



ATLAS ESTATES ANNOUNCES MAIDEN INTERIM RESULTS FOR FOUR MONTHS ENDED 30TH JUNE 2006

Atlas Estates Limited, ("Atlas") the Central and Eastern European property investment and development company, today reports its financial results for the four month period ended 30 June 2006 and also announces two further property transactions as it continues to invest the proceeds of its IPO.

Highlights

- Admitted to AIM on 1 March 2006, raising gross proceeds of €178 million
- Total property asset valuation increased by 12% to €271 million (IPO/acquisition - €242 million)
- Atlas Group property assets of €256 million
- NAV per share up 7% to €5.06 reflecting buoyant market and higher overall property values
- Interim dividend per share of 4.16 euro cents to be paid
- Profit before tax – €1.48 million reflecting strong management control and tight financial discipline
- Warsaw Hilton on track to be completed in Q4 2006
- Today announcing two further acquisitions taking total overall investment to 43% of capital raised at IPO
- Strong acquisition pipeline with over 20 opportunities being appraised

The two new acquisitions are the Volan Development Project and the Moszkva Office Building both in Budapest. Both represent quality investments with development potential and the opportunity to increase yields and are excellent additions to the portfolio. Details of these acquisitions follow.

Quentin Spicer, Chairman of Atlas commented,

"We are encouraged by the progress that the Company has made in the short time since listing. Our management team has delivered a good initial profit through significant uplift in the value of the existing properties while securing new quality assets at competitive yields. They are continuing to add to the investment pipeline. The results are evidence of the superior total returns that Eastern European property investment can deliver over Western Europe and the UK with the right management team. We look forward to continuing this strong performance into the second half."

-ends-

Date: 25 September 2006
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CHAIRMAN'S STATEMENT

It gives me great pleasure to present the first set of results for Atlas Estates Limited since its admission to AIM on 1 March 2006. The results are detailed below and the Review of the Property Manager demonstrates that the period since the Company's IPO has been successful in shaping a portfolio which has started to show its growth potential and which the Board expects to deliver significant returns in the future.

Alongside the financial reports, the Company today announced two further acquisitions by the Group, both of which represent excellent opportunities. These are a fully let office building in Budapest and an attractive mixed development opportunity in Central Budapest.

Key Results

Profit before tax for the period to 30 June 2006 was €1.48 million. Included in the Income Statement is a sum of €2.30 million arising from the revaluation of the Group's investment property. Profit after taxation, including deferred tax on investment property revaluations, amounts to €476,000. This equates to earnings per share of 1 euro cent.

Dividend

The Group's strategy is to make regular, progressive dividend payments to shareholders. Our aim for 2006 was to give an annualised dividend yield of 3% on initial IPO equity. Accordingly, the Board has resolved to pay an interim dividend of 4.16 euro cents per share for 2006. Payment will be made on 31 October 2006 to shareholders on the register on 13 October 2006.

Share Buy Back

On 10 July 2006 the Company announced its plans to buy back up to 5% of its ordinary shares. The buy back programme was instigated to take advantage of what the Directors felt was an unjustified discount in the share price as compared to underlying NAV per share.

To date 360,000 shares have been purchased at an average price of £2.61. As we have demonstrated in this statement the NAV of the Company's shares is strong. It is our intention to continue the buy back programme opportunistically as we seek to continue to take advantage of any persisting discount to the NAV per share.

Pro-forma Net Asset Value

As detailed in our AIM Admission Document the Group obtains an independent valuation of its entire property portfolio at each reporting date. This enables shareholders to identify the added value that has been generated in the period both from active management of the Group's assets and by investing in locations and markets where it is perceived that there will be growth.

