667	-	4,385	10,052
Unallocated revenue				170
<b>Total Revenue</b>				<b>10,222</b>
Segment result	37,750	(1,223)	(1,561)	34,966
Unallocated costs				(5,077)
<b>Operating Profit</b>				<b>29,889</b>
<b>5 months ended 30 June 2006</b>				
Revenue	1,831	-	-	1,831
Unallocated revenue				152
<b>Total Revenue</b>				<b>1,983</b>
Segment result	1,452	(1,271)	(136)	45
Unallocated costs				636
<b>Operating Profit</b>				<b>681</b>

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**2. Administrative Expenses**

	Six months ended 30 June 2007	Five months ended 30 June 2006
	€'000	€'000
Property related expenses	(2,864)	(257)
Management Fees	(2,300)	(2,300)
Other Administrative expenses	(8,587)	(736)
<b>Total</b>	<b>(13,751)</b>	<b>(3,293)</b>

**3. Tax on profit on ordinary activities**

	Six months ended 30 June 2007	Five months ended 30 June 2006
	€'000	€'000
<b>Current tax</b>	(347)	7
<b>Deferred tax</b>	(5,735)	(727)
<b>Total</b>	<b>(6,082)</b>	<b>(720)</b>

An estimate is made of the effective tax rate for the full year and has been applied to the half year results.

**4. Earnings per share**

Basic earnings per share is calculated by dividing the profit after tax attributable to ordinary shareholders (€21,632; 2006: -€10,690) by the weighted average number of ordinary shares outstanding during the period (48,448,081; 2006: 48,849,966).

For diluted 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. The outstanding share warrants exercise price exceeds current market value, therefore the warrants are not dilutive. As a result, dilutive earnings per share is the same as the basic.

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**5. Dividends**

	<b>Group</b>
	<b>Six months ended</b>
	<b>30 June 2007</b>
	<b>€'000</b>
Interim paid – 8.32 eurocents per ordinary share	4,031

**6. Property plant and equipment**

	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Group</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<i>Cost or valuation</i>				
At 3 February 2006	-	-	-	-
Acquisitions through business combinations	67,431	113	113	67,657
Additions at cost	16,909	305	46	17,260
Exchange adjustments	427	(2)	5	430
Disposals	(7)	(29)	(72)	(108)
Revaluation	3,680	-	-	3,680
<b>At 31 December 2006</b>	<b>88,440</b>	<b>387</b>	<b>92</b>	<b>88,919</b>
Acquisitions through business combinations	13,969	131	-	14,100
Additions at cost	899	3,020	50	3,969
Exchange adjustments	112	19	12	143
Disposals	-	-	(15)	(15)
Revaluation	9,621	-	-	9,621
<b>At 30 June 2007</b>	<b>113,041</b>	<b>3,557</b>	<b>139</b>	<b>116,737</b>
<i>Accumulated depreciation</i>				
At 3 February 2006	-	-	-	-
Charge for the year	(18)	(80)	(16)	(114)
Disposals	2	10	1	13
<b>At 31 December 2006</b>	<b>(16)</b>	<b>(70)</b>	<b>(15)</b>	<b>(101)</b>
Charge for the year	(948)	(987)	(24)	(1,959)
Exchange adjustments	(203)	(3)	6	(200)
Disposals	-	-	15	15
<b>At 30 June 2007</b>	<b>(1,167)</b>	<b>(1,060)</b>	<b>(18)</b>	<b>(2,245)</b>
<b>Net book value at 30 June 2007</b>	<b>111,874</b>	<b>2,497</b>	<b>121</b>	<b>114,492</b>
Net book value at 31 December 2006	88,424	317	77	88,818

Buildings were valued as at 30 June 2007 by qualified professional valuers working for the company of Cushman & Wakefield, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors. All properties were valued on the basis of Market Value and the valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. For all properties, valuations were based on current prices in an active market. The resulting revaluation adjustments, net of applicable deferred taxes, have been taken to the revaluation reserve in shareholders equity.

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**7. Investment property**

	<b>30 June 2007</b>	<b>31 December 2006</b>
	<b>€'000</b>	<b>€'000</b>
At beginning of the period	67,585	-
Acquisitions through business combinations	-	49,545
Additions	91,497	12,483
Capitalised subsequent movements	239	338
Exchange movements	(41)	(393)
Present value of annual perpetual usufruct fees	3,959	-
Fair value gains	34,785	5,612
<b>Total</b>	<b>198,024</b>	<b>67,585</b>

The fair value of the Group's investment property at 30 June 2007 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The Group acquired the remaining 40% share capital of S.C. World Real Estate on 28 June 2007. At 31 December 2006 100% of S.C. World Real Estate was consolidated and as S.C. World Real Estate had net liabilities no minority interest was recognised. The acquisition of the 40% interest for €5.7m therefore represents an additional investment in the property and is included in additions above.

**8. Inventories**

	<b>30 June 2007</b>	<b>31 December 2006</b>
	<b>€'000</b>	<b>€'000</b>
Land held for development	101,936	89,182
Construction expenditure	23,887	10,023
Freehold and leasehold properties held for resale	<b>125,823</b>	<b>99,205</b>

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**9. Cash at bank and in hand**

	<b>30 June 2007</b>	<b>31 December 2006</b>
	<b>€'000</b>	<b>€'000</b>
Cash at bank and in hand	31,000	55,952
Short term bank deposits	11,462	6,720
	<b>42,462</b>	<b>62,672</b>

Restricted bank deposits total €9,078,844 as at 30 June 2007 (31 December 2006: nil).

**10. Cash generated from operations**

	<b>6 months ended 30 June 2007</b>	<b>5 months ended 30 June 2006</b>
	<b>€'000</b>	<b>€'000</b>
<b>Profit/(loss) for the period</b>	<b>21,650</b>	<b>476</b>
<b>Adjustments for:</b>		
Finance costs	2,957	1,293
Finance income	(799)	(1,808)
Tax expense	6,082	720
<b>Operating profit / (loss)</b>	<b>29,890</b>	<b>681</b>
Bad debt write off	271	-
Depreciation of property, plant and equipment	1,959	89
Amortisation charges	204	-
Gain on sale of property plant and equipment	(5)	-
Net goodwill arising on acquisitions charged to the income statement	(389)	(721)
Increase in the value of investment property	(34,785)	(2,300)
Effects of foreign currency	(33)	372
Charge relating to share based payments	-	-
	<b>(2,888)</b>	<b>(1,879)</b>
<b>Changes in working capital</b>		
Increase in inventory	(18,129)	(8,958)
Decrease / (Increase) in trade and other receivables	7,211	2,676
Increase in trade and other payables	7,968	1,075
	<b>(2,950)</b>	<b>(5,207)</b>
<b>Cash outflow generated from operations</b>	<b>(5,838)</b>	<b>(7,086)</b>

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**11. Bank loans**

	<b>30 June 2007</b>	<b>31 December 2006</b>
<b>Current</b>	<b>€'000</b>	<b>€'000</b>
<i>Bank loans and overdrafts due within one year or on demand</i>		
Secured	(14,185)	(2,892)
	<b>(14,185)</b>	<b>(2,892)</b>
<b>Non-current</b>		
<i>Repayable within two years</i>		
Secured	(40,837)	(22,579)
<i>Repayable within three to five years</i>		
Secured	(30,547)	(15,755)
<i>Repayable after five years</i>		
Secured	(99,874)	(37,836)
<b>Total</b>	<b>(171,258)</b>	<b>(76,170)</b>

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

Bank loans are denominated in a number of currencies. All borrowings denominated in foreign currency are stated in Euros in the group accounts. Bank loans bear interest based on a variety of interest rates. An analysis of the Group's borrowings by currency:

	<b>Euro</b>	<b>Zloty</b>	<b>Florint</b>	<b>Total</b>
Bank overdrafts	(16,434)	-	(49)	<b>(16,483)</b>
Bank loans	(155,239)	(13,721)	-	<b>(168,960)</b>
<b>Total</b>	<b>(171,673)</b>	<b>(13,721)</b>	<b>(49)</b>	<b>(185,443)</b>

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**12. Acquisition of undertakings**

- (a) 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 using the purchase method of accounting.

	Book Value €'000	Fair value adjustments €'000	Fair value €'000
<b>Net assets acquired</b>			
Inventory	3,740	4,731	8,471
Cash	18		18
Shareholder loans payable	(1,445)		(1,445)
Banks Loan	(2,264)		(2,264)
Trade and other payables	(8)		(8)
Deferred tax liabilities		(947)	(947)
Overdrafts			
Current tax liabilities			
			<b>3,825</b>
Goodwill			-
<b>Total consideration</b>			<b>3,825</b>
Satisfied by:			
Equity			-
Cash			<b>3,825</b>

The company acquired, contributed profit after tax of €19,000 from operating revenue of €798 to the Group results for the period.

- (b) 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
<b>Net assets acquired</b>			
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)
			<b>7,837</b>
Negative goodwill			<b>(389)</b>
<b>Total consideration</b>			<b>7,448</b>
Satisfied by:			
Equity			-
Cash			<b>7,448</b>

The companies acquired, contributed profit after tax of €501,000 from revenue of €1,295,493 to the Group results for the period.

**ATLAS ESTATES LIMITED GROUP**  
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**13. Post balance sheet events**

- (a) On 4 July 2007 Atlas Estates (Sadowa) Sp zoo secured a loan from Investkredit Bank AG for €7,080,000. The loan has an interest rate of EURIBOR plus a margin of 1.4%. Investkredit Bank AG has obtained a pledge on the company's shares, bank accounts and rent as security.
- (b) On 19 July 2007 Atlas Estates (Cybernetyki) Sp zoo secured a loan facility from Investkredit Bank AG for €14,500,000. The loan has an interest rate of EURIBOR plus a margin of 1.3%. Investkredit Bank AG has obtained a pledge on the company's shares and bank accounts as security.
- (c) In August 2007 the Group entered into 50/50 joint venture with CF Plus Sp. z o.o., and together with its partner will acquire a development land in Gdańsk for EUR 14.3 million.
- (d) Also in August 2007 the Group entered the conditional purchase agreement for 500 shares of a nominal value of 10 leva each and the aggregate value of 5,000 leva, constituting 100% of the share capital of IMMOBUL EOOD. On 15 October 2007 the purchase transaction was completed.

**14. Related party transactions**

- (a) Silverrock Commerce Limited is an investment subsidiary of Osterreichische Volksbanken-Aktiengesellschaft (OVAG), an Austrian Bank. Throughout the period to 30 June 2007 OVAG provided loan facilities to a number of Atlas projects and investments. All such facilities were entered into on an arms length basis with market standard commercial terms. At exchange rates prevailing on 30 June 2007 a total of €75,657,890 (31 December 2006: €57,403,360) was due to the OVAG Group.
- (b) Elran (DD) Real Estate Limited and Elran Real Estate Limited are part of the Elran Group. The Elran Group is also the holder of 37.5% of the share capital of the share capital of Atlas Management Company Limited. As a result of a qualifying shareholding of 3,646,056 shares in Atlas Estates Limited on 15 June 2007 Elran (DD) Real Estate Limited received a dividend of €303,351.85. As a result of a qualifying shareholding of 4,130,520 shares in Atlas Estates Limited on 15 June 2007 Elran Real Estate Limited received a dividend of €343,659.26
- (c) The RP Explorer Master Fund and RP Partners Fund are funds that are managed by R P Capital Group. The RP Capital Group is also the holder of 42.5% of the share capital of Atlas Management Company Limited. As a result of a qualifying shareholding of 20,590,434 shares in Atlas Estates Limited on 15 June 2007 RP Capital Group received a dividend payment of €1,713,124.
- (d) BCRE Izaki Properties is also the holder of 20% of the share capital of Atlas Management Company Limited. As a result of a qualifying shareholding of 9,689,616 shares in Atlas Estates Limited on 15 June 2007 BCRE Izaki Properties received a dividend payment of €806,176.



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(e) Key management compensation

	30 June 2007	31 December 2006
	€'000	€'000
Fees for non-executive directors	91	227

Atlas Estates Limited has appointed Atlas Management Company Limited (“AMC”) to manage its property portfolio. AMC is owned by Elran (DD) Real Estate Limited, The RP Capital Group and Izaki Group. In consideration of the services provided, AMC received a management fee of €2.3 million for the period ended 30 June 2007 (€3.8 million for year ended 31 December 2006). 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 2007. No accrual of this performance fee is made at the interim stage as the property valuation at 31 December 2007 is uncertain.

- (f) Under the loan agreement of 29 September 2005 Kendalside Ltd. (subsidiary of Eastfield) extended a loan facility of €2,695,797 to Circle Slovakia for the acquisition of a real property. The loan facility is to be repaid by 31 August 2008, and bears interest at a variable rate equal to the sum of EURIBOR and the lender’s margin. As of the 30 June 2007 Circle Slovakia has drawn the loan facility in the amount of €2,695,797 (31 December 2006: EUR 2,695,797).
- (g) Under the loan agreement of 30 October 2006 Eastfield Holding (Cyprus) Limited extended a loan facility of SKK 340,000,000 to Eastfield Atlas (previously Slovak Investment and Development) 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 30 June 2007 the borrower has used the loan facility in the amount of SKK 23,487,462 (31 December 2006: SKK 21,724,780).

**ANNEX 2**

**CW VALUATION REPORT**



## VALUATION REPORT



### Valuation Advisory Services

Cushman & Wakefield Polska Sp. z o.o.  
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00-078 Warsaw  
Poland  
Tel: +48 (0) 22 820 20 20  
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1<sup>st</sup> November 2007

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

UniCredit CA IB Polska S.A.  
Warsaw Financial Centre  
Ul. Emilii Plater 53  
00-113 Warszawa

CA IB Corporate Finance Ltd.  
80 Cheapside,  
EC2V 6EE London, United Kingdom

Centralny Dom Maklerski Pekao S.A.  
ul. Wołoska 18  
02-675 Warsaw, Poland

Bank Austria CreditAnstalt  
Vordere Zollamtsstrasse 13  
A-1030 Vienna, Austria

Dear Sirs,

### VALUATION OF THE ATLAS REAL ESTATE PORTFOLIO ON BEHALF OF ATLAS

In accordance with our engagement letter with Atlas Estates Ltd ("the Company") and UniCredit CA IB Polska S.A. ("UniCredit CA IB"), we have pleasure in reporting to you as follows:

#### 1. SCOPE OF INSTRUCTIONS

We have considered the property assets referred to in the attached Appendix (each a "Property" and together the "Properties") in order to advise you of our opinion of their Market Value as at 30<sup>th</sup> June 2007. Each Property has been valued individually and not as part of a portfolio.

The valuations in this valuation report have been prepared by an appropriate valuer acting in the capacity of an external valuer, and made in accordance with the appropriate sections of both the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Appraisal and Valuation Standards (Fifth Edition) published by the Royal Institution of Chartered Surveyors (the "Red Book"). This is an internationally accepted basis of valuation.

We confirm that these valuations are each prepared for a Regulated Purpose as defined in the Red Book.

Valuation for Atlas Estates Ltd., UniCredit CA IB, CA IB Corporate Finance Ltd., Centralny Dom Maklerski Pekao S.A. and Bank Austria CreditAnstalt as at 30<sup>th</sup> June 2007

The valuation of each of the Properties was undertaken by Michael Edwards MRICS supported by the Central Europe Valuation Advisory team.

## **2. PURPOSE OF THE VALUATION REPORT AND LIABILITY**

This valuation report has been prepared for the purpose of providing the directors of the Company with the current Market Value (as defined below) of the Properties and for inclusion in the admission document to be issued in respect of the public offering of the Company in Poland and the listing of the Company on the Warsaw Stock Exchange, which investors will rely on in making their decision to invest in the Company.

We also understand that this valuation report will be relied upon by the directors of the Company and UniCredit CA IB.

To the fullest extent permitted by the law (including any mandatory responsibility arising from the listing rules of any stock exchange) we do not assume any responsibility to and we hereby exclude all liability arising from use of and/or reliance on this report by any person or persons for the purposes of determining whether or not to purchase shares in the initial public offering of Atlas Estates Ltd other than those parties to whom this report is addressed and to whom we have issued a reliance letter.

Subject to the preceding paragraph, other than those parties to whom this report is addressed (or any person to whom we have issued a reliance letter and who has accepted the terms contained therein), any third party seeking to rely on this report shall only be entitled to do so for the purposes of determining whether or not to acquire a share in the public offering of Company name.

## **3. BASIS OF VALUATION**

As instructed and in accordance with the requirements of the Red Book the valuations have been prepared on the basis of Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

In undertaking our valuations on the basis of Market Value, we have applied the interpretive commentary which has been settled by the International Valuation Standards Committee and which is included in PS 3.2. The RICS considers that the application of the Market Value definition provides the same result as Open Market Value, a basis of value supported by previous editions of the Red Book.

Our valuations are exclusive of any Value Added Tax.

No allowances have been made for any expenses of realization or any taxation liability arising from a sale or development of the Properties.

## **4. ASSUMPTIONS AND SOURCES OF INFORMATION**

An assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, the Company has confirmed that our assumptions are correct so far as they are aware. In the event that any of these assumptions prove to be incorrect then this may have a significant impact on the values here reported. The general assumptions we have made for the purposes of our valuations are referred to below:

### **4.1 Title**

We have had limited access to leases and our valuations have been based on the information which the Company has supplied to us as to tenure, tenancies and statutory notices.

In particular, unless disclosed to us, each of our valuations is on the basis that:

- (1) the Property possesses a good and marketable title, free from any unusually onerous restrictions, covenants, mortgages, charges or any other encumbrances;
- (2) leases to which the Property is subject are on terms appropriate to the market in which they fall and contain no unusual or onerous provisions or covenants which would affect value;
- (3) in respect of leases subject to impending or outstanding rent reviews and lease renewals, we have assumed that all notices have been served validly and within appropriate time limits;
- (4) the Property valued excludes mineral rights, if any;
- (5) vacant possession can be given of all accommodation which is unlet, or occupied either by the Company or by its employees on service occupancies; and
- (6) where applicable, appropriate planning and building consents have been achieved for the Development Properties as proposed.

#### **4.2 Tenancies**

In respect of tenants' covenants, whilst we have taken into account information of which we are aware, we have not received a formal report on the financial status of the tenants. Unless specifically advised to the contrary, we have made the assumption that there are no material arrears of rent or service charges or breaches of covenant or current or anticipated tenant disputes or that the occupiers are unable to meet their commitments under the leases. Our valuation is on the basis that this is correct.

#### **4.3 Planning**

We have not made formal searches, but have generally relied on verbal enquiries and any information provided to us.

Subject to the above:

- (a) In the absence of information to the contrary, our valuation is on the basis that the Properties are not affected by proposals for road widening or any compulsory purchase orders.
- (b) Our valuations are on the basis that the Properties have or will be erected either prior to planning control or in accordance with a valid planning permission and are being occupied and used without any breach of planning or building regulations. We further assume that there are no outstanding statutory obligations or liabilities arising.
- (c) We have also assumed that all the Properties currently comply with all statutory and local authority requirements including building, fire and health and safety regulations (where appropriate).

#### **4.4 Structure**

We have neither carried out a structural survey of the Properties nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure and services. However, our valuation takes into account any information supplied to us and any defects or hazards noted during our inspection. Otherwise, our valuation is on the basis that there are no latent defects, wants of repair or other matters which would materially affect our valuation.

We have not inspected those parts which are covered, unexposed or inaccessible and our valuation is on the basis that they are in good repair and condition.

We have not investigated the presence or absence of high alumina cement, calcium chloride, asbestos and other deleterious materials. In the absence of information to the contrary, our valuation is on the basis that no hazardous or suspect materials and techniques have been used in the construction of the Properties.

#### **4.5 Site and Contamination/Environmental**

We have not investigated ground conditions/stability and, unless advised to the contrary, our valuation is on the basis that all buildings have been constructed having appropriate regard to existing ground conditions.

We have not carried out any investigations or tests, nor been supplied with any information from the owners or any relevant expert that determines the presence or potential presence or otherwise of pollution or contaminative substances in any of the Properties or any other land (including any ground water). We have not carried out any investigation into past uses, either of the Properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites, and have therefore assumed that none exists. Accordingly, our valuation has been prepared on the basis that there are no such matters that would materially affect our valuation.

In respect of any high voltage electrical supply equipment close to the Property, the possible effects of electromagnetic fields have been the subject of media coverage. Independent bodies with responsibility for advising on electromagnetic fields have advised that, following studies, there may be a risk, in specified circumstances, to the health of certain categories of people. The perception of this risk may affect the marketability and value of property close to such equipment.

#### **4.6 Plant and Machinery**

In respect of equivalent freehold Property, usual landlord's fixtures such as lifts, escalators and central heating have been treated as an integral part of the building and are included within the asset valued.

Process related plant/machinery and tenants' fixtures/trade fittings have been excluded from our valuation.

#### **4.7 Inspections and Areas**

We have inspected the Properties internally and externally at various times since December 2005. We have not calculated areas and have relied upon areas provided by the owners, which we assume to be calculated in accordance with normal market practice for Central and Eastern Europe. For the avoidance of doubt this does not strictly accord with the Code of Measuring Practice (Fifth Edition) prepared by The Royal Institution of Chartered Surveyors.

#### **4.8 Information**

Our valuations are based on the information supplied to us or which we have obtained from our enquiries. We have relied on this being correct and complete and on there being no undisclosed matters which would affect our valuation.

#### **4.9 Development Properties**

For development projects we have considered the proposed schemes of the owners and assumed that detailed planning and building consents are in place for these schemes.

The value of land varies depending upon its status and the opportunity to develop. In our valuations, we have assumed that the opportunity exists to develop each development property as an intensive industrial development based upon a specific scheme provided to us by the owning company. To reflect these specifics, the most appropriate method of valuation is the residual approach. The residual approach works on the principle of establishing the latent value that can be released following expenditure on a property; in simple terms, the approach is expressed as follows:

*Value of completed development (Gross Development Value) less total expenditure on costs of development (including finance, required profit etc) = Residual Land Value of site in current condition*

It should be noted that the end values derived vary considerably according to the specific inputs. Our inputs have been derived through both our own market knowledge and information provided to us from the Company, which we have relied upon as accurate. Minor changes to these inputs and assumptions will have a significant impact on values reported. Nevertheless, all valuation outputs have been carefully checked against comparable recent land transaction.

#### **4.10 Investment Properties**

Investment properties have been valued according to conventional (hardcore) techniques.

### **5. SPECIAL ASSUMPTIONS, RESERVATIONS AND DEPARTURES**

In the course of our valuations we have been asked to make various special assumptions. These are listed in the Appendix to this property valuation.

Valuation for Atlas Estates Ltd., UniCredit CA IB, CA IB Corporate Finance Ltd., Centralny Dom Maklerski Pekao S.A. and Bank Austria CreditAnstalt as at 30<sup>th</sup> June 2007

The differences between the valuation figure derived from the valuation report prepared by Cushman & Wakefield and the equivalent figure included in the Atlas Estates consolidated financial statements for 11 months ended 30th June 2007 are justified by the fact that, as set out in the Atlas Estates Group's accounting policies,

- \* inventories of housing units (including the land and the land held under operating lease contracts related to the development of housing units and classified as inventory) and
- \* the land under the operating lease contracts on which hotel buildings are located

are stated at cost and therefore are not revalued to fair value

## 6. DISCLOSURE

We confirm that we do not have any material interest in the Company or any of the Properties and that the valuation has been carried out with regard to comparable market transactions at arms length.

## 7. VALUATION

Subject to the foregoing, and based on values current as at 30<sup>th</sup> June 2007, we are of the opinion that the Market Value of the effective freeholds or development lands under the process of acquisition (as applicable) in each of the Properties (as set out in the Appendix), is as follows:

<b>Properties held as investment (income producing, existing properties)</b>		
Ligetváros, 11-15 Damjanich utca, Budapest VII	€8,960,000	(Eight Million, nine hundred and sixty thousand euros)
Városliget, 11-15 Damjanich utca, Budapest VII	€6,000,000	(Six Million euros)
Ikarus Industrial Park, 114 Margit Street, Budapest XVI	€29,800,000	(Twenty-nine Million, eight hundred thousand euros)
Metropol Office Buildings, 41 Tüzér utca, Budapest XIII	€10,190,000	(Ten Million, one hundred and ninety thousand euros)
Moszkva tér Office Building, 105 Margit körút, Budapest II	€3,075,000	(Three Million, seventy-five thousand euros)
Millennium Plaza – Al Jerozolimskie, Warsaw	€92,670,000	(ninety two million, six hundred and seventy thousand euros)
Sadowa Office Building ul. Sadowa 8, Gdańsk	€11,270,000	(eleven million, two hundred and seventy thousand euros)
<b>TOTAL</b>	<b>€161,965,000</b>	
<b>Operating properties</b>		
Golden Tulip Hotel, 166 Calea Victoriei, 010096 Bucharest	€14,580,000	(Fourteen Million, five hundred and eighty thousand euros)
Hilton Hotel and Convention Centre, Grzybowska 63, Warsaw,	€109,540,000	(One hundred and nine Million, five hundred and forty thousand euros)
<ul style="list-style-type: none"> <li>• <i>Land Portion</i></li> <li>• <i>Buildings</i></li> </ul>	<ul style="list-style-type: none"> <li>€10,812,000</li> <li>€98,728,000</li> </ul>	
<b>TOTAL</b>	<b>€124,120,000</b>	
<b>Property held as development land</b>		
Development Site, 4B Hun utca, Budapest XIII	€7,830,000	(Seven Million, eight hundred and thirty thousand euros)
Volán Plot, Szabolcs utca Budapest XIII	€18,400,000	(Eighteen Million, four hundred thousand euros)
Plot of land – commune Voluntari, Ilfov County	€29,750,000	(Twenty-nine Million, seven hundred and fifty thousand euros)
Plot of land – 25 Electronicii Street, sector 2, Bucharest	€25,640,000	(Twenty-five Million, six hundred and forty thousand euros)
Platinum Residential Towers Ul Grzybowska, Warsaw	€ 35 000,000	(Thirty-five Million euros)
Platinum Office Tower Ul Grzybowska, Warsaw	€ 22,000,000	(Twenty-two Million euros)
Capital Art., Ul Gieldowa 4, Warsaw	€ 25,000,000	(Twenty-five Million euros)
Development land, corner of ul. Cybernetyki and ul. Obrzeżna, Warsaw	€6,500,000	(Six million, five hundred thousand euros)
Vajnory Airport Site, Bratislava	€40,100,000	(Forty Million, one hundred thousand euros)
Zielono, Ul Przasnyska 9	€ 11,500,000	(Eleven Million, five hundred thousand euros)

Valuation for Atlas Estates Ltd., UniCredit CA IB, CA IB Corporate Finance Ltd., Centralny Dom Maklerski Pekao S.A. and Bank Austria Creditanstalt as at 30<sup>th</sup> June 2007



Project Basta, Kosice, Slovakia

€4,700,000 (Four Million, seven hundred thousand euros)

**TOTAL**

**€191,420,000**

For the avoidance of doubt, the above figures represent the market values of each property in its entirety and do not relate to Atlas Estates Ltd share in each.

## **8. CONFIDENTIALITY**

This valuation report may only be used for inclusion in the prospectus and any supplementary offer document in relation to the admission of ordinary shares in the Company to trading on Warsaw Stock Exchange. This report or any part of it may not be modified, altered (including altering the context in which the report is displayed) or reproduced without the written consent Cushman and Wakefield (having first been obtained) and any person who contravenes this provision shall be responsible for all of the consequences of the same including indemnifying Cushman and Wakefield for all of the consequences of the contravention. Cushman and Wakefield accepts no liability for any use of the Report which is in contravention of this clause.

## **9. Declaration**

Subject to the provisions of this Report, we declare that to the best of our knowledge (having taken all reasonable care to ensure such is the case), the information contained in this valuation report is in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

For and on behalf of  
Cushman & Wakefield

Richard Petersen MRICS  
**Managing Director**

Michael Edwards MRICS  
**Partner**

**APPENDIX I**

**PROPERTIES HELD AS INVESTMENT**  
(AS OF 30th June 2007)

<b>Property Name and Address:</b>	<b>Description, Age and Tenure</b>	<b>Terms of existing tenancies</b>	<b>Date of Inspection</b>	<b>Net annual income</b>	<b>Estimated Market Rental Value</b>	<b>Market Value</b>
Ikarus Industrial Park, 114 Margit Street, Budapest XVI	The property is a brown field industrial park mainly built between 1967 and the early 1970's. There are 110 buildings in the park functioning as stores, workshops and offices. Has 119,123 sq m of NLA.	There are cc. 130 short-term, mid-term mainly domestic tenants, with a low occupancy rate.	28 September 2005 by Orsolya Hegedűs	€2,141,000	€3,437,000	€29,800,000
Metropol Office Buildings, 41 Tüzér utca, Budapest XIII	The scheme is of three purpose-built, class B office buildings completed in 1997-1999 and has 7 650,20 sq m of NLA.	The property is subject to 4 mid-term tenancies with full occupancy.	27 September 2005 by Orsolya Hegedűs	€14,668	€44,075	€10,190,000
Városliget Project 11-15 Damjanich utca, Budapest VII	Multi-tenured brown field site developed with 9 buildings all used as retail, office or storage, with 12,149 sq m of NLA.	Short term, domestic tenants with an occupancy rate of 37,1%.	07 February 2007 by Orsolya Hegedűs	€235,938	n/a	€6,000,000
Ligetváros Project 11-15 Damjanich utca, Budapest VII	Mixed use office and retail scheme with an NLA of 6,687.54 sq m in a brown field site refurbished in 1999-2002.	The property, which consists of 4 separate buildings, is subject to 51 tenancies. Most leases are concluded for short term. Current occupancy rate is 89%.	07 February 2007 by Orsolya Hegedűs	€22,772	€792,533	€8,960,000
Moszkva tér Office Building, 105 Margit körút, Budapest II	The scheme is of an older, not purpose-built office building, which is arranged over two above ground storeys, with 998 sq m of NLA.	The property is subject to 3 long term tenancies with an occupancy rate of 100%.	27 September 2005 by Orsolya Hegedűs	€73,420	€42,953	€3,075,000

<b>Property Name and Address:</b>	<b>Description, Age and Tenure</b>	<b>Terms of existing tenancies</b>	<b>Date of Inspection</b>	<b>Net annual income</b>	<b>Estimated Market Rental Value</b>	<b>Market Value</b>
Sadowa Office Building Ul.Sadowa 8, Gdansk, Poland	B class office scheme of approximately 5,980 m <sup>2</sup> of net lettable area, constructed at the turn of the 20th century and fully refurbished in 2002 . The property has a good location situated close to Gdańsk city centre with good access off ul. Podwale Przedmiejskie (national road no 7).	The property is currently a subject to 16 tenancy agreements predominantly for definite period of time. The property is almost fully let.	May 2007 by Pawel Kowalczyk	€792,684	€900,972	€11,270,000
Millenium Plaza Al Jerozolimskie, Warsaw, Poland	Located on the western edge of Warsaw CBD on Al Jerozolimskie, a major arterial route. The property is held on a basis of perpetual usufruct interest to the land and freehold interest to the building.	The property is currently a subject to over 50 tenants.	November 2006 by David Jones	€7,500,000	n/a	€90,050,000

**PROPERTIES HELD AS OPERATIONAL**  
(AS OF 30th June 2007)

Property Name and Address:	Description, Age and Tenure	Terms of existing tenancies	Date of Inspection	Net annual income	Estimated Market Rental Value	Market Value
Hilton Hotel and Convention Centre, Grzybowska 63, Warsaw, Poland	The Property includes: <ul style="list-style-type: none"> <li>• 314-room 5-star hotel;</li> <li>• 4,561 sq m of fitness;</li> <li>• 1,582 sq m of casino;</li> <li>• 283 sq m of shops; and</li> <li>• 273 car parking spaces.</li> </ul> The Property opened in April 2007.	The Hotel is operated by Hilton International under a management agreement for 20 years. The Fitness is leased by Holmes Place until 1/5/2017. The Casino is leased by Olympic Casino until 29/5/2013 The three shops are leased until 2017. The parking is leased by PCP until 31/12/2009.	November 2006 by David Jones		€1,522,500	€109,540,000
Golden Tulip Hotel 166 Calea Victoriei, 010096 Bucharest, Romania	The Property includes a 82-room 4-star hotel which opened in March 2006.	The Property is operated by Directflow Investments Limited under a management agreement that can be terminated by the landlord further to a 12-month notice and by the tenant further to a 3-month notice. The Property also benefits from a franchise agreement with Golden Tulip until 1/8/2014		€1,166,500	n/a	€14,580,000

**PROPERTIES HELD AS DEVELOPMENT LAND**  
**(AS OF 30th June 2007)**

<b>Property Name and Address:</b>	<b>Description, Age and Tenure</b>	<b>Terms of existing tenancies</b>	<b>Date of inspection</b>	<b>Net annual income</b>	<b>Estimated Market Rental Value</b>	<b>Market Value</b>
Atrium Homes Development Site, 4B Hun utca, Budapest XIII	The property is a development site of 0.8ha to be developed as a residential scheme.	NA	27 September 2005 by Orsolya Hegedűs	n/a	n/a	€7,830,000
Capital Art Apartments Capital Art., Ul Gioldowa 4, Warsaw	The Property is situated at Gioldowa 4 Street, in the east part of Wola District in Warsaw. The location of the property benefits from being close to the city centre and in a rapidly developing post-industrial area.	Land, with total area of 17 566m <sup>2</sup> , with zoning and building permits for phase I and II 22,950 sq m with phase III due later in 2007. The total phased development will provide a total gross accommodation area of 48 450m <sup>2</sup> .	November 2006 by David Jones	n/a	n/a	€25,000,000
Platinum Ul Grzybowska, Warsaw	The Property is situated at 63 Grzybowska Street, The immediate surroundings of the Property comprise an industrial area (Browary Warszawskie SA opposite of the property), modern residential area (Łucka, Prosta Streets), commercial areas (Hotel Hilton, Bank PKO SA office building, Żelazna Street). The location of the property benefits from a good situation in the Wola district - being close to the city centre and is a rapidly developing office and residential area.	The site comprises 2 plots of land, totaling 9 571m <sup>2</sup> and is currently being developed. As at the date of valuation all zoning and building permit exits for three planned towers.		n/a	n/a	

Property Name and Address:	Description, Age and Tenure	Terms of existing tenancies	Date of inspection	Net annual income	Estimated Market Rental Value	Market Value
Platinum Residential Towers	Phase I & I Residential of 22,400 sq m with 1,660 sq m of retail.	Phase I & I Residential of 22,400 sq m with 1,660 sq m of retail.	November 2006 by David Jones	n/a	n/a	€35,000,000
Platinum Office Tower	Phase III Values to scenarios, I Office (22,800 sq m) and scenario II Residential 17,500 sq m	Phase III Values to scenarios, I Office (22,800 sq m) and scenario II Residential 17,500 sq m	November 2006 by David Jones	n/a	n/a	€22,000,000
Zielono, Ul Przasnyska 9	The Property is located at 9 Przasnyska street, in the south-west (industrial) part of Żoliborz District. The neighbourhood of the Property consists of industrial facilities with a number of administrative and warehouse buildings.	Land, with total area of 12 454m <sup>2</sup> , with zoning for development of modern residential accommodation of 19,500 sq m. Building permit due September 2007.	November 2006 by David Jones	n/a	n/a	€11,500,000
Voluntari Project Plot of land – commune Voluntari, Ilfov County,	Three vacant plots of land with an area of 20,001 sq. m., 26,875 sq. m. and 52,240 sq. m. respectively. The land is in the vicinity of the future motorway running from Bucharest – Brasov	NA	January 2007 by Costel Florea	n/a	n/a	€29,750,000
Solaris Project Plot of land – 25 Electronicii Street, sector 2, Bucharest	The site is a former industrial facility, with industrial buildings that will be demolished. Area of the plot of land: 32,083.09 sq. m.	NA	January 2007 by Costel Florea	n/a	n/a	€25,640,000
Nove Vajnory Vajnory Airport Site, Bratislava, Slovakia	The site is located on the eastern edge of Bratislava, west of the village of Vajnory. The property is currently functioning as a sports airport and includes appropriately constructed buildings on the plot. Most of the site is an undeveloped greenfield area.	The property is held on an equivalent freehold basis and valued with vacant possession.	February 2007 by Mike Edwards	n/a	n/a	€40,100,000

Property Name and Address:	Description, Age and Tenure	Terms of existing tenancies	Date of inspection	Net annual income	Estimated Market Rental Value	Market Value
Project Basta Tovarenska Street, Kosice, Slovakia	Located within the "Old Town", the historical centre of Kosice, Slovakia. The location is mainly residential dispersed with high street retail shops and department stores. This is a freehold development site with an area of approximately 10,000 sq m	NA	January 2007 by Orsolya Hegedűs	n/a	n/a	€4,700,000
Development land, corner of ul. Cybernetyki and ul. Obrzeźna, Warsaw	3,098 m2 site located in southern Warsaw, with planning for residential development	n/a	30 May 2007	n/a	n/a	€6,500,000





**ANNEX 3**  
**BYLAWS**



**THE COMPANIES (GUERNSEY) LAWS 1994 to 1996  
as amended**

**COMPANY LIMITED BY SHARES**

**ARTICLES OF ASSOCIATION**

**of**

**ATLAS ESTATES LIMITED**

THE COMPANIES (JERNESEY) LAWS 1994 to 1996 AS AMENDED

- (b) a holding company, subsidiary or fellow subsidiary of the Offeror or a nominee of such a holding company, subsidiary or fellow subsidiary; or
- (c) a body corporate in which the Offeror is substantially interested either because:
  - (i) that body or its directors are accustomed to act in accordance with the direction or instructions of the Offeror; or
  - (ii) the Offeror is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of that body; or
- (d) where the Offeror is an individual, his spouse or civil partner and any minor child or step-child of his.

“At any time”

At any time or times and includes for the time being and from time to time.

“auditors”

The auditors for the time being of the Company.

“Board”

means the Directors or any of them acting as the Board of Directors of the Company.

Requirements	of CRESTCo as may be applicable to issuers as from time to time specified in the CREST Manual.
"CREST Manual"	The document entitled "CREST Reference Manual" issued by CRESTCo.
"CREST Rules"	The Rules from time to time issued by CRESTCo governing the admission of securities to and the operation of the CREST UK system.
"CREST UK system"	The facilities and procedures for the time being of the relevant system of which CRESTCo has been approved as Operator pursuant to the UK Uncertificated Securities Regulations 2001.
"dematerialised instruction"	An instruction sent or received by means of the CREST UK system.
"Director"	A Director of the Company for the time being or, as the case may be, the directors assembled as a board or committee of such board.
"Dividend"	includes bonus or any other distribution whether in cash or in specie.
"Dz.U."	the Official Journal of the Republic of Poland.
"Executors"	includes administrators.
"Gross Assets of the Group"	The aggregate value of the assets of the Group.
"Group"	The Company any holding company of the Company and any subsidiary of such holding company and any subsidiary of the Company.
"holder"	In relation to any shares, the Member whose name is entered in the Register as the holder of that share and includes two or more joint holders of that share.
"KDPW"	Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository of Securities) with its registered seat in Warsaw, Poland.
"KDPW Rules"	All rules and regulations relating to KDPW and KDPW system, including but not limited to: Act on Trading in Financial Instruments, Regulamin KDPW (KDPW By-laws) adopted by the supervisory board of the KDPW and Szczegółowe Zasady Działania KDPW (Detailed Rules of KDPW) adopted by the management board of KDPW.
"KDPW system"	KDPW system of registration of dematerialised securities, including securities accounts and depository accounts held by the authorised entities.

“Laws”	The Companies (Guernsey) Laws, 1994 to 1996 and the Companies (Enabling Provisions) (Guernsey) Law, 1996 in each case as amended extended or replaced and any Ordinance statutory instrument or regulation made thereunder, so far as they apply to the Company.
“Liquidator”	includes joint Liquidators.
“Member”	includes a registered holder of a Share and any person entitled on death, disability or insolvency of a member.
“Memorandum”	The Memorandum of Association of the Company.
“Month”	Calendar month.
“NAV per Ordinary Share”	the Group's total assets minus its total liabilities (as determined by the Directors) divided by the number of the Ordinary Shares in issue at the relevant date assuming the exercise immediately prior to that date of all outstanding warrants. In determining NAV the value of the Group's property interests will be taken to be as set out in the most recent reported Valuation adjusted for the Group's percentage interest in those properties.
“Offeror”	The person or persons making a Takeover Offer.
“Office”	The registered office at any time of the Company.
“Off Market Purchase”	A purchase by the Company of its own shares which is not a market purchase as that term is defined in the Companies (Purchase of Own Shares) Ordinance, 1998.
“Ordinary Shares”	Shares of €0.01 each in the capital of the Company designated as Ordinary Shares.
“paid up”	Paid up or credited as paid up.
“percentage level”	the percentage figure found by expressing the aggregate nominal value of all of the ordinary share capital of the Company immediately before or (as the case may be) immediately after the relevant time as a percentage of the nominal value of that share capital and rounding that figure down, if it is not a whole number, to the next whole number.
“Probate”	includes Letters of Administration.
“recognised investment exchange”	shall have the same meaning as in the Financial Services and Markets Act 2000 of the United Kingdom.

“Register”	The Register of Members kept pursuant to the Laws.
“relevant change”	a change to the interest in the Ordinary Shares which increases or decreases such interest through any single percentage level.
“relevant system”	[ ] and shall include CREST system and KDPW system, as the case may be.
“Seal”	The Common Seal of the Company or any official or securities seal that the Company may have or may be permitted to have under the Laws.
“Secretary”	The secretary for the time being of the Company and includes a temporary or assistant Secretary and any person or organisation appointed by the Board to perform any of the duties of secretary.
“shares”	Any shares from time to time in the capital of the Company.
“Significant Shareholder”	a holder of 3 per cent. or more of the Ordinary Shares.
“Sponsor”	A company, person or firm admitted by CRESTCo to act as Sponsor under the CREST Rules.
“Takeover Offer”	An offer to acquire all the shares, or all the shares of any class or classes, in the Company (other than shares which at the date of the offer are already held by the Offeror), being an offer on terms which are the same in relation to all the shares to which the offer relates or, where those shares include shares of different classes, in relation to all the shares of each class.
“Treasury Shares”	Shares held in accordance with the Companies (Purchase of Own Shares) (Treasury Shares) Ordinance, 2006.
“Uncertificated share”	A share in the capital of the Company title to which is recorded on the Register as being held in uncertificated form, and title to which may be transferred by means of the CREST UK system and/or KDPW system; and “certificated share” means a share in the capital of the Company which is not an uncertificated share.
“United Kingdom”	Great Britain and Northern Ireland.
“Valuation”	the valuation of the Group's property interests carried out by an independent valuer.



The singular includes the plural and vice versa.

The masculine includes the feminine.

Words importing persons include corporations.

A reference to a "subsidiary" or a "holding company" shall be construed in accordance with Section 15 of the Amalgamation of Companies Ordinance, 1997.

Expressions referring to writing include any mode of representing or reproducing words.

Subject to the above any words defined in the Laws shall if not inconsistent with the subject or context bear the same meaning in these Articles but excluding any statutory modification of that meaning not in force when these Articles became binding on the Company.

Headings are including for convenience only and shall not affect the meaning of these Articles.

Any references to statute shall be deemed to include any statutory re-enactment or modification thereof from time to time and any order, ordinance or regulation made thereunder.

Where, for any purpose, an ordinary resolution of the Company is required, a special or an extraordinary resolution shall also be effective for that purpose; and where, for any purpose, an extraordinary resolution is required, a special resolution, shall also be effective for that purpose.

## **BUSINESS**

2. Any branch or kind of business which by the Memorandum or by these Articles is either expressly or impliedly authorised to be undertaken may be undertaken or suspended at any time by the Board whether commenced or not.

## **SHARES**

3. (1) The authorised Share Capital of the Company at the date of adoption of these Articles is €1,000,000 divided into 100,000,000 Ordinary Shares of €0.01 each having the rights hereinafter described.  
(2) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares any share may be issued with such preferred, deferred or other special rights or restrictions whether as to dividend, voting, return of capital or otherwise as the Company at any time by ordinary resolution may determine and subject to and in default of such determination as the Board may determine.
4. Subject to the provisions of the Laws:-
  - (1) and any rights attached to any existing shares any shares may be issued on terms that they are, or at the option of the Company or the holder are liable, to be redeemed;

- (2) the Company may purchase all or any of its own shares of any class whether or not they are redeemable and may pay in respect of such purchase otherwise than out of its distributable profits or the proceeds of fresh issue of shares and neither the Company nor the Board shall be required to select the shares to be purchased rateably or in any other particular manner as between the holders of the same class or in accordance with the rights as to dividends or capital conferred by any class of shares.;
  - (3) the Company and any of its subsidiary companies may give financial assistance directly or indirectly for the purpose of or in connection with the acquisition of shares in the Company or in connection with reducing or discharging any liability incurred in connection with the purchase of shares in the Company;
  - (4) The Company may hold any shares purchased by it in accordance with the Companies (Purchase of Own Shares) Ordinance, 2006 out of distributable reserves as Treasury Shares in accordance with The Companies (Purchase of Own Shares) (Treasury Shares) Ordinance, 2006. For the avoidance of doubt where reference is made in these Articles to shares or Members being entitled to vote or having voting rights this will specifically exclude any shares which are at that time Treasury Shares.
- 5.
- (1) If at any time the share capital is divided into different classes of shares the rights attached to any class may be varied or abrogated in such manner (if any) as may be provided by such rights, or in the absence of any such provision, either with the consent in writing of the holders of three-fourths of the nominal amount of the issued shares, for the avoidance of doubt excluding any shares held at that time as Treasury Shares, of that class or with the sanction of a special resolution of the holders of the shares of that class but not otherwise passed at a separate meeting.
  - (2) Unless otherwise provided by the terms of issue of any class of shares of the Company, all the provisions of these Articles relating to general meetings of the Company or to the proceedings at general meetings shall, mutatis mutandis, apply to every separate meeting of the holders of any class of shares of the Company, except that in the case of a meeting held in connection with the variation or abrogation of the rights attached to the shares of the class:-
    - (a) the necessary quorum (other than at an adjourned meeting) shall be two persons at least holding or representing by proxy at least one-third in nominal amount of the issued shares of the class, for the avoidance of doubt excluding any shares held at that time as Treasury Shares or, at any adjourned meeting of such holders, the holder or holders of shares of the class, for the avoidance of doubt excluding any shares held at that time as Treasury Shares, who are present in person or by proxy, whatever his or their holdings;
    - (b) a poll may be demanded by any holder of shares of the class present in person or by proxy, for the avoidance of doubt excluding any shares held at that time as Treasury Shares; and
    - (c) the holders of shares of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively, for the

avoidance of doubt excluding any shares held at that time as Treasury Shares.

- (3) For the purposes of these Articles, a general meeting at which no holder of a share other than an Ordinary Share may, in his capacity as a Member, attend or vote shall also constitute a separate general meeting of the holders of the Ordinary Shares.
6. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of issue of the shares of that class) be deemed to be varied or abrogated by the creation or issue of further shares ranking *pari passu* therewith.
7. Subject to the provisions of these Articles the unissued shares shall be at the disposal of the Board which shall have the unconditional authority to allot, grant options or warrants over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons on such terms and conditions and at such times as the Board determines but so that no share shall be allotted at a discount and so that the amount payable on application on each share shall be fixed by the Board.
8. Except as ordered by a court of competent jurisdiction or as required by law the Company shall not be affected or bound by or be compelled in any way to recognise (even when having notice) any person as holding any share upon any trust or equitable contingent future, partial or other interest in any share or fraction or (except only as by these Articles or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety in the registered holder and whether or not such share shall be entered in the Register as held in trust nor shall the Company be bound to see to the execution of any trust to which any share may be subject.
9.
  - (1) A Member shall be obliged to notify the Company within 2 business days if such Member:
    - (a) knowingly acquires an interest in or ceases to be interested in Ordinary Shares so that such change would result in the Member becoming (or as the case may be) ceasing to be a Significant Shareholder; or
    - (b) becomes aware that such Member acquired an interest or ceases to be interested in Ordinary Shares as would result in him becoming (or as the case may be) ceasing to be a Significant Shareholder.
  - (2) A Significant Shareholder shall also be obliged to notify the Company within 2 business days of such Significant Shareholder becoming aware of a relevant change.
  - (3) The notification to be given pursuant to Articles 9(1) and 9(2) above ("**Change Notice**") shall be in writing and must:
    - (a) specify the number of Ordinary Shares in which the Member making the notification knows he had an interest after the time when the obligation arose; or

- (b) in the case where the Member no longer has a notifiable interest in Ordinary Shares, state that he no longer has that interest.
- (4) The Change Notice shall include the following details:
  - (a) identify the Member to which the Change Notice relates;
  - (b) the number of Ordinary Shares held by the Member.
- (4) The Directors shall have power by notice in writing to require any Member to confirm to the Company whether they are a Significant Shareholder and the level of his interest in Ordinary Shares held by such Member (a "Disclosure Notice"). A Disclosure Notice notice shall require any information in response to be given in writing within such reasonable time as the Directors shall determine.

#### DISCLOSURE OF INTERESTS

- 10. (1) The Directors shall have power by notice in writing to require any Member to disclose to the Company the identity of any person other than the Member (an interested party) who has any interest in the shares held by the Member and the nature of such interest.
- (2) Any such notice shall require any information in response to such notice to be given in writing within such reasonable time as the Directors shall determine.
- (3) The Directors may be required to exercise their powers under Article 10(1) on the requisition of Members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as carries at that date the right of voting at general meetings of the Company.

The requisition must:-

- (i) state that the requisitionists are requiring the Company to exercise its powers under this Article;
- (ii) specify the manner in which they require those powers to be exercised; and
- (iii) give reasonable grounds for requiring the Company to exercise those powers in the manner specified,

and must be signed by the requisitionists and deposited at the Office.

The requisition may consist of several documents in like form each signed by one or more requisitionists.

On the deposit of a requisition complying with this section it is the Directors' duty to exercise their powers under Article 10(1) in the manner specified in the requisition.

- (4) If any Member has been duly served with a notice given by the Directors in accordance with Article 10(1) and is in default for the prescribed period in

supplying to the Company the information thereby required, then the Directors may in their absolute discretion at any time thereafter serve a notice (a "direction notice") upon such Member as follows:-

- (a) a direction notice may direct that, in respect of:-
- (i) the shares comprising the shareholder account in the Register which comprises or includes the shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the "default shares"); and
  - (ii) any other shares held by the Member;

the Member shall have no right to vote at a General Meeting or meeting of the holders of any class of shares of the Company either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company or of the holders of any class of shares of the Company; and

- (b) where the default shares represent at least 0.25 per cent. of the class of shares concerned, then the direction notice may additionally direct that:-

(i) in respect of the default shares, any dividend or part thereof which would otherwise be payable on such shares shall be retained by the Company without any liability to pay interest thereon when such money is finally paid to the Member;

(ii) no transfer other than an approved transfer (as set out in Article 10(7)(c)) of any of the shares held by such Member shall be registered unless:-

(1) the Member is not himself in default as regards supplying the information requested; and

(2) the transfer is of part only of the Member's holding and when presented for registration is accompanied by a certificate by the Member in a form satisfactory to the Directors to the effect that after due and careful enquiry the Member is satisfied that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

The Company shall send to each other person appearing to be interested in the shares the subject of any direction notice a copy of the notice, but failure or omission by the Company to do so shall not invalidate such notice.

- (5) If shares are issued to a Member as a result of that Member holding other shares in the Company and if the shares in respect of which the new shares are issued are default shares in respect of which the Member is for the time being subject to particular restrictions, the new shares shall on issue become subject to the same restrictions whilst held by that Member as such default shares. For this purpose, shares which the Company procures to be offered to Members pro rata (or pro rata ignoring fractional entitlements and shares not

offered to certain Members by reason of legal or practical problems associated with offering shares outside the United Kingdom or Guernsey) shall be treated as shares issued as a result of a Member holding other shares in the Company.

(6) Any direction notice shall have effect in accordance with its terms for as long as the default, in respect of which the direction notice was issued, continues but shall cease to have effect in relation to any shares which are transferred by such Member by means of an approved transfer as set out in Article 10(7)(c). As soon as practical after the direction notice has ceased to have effect (and in any event within seven days thereafter) the Directors shall procure that the restrictions imposed by paragraphs (4) and (5) above shall be removed and that dividends and other monies withheld pursuant to paragraph (4)(b)(i) above are paid to the relevant Member.

(7) For the purpose of this Article:-

(a) a person shall be treated as appearing to be interested in any shares if the Member holding such shares has given to the Company a notification which either (a) names such person as being so interested or (b) fails to establish the identities of those interested in the shares and (after taking into account the said notification and any other relevant notification) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares;

(b) the prescribed period in respect of any particular Member is twenty eight days from the date of service of the said notice in accordance with Article 10(1) except where the default shares represent at least 0.25 per cent. of the class of shares concerned in which case such period shall be fourteen days;

(c) a transfer of shares is an approved transfer if but only if:-

(i) it is a transfer of shares to an Offeror by way or in pursuance of acceptance of a Takeover Offer; or

(ii) the Directors are satisfied that the transfer is made pursuant to a sale of the whole of the beneficial ownership of the shares to a party unconnected with the Member and with other persons appearing to be interested in such shares; or

(iii) the transfer results from a sale made through a recognised investment exchange or any stock exchange outside the United Kingdom on which the Company's shares are listed or normally traded.

For the purposes of this sub-paragraph any person referred to in Article 113(4) in relation to Directors shall, *mutatis mutandis*, be included amongst the persons who are connected with the Member or any person appearing to be interested in such shares.

(8) Any shareholder who has given notice of an interested party in accordance with Article 10(2) who subsequently ceases to have any party interested in his

shares or has any other person interested in his shares shall notify the Company in writing of the cessation or change in such interest.

## **WARRANTS AND OPTIONS**

11. The Company may, subject to the provisions of these Articles, issue warrants or grant options to subscribe for shares in the Company. Such warrants or options shall be issued upon such terms and subject to such conditions as may be resolved upon by the Board including, without prejudice to the generality of the foregoing, terms and conditions which provide that, on a winding up of the Company, a holder of warrants or grantee of options may be entitled to receive, out of the assets of the Company available in the liquidation *pari passu* with the holders of shares of the same class as the shares in respect of which the subscription rights conferred by the warrants or the options can be exercised, such a sum as he would have received had he exercised the subscription rights conferred by his warrants or options prior to the winding up but after deduction of the price (if any) payable on exercise of such subscription rights.

## **COMMISSIONS AND BROKERAGE**

12. The Company may pay commission in money or shares (whether fully or partly paid or by the grant of an option to call for the allotment of shares or by any combination of such methods) to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares in the Company or procuring or agreeing to procure subscriptions whether absolute or conditional for any Shares in the Company provided that the rate or amount of commission shall be fixed by the Board and disclosed in accordance with the Laws. The Company may also pay brokerages.

## **CERTIFICATES**

13.
  - (1) Subject to these Articles and unless the terms of allotment of the shares provide otherwise, every person shall upon becoming a holder of a share in certificated form be entitled without payment to one certificate for all his shares of each class registered in his name or, in the case of shares in certificated form of more than one class being registered in his name, to a separate certificate for each class of shares so registered.
  - (2) Where a member transfers part of his shares comprised in a certificate, he shall be entitled (without charge) to one certificate for the balance of his shares retained by him to the extent that the balance is in certificated form.
  - (3) Every certificate shall be issued within 14 days after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide) and shall specify the shares to which it relates and the amount paid up and the distinguishing numbers (if any).
  - (4) All forms of certificate for shares or debentures or representing any other form of security (other than letters of allotment scrip certificates and other like documents) shall be issued and may if determined by the Board be issued under the Seal of the Company and shall be signed autographically unless there shall be in force a resolution of the Board adopting some method of mechanical signature in which event the signatures (if authorised by such resolution) may be effected by the method so adopted.

14. The Company shall not be bound to register more than four persons as the joint holders of any share or shares and, in respect of a share held jointly, the Company shall not be bound to issue more than one certificate and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.
15. If a share certificate be defaced, lost, worn out, stolen or destroyed it may be replaced or renewed without charge (other than exceptional out of pocket expenses) on such terms (if any) as to evidence and indemnity (with or without security) as the Board thinks fit and upon delivery of the original certificate (where it is worn out or defaced).

#### **UNCERTIFICATED SHARES**

16. The Company may issue shares and other securities which do not have certificates and in particular may:-
  - (1) permit existing shares and other securities to be held without certificates; and
  - (2) permit any shares or other securities (held without certificates) to be transferred, in both cases in dematerialised form.
17. If the Company has any shares in issue which are in uncertificated form, the Articles will continue to apply to such shares, but only insofar as they are consistent with holding those shares as uncertificated shares and transferring ownership of those shares by using a relevant system.
18. Where any class of shares in the capital of the Company is a participating security and the Company is entitled under any provisions of the rules made and practices instituted by the operator of any relevant system or under these Articles to dispose of, forfeit, enforce a lien or sell or otherwise procure the sale of any shares which are held in uncertificated form, such entitlement (to the extent permitted by the rules made and practices instituted by the operator of the relevant system) shall include the right to:-
  - (1) require any holder of any uncertificated shares which are the subject of any exercise by the Company of any such entitlement, by notice in writing to the holder concerned, to change his holding of such uncertificated shares into certificated form within such period as may be specified in the notice, prior to completion of any disposal, sale, or transfer of such shares or direct the holder to take such steps, by instructions given by means of a relevant system otherwise, as may be necessary to sell or transfer such shares; and/or
  - (2) appoint any person to take such other steps, by instruction given by means of a relevant system or otherwise, in the name of the holder of shares as may be required to effect transfer of such shares and such steps shall be as effective as if they had been taken by the registered holder of the uncertificated shares concerned; and/or
  - (3) take such other action as the Board may be necessary to enable those shares to be registered in the name of the person to whom the shares have been sold or disposed of or as directed by him.
19. In relation to uncertificated shares, the Board may lay down regulations to govern the issue, holding and the transfer and, where appropriate, the mechanics, rules and



restrictions of conversion and redemption of uncertificated shares, to govern the mechanics for payments involving the relevant system; and may make any other provisions which the Board consider are necessary to ensure that these Articles are consistent with any rules or guidance of an operator of a relevant system. If stated expressly, such regulations will apply instead of other relevant provisions in these Articles relating to certificates and the transfer, conversion and redemption of shares and other securities and any other provisions which are not consistent therewith.

20. The Board may determine that any class of shares shall cease to be a participating security for the purposes of any regulations issued under the Laws authorising transfers of shares in de-materialised form.

#### **LIEN**

21. The Company shall have a first and paramount lien (extending to all dividends payable or to any other amount payable in respect of it and to any share or security issued in right of it) on all shares (not being fully paid) for all moneys whether presently payable or not called or payable at a fixed time in respect of those shares and that whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person (other than such holder) and whether the time for payment or discharge shall have arrived or not and notwithstanding that the same are joint debts or liabilities of such holder and any other person (whether a Member of the Company or not). The Board may at any time declare any share to be wholly or in part exempt from the provisions of this Article.
22. For the purpose of enforcing such lien the Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen clear days after a notice in writing, stating and demanding payment of the sum presently payable, and giving notice of intention to sell in default, shall have been served on the holder for the time being of the shares or the person entitled by reason of his death or bankruptcy or otherwise by operation of law to the shares. For the purpose of giving effect to any such sale the Directors may authorise some person to transfer to the purchaser thereof the shares so sold.
23. To give effect to a sale the Board may, if the shares are in certificated form, authorise some person to execute as transferor an instrument of transfer of the shares sold to, or in accordance with the directions of, the purchaser. If the shares are in uncertificated form, the Board may exercise any of the Company's powers under Article 18 to effect the transfer of the shares. The purchaser shall not be bound to see to the application of the purchase moneys, and the title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings relating to the sale. After the name of the purchaser or his nominee has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any persons and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively
24. The net proceeds of a sale in accordance with Article 23, after payment of the costs of such sale, shall be applied in or towards payment or satisfaction of the debt or liability in respect whereof the lien exists, so far as the same is presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale and in the case of the certificated shares upon surrender to the Company for cancellation of the certificate for the shares sold (or until an indemnity (with or without security) as to any lost or destroyed certificate is

30. Subject to the Laws and Article 31 below, the Company shall not, without the prior approval of the Shareholders by ordinary resolution, allot or issue any Ordinary Shares for cash at a subscription per share price below the NAV per Ordinary Share prevailing at that time without first offering the new Ordinary Shares to its existing Shareholders pro rata to their existing holdings PROVIDED THAT this restriction shall not apply to the first allotment of equity securities after the adoption of these Articles of Association.
31. The offer to be made to existing Shareholders pursuant to Article 30 above, shall be made by notice specifying the number of Ordinary Shares to which the Member is entitled and limiting the time within which the offer if not accepted will be deemed to be declined. After the expiration of such period or on the receipt of an intimation from the Member that he declines the Board may issue the Ordinary Shares on such terms as they think fit, including, but without limitation, as to the issue price.
32. The provisions of Articles 30 and 31 above are subject to any exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements, or any legal and practical difficulties under the laws or the requirements of any recognised regulatory body in any territory or otherwise.
33. The provisions of Article 30 above, shall not apply to the issue of Ordinary Shares pursuant to the exercise of any or all of the 2013 Warrants.

#### **FORFEITURE AND SURRENDER OF SHARES**

34. If a Member fails to pay any call or instalment on the day appointed the Board may at any time during such period as any part remains unpaid serve notice requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued and any expenses which may have been incurred by the Company by reason of non-payment and the place where payment is to be made
35. The notice shall state a further day on or before which the payment required by the notice is to be made and the place where the payment is to be made and that in the event of non-payment the shares in respect of which the call was made or instalment is payable will be liable to be forfeited. If the requirements of any such notice are not complied with any share in respect of which the notice has been given may at any time before payment has been made be forfeited by a resolution of the Board to that effect. Forfeiture shall be deemed to occur at the time of the passing of such Board resolution. Such forfeiture shall include all dividends declared or other monies payable in respect of the forfeited share and not actually paid before the forfeiture.
36. Notice of forfeiture shall forthwith be given to the former holder and an entry of such notice and forfeiture shall forthwith be made and dated in the Register opposite the entry of the share; but no forfeiture shall be in any manner invalidated by any omission or neglect to give notice or to make entry.
37. Until cancelled, a forfeited share together with all rights attaching to it shall be deemed to be the property of the Company and may be sold re-allotted or otherwise disposed of on such terms as the Board shall think fit with or without all or any part of the amount previously paid on the share being credited as paid and at any time before a sale or disposition the forfeiture may be cancelled.
38. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares and (in the case of shares held in certificated form) shall surrender to the Company for cancellation the certificate for the shares, but shall

provided to the Company in such form as the Board may decide) be paid to the person entitled to the shares at the time of the sale. The purchaser shall be registered as the holder of the shares so transferred and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in relation to the sale.

#### **CALLS ON SHARES**

25. Subject to the terms of allotment of shares and provided that any monies unpaid are not payable on a date fixed in accordance with such terms of allotment, the Board may at any time make calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal value or by way of premium and each Member shall pay to the Company at the time and place appointed the amount called. A call may be revoked or postponed.
26. Joint holders shall be jointly and severally liable to pay all calls in respect of such share.
27. If a sum called in respect of a share is not paid before or on the day appointed the person from whom the sum is due shall pay interest from (and including) the day appointed to the time of actual payment at such rate as the Board may determine together with all costs, charges and expenses incurred by the Company by reason of such non-payment.
28.
  - (1) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether in respect of the nominal value of the share or by way of premiums, or as an instalment of a call shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable and in the case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
  - (2) The Board may, if they think fit, receive from any Member willing to advance the same all or any part of the money uncalled and unpaid upon the shares held by him beyond the sums actually called up thereon as payment in advance of calls, and such payment in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is advanced, and upon the money so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which it has been received, the Company may (until the same would, but for such advance, become presently payable) pay interest at such rate as the Member paying such sum and the Directors agree upon **PROVIDED THAT** any amount paid up in advance of calls shall not entitle the holder of the shares upon which such amount is paid to participate in respect thereof in any dividend until the same would but for such advance become presently payable.
29. The Board may on an issue of shares differentiate between holders as to amount of calls and times of payment.

#### **NO ISSUE OF ORDINARY SHARES AT A DISCOUNT TO NAV**

notwithstanding the forfeiture remain liable to pay, and shall immediately pay to the Company all monies which at the date of forfeiture were presently payable by him to the Company in respect of the shares with interest thereon from the date of forfeiture until payment at such rate as the Directors may determine and the Directors may, if they think fit, enforce payment without any allowance for the value of the shares at the time of forfeiture.

39. The Board may accept from any Member on such terms as shall be agreed a surrender of any shares in respect of which there is a liability for calls. Any surrendered share may be disposed of in the same manner as a forfeited share.
40. A declaration in writing by a Director or the Secretary that a share has been duly forfeited or surrendered on the date stated in the declaration shall be conclusive evidence of the facts therein as against all persons claiming to be entitled to the shares.
41. Where, for the purposes of its disposal, a forfeited share is to be transferred to any person the Board may:
  - (1) if the share is held in certificated form, authorise any person to execute as transferor a transfer of such share to the transferee; or
  - (2) if the share is in uncertificated form, exercise any of the Company's powers under Article 18 to give effect to the transfer.
42. The Company may receive the consideration given for any share on any sale or disposition and may execute a transfer of the share in favour of the person to whom the same is sold or disposed of and he shall thereupon be registered as the holder and shall not be bound to see to the application of the purchase money nor shall his title be affected by any irregularity or invalidity in forfeiture, sale, re-allotment or disposal. After the name of the allottee or, as the case may be, transferee has been entered in the Register in respect of such shares, the validity of the re-allotment or transfer shall not be impeached by any person and remedy of any person aggrieved by the re-allotment or transfer shall be in damages only and against the Company exclusively.

#### **TRANSFER AND TRANSMISSION OF SHARES**

43. (1) (a) The Directors shall have power to implement such arrangements as they may, in their absolute discretion, think fit in order for any class of shares to be admitted to settlement by means of the CREST UK system and/ or KDPW system. Where they do so, Articles 43(1)(b) and 43(1)(c) shall commence to have effect immediately prior to the time at which CRESTCo and/or KDPW admits the class to settlement by means of the CREST UK system and/or KDPW system, respectively.
  - (b) In relation to any class of shares which, for the time being, CRESTCo and/or KDPW has admitted to settlement by means of the CREST UK system and/or KDPW system, and for so long as such class remains so admitted, no provision of these Articles shall apply or have effect to the extent that it is in any respect inconsistent with:-
    - (i) the holding of shares of that class in uncertificated form;

- (ii) the transfer of title to shares of that class by means of the CREST UK system and/or KDPW system, respectively; or
  - (iii) the CREST Guernsey Requirements and/or KDPW Rules.
- (c) Without prejudice to the generality of Articles 43(1)(b) and notwithstanding anything contained in these Articles where any class of shares is, for the time being, admitted to settlement by means of the CREST UK system:-
- (i) such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements;
  - (ii) unless the Directors otherwise determine, such securities held by the same holder or joint holder in certificated form and uncertificated form shall be treated as separate holdings;
  - (iii) such securities may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the CREST Guernsey Requirements;
  - (iv) title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST UK system and as provided in the CREST Guernsey Requirements and accordingly (and in particular) no provision of these Articles shall apply in respect of such shares to the extent that those Articles require or contemplate the effecting of a transfer by an instrument in writing and the production of a certificate for the security to be transferred;
  - (v) the Company shall comply in all respects with the CREST Guernsey Requirements including, without limitation, CREST Rule 7;
  - (vi) no provision of these Articles shall apply so as to require the Company to issue a certificate to any person holding such shares in uncertificated form;
  - (vii) the maximum permitted number of joint holders of a share shall be four;
  - (viii) every transfer of shares from a CREST account of a CREST member to a CREST account of another CREST member shall vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreements or arrangements to the contrary however and whenever arising and however expressed. Accordingly, each CREST member who is for the time being registered as the holder of any shares in the capital of the Company shall hold such shares upon trust for himself and for those persons (if any) whose CREST accounts are duly credited with any such shares or in favour of whom shares are to be withdrawn from CRESTCo

pursuant to a settled stock withdrawal instruction; and the member and all such persons, to the extent respectively of the shares duly credited to their respective CREST accounts or the subject of a settled stock withdrawal instruction, shall accordingly have beneficial interests therein.

- (ix) Where a dematerialised instruction is expressed to have been sent on behalf of a person by a Sponsor or by CRESTCo:-
  - (A) the person on whose behalf the instruction is expressed to have been sent shall not be able to deny to the addressee:-
    - (A1) that the instruction was sent with his authority; or
    - (A2) that the information contained in it is correct; and
  - (B) the Sponsor or CRESTCo, as the case may be, shall not be able to deny to the addressee:-
    - (B1) that he has authority to send the dematerialised instruction; or
    - (B2) that he has sent the dematerialised instruction.
- (x) Where a dematerialised instruction is expressed to have been sent by a person, and it is not expressed to have been sent on behalf of another person, the first person shall not be allowed to deny to the addressee:-
  - (A) that the information contained in the instruction is correct; or
  - (B) that he has sent it.
- (xi) An addressee who receives a dematerialised instruction (whether directly, or by means of the facilities of a Sponsor acting on his behalf) may (subject to Articles 43(1)(c)(xii) and 43(1)(c)(xiii)) accept that at the time when it was sent:-
  - (A) the information contained in the instruction was correct;
  - (B) the user or authorised operator identified in the instruction as having sent the instruction did send it; and
  - (C) if the instruction was expressed to have been sent on behalf of a person, it was sent with the authority of that person.

- (xii) Subject to Article 43(1)(c)(xiv), an addressee shall not be allowed to accept any of the matters specified in Article 43(1)(c)(xi) where, at the time when he received the dematerialised instruction, he was a person who was not either the Company or a Sponsor receiving (in either case) dematerialised instructions on behalf of the Company, and he had actual notice:-
- (A) that any information contained in it was incorrect;
  - (B) that the user or CRESTCo expressed to have sent the instruction did not send it; or
  - (C) if the instruction was expressed to have been sent on behalf of a person, that the person had not given to CRESTCo or the Sponsor identified in the instruction as having sent it his authority to send the instruction on his behalf.
- (xiii) Subject to Article 43(1)(c)(xiv), an addressee shall not be allowed to accept any of the matters specified in Article 43(1)(c)(xi) where, at the time when he received the dematerialised instruction, he was either the Company or a Sponsor receiving dematerialised instructions on behalf of the Company, and:-
- (A) he had actual notice from CRESTCo of any of the matters specified in Article 43(1)(c)(xii); and
  - (B) the instruction was an instruction from CRESTCo requiring the registration of title in the circumstances specified in any of sub-paragraphs 8.1.1, 8.1.2, 8.1.3 and 8.1.4 of the CREST Guernsey Requirements.
- (xiv) However, where an addressee has received actual notice of a kind to which this Article refers in respect of a properly authenticated dematerialised instruction, he may accept the matters specified in Article 43(1)(c)(xi) if at the time when he received the actual notice it was not practicable for him to halt his processing of the instruction.
- (xv) A person who is permitted by Articles 43(1)(c)(xi) or 43(1)(c)(xiv) to accept any matter shall not be liable in damages or otherwise to any person by reason of his having relied on the matter that he was permitted to accept.
- (xvi) Except as provided in Article 43(1)(c)(xv), this Article does not affect any liability of a person for causing or permitting a dematerialised instruction:-
- (A) to be sent without authority;
  - (B) to contain information that is incorrect; or

- (C) to be expressed to have been sent by a person who did not send it.
- (d) Without prejudice to the generality of Article 43(1)(b) and notwithstanding anything contained in these Articles where any class of shares is, for the time being, admitted to settlement by means of the KDPW system:-
- (i) such securities may be issued in uncertificated form in accordance with and subject as provided in the KDPW Rules;
  - (ii) title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the KDPW system and as provided in the KDPW Rules and no provision of these Articles shall apply in respect of such shares to the extent that those Articles require or contemplate the effecting of a transfer by an instrument in writing and the production of a certificate for the security to be transferred;
  - (iii) such securities may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject to KDPW Rules;
  - (iv) the Company shall comply in all respects with the requirements of KDPW Rules;
  - (v) no provision of these Articles shall apply so as to require the Company to issue a certificate to any person holding such shares in uncertificated form;
  - (vi) every transfer of shares from a securities account held by KDPW member to another securities account held by KDPW member shall vest in the holder of such securities account a beneficial interest in the shares transferred in accordance with the article 7 of the Act on Trading in Financial Instruments.
- (2) (a) Articles 43(1)(c)(ix) to 43(1)(c)(xvi) are to be construed in accordance with the CREST Manual.
- (b) Words and expressions not specifically defined in Articles 43(1) and 43(2) shall bear the same meaning as those words and expressions defined in the CREST Manual and/or KDPW Rules.
- (3) Subject to such of the restrictions of these Articles as may be applicable:-
- (a) any Member may transfer all or any of his uncertificated shares by means of a relevant system authorised by the Board in such manner provided for, and subject as provided, in any regulations issued for this purpose under the Laws or such as may otherwise from time to time be adopted by the Board on behalf of the Company and the rules of any relevant system



and accordingly no provision of these Articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the shares to be transferred;

- (b) any Member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve; and
  - (c) an instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer of a certificated share need not be under seal.
44. Every instrument of transfer of a certificated share shall be left at the Office or such other place as the Board may prescribe with the certificate of every share to be transferred and such other evidence as the Board may reasonably require to prove the title of the transferor or his right to transfer the shares; and the transfer and certificate shall remain in the custody of the Board but shall be at all reasonable times produced at the request and expense of the transferor or transferee or their respective representatives. A new certificate shall be delivered free of charge to the transferee after the transfer is completed and registered on his application and when necessary a balance certificate shall be delivered if required by him in writing.
45. (1) The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any share which is not fully paid or on which the Company has a lien, provided, in the case of a listed share that this would not prevent dealings in the share from taking place on an open and proper basis. In addition of any certificated share if:
- (a) it is not fully paid up;
  - (b) it is in respect of more than one class of shares; or
  - (c) it is not delivered for registration to the Company's Registered Office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.
- (2) The Board may, in its absolute discretion and without giving a reason, refuse to register any allotment or transfer of shares in favour of:
- (a) more than four joint transferees; or
  - (b) a child, bankrupt or person of unsound mind,
- (3) The Board may only decline to register a transfer of an uncertificated share in the circumstances set out in regulations issued for this purpose under the Laws or such as may otherwise from time to time be adopted by the Board on behalf of the Company in circumstances permitted by the UK Listing Authority, the London Stock Exchange and the rules of any relevant system

and practices of the operator, and where, in the case of a transfer, to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

- (4) If the Board refuse to register any allotment or transfer of a share it shall, within two months after the date (in the case of shares held in certificated form) on which the letter of allotment or share transfer form was lodged with the Company, or (in the case of share held in uncertificated form) on which the instruction from the operator was received by the Company send notice of the refusal to the allottee or transferee.
  - (5) The registration of transfers of shares in certificated form may be suspended at such times and for such periods (not exceeding 30 days in any one year) as the Board may decide and either generally or in respect of a particular class of share provided that the Board may not suspend the registration of transfers of any participating security without the consent of the operator of the relevant system.
  - (5) No fee shall be payable to the Company in respect of the registration of any transfer, probate, letters of administration, certificate or marriage or death, power of attorney, instruction or other document relating to or affecting the title to any shares.
  - (6) For the purposes of these Articles relating to the registration of transfers of shares, the renunciation of the allotment of any shares by the allottee in favour of some other person shall be deemed to be a transfer and the Board shall have the same powers of refusing to give effect to such a renunciation as if it were a transfer.
46. The Company shall keep the Register in accordance with the Laws. The Register and any local registers of the Company shall at all times be maintained outside of the United Kingdom. The Register may be closed during such periods as the Board think fit not exceeding in all thirty days in any year.
47. (1) On the death of a Member the survivor(s) where the deceased was a joint holder and the executors of the deceased where he was a sole holder shall be the only persons recognised by the Company as having any title to or interest in his shares; but nothing herein shall release the estate of a deceased joint holder from any liability in respect of any share jointly held.
- (2) Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member or of any other event giving rise to a transmission of such entitlement by operation of law may, on producing such evidence as the Board may properly require, elect either to be registered as a Member or to have some person nominated by him registered as a Member.
  - (3) If the person so entitled elects to be registered himself, he shall give notice to the Company to that effect, If he elects to have some other person registered, he shall do this:
    - (a) (in the case of shares held in certificated form) by executing as transferor a transfer of the share to that person;
    - (b) (in the case of shares held in uncertificated form) by a transfer by means of relevant system.

The provisions of the Articles relating to the transfer of shares (including the right of the board to decline or suspend registration) shall apply to such notice or transfer (as the case maybe) as if it were a transfer by the person previously entitled to the shares.

- (4) A person so becoming entitled to a share in consequence of the death, bankruptcy or incapacity of a Member or otherwise by operation of law shall have the right to receive and may give a discharge for all dividends and other money payable or other advantages due on or in respect of the share, but he shall not be entitled to receive notice of or to attend or vote at meetings of the Company, or save as aforesaid, to any of the rights or privileges of a Member unless and until he shall be registered as a Member in respect of the share.
- (5) The Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within sixty days the Board may, after that term thereafter withhold all dividends or other monies payable or other advantages due in respect of the share until the requirements of the notice have been complied with.
- (6) When a person becomes entitled to a share in consequence of the death or bankruptcy of a member, or of any other event giving rise to a transmission of such entitlement by operation of law, the rights of the holder in relation to that share shall cease.
- (7) However, the person so entitled to the share may give a good discharge for any dividends and other monies payable in respect of it and shall, subject to the provisions of these articles, have the same rights to which he would be entitled if he were the holder of the share; except that he shall not, before he is registered as the holder of the share, be entitled in respect of it to receive notice of, or to exercise any rights conferred by membership in relation to, meetings of the Company or any separate meeting of the holders of any class of shares in the Company.

#### **MINORITY SHAREHOLDER BUY-OUT**

48. (1) If, in relation to a Takeover Offer, the Offeror has by virtue of acceptances of the Takeover Offer acquired or contracted to acquire not less than nine-tenths in value of the shares of any class to which the Takeover Offer relates he may give notice to the holder of any shares of that class which the Offeror has not acquired or contracted to acquire that he desires to acquire those shares and shall thereafter be entitled and bound to acquire those shares on the terms of the Takeover Offer.
- (2) No notice shall be given under Articles 48(1) unless the Offeror has acquired or contracted to acquire the shares necessary to satisfy the minimum required before the end of the period of four months beginning with the date of the Takeover Offer and no such notice shall be given after the end of the period of two months beginning with the date on which he had acquired or contracted to acquire shares which satisfy that minimum.
- (3) When the Offeror gives such notice he shall send a copy of it to the Company together with a declaration by him stating that the conditions for the giving of the notice are satisfied.

(4) Where during the period within which the Takeover Offer can be accepted the Offeror acquires or contracts to acquire any of the shares to which the Takeover Offer relates but otherwise than by virtue of acceptances of the Takeover Offer, then, if-

- (a) the value of the consideration for which they are acquired or contracted to be acquired ("the acquisition consideration") does not at that time exceed the value of the consideration specified in the terms of the Takeover Offer;
- (b) those terms are subsequently revised so that when the revision is announced the value of the acquisition consideration, at the time mentioned in paragraph (a) above, no longer exceeds the value of the consideration specified in those terms,

the Offeror shall be treated for the purposes of this Article as having acquired or contracted to acquire those shares by virtue of acceptances of the Takeover Offer but in any other case those shares shall be treated as excluded from those to which the Takeover Offer relates.

(5) Where the terms of the Takeover Offer are such as to give the holder of any shares a choice of consideration the notice shall give particulars of the choice and state:-

- (a) that the holder of the shares may within six weeks from the date of the notice indicate his choice by a written communication sent to the Offeror at an address specified in the notice; and
- (b) which consideration specified in the Takeover Offer is to be taken as applying in default of his indicating a choice as aforesaid;

and the terms of the Takeover Offer shall be determined accordingly, provided that if the consideration chosen by the holder of the shares:-

- (a) is not cash and the Offeror is no longer able to provide it; or
- (b) was to have been provided by a third party who is no longer bound or able to provide it;

the consideration shall be taken to consist of an amount of cash payable by the Offeror which at the date of the notice is equivalent to the chosen consideration.

(6) At the end of six weeks from the date of the notice the Offeror shall forthwith pay or transfer to the Company the consideration for the shares to which the notice relates and shall provide to the Company an instrument of transfer executed on behalf of the shareholder by a person appointed by the Offeror and on receipt of that instrument the Company shall register the Offeror as the holder of those shares. Where the consideration for the shares consists of shares or securities to be allotted by the Offeror the transfer of the consideration shall be by way of allotment of the shares or securities to the Company.

(7) The consideration received by the Company shall be held together with any dividend or other sum accruing thereon by the Company on trust for the

person entitled to the shares in respect of which the sum or other consideration was received provided that where after reasonable enquiry made at such intervals as are reasonable the person entitled to any consideration held on trust cannot be found and twelve years have elapsed since the consideration was received or the Company is wound up, the consideration (together with any interest, dividend or other benefit that has accrued from it) shall be forfeited and cease to remain owing by the Company and shall revert to the Company. The expenses of any such enquiry may be defrayed out of the money or other property held on trust for the person or persons to whom the enquiry relates.

- 48A (1) If a Takeover Offer relates to a share of any class or classes and at any time before the end of the period within which the Takeover Offer can be accepted:-
- (a) the Offeror has by virtue of acceptances of the Takeover Offer acquired or contracted to acquire some (but not all) of the shares of any class to which the Takeover Offer relates; and
  - (b) those shares, with or without any other shares of that class which he has acquired or contracted to acquire (or which any Associate of his has acquired or contracted to acquire), amount to not less than nine-tenths in value of all the shares of that class,

the holder of any shares of that class who has not accepted the Takeover Offer may until the end of the period within which the Takeover Offer can be accepted by a written communication addressed to the Offeror require him to acquire those shares and the Offeror shall be entitled and bound to acquire those shares on the terms of the Takeover Offer.

- (2) Where the terms of the Takeover Offer are such as to give the holder of shares a choice of consideration the holder of the shares may indicate his choice when requiring the Offeror to acquire them and the notice given shall give particulars of the choice of consideration and the terms of the Takeover Offer shall be determined accordingly, provided that if the consideration chosen by the holder of the shares:-
- (a) is not cash and the Offeror is no longer able to provide it; or
  - (b) was to have been provided by a third party who is no longer bound or able to provide it,

the consideration shall be taken to consist of an amount of cash payable by the Offeror which at the date when the holder of the shares required the Offeror to acquire them is equivalent to the chosen consideration.

- 48B. (1) A Takeover Offer may be made by two or more persons jointly and in that event the following provisions of this Articles shall apply.
- (2) The conditions for the exercise of the rights conferred by Article 48(1) shall be satisfied by the joint Offerors acquiring or contracting to acquire the necessary shares jointly (as respect acquisitions by virtue of acceptances of the Takeover Offer) and either jointly or separately (in other cases) and, subject to the following Article, the rights and obligations of the Offeror under Articles 48 and 48A shall be respectively joint rights and joint and

several obligations of the joint Offerors and any reference to the Offeror in Articles 48 and 48A shall be construed as a reference to the joint Offerors or any of them.

- (3) Any notice or other document required to be given or sent by or to the joint Offerors may be given or sent by or to any of them, but the declaration required by Article 48(3) shall be made by all of them.
- 48C.
- (1) The requirement that a Takeover Offer must extend to all the shares or all the shares of any class or classes, in the Company shall be regarded as satisfied notwithstanding that the Takeover Offer does not extend to shares which Associates of the Offeror hold or have contracted to acquire and, subject to Article 48C(2), shares which any such Associate holds or has contracted to acquire, whether at the time when the Takeover Offer is made or subsequently, shall be disregarded for the purposes of any reference to the shares to which a Takeover Offer relates.
  - (2) Where during the period within which a Takeover Offer can be accepted any Associate of the Offeror acquires or contracts to acquire any of the shares to which the offer relates, then if the condition specified in Article 48(4) (a) or (b) is satisfied as respects those shares they shall be treated for the purposes of that Article as shares to which the Takeover Offer relates.

#### **UNTRACEABLE SHAREHOLDERS**

- 49.
- (1) The Company shall be entitled to sell at the best price reasonably obtainable any shares of a Member or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law if and provided that:-
    - (a) for a period of twelve years no cheque or warrant sent by the Company through the post in a pre-paid envelope addressed to the Member or to the person entitled to the shares at his address on the Register or (if different) the last known address given by the Member or the person so entitled to which cheques and warrants are to be sent has been cashed or all funds paid by any bank or other funds transfer system to such Member or person in accordance with Article 141 have been returned to the Company and no communication has been received by the Company from the Member or the person so entitled (in his capacity as Member or person entitled) and in such period of twelve years at least three dividends (whether interim or final) have become payable on the shares and no such dividend has been claimed; and
    - (b) the Company has at the expiration of the said period of twelve years by advertisement in both a national newspaper and in a newspaper circulating in the area in which the address referred to in paragraph (1) of this Article is located given notice of its intention to sell such shares; and
    - (c) during the period of three months following the publication of the said advertisements the Company has received no communication in respect of such share from such Member or person entitled.

- (2) If at any time during or after the said period of twelve years further shares have been issued by way of a bonus issue of those held at the commencement of that period or of any issued by way of a bonus issue during that period and, since the date of issue, the requirements of paragraph (1) of this Article have been satisfied in respect of such further shares, the Company may also sell the further shares.
- (3) To give effect to a sale the Board may, if the share is held in certificated form authorise some person to execute as transferor an instrument of transfer or otherwise effect the transfer of the shares to be sold or, if the share is held in uncertificated form, exercise any of the Company's powers under Article 17, and, in each case, authorise a person to enter the name of the purchaser or his nominee in the Register as the holder of the shares which has been sold. After the name of the purchaser or his nominee has been entered in the Register in respect of such share, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively. The purchaser shall not be bound to see to the application of the purchase moneys and the title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings relating to the sale. The net proceeds of sale shall belong to the Company which shall be obliged to account to the former Member or other person previously entitled to the shares for an amount equal to the net proceeds, which shall be a debt of the Company, and shall enter the name of such former Member or other person in the books of the Company as a creditor for such amount. No trust shall be created and no interest shall be payable in respect of the debt, and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments for the benefit of the Company as the Board may from time to time determine.
- (4) A statutory declaration by a Director or the Secretary that a share has been sold on the date stated in the declaration shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share.

#### **ALTERATION OF CAPITAL**

50. The Company at any time may by ordinary resolution increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe.
51. Any new shares shall be of such class and amount and have such preference or priority as regards dividends or in the distribution of assets or as to voting or otherwise over any other shares of any class whether then issued or not or be subject to such stipulations deferring them to any other shares with regard to dividends or in the distribution of the assets as the Board may determine.
52. The Company before the issue of any new shares may by ordinary resolution resolve that all or some of them shall be offered to the Members (other than the Company itself where it holds its own shares as Treasury Shares) in proportion to their existing shares at such price as the Company or the Board may fix and such offer shall be made by notice specifying the number of shares to which the Member is entitled and limiting a time within which the offer if not accepted will be deemed to be declined; and after the expiration of such period or on the receipt of an intimation from the Member that he declines the Board may offer the same on similar terms to such of the other shareholders as they may select including the Directors or dispose of them in such manner as they think fit. For the purpose of giving effect to this Article the

Board shall be entitled to disregard fractions. In the absence of any determination or so far as the same shall not extend new shares may be dealt with as if they formed part of the original capital and shall be subject to these Articles.

53. Subject as provided elsewhere in these Articles and the Laws, the Company may by ordinary resolution:-

- (1) consolidate or consolidate and then divide, all or any of its share capital into shares of larger amount than its existing shares;
- (2) subdivide all or any of its shares into shares of smaller amount than is fixed by the Memorandum provided however that in subdivision the proportion between the amount paid up and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that the resolution whereby any share is subdivided may also determine that as between the holders of the shares resulting from such subdivision one or more of the shares may have such preferred deferred or other rights over the others as the Company has power to attach to unissued or new shares;
- (3) cancel any shares which at the date of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled;
- (4) convert all or any of its fully paid shares into stock, and reconvert that stock into paid-up shares of any denomination; and
- (5) where its share capital is expressed in a particular currency or former currency, denominate or redenominate it, whether by expressing its amount in units or subdivisions of that currency or former currency, or otherwise.

54. Subject to any direction by the Company in general meeting, the Board on any consolidation or consolidation and division of shares may deal with fractions of shares in any manner. In particular, the Board may:

- (1) arrange for the sale, for the best price reasonably obtainable, of the shares representing the fractions to any person (including, subject to the provisions of the Laws, the Company) and distribute the net proceeds of the sale in due proportions amongst those Members; except that any amount otherwise due to a Member, being less than £5, or such other sum as the Board may from time to time determine, may be retained for the benefit of the Company,. For this purpose, the Board may:
  - (a) if the share is in certificated form, authorise any person to execute a transfer of the shares should to the purchaser of them or to his nominee;
  - (b) if the share is held in uncertificated form, exercise any of the Company's powers under Article 18 to give effect to the sale,

and, in each case, authorise a person to enter the name of the purchaser or his nominee in the Register as the holder of the shares which have been sold. The purchaser shall not be bound to see to the application of the purchase monies, and title to the shares shall not be affected by any irregularity in or



invalidity of the proceedings relating to the sale. After the name of the purchaser or his nominee has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively; or

- (2) Subject to the provisions of the Laws, if the necessary unissued shares are available, issue to each such holder credited as fully paid up by way of capitalisation the minimum number of shares required to round up his holding to a whole number (such issue being deemed to have been effected immediately before consolidation). The amount required to pay up such shares shall be appropriated, at the Board's discretion, from any sums standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve fund) or to the credit of the profit and loss account and capitalised by applying the same in paying up such shares.

55. Subject to the Laws, in effecting any consolidation or consolidation and division of shares, the Board may treat a Member's shares held in certificated form and uncertificated form as separate holdings. The Board may also cause any shares which result and which represent fractions to be entered in the Register as shares in certificated form where this is desirable in order to sell them.
56. The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any incident authorised and consent required by the Laws.

#### GENERAL MEETINGS

57. (1) The first general meeting of the Company shall be held within such time as may be required by the Laws and thereafter general meetings shall be held once at least in each subsequent calendar year. Other meetings of the Company shall be called extraordinary general meetings. General meetings shall be held in Guernsey or elsewhere.
  - (2) A Member participating by video link or telephone conference call or other electronic or telephonic means of communication in a meeting at which a quorum is present shall be treated as having attended that meeting provided that the Members present at the meeting can hear and speak to the participating Member.
  - (3) A video link or telephone conference call or other electronic or telephonic means of communication in which a quorum of Members participates and all participants can hear and speak to each other shall be a valid meeting which shall be deemed to take place where the Chairman is present unless the Members resolve otherwise.
58. Any general meeting convened by the Board unless its time shall have been fixed by the Company in general meeting or unless convened in pursuance of a requisition may be postponed by the Board by notice in writing and the meeting shall subject to any further postponement or adjournment be held at the postponed date for the purpose of transacting the business covered by the original notice.

59. The Board may whenever it thinks fit and shall on the requisition in writing of one or more holders representing not less than one-tenth of the issued share capital, for the avoidance of doubt excluding any shares held at that time as Treasury Shares of the Company upon which all calls or other sums then due have been paid convene an extraordinary general meeting. If there are not sufficient Directors capable of acting to call a general meeting, any Director may call a general meeting. If there is no Director able to act, any two Members may call a general meeting for the purpose of appointing Directors.
60. The requisition shall be dated and shall state the object of the meeting and shall be signed by the requisitionists and deposited at the Office and may consist of several documents in like form each signed by one or more of the requisitionists.
61. If the Board does not cause a meeting to be held within twenty-one days from the date of the requisition being so deposited the requisitionists or a majority of them in value may themselves convene the meeting.
62. Any meeting convened by requisitionists shall be convened in the same manner (as nearly as possible) as that in which meetings are convened by the Board.

#### **NOTICE OF GENERAL MEETINGS**

63. (1) Not less than twenty one clear days' notice specifying the time and place of any general meeting and specifying also in the case of any special business the general nature of the business to be transacted shall be given by notice sent by post by the Secretary or other Officer of the Company or any other person appointed in that regard by the Board to such Members as are entitled to receive notices to the directors and to the auditors (other than any who, under the provisions of these Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company) provided that with the consent in writing of all the Members a meeting may be convened by a shorter notice or at no notice and in any manner they think fit. In every notice there shall appear a statement that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a Member.
- (2) No amendment or proposed amendment to any ordinary resolution shall be put to or voted upon by the Members at any general meeting or adjourned general meeting unless the Company has received written notice of the amendment or proposed amendment and of the intention of the proposer to attend and propose it at least forty-eight hours before the time fixed for the general meeting. Notwithstanding that no such written notice shall have been given, the Chairman, in his absolute discretion, may accept or propose at any general meeting or adjourned general meeting amendments of a minor or formal nature or to correct a manifest error or which he may in his absolute discretion consider fit for consideration at the meeting.
- (3) Subject to paragraph (2) of this Article, if an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the Chairman of the meeting the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

- (4) In the case of a resolution duly proposed as a special or extraordinary resolution no amendment thereto (other than a mere clerical amendment to correct a patent error) may be considered or voted upon.
64. The accidental omission to give notice of any meeting to or the non-receipt of such notice by any Member shall not invalidate any resolution (or any proposed resolution otherwise duly approved) passed or proceeding at any meeting.

#### **PROCEEDINGS AT GENERAL MEETINGS**

65. The ordinary business of a general meeting shall be to receive and consider the profit and loss account and the balance sheet of the Company and the reports of the Directors and the Auditors, to elect and re-elect Directors and appoint or re-appoint Auditors in the place of those retiring, to fix the remuneration of the Directors and Auditors, to sanction or declare dividends, to grant or renew the authority of the Company to repurchase its own shares and to transact any other ordinary business which ought to be transacted at such meeting. All other business shall be deemed special and shall be subject to notice as hereinbefore provided.
66. No business shall be transacted at any general meeting unless a quorum is present. The quorum for a general meeting shall, for all purposes be two Members (other than the Company itself where it holds its own shares as Treasury Shares) present in person or by proxy and entitled to vote. The absence of a quorum shall not preclude the appointment of a chairman of the meeting in accordance with the provisions of these Articles, which shall not be treated as part of the business of the meeting.
67. A Director shall, notwithstanding that he is not a Member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the Company.
68. If it appears to the Chairman of the meeting that the meeting place specified in the notice convening the meeting is inadequate to accommodate all Members entitled and wishing to attend, the meeting will be duly constituted and its proceedings valid if the Chairman is satisfied that adequate facilities are available to ensure that a Member who is unable to be accommodated is able (whether at the meeting place or elsewhere):-
- (1) to participate in the business for which the meeting has been convened;
  - (2) to hear and see all persons present who speak (whether by the use of microphones, loud-speakers, audio-visual communications equipment or otherwise); and
  - (3) to be heard and seen by all other persons present in the same way.
69. In addition to any measures which the Board may be required to take due to the location or venue of the meeting, the Board may make any arrangement and impose any restriction it considers appropriate and reasonable in the circumstances to ensure the security and orderly conduct of a meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of any person attending the meeting and the imposing of restrictions on the items of personal property that may be taken into the meeting place. The Board may refuse entry to or eject from a meeting a person who refuses to comply with any such arrangements or restrictions.

70. If within 15 minutes (or such longer time as the Chairman of the meeting may decide) after the time appointed for the meeting a quorum is not present or if, during a meeting, a quorum ceases to be present the meeting if convened by or upon a requisition of members shall be dissolved. If otherwise convened it shall stand adjourned to such other date (being not more than 28 days later). At any such adjourned meeting the quorum shall be any Member (other than the Company itself where it holds its own shares as Treasury Shares) present in person or by proxy and entitled to vote.
71. The Chairman (if any) or, if absent, the Deputy Chairman (if any) of the Board or, failing him, some other Director nominated by the Directors shall preside as Chairman at every General Meeting of the Company, but if at any meeting none of the Chairman nor the Deputy Chairman nor such other Director be present within fifteen minutes after the time appointed for holding the meeting, or if none of them be willing to act as Chairman, the Directors present shall choose some Director present to be Chairman, or if no Directors be present, or if all the Directors present decline to take the chair the Members present in person or by proxy and entitled to vote shall choose some Member present to be Chairman. The decision of the Chairman on points of order, matters of procedure or arising incidentally out of the business of the meeting shall be final and conclusive, as shall be his determination, acting in good faith, whether any point or matter is of such a nature.
72. The Chairman may with the consent of any meeting at which a quorum is present and shall if so directed by the meeting interrupt or adjourn the meeting at any time and to any place or for an indefinite period. If it appears to the Chairman that it is likely to be impracticable to hold or continue the meeting, because the number of persons attending or wishing to attend cannot be conveniently accommodated in the place appointed for the meeting, or the unruly conduct of persons attending the meeting prevents or is likely to prevent the proper and orderly conduct of the meeting, or it has become necessary to ensure that the business of the meeting is properly considered and transacted, he may interrupt or adjourn the meeting to another time and place without the consent of the meeting. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for twenty eight days or more or for an indefinite period (otherwise than due to the absence of a quorum) at least seven clear days' notice of the adjourned meeting shall be given in the same manner as in the case of the original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

## VOTING

73. At any meeting a resolution put to the vote shall be decided by a show of hands or before or immediately following the declaration of the results of the show of hands, a poll is duly demanded. A poll may be demanded:-
- (1) by the Chairman; or
  - (2) by a Member or Members (other than the Company itself where it holds its own shares as Treasury Shares) present in person or by proxy representing at least one-tenth of the total voting rights of all of the Members having the right to vote at the meeting; or

- (3) by a Member or Members (other than the Company itself where it holds its own shares as Treasury Shares) present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all of the shares conferring that right; or
- (4) any Member (other than the Company itself where it holds its own shares as Treasury Shares) present in person or by proxy in the case of a resolution to confer, vary, revoke or renew authority or approval for an Off Market Purchase by the Company of its own Shares;
- (5) by not less than five Members (other than the Company itself where it holds its own shares as Treasury Shares) present in person or by proxy and entitled to vote;

and a demand by a person as proxy for a Member shall be the same as a demand by the Member.

The demand for a poll may be withdrawn but only with the consent of the Chairman.

Unless a poll is so demanded and the demand is not withdrawn a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded.

74. A poll if properly demanded shall be taken at the meeting at which the same is demanded or at such other time and place as the Chairman shall direct.
75. If a poll is duly demanded, it shall be taken in such manner and at such place as the Chairman may direct (including the use of ballot or voting papers or tickets) and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may, in the event of a poll appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.
76. A poll demanded on the election of a Chairman and a poll demanded on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place as the Chairman directs not being more than thirty days from the date of the meeting or adjourned meeting at which the poll was demanded. The demand for a poll (other than on the election of a Chairman of the meeting or on a question of adjournment) shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.
77. No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

#### **VOTES OF MEMBERS**

78. Subject to Article 5 and to any special rights or restrictions for the time being attached to any class of share or any suspension or abrogation of voting rights pursuant to these Articles:-
- (1) on a show of hands every Member (being an individual) present in person or (being a corporation) present by a duly authorised representative at a general meeting shall have one vote, for the avoidance of doubt excluding any shares held at that time as Treasury Shares; and
  - (2) on a poll every Member (being an individual) present in person or by proxy or (being a corporation) present by a duly authorised representative at a general meeting shall have one vote for each share held by him, for the avoidance of doubt excluding any shares held at that time as Treasury Shares.
79. For the purposes of determining which person may attend and vote at a general meeting, and the number of votes each such person may have, the notice of the meeting may specify a date and time by which persons must be entered on the register in order to be entitled to attend and vote at the meeting. This date and time must not be more than 48 hours before the time appointed for the commencement of the meeting.
80. In the case of an equality of votes, the Chairman shall, both on a show of hands and on a poll, have a casting vote. The casting vote is in addition to any vote to which he may be entitled as a member or as a proxy.
81. Where there are joint registered holders of any share such persons shall not have the right of voting individually in respect of such share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the Register shall alone be entitled to vote.
82. Any Member in respect of whom a court order has been made by any court having jurisdiction (whether in Guernsey or elsewhere) in matters concerning mental disorder being incapable or of unsound mind may vote whether on a show of hands or a poll by his curator or other legal guardian. Any of such persons may vote whether on a show of hands or on a poll either personally or by proxy. Evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote or act shall be deposited at the Office, or at such other place as is specified in accordance with these Articles for the deposit of instruments of proxy, not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised or, in the case of a poll, at least forty-eight hours before the time appointed for the taking of the poll and in default the right to vote shall not be exercisable.
83. On a poll votes may be given either personally or by proxy and a Member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
84. Unless the Board otherwise determines, no Member shall be entitled to be present or take part in any proceedings or vote either personally or by proxy at any meeting unless all calls or other monies due from him have been paid. No Member shall be entitled to vote in respect of any shares that he has acquired by purchase for pecuniary consideration unless he has been registered as their holder.

85. No objection shall be raised to the qualification of any voter or to the counting of, or failure to count, any vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered or at which errors occurs and every vote not disallowed shall be valid for all purposes. Any objection made in due time shall be referred to the Chairman whose decision shall be final and binding.
86. Proxy forms for use in respect of any general meeting shall be sent by the Company to all persons entitled to notice of and to attend and vote at that meeting and shall be in any common form or in any other form which the Board shall approve. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation under its common seal or under the hand of an officer or attorney duly authorised.
87. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office or at such other place as may be specified in the notice of meeting or any proxy form not less than 48 hours before the time for holding the meeting or adjourned meeting or the taking of the poll at which the person named in the instrument proposes to vote or where a poll is not taken forthwith but is taken not more than forty-eight hours after it was demanded, be delivered at the meeting at which the poll was demanded to the Chairman of the meeting or to the Secretary or to any Director and in default unless the Board directs otherwise the instrument of proxy shall not be treated as valid.
88. The instrument appointing a proxy may be delivered by facsimile transmitted to the place for delivery of instruments of proxy (or any of them) referred to in Article 87, provided that:-
- (1) the facsimile is actually received (whether or not it appears to the sender to have been received) at such place by the latest time for deposit of instruments of proxy in accordance with Article 87;
  - (2) the Chairman of the meeting or the Secretary or any other person authorised by the Board determines in his sole discretion (such determination to be conclusive) that such facsimile has been transmitted in any acceptable manner (including that the copy of the original instrument of proxy contained in the facsimile is complete and is legible); and
  - (3) in relation to the original instrument of the proxy (of which the facsimile is a copy), Article 87 is complied with by not later than one hour before the time appointed for the holding of the meeting or adjourned meeting or for the taking of the poll.
89. A proxy need not be a Member. An instrument of proxy may be valid for one or more meetings. A member may appoint more than one proxy to attend on the same occasion. No proxy shall, in that capacity, be entitled to speak at any general meeting, except to demand or join in a demand for a poll. The appointment of a proxy shall not preclude a Member from attending and voting in person at the meeting or any adjournment of it as on a poll.
90. The instrument appointing a proxy shall be deemed (subject to any contrary direction contained in the instrument) to confer authority to demand or join in demanding a poll and to vote on a poll on any resolution or amendment of a resolution put to, or any other business which may properly come before, the meeting for which it is given as

the proxy thinks fit and shall be as valid for any adjournment as for the meeting to which it relates.

91. If a Member appoints more than one person to act as his proxy the instrument appointing each such proxy shall specify the shares held by the Member in respect of which each such proxy is authorised to vote and no Member may appoint more than one proxy (save in the alternative) to vote in respect of any one share held by that Member.
92. When two or more valid but differing instruments of proxy are delivered in respect of the same share for use at the same meeting or poll, the one which is last delivered (regardless of its date or the date of its execution) shall be treated as replacing and revoking the other as regards that share provided that if the Company is unable to determine which was last delivered, none of them shall be treated as valid in respect of that share.
93. No instrument of proxy shall be valid after the expiration of twelve months from the date stated in it as the date of its execution.
94. A vote given or poll demanded in accordance with the terms of an instrument of proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous death or disability of the principal or revocation of the proxy or of the authority under which the proxy was executed or determination of the authority of the person voting or demanding a poll provided that no intimation in writing of such death, disability, revocation or determination shall have been received by the Company at the Office or at such other place as is specified for the deposit of instruments of proxy not less than 24 hours before the time for commencement of the meeting or adjournment or the taking of the poll at which the proxy is used or the poll demanded.
95. Any corporation (which includes, without prejudice to the foregoing, any company, body corporate, limited partnership or association of persons) which is a Member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company or to approve any resolution submitted in writing and the person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual Member of the Company and shall for the purposes of these Articles be regarded as a member present in person. Such representative may be required to produce a copy of such resolution certified by a proper officer of such corporation before being permitted to exercise such powers.
96. Without limiting the foregoing, in relation to any shares which are held in uncertificated form the Directors may:-
  - (1) from time to time permit appointments of a proxy to be made by means of an electronic communication in the form of an uncertificated proxy instruction, (that is, a properly authenticated dematerialised instruction, and/or other instruction or notification, which is sent by means of the relevant system concerned and received by such participant in that system acting on behalf of the Company as the Directors may prescribe, in such form and subject acting on behalf of the Company as the Directors (subject always to the facilities and requirements of the relevant system concerned)); and



- (2) permit supplements to, or amendments or revocations of, any such uncertificated proxy instruction to be made by like means; and
- (3) prescribe the method of determining the time at which any such properly authenticated dematerialised instruction (and/or other instruction or notification) is to be treated as received by the Company or such participant and may treat any such uncertificated proxy instruction which purports to be or is expressed to be sent on behalf of a holder of a share as sufficient evidence of the authority of the person sending that instruction to send it on behalf of that holder.

#### **WRITTEN RESOLUTIONS**

97. A resolution in writing or contained in an electronic communication executed by or approved in writing by on behalf of each Member who would have been entitled to vote upon it if it had been proposed at a general meeting at which he was present shall be as effectual as if it had been passed at a general meeting duly convened and held and may consist of several instruments in the like form each executed by or on behalf of one or more members.

#### **NUMBER AND APPOINTMENT OF DIRECTORS**

98. The first Directors of the Company shall be appointed by the subscribers to the Memorandum. Unless such subscribers appoint a sole Director and until otherwise determined by the Board the number of Directors shall be not less than two but shall be no more than six. At no time shall a majority of Directors, including any duly appointed alternates, be resident in the United Kingdom.
99. The Board shall have power at any time to appoint any person who is willing to act to be a Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the number (if any) fixed pursuant to these Articles. Any Director so appointed after the date of the adoption of these Articles shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting if it is an annual general meeting. If not reappointed at such annual general meeting, he shall vacate office at its conclusion.

#### **RETIREMENT OF DIRECTORS**

100. (1) At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation (or if their number is not three or a multiple of three), the number nearest to, but (except where there are less than three Directors) not less than one-third, shall retire from office.
- (2) Subject to the provisions of these Articles, the Directors to retire by rotation on each occasion shall exclude any Director appointed after the date of any notice convening the general meeting and include, so far as necessary to obtain the number first, any Director who wishes to retire and not offer himself for re-election, and secondly be those of the Directors who have been longest in office since their last appointment or re-appointment but, as between persons who became or were last reappointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be

determined by lot. In addition, any Director who would not otherwise be required to retire at any annual general meeting which is the third annual general meeting after the later of his appointment by the Company in general meeting and re-election as a Director of the Company in general meeting, shall nevertheless be required to retire at such annual general meeting. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the start of business on the date of the notice convening the annual general meeting and no Director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the Directors after that time on the date of the notice but before the close of the meeting.

- (3) If the Company, at the meeting at which a Director retires by rotation, does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost. If he is not reappointed or deemed reappointed, he may retain office until the close of the meeting.
101. (1) No person other than a Director retiring at a general meeting shall unless recommended by the Directors be eligible for election by the Company to the office of Director unless not less than seven nor more than 21 clear days before the date appointed for the meeting there shall have been left at the Office notice in writing signed by a Member duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election together with notice in writing signed by that person of his willingness to be elected.
- (2) Without prejudice to the powers of the Board the Company in general meeting may appoint any person to be a Director either to fill a casual vacancy or as an additional Director.
  - (3) At a general meeting a motion for the appointment of two or more persons as Directors of the Company by a single resolution shall not be made unless a resolution that it shall be so made has been first agreed to by the meeting without any vote being given against it.
102. No Director shall vacate or be required to vacate his office as a Director on or by reason of his attaining or having attained the age of 70 or any other age, and any Director retiring or liable to retire under the provisions of these Articles and any person proposed to be appointed a Director shall be capable of being appointed or reappointed notwithstanding that he has attained the age of 70 or any other age and no special notice need be given of any resolution for the appointment or reappointment as a Director of a person who shall have attained the age of 70 or any other age.

#### **QUALIFICATION AND REMUNERATION OF DIRECTORS**

103. A Director shall not be required to hold any shares in the Company.
104. (1) The Directors (other than those Directors who are also employees of the Company) shall be paid out of the funds of the Company by way of fees such sums not exceeding in the aggregate €370,000 per annum as the Directors shall determine or as may otherwise be approved by the Company in general meeting. Directors' fees shall be deemed to accrue from day to day.

- (2) The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings (including expenses incurred by them in obtaining independent professional advice).
- (3) If any Director having been requested by the Board shall render or perform extra or special services or shall travel or go to or reside in any country not his usual place of residence for any business or other purpose of the Company he shall be entitled to receive such sum as the Board may think fit for expenses.
- (4) The Board may establish and maintain any employees' share scheme, share option or other share incentive scheme and establish (if such scheme so provides) and contribute to any scheme for the purchase by or transfer allotment or issue to trustees of shares in the Company to be held for the benefit of employees (including Directors) of the Company and lend money to such trustees or employees to enable them to purchase shares.

#### **ALTERNATE DIRECTORS**

105. (1) A Director who is resident outside the United Kingdom shall not be entitled to appoint an Alternate who is resident in the United Kingdom.
- (2) Subject to Article 105 (1) above, any Director other than an Alternate may by notice in writing under his hand served upon the Company appoint any other Director, or any other person approved by resolution of the Board and willing to act (whether a Member of the Company or not) as an alternate Director to attend and vote in his place at any meeting of the Directors at which he is not personally present or to undertake and perform such duties and functions and to exercise such rights as he could personally and such appointment may be made generally or specifically or for any period or for any particular meeting and with and subject to any particular restrictions and may remove from office an alternate Director so appointed by him. Every such appointment shall be effective and the following provisions shall apply:-
- (a) Every alternate Director while he holds office as such shall be entitled:-
    - (i) if his appointor so directs the Secretary to notice of meetings of the Directors; and
    - (ii) to attend and to exercise (subject to any restrictions) all the rights and privileges of his appointor at all such meetings at which his appointor is not personally present.
  - (b) Every alternate Director shall ipso facto vacate office if and when his appointment expires by effluxion of time or his appointor vacates or is removed from office as a Director (for any reason) otherwise than by retiring and being reappointed or deemed to be reappointed at the meeting at which he retires or removes the alternate Director from office as such.
  - (c) The appointment of an alternate Director shall automatically determine in any of the following events:-

- (i) on the happening of any event which, if he were a Director, would cause him to vacate the office of Director;
  - (ii) if he resigns his appointment by notice to the Company;
  - (iii) if he is not a Director and the Board revokes its approval of him by resolution.
- (3) Any appointment or removal of an alternate Director shall be in writing signed by the Director making or revoking the appointment or in any other manner approved by the Board and shall take effect (subject to any approval required by these Articles) upon receipt of such written appointment or removal at the Office or by the Secretary.
- (4) An alternate Director shall be entitled at his appointor's request to receive notice of all meetings of the Board and of all meetings of committees of the Board of which his appointor is a member, to attend and vote and (save as provided in these Articles) be counted in the quorum at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in his absence.
- (5) An alternate Director may be repaid by the Company such expenses as might properly have been repaid to him if he had been a Director but in respect of his office of alternate Director shall not receive any fees from the Company for his services. An alternate Director shall be entitled to be indemnified by the Company to the same extent as if he were a Director.
- (6) An alternate Director shall, during his appointment, be an officer of the Company and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the Director appointing him.
- (7) A Director may act as alternate Director for another Director and shall be entitled to vote for such other Director as well as on his own account.
- (8) A Director or any other person may act as alternate Director to represent more than one Director and an alternate Director shall be entitled at meetings of the Board or any committee of the Board to one vote for every Director whom he represents in addition to his own vote (if any) as a Director. However he shall count as only one Director for the purposes of determining whether a quorum is present,

#### **BORROWING POWERS OF THE BOARD**

106. The Board may exercise any and all powers of the Company to borrow money or to give guarantees, mortgage hypothecate pledge or charge all or part of its undertaking property or assets (present or future) and uncalled capital and to create and issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. There shall be no maximum amount which may be borrowed.
107. The Board may exercise all the powers of the Company to borrow or raise money upon or by the issue or sale of any debentures or securities on such terms as to time of repayment, rate of interest, price of issue or sale, payment of premium or bonus upon redemption or repayment or otherwise as it may determine, including (subject to the

provisions of the Laws) a right for the holders of debentures or securities to exchange the same for shares in the Company of any class authorised to be issued.

108. The Board may confer upon any mortgagees or person in whom any debenture or security is vested, such rights and powers as it thinks necessary or expedient. It may vest any property of the Company in trustees for the purpose of securing any monies so borrowed or raised; and confer upon the trustees or any receiver to be appointed by them or by any debenture holder such rights and powers as the board may think necessary or expedient in relation to:
- (1) the undertaking or property of the Company, or its management or realisation; or
  - (2) the making, receiving or enforcing of calls on the members in respect of unpaid capital, and otherwise, and may make and issue debentures to trustees for the purpose of further security, and any such trustees may be remunerated.
  - (3) The Board may give security for the payment of any monies payable by the Company in the same manner as for the payment of monies borrowed or raised.

#### **OTHER POWERS AND DUTIES OF THE BOARD**

109. The business of the Company shall be managed by the Board who may exercise all such powers of the Company as are not required to be exercised by the Company in general meeting subject nevertheless to these Articles and to the Laws and to such regulations as may be prescribed by the Company in general meeting but no regulation so made shall invalidate any prior act of the Board. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Board by any other Article. The powers of the Board shall be exercised to as to ensure that at all times management and control of the Company takes place outside the United Kingdom.
110. The Board may arrange that any branch of the business carried on by the Company or any other business in which the Company may be interested shall be carried on by or through one or more subsidiary companies and the Board may on behalf of the Company make such arrangements as it thinks advisable for taking the profits or bearing the losses of any branch or business so carried on or for financing assisting or subsidising any such subsidiary company or guaranteeing its contracts obligations or liabilities.
111. The Board may establish any local or divisional boards or agencies for managing any of the affairs of the Company and may appoint any one or more of its number or any other persons to be members of such local boards or any managers or agents and may fix their remuneration and may delegate to any local board manager or agent any of the powers authorities and discretions vested in the Board with power to sub-delegate and may authorise the members of any local board to fill any vacancies and to act notwithstanding vacancies and any such appointment or delegation may be made upon such terms and subject to such conditions as the Board may think fit and the Board may remove any person so appointed and may annul or vary any such delegation but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
112. The Board may at any time by power of attorney or otherwise given under the hand of such person or persons duly authorised in that behalf appoint any person or any

fluctuating body of persons whether nominated directly or indirectly by the Board to be the attorney of the Company for such purposes and with such powers and discretions and for such periods and subject to such conditions as the Board may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any attorney as the Board may think fit and may also authorise any attorney to sub-delegate all or any of his powers and discretions.

#### **DIRECTORS' INTERESTS**

113. (1) A Director who to his knowledge is in any way directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company shall disclose the nature of his interest at the first meeting of the Board after becoming aware of such interest. In the case of a proposed contract such disclosure shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration or if the Director was not at the date of that meeting interested in the proposed contract or arrangement at the next meeting of the Board held after he became so interested. In a case where the Director becomes interested in a contract or arrangement after it is made disclosure shall be made at the first meeting of the Board held after the Director becomes so interested.
- (2) For the purpose of the foregoing:-
- (a) a general notice given to the Board by a Director to the effect that he is a member of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm shall be deemed to be a sufficient disclosure of interest;;
  - (b) a general notice given to the Board that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified;
  - (c) an interest of which a Director has no knowledge and which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his; and
  - (d) an interest of a person who is connected with a Director shall be treated as an interest of the Director.
- (3) Otherwise as provided in this Article 113 a Director may not vote or be counted in the quorum on a resolution of the directors or committee of the directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him) is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company). This prohibition does not apply to a resolution concerning any of the following matters:-

- (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself or a person connected with him has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company (including a member of the Group) in which he (and any persons connected with him) is interested and whether as an officer, shareholder, creditor or otherwise, if he does not to his knowledge hold an interest in shares representing one per cent. or more of either a class of the equity share capital of or the voting rights in the relevant company;
- (e) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings which only awards him a privilege or benefit generally awarded to the employees to whom it relates;
- (f) a contract, arrangement, transaction or proposal which relates in whole or in part to the adoption or operation of a pension, or similar scheme or retirement, death or disability scheme or personal pension plan or employees' share scheme under which he may benefit but which does not award him any privilege or benefit not generally awarded to the employees to whom the scheme or fund relates; and
- (g) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors;

and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

- (4) For the purposes of this Article a person shall be treated as being connected with a Director if that person is:-
  - (a) a spouse, child (under the age of eighteen) or step child (under the age of eighteen) of the Director; or
  - (b) an associated body corporate which is a company in which the Director alone, or with connected persons, is directly or indirectly beneficially interested in 20 per cent. or more of the nominal value of the equity share capital or is entitled (alone or with connected

persons) to exercise or control the exercise of more than 20 per cent. of the voting power at general meetings; or

(c) a trustee (acting in that capacity) of any trust, the beneficiaries of which include the Director or persons falling within paragraphs (a) or (b) above excluding trustees of an employees' share scheme or pension scheme; or

(d) a partner (acting in that capacity) of the Director or persons in categories (a) to (c) above.

- (5) If a question arises at a meeting of the Board or of a committee of the Board as to the materiality of a Director's interest or the right of a Director to vote or count in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or counting in the quorum, the question may (unless the Director concerned is the Chairman of the meeting in which case he shall withdraw from the meeting and the Board shall elect a vice chairman to consider the question in place of the Chairman), before the conclusion of the meeting, be referred to the Chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned has not been fairly disclosed and provided that any such question shall, for the purposes of disclosure of the interest in the accounts of the Company, be finally and conclusively decided by a majority of the Board (other than the Director concerned).
- (6) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company, or whereat the terms of any such appointment are arranged or whereat any contract in which he is interested is considered, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof. Where proposals are under consideration concerning the appointment (including without limitation fixing or varying the terms of appointment or its termination) of two or more directors to offices or places of profit with the Company or a company in which the Company is interested, such proposals shall be divided and a separate resolution considered in relation to each director. In such case each of the directors concerned (if not otherwise debarred from voting under these provisions) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (7) A Director may hold any other office or place of profit under the Company (other than Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.



- (8) Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (9) Any Director may continue to be or become a director, managing director, manager or other officer or member of any company promoted by the Company or in which the Company may be interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him as a director, managing director, manager or other officer or member of any such company. The Directors may exercise the voting power conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, managers or other officers of such company, or voting or providing for the payment of remuneration to themselves as directors, managing directors, managers or other officers of such company) and any Director of the Company may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be or be about to be appointed a director, managing director, manager or other officer of such other company, and as such is or may become interested in the exercise of such voting rights in manner aforesaid.
- (10) Provided that he has disclosed to the Board the nature and extent of any interest of his in accordance with Article 113(1), a Director notwithstanding his office:-
- (a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;
- (b) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.
114. All cheques promissory notes drafts bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company shall be signed drawn accepted endorsed or otherwise executed in such manner as the Board shall at any time determine.
115. The Board shall cause minutes to be made in books provided for the purpose:-
- (1) of all appointments of Officers;
- (2) of the names of the Directors present at each meeting of the Board and of any committee;
- (3) of all resolutions and proceedings at meetings of the Company and meetings of the Board and of committees.

Any such minutes if purporting to be signed by the Chairman of the meeting at which the proceedings took place, or by the Chairman of the next succeeding meeting, shall be evidence of their proceedings.

116. A Register of Directors' interests in shares shall be kept at the Office and shall be open to the inspection of any Member or holder of debentures of the Company between the hours of 10:00am and noon for a period beginning fourteen days before and ending three days after the Annual General Meeting. The said register shall also be produced at the commencement of each Annual General Meeting and shall remain open and accessible during the continuance of the meeting to any person attending the meeting.

#### **DISQUALIFICATION AND REMOVAL OF DIRECTORS**

117. Without prejudice to the provisions for retirement (by rotation or otherwise) contained in these Articles the office of a Director shall ipso facto be vacated:-

- (1) if he (not being a person holding for a fixed term an executive office subject to termination if he ceases from any cause to be a Director) resigns his office by written notice signed by him sent to or deposited at the Office or tendered at a board meeting;
- (2) he ceases to be a Director by virtue of the provisions of the Laws, is removed from office pursuant to these Articles or becomes prohibited by law from being a director.
- (3) if he and his alternate director (if any) appointed pursuant to these Articles shall have absented himself (such absence not being absence with leave or by arrangement with the Board on the affairs of the Company) from meetings of the Board for a consecutive period of six months and the Board resolves that his office shall be vacated;
- (4) if he becomes of unsound mind or incapable;
- (5) if he becomes insolvent or makes any arrangement or composition with his creditors generally;
- (6) if he is requested to resign by written notice signed by all his co-Directors (other than any alternate Director of the Director concerned);
- (7) if the Company in general meeting by ordinary resolution shall declare that he shall cease to be a Director; or
- (8) if he becomes resident in the United Kingdom and, as a result thereof, a majority of the Directors are resident in the United Kingdom.

118. If the Company in general meeting removes any Director before the expiration of his period of office it may by an ordinary resolution appoint another person to be a Director in his stead who shall retain his office so long only as the Director in whose stead he is appointed would have held the same if he had not been removed. Such removal shall be without prejudice to any claims such Director may have for damages for breach of any contract of service between him and the Company.

#### **PROCEEDINGS OF DIRECTORS**

119. (1) The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. A Director may, and the Secretary at the request of a Director shall, call a meeting of the Board. Questions arising at

any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman at the meeting shall have a second or casting vote and shall accordingly be counted in a quorum and be entitled to vote, but only if the effect of the exercise of such a vote is not to render a decision or vote in question one which is reached or passed by a majority of Directors who are resident in the United Kingdom. All meetings of Directors shall take place outside the United Kingdom and any decision reached or resolution passed by the Directors at any meeting not held outside the United Kingdom or at which a majority of Directors resident in the United Kingdom is present shall be invalid and of no effect.

- (2) A video link or telephone conference call or other electronic or telephonic means of communication in which a quorum of Directors participates and all participants can hear and speak to each other shall PROVIDED THAT such communications are initiated in Guernsey, be valid notwithstanding that fewer than two Directors are physically present at the same place and in such circumstances the location of the meeting shall be in Guernsey. A person so participating shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and be entitled to vote, PROVIDED THAT no Directors physically present in the United Kingdom at the time of any such meeting may participate in a meeting by means of video link, telephone conference call or other electronic or telephonic means of communication unless a majority of the Directors participating are physically present outside the United Kingdom.
120. The Board shall also determine the notice necessary for its meetings and the persons to whom such notice shall be given. Notice of a meeting of the Board shall be given to a Director wherever he shall be resident. A Director may waive his right to notice of any meeting either prospectively or retrospectively.
121. A meeting of the Board at which a quorum is present shall be competent to exercise all powers and discretions exercisable by the Board.
122. The continuing Directors may act notwithstanding any vacancy but if and so long as their number is reduced below the minimum number fixed pursuant to these Articles the continuing Directors may act for the purpose of increasing the number of Directors to that number or of summoning a general meeting but for no other purpose. If there be no Directors able or willing to act then any holder may summon a general meeting for the purpose of appointing Directors.
123. The Board may elect one of their number other than a Director resident in the United Kingdom as Chairman of their meetings and determine the period for which he is to hold office. If no such Chairman be elected or if at any meeting the Chairman be not present within 15 minutes after the time appointed for holding the same the Directors present may choose one of their number to be Chairman of the meeting.
124. The Board may delegate any of their powers, authorities and discretions (with power to sub-delegate) to committees consisting of such one or more Directors as they think fit, provided that all or a majority of the members of any such committee shall be persons who are resident outside the United Kingdom. Such Committees shall meet only outside the United Kingdom. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Board.

125. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed shall be two for the meeting of the Board and one for any committee of the Directors, provided that if a majority of the Directors (or the members of any committee of the Directors) present at the meeting are resident in the United Kingdom the Directors present, irrespective of their number, shall not constitute a quorum and the Directors (or the committee) may not act, except that where the minimum number of Directors has been fixed at one a sole Director shall be deemed to form a quorum. For the purposes of this Article an alternate appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him is not present.
126. A resolution in writing signed by each Director (or his alternate) entitled to receive notice of a meeting of the Board or by all the members of a committee shall be as valid and effectual as a resolution passed at a meeting of the Board or committee. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors or members of the committee and may be transmitted to the Company by facsimile. No such resolution shall be valid if a majority of the Directors sign the resolution in the United Kingdom.
127. All acts done by a meeting of the Board, or of a committee of the Board, or by a person acting as a Director, alternate Director or member of a committee shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment or continuance in office of any Director, alternate Director or person acting as aforesaid, or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director, Alternate Director or member of a committee and had been entitled to vote.

#### **EXECUTIVE DIRECTOR**

128. (1) The Board may at any time appoint one or more of their body (other than a Director resident in the United Kingdom) to be holder of any executive office including the office of Managing Director on such terms and for such periods as they may determine.
- (2) The appointment of any Director to any executive office shall be subject to termination if he ceases from any cause to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.
- (3) The Board may entrust to and confer upon a Director holding any executive office any of the powers exercisable by the Board upon such terms and conditions and with such restrictions as it thinks fit either collaterally with or to the exclusion of their own powers and may at any time revoke withdraw alter or vary all or any of such powers.

#### **SECRETARY**

129. The Secretary shall be appointed by the Board. Anything required or authorised to be done by or to the Secretary may, if the office is vacant or there is for any other reason no Secretary capable of acting be done by or to any Assistant or Deputy Secretary or if there is no Assistant or Deputy Secretary capable of acting, by or to any officer of the Company authorised generally or specially in that behalf by the Directors PROVIDED THAT any provisions of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being

done by or to the same person acting both as Director and as, or in the place of, the Secretary.

130. No person shall be appointed or hold office as Secretary who is:-
- (1) the sole Director of the Company; or
  - (2) a corporation the sole Director of which is the sole Director of the Company; or
  - (3) the sole Director of a corporation which is the sole Director of the Company.

#### **THE SEAL**

131. If the Board determines to maintain a Seal they shall provide for the safe custody of the Seal which shall only be used by authority of the Board or of a committee and every instrument to which the Seal shall be affixed shall be signed by any such persons as are authorised by the Board in that behalf. The Board may authorise the use of a duplicate or facsimile Seal for use outside Guernsey in such manner as the Board may at its discretion determine. Any seal which is to be used as a securities seal shall be used only for sending securities issued by the Company, and documents creating or evidencing securities so issued. Any such securities or documents sealed with the securities seal shall not be required to be signed.

#### **AUTHENTICATION OF DOCUMENTS**

132. (1) Any Director or the Secretary or any person appointed by the Board for the purpose shall have power to authenticate any documents affecting the Company (including the Memorandum and these Articles) and any resolutions passed by the Company or the Board and any books records documents and accounts relating to the business of the Company and to certify copies or extracts as true copies or extracts; and where any books records documents or accounts are elsewhere than at the Office the local manager or other Officer of the Company having their custody shall be deemed to be a person appointed by the Board as aforesaid. Except in the case of manifest error a document which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company in good faith that the document is true and complete and in the case of a copy of a resolution or an extract from the minutes of the Board or any committee of the Board that such minutes or extract is a true and accurate record of proceedings at a duly constituted meeting. The Board may decide the terms and conditions upon which a document contained in an electronic communication which is required by the Articles to be executed or signed is to be treated as validly executed or signed.
- (2) It shall be presumed conclusively in favour of the Company that every entry on the Register purporting to have been made on the basis of an instrument of transfer or other document destroyed by the Company was duly and properly made and that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered, and that every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and that every other document so destroyed was a valid and effective document in accordance with the recorded particulars of it in the

books and records of the Company and that every paid dividend warrant and cheque so destroyed was duly paid, provided always that:-

- (a) six years shall have elapsed since the date of registration of the relevant instrument of transfer of shares and two years shall have elapsed since the date of recording of the relevant dividend mandate or notification of change of name or address and one year shall have elapsed since the recorded date of payment of the relevant dividend cheque or cancellation of the relevant cancelled share certificate; and
  - (b) the Company is not shown to have destroyed a document in bad faith or with actual notice of any claim (regardless of the parties) to which the document might be relevant.
- (3) Subject to any legal or regulatory requirement imposed on the Company to retain documents for any excess periods, the Company shall be entitled to destroy any such document after the relevant period referred to in Article 132(2) but nothing in these Articles shall be construed as imposing upon the Company any duty to retain any document for such period.
  - (4) References in this Article to the destruction of any document include references to its disposal in any manner.

#### **DIVIDENDS**

133. The Company in general meeting may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board which may, for the purposes of determining such amount, disregard any realised or unrealised losses in respect of the valuation or realisation of any property portfolio assets that are accounted for in the income of the company under the accounting policies approved by the Board from time to time.
134. Subject to Article 5, unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid but (for the purposes of this Article only) no amount paid on a share in advance of calls shall be treated as paid on the share.
135. The Board may at any time declare and pay such interim dividends as appear to be justified by the position of the Company. If the share capital is divided into different classes of shares, the Board may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The Board may also pay at intervals settled by it any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment. Provided the Board acts in good faith the Directors shall not incur any liability to the holders of shares conferring preferred rights for any loss that they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.
136. (1) Unless otherwise provided by these Articles or the rights attaching to any shares, a dividend or any other monies payable in respect of shares may be declared or paid in whatever currency the Board may decide.

- (2) The Board may decide that a particular approved depository should receive dividends in a currency other than the currency in which it is declared and may make arrangements accordingly. In particular, where an approved depository has elected or agreed to receive dividends in another currency, the Board may in its discretion make arrangements with such approved depository for payment of dividends to be made to it for value on the date on which the relevant dividend is paid, or such later date as the Board may determine.
  - (3) In the event that a dividend is to be paid in a currency other than the currency in which it was declared, the rate of exchange to be used for conversion of the dividend shall be such market rate selected by the Board as it shall consider appropriate as at the close of business on the last business day before:
    - (a) in the case of a dividend declared by ordinary resolution in accordance with the provisions of Article 133, the date when the board announces their intention to recommend the particular dividend; or
    - (b) in any other case, the date when the Board declares the particular dividend.
  - (4) the decision of the Board regarding the rate of exchange shall be final and conclusive.
137.
  - (1) Any dividend or other moneys payable in respect of a share shall belong and be paid (subject to any lien of the Company) to those Members whose names shall be on the Register at the date at which such dividend shall be declared or at the date on which such other moneys shall be payable respectively, or at such other date as the Company by ordinary resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares.
  - (2) The Board may pay the dividends or other moneys payable on shares in respect of which any person is entitled to be registered as holder by transmission to such person upon production of such evidence as would be required if such person desired to be registered as a Member in respect of such shares.
138. The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the liabilities or obligations in respect of which the lien exists. The Board may deduct from any dividend payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.
139. The Board may retain dividends payable upon shares in respect of which any person is entitled to become a Member until such person has become a Member.
140. No dividend or other moneys payable on or in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.
141. All unclaimed dividends may be retained by the Company or invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof and any interest or

profits earned thereon shall belong to the Company. The Company shall not be obliged to account to a Member for interest or other income arising on an unclaimed dividend and shall have no responsibility to any Member for loss thereby arising. All dividends unclaimed for a period of twelve years after having been declared or became due for payment shall be forfeited and cease to remain owing by the Company and shall revert to the Company.

142. Any dividend or other moneys payable in cash in respect of a share may be paid by:-
- (1) cheque or warrant sent by post to the address in the Register of the person entitled to the moneys or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder or otherwise by operation of law, to the address in the Register of that one of those persons who is first named in the Register in respect of the joint holding or to such person and to such address as the person or persons entitled to the moneys may in writing direct. Every such cheque or warrant shall be made payable to the person or persons entitled to the moneys or to such other person as the person or persons so entitled may in writing direct and shall be sent at the risk of the person or persons so entitled and payment of the cheque or warrant shall be a good discharge to the Company. Any such cheque or warrant may be crossed "account payee" although the Company shall not be obliged to do so;
  - (2) bank transfer to such account as the person or persons entitled to the moneys may in writing direct; or
  - (3) such other method of payment as the person or persons entitled to the moneys may in writing agree to including, in the case of uncertificated shares, by means of the relevant system concerned (subject always to the facilities and requirements of that relevant system)
143. Payment by bank transfer or the making of payments in accordance with the facilities and requirements of the relevant system concerned shall be a good discharge to the Company. The Company shall not be responsible for any loss of any cheque, warrant and any payment made by direct debit, bank or other funds transfer systems or such other method shall be at the sole risk of the holder or joint holders.
144. If in respect of dividends or other moneys payable in respect of any shares cheques or warrants have been sent through the post in accordance with the provisions of the preceding article but have been returned undelivered or left uncashed during the periods for which they are valid or bank transfers or other funds transfer systems have not been accepted either:-
- (1) on two consecutive occasions; or
  - (2) on any one occasion and reasonable enquiries have failed to establish another address or account of the person entitled to the moneys;

the Company need not thereafter despatch further cheques or warrants or give instructions for bank transfers or other funds transfer systems in payment of dividends or other moneys payable on or in respect of the share in question until the member or other person entitled thereto shall have communicated with the Company and supplied in writing to the Office a new address or account to be used for the purpose.



145. The Board may, with the sanction of an ordinary resolution of the Company, offer the holders of shares the right to elect to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of such dividend or dividends as are specified by such resolution. The following provisions shall apply:-

- (1) the resolution may specify a particular dividend, or may specify all or any dividends declared or paid within a specified period, but such period shall end not later than the beginning of the annual general meeting in the fifth year following that in which such resolution is passed;
- (2) the entitlement of each holder of shares to new shares shall be such that the value of such new shares shall be as nearly as possible equal to (but not in excess of) the cash amount that such holders would otherwise have received by way of dividend. For this purpose the value of a share shall be the average of the middle market quotations for such a share as derived from the London Stock Exchange Daily Official List on such five consecutive dealing days as the Directors shall determine provided that the first of such dealing days shall be on or after the day when the shares are first quoted "ex" the relevant dividend;
- (3) no fraction of a share may be allotted and the Board may make such provision as it thinks fit for any fractional entitlements including provision:-
  - (a) for the whole or part of the benefit of fractional entitlements to be disregarded or to accrue to the Company; or
  - (b) for the value of fractional entitlements to be accumulated on behalf of a Member (without entitlement to interest) and applied in paying up new shares in connection with a subsequent offer by the Company of the right to receive shares instead of cash in respect of a future dividend;
- (4) the Board, after determining the basis of allotment, shall notify the holders of shares in writing of the right of election offered to them and (except in the case of any holder from whom the Company has received written notice in such form as the Board may require which is effective for the purposes of the relevant dividend that such holder wishes to receive shares instead of cash in respect of all future dividends in respect of which the Board offers the holders of shares the right to elect to receive shares as aforesaid) shall send with, or following, such notification, forms of election and specify the procedure to be followed and place at which, and the latest date and time by which, duly completed forms of election must be lodged in order to be effective;
- (5) the dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable on shares in respect of which such election has been duly made ("the elected shares") and instead additional shares shall be allotted to the holders of the elected shares on the basis of allotment determined as provided above. For such purpose the Board shall capitalise out of such of the sums standing to the credit of reserves (including any share premium account or capital redemption reserve) or any of the profits which could otherwise have been applied in paying dividends in cash as the Board may determine a sum equal to the aggregate nominal amount of the additional shares to be allotted on such basis and shall apply the same in

paying up in full the appropriate number of unissued shares for allotment and distribution to and amongst the holders of the elected shares on such basis;

- (6) the additional shares so allotted shall rank *pari passu* in all respects with the fully-paid shares of that class then in issue save only as regards participation in the relevant dividend;
- (7) the Board may on any occasion determine that rights of election shall only be made available subject to such exclusions, restrictions or other arrangements as it may in its absolute discretion deem necessary or desirable in order to comply with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory.

#### **PAYMENT OF DIVIDENDS IN KIND**

146. (1) Without prejudice to any other provision of these Articles, the Board may, with the authority of an ordinary resolution of the Company, direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets (and, in particular, of paid up shares or debentures of any other company).
- (2) The Board may settle any difficulty which arises in relation to the distribution, as it thinks fit; and, in particular, may:
- (a) ignore fractions, or issue certificates for fractions, or authorise any person to sell and transfer fractions;
  - (b) fix the value for the distribution of such specific assets or any part of them;
  - (c) determine that cash payments may be made to any members on the basis of the value so fixed in order to secure equality of distribution; and/or
  - (d) vest any such assets in trustees on trust for the persons entitled to the dividend.

#### **RESERVES**

147. The Board may before recommending any dividend set aside out of the income or profits of the Company such sums as it thinks proper as reserves which shall at the discretion of the Board be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may either be employed in the business of the Company or be invested in such investments as the Board may at any time think fit. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by dividend.

#### **CAPITALISATION OF PROFITS**

148. The Company in general meeting may upon the recommendation of the Board resolve that it is desirable to capitalise any or all undistributed profits of the Company or any part of the amount for the time being standing to the credit of any of the Company's

reserve accounts or subject as hereinafter provided any such standing to the credit of a Share Premium Account or Capital Redemption Reserve and accordingly that such sums be set free for distribution amongst the Members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up in full unissued shares of the Company to be allotted and distributed credited as fully paid to and amongst such Members. Provided always that any such amount standing to the credit of a Share Premium Account or Capital Redemption Reserve Fund may, for the purpose of this Article, only be applied in the paying up of unissued shares to be issued to Members credited as fully paid.

149. The Board may with the authority of an ordinary resolution of the Company:-
- (1) resolve to capitalise all or any part of the profits of the Company to which this Article applies;
  - (2) appropriate the sum resolved to be capitalised to the Members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either:-
    - (a) in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively; or
    - (b) in paying up in full unissued shares of the Company of a nominal amount equal to that sum, and allot the shares credited as fully paid to those Members, or as they may direct, in those proportions; or partly in one way and partly in the other;
  - (3) make such provision by the issue of fractional securities or by payment in cash or otherwise as it determines in the case of shares otherwise becoming distributable under this Article in fractions; and
  - (4) authorise any person to enter on behalf of all the Members concerned into an agreement with the Company providing for the allotment to them respectively, credited as fully paid, of any shares to which they are entitled upon such capitalisation, any agreement made under such authority being binding on all such Members.
150. The profits of the Company to which Article 148 applies shall be any undivided profits of the Company not required for paying fixed dividends on any preference shares or other shares issued on special conditions and shall be deemed to include:-
- (1) any reserves arising from appreciation in capital assets or ascertained by valuation; and
  - (2) any other amounts for the time being standing to any reserve or reserves including capital redemption reserve and share premium account;

provided that the Company shall not apply any unrealised profit in paying up any amounts unpaid on any of its issued shares and the only purpose to which sums standing to share premium account or capital redemption reserve shall be applied pursuant to this Article shall be the payment up in full of unissued shares to be allotted and distributed as aforesaid.

151. Whenever such resolution shall have been passed the Board shall make all appropriations and applications of the undivided profits resolved to be capitalised and all allotments and issues of fully-paid shares and generally shall do all things required to give effect thereto with full power to the Board to make such provision by payment in cash or otherwise as it thinks fit for the case of shares becoming distributable in fractions and also to authorise any person to enter on behalf of all Members entitled thereto into an agreement with the Company providing for the allotment to them respectively credited as fully paid of any further shares to which they may be entitled upon such capitalisation or (as the case may require) for the payment up by the Company on their behalf by the application thereto of their respective proportions of the profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares and any agreement made under such authority shall be effective and binding on all such Members.

#### ACCOUNTS

152. The Board shall cause proper books of account to be kept with respect to all the transactions, assets and liabilities of the Company in accordance with the Laws.
153. The books of account shall be kept at the Office or at such other place as the Board shall think fit and shall at all times be open to the inspection of the Directors but no person other than a Director or Auditor or other person whose duty requires and entitles him to do so shall be entitled to inspect the books accounts and documents of the Company except as provided by the Laws or authorised by the Board or by the Company in general meeting.
154. A balance sheet shall be laid before the Company at its annual general meeting in each year and such balance sheet shall contain a general summary of the assets and liabilities of the Company. The balance sheet shall be accompanied by a report of the Directors as to the state of the Company as to the amount (if any) which they recommend to be paid by way of dividend and the amount (if any) which they have carried or propose to carry to reserve. The Auditors' report shall be attached to the balance sheet or there shall be inserted at the foot of the balance sheet a reference to the report.
155. (1) A copy of the annual accounts of the Company and of all documents annexed thereto including the reports of the Directors and the Auditors shall at least twenty-one days before the date of the general meeting at which copies of those documents are to be laid be sent by post to each of the registered holders and the Auditors and to every other person who is entitled to receive notices from the Company of general meetings and to the secretary of any stock exchange on which any part of the share or loan capital of the Company is for the time being listed. Any holder may by written notice served on the Company waive this requirement.
- (2) The Company may send a summary financial statement to any of the persons otherwise entitled to be sent copies of the documents referred to in Article 155(1) instead of or in addition to those documents and, where it does so, the statement shall be delivered or sent by post to such person not less than twenty-one days before the general meeting at which copies of those documents are to be laid.
156. Copies of the documents referred to in Article 155 need not be sent to more than one of the joint holders of shares in respect of those shares provided that any Member to

whom a copy of such documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

157. The accidental omission to send any document to any person under Articles 155 and 156 or the non receipt of any document by any person entitled to receive it shall invalidate any such document or the proceedings at any general meeting.
158. No Member shall (as such) have any right of inspecting any accounting records or other book or document of the Company except as conferred by the Laws or authorised by the Board or by ordinary resolution of the Company.

#### **AUDITORS**

159. A Director shall not be capable of being appointed as an Auditor.
160. A person other than a retiring Auditor shall not be capable of being appointed Auditor at an ordinary general meeting unless notice of intention to nominate that person as Auditor has been given by a Member to the Company not less than fourteen days before the meeting and the Board shall send a copy of any such notice to the retiring Auditor and shall give notice to the Members not less than seven days before the meeting provided that if after notice of the intention to nominate an Auditor has been so given a meeting is called for a date fourteen days or less after such notice has been given the requirements of this provision as to time in respect of such notice shall be deemed to have been satisfied and the notice to be sent or given by the Company may instead of being sent or given within the time required by this Article be sent or given at the same time as the notice of the meeting.
161. The first Auditors shall be appointed by the Board before the first general meeting and they shall hold office until the first general meeting unless previously removed in which case the Members at such meeting may appoint the Auditors.
162. The Board may fill any casual vacancy in the office of Auditor but while any such vacancy continues the surviving or continuing Auditors (if any) may act.
163. The remuneration of the Auditors shall be fixed by the Company in general meeting or in such manner as the Company may determine except that the remuneration of any Auditors appointed by the Directors shall be fixed by the Directors.
164. Every Auditor shall have a right of access at all times to the books, accounts and documents of the Company and as regards books, accounts and documents of which the originals are not readily available shall be entitled to rely upon copies or extracts certified by an officer of the Company and shall be entitled to require from the Board such information and explanations as may be necessary for the performance of their duties and the Auditors shall make a report to the Members on the accounts examined by them and the report shall state whether in their opinion the accounts give a true and fair view of the state of the Company's affairs and whether they have been prepared in accordance with the Laws.
165. Any Auditor shall be eligible for re-election.

#### **NOTICES**

166. A notice may be given by the Company to any Member either personally or by sending it by prepaid post addressed to such Member at his registered address or if he desires that notices shall be sent to some other address or person to the address or

person nominated for such purpose. Notices to be posted to addresses outside the Channel Islands and the United Kingdom shall so far as practicable be forwarded by prepaid airmail.

167. Any notice or other document, if served by post, shall be deemed to have been served forty eight hours after the time when the letter containing the same is posted and in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed and duly posted. A notice given by advertisement shall be published in at least one UK national newspaper and shall be deemed to have been served before noon the day on which the advertisement appears.
168. A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in the Register in respect of the share.
169. Any notice or document delivered or sent by post to or left at the registered address of any Member shall notwithstanding the death, disability or insolvency of such Member and whether the Company has notice thereof be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in any such share.
170. Electronic communications may be used (if appropriate) for sending copies of notices or other documents to a Member where the Company and the Member have agreed to the use of electronic communications for this purpose and the documents are documents to which the agreement applies. Copies of a notice or other document sent using electronic communications, shall, subject to the Articles be sent to an electronic address for the time being notified to the Company by the Member for that purpose.
171. A notice or other document sent using an electronic communication shall be deemed to be received at the expiration of 24 hours after the time it is sent. Proof that a notice or document contained in an electronic communication was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence that the notice or other documents was received.

#### **WINDING UP**

172. (1) If the Company shall be wound up whether voluntarily or otherwise the Liquidator may with the sanction of a special resolution divide among the Members in specie the whole or any part of the assets of the Company and may with the like sanction vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the Members as the Liquidator with the like sanction shall think fit.
- (2) If thought expedient subject to the obtaining of any necessary consents or sanctions any such division may be otherwise than in accordance with the then existing rights of the Members and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in default of any such provision the assets shall subject to the rights of the holders of shares issued with special rights or privileges or on special conditions be distributed rateably according to the amount paid up on the shares.
- (3) In case any of the shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said shares

may within fourteen days after the passing of the special resolution by notice in writing direct the Liquidator to sell his proportion and pay him the net proceeds and the Liquidator shall if practicable act accordingly.

- (4) If the Company shall be wound up, the surplus assets remaining after payment of all creditors shall be applied in the following priority:
  - (a) Firstly, in the payment to the holders of the Ordinary Shares amounts pro rata up to the sum equal to the nominal amount paid up thereon.
  - (b) Secondly, in the payment to the holders of the Ordinary Shares of any balance then remaining such payments being made in proportion to the number of Ordinary Shares held.
- (5) If thought expedient subject to the obtaining of any necessary consents or sanctions any such division may be otherwise than in accordance with the then existing rights of the Members and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in default of any such provision the assets shall subject to the rights of the holders of shares issued with special rights or privileges or on special conditions be distributed rateably according to the amount paid up on the shares.
- (6) In case any of the shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said shares may within fourteen days after the passing of the special resolution by notice in writing direct the Liquidator to sell his proportion and pay him the net proceeds and the Liquidator shall if practicable act accordingly.
- (7) If the Company shall be wound up the Liquidator may with the authority of a special resolution divide among the members in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of a single kind and may for such purposes set such value as he deems fair upon any one or more class or classes or property and may determine how such division shall be carried out as between the Members or different classes of members. The Liquidator may with the like authority vest any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority shall think fit and the liquidation of the Company may be closed and the Company dissolved but so that no Member shall be compelled to accept any shares or other assets in respect of which there is any outstanding liability.
- (8) Where the Company is proposed to be or is in course of being wound up and the whole or part of its business or property is proposed to be transferred or sold to another company ("the transferee") the Liquidator of the Company may, with the sanction of an Ordinary Resolution, conferring either a general authority on the Liquidator or an authority in respect of any particular arrangement, receive in compensation or part compensation for the transfer or sale, shares policies or other like interests in the transferee for distribution among the Members of the Company or may enter into any other arrangement whereby the Members of the Company may, in lieu of receiving cash, shares, policies or other like interests, or in addition thereto, participate in the profits of or receive any other benefits from the transferee.

#### **INDEMNITY**

173. The Directors, alternate Director, Secretary, agent, employee and other officers or servants for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company and their respective heirs and executors shall be entitled to be indemnified (to the extent permitted by applicable law) out of the assets and profits of the Company from and against all actions expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts except such (if any) as they shall incur by or through their own wilful act neglect or default respectively and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipt for the sake of conformity or for any bankers or other person with whom any moneys or assets of the Company may be lodged or deposited for safe custody or for any bankers or other persons into whose hands any money or assets of the Company may come or for any defects of title of the Company to any property purchased or for insufficiency or deficiency of or defect in title of the Company to any security upon which any moneys of the Company shall be placed out or invested or for any loss, misfortune or damage resulting from any such cause as aforesaid or which may happen in or about the execution of their respective offices or trusts except the same shall happen by or through their own wilful act neglect or default.

#### **INSURANCE**

174. Without prejudice to any other provisions of these Articles, the Directors may exercise all the powers of the Company to purchase and maintain insurance for or for the benefit of any persons who are or were at any time Directors, officers, employees or auditors of the Company, or of any other body (whether or not incorporated) which is or was its subsidiary of the Company (together "Group Companies") or otherwise associated with the Company or any Group Company or in which the Company or any such Group Company has or had any interest, whether direct or indirect, or of any predecessor in business of any of the foregoing, including (without prejudice to the generality of the foregoing) insurance against any costs, charges, expenses, losses or liabilities suffered or incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers and discretions and/or otherwise in relation to or in connection with their duties, powers or offices in relation to the Company or any such other body.

#### **INSPECTION OF DOCUMENTS**

175. The Board shall determine whether and to what extent and at what times and places and under what conditions the accounts, books and documents of the Company shall be open to inspection and no Member shall have any right of inspecting any account or book or document except as conferred by the Laws or authorised by the Board.





**ISSUER**

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*To the Company and to the Financial Advisor as to Polish Law*

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*To the Company as to English Law*

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**PROPERTY MANAGER**

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**CREST SERVICE PROVIDER AND TRANSFER AGENT**

Computershare Investor Services (Channel Islands) Limited  
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**PROPERTY VALUER**

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