The revaluation of the Group's yielding assets, including it's the Hilton hotel, is reflected in the results for the period. Below I set out the re-valuation of land assets that accounting standards dictate cannot be reflected in the reported balance sheet:

	Value at 1 March 2006 or acquisition €'000	Value at 30 June 2006 €'000	Movement In value €'000
Land assets included in total assets	99,984	119,853	19,869
Attributable to minority interest partners	(14,937)	(15,056)	(119)
	<u>85,047</u>	<u>104,797</u>	<u>19,750</u>
Basic net asset value per balance sheet			233,768
Increase in valuation of Inventory properties			19,750
Deferred tax on revaluation of Inventory properties			(3,767)
Adjusted net asset value			<u>249,751</u>
Number of ordinary shares in issue			49,393,081
Adjusted net asset value per share as at 30 June 2006			<u>€5.06</u>
Net asset value per share at IPO (after costs)			<u>€4.73</u>

Property Investment and Pipeline

On admission to AIM Atlas acquired a mixed portfolio of yielding assets and development projects from its founder shareholders in exchange for equity in Atlas. These assets are managed by the Group's retained Property Manager, Atlas Management Company Limited ("AMC"). AMC is a privately owned Guernsey company formed by Atlas founder shareholders to exclusively manage the Atlas portfolio. In addition AMC is charged with identifying, appraising and recommending further property opportunities for the Company. We have announced a number of transactions in the CEE region since the IPO and I am delighted that this morning we announced two further additions to our portfolio.

Volan Development, Budapest, Hungary

The Volan site is an area of 20,640 m² of land in a central location in Budapest close to the West End Shopping Centre and Hilton Hotel. The plot has been cleared and prepared for the development of a planned 89,000 m² of mixed residential, commercial, retail and leisure uses. The purchase price is based on a value €15 million for the whole site with associated loans of €8 million. Atlas will acquire a 50% interest for a cash consideration of €5.5 million.

Moszkva Office Building, Budapest, Hungary

A 1,350 m², three storey office building located on Moszkva Square in a prime location on the Buda side of the city. The property is fully occupied with 95% of the leases having a remaining term of at least seven years. Atlas will acquire the property for €2.8 million with net operating income of €250,000. This reflects a net initial yield of 8.9%.

In addition to these transactions, the Company is in the final stages of concluding the legal processes necessary to complete further major acquisitions that I hope to be able to announce in the coming weeks. The investment pipeline remains strong with many opportunities under review.

Progress Update

Property in Central and Eastern Europe has recently become a more popular investment choice, as the region has provided superior total returns to those of Western Europe and the United Kingdom. As a result, this has led to increased competition for assets with well known institutional investors being joined by a number of newly formed investment funds in committing significant capital. We have seen continued yield compression across all asset classes as investors have sought to secure prime real estate in the main business centres.

Atlas has entered this sector with a strong pedigree, an experienced management team and an existing platform of well secured property assets. Below the Property Manager details progress made in delivering on the development portfolio, that the Board expects will produce significant returns over the coming years. The Group's yielding assets have been enhanced with key acquisitions and active management that has increased the overall quantum and quality of income.

The Board anticipates that the Group's development expertise will allow it to benefit from the ongoing regeneration of the region as more countries (including Romania and Bulgaria) become members of the European Union and experience increased foreign investment in infrastructure and business and residential accommodation.

The Board of Directors

The Board were all disappointed when Janos Eros announced his decision to stand down as Chairman of the Company. We thank him for his efforts in bringing the Company to the market. In light of this, the Board has reviewed its constitution and membership. I have agreed to continue to chair the Company on an ongoing basis and we have decided not to make any further Board appointment at this time.

Corporate Governance

Atlas places importance on ensuring that the highest standards of Corporate Governance are maintained within the structure and resources available to it. The combination of the Board and the Property Manager provides a rigorous review and appraisal system with regard to investment of shareholder funds. The Group is building a detailed system of internal control aimed at identifying and mitigating risks that are faced both from the operational aspects of property development and investment and from a portfolio located across a wide geographical region with different fiscal regimes and operating currencies. These systems are designed to identify the ability to exploit potential opportunities that may arise from this diversity.

The Future

I am confident that over the coming months and years we will see the continued development of our business and it is our aim to provide attractive returns to our investors. The Group expects that a sustainable commercial and residential development portfolio will generate capital to be recycled into further projects located throughout the region in which we invest. The Group will continue to invest in a yielding asset portfolio that provides consistent returns and is well positioned to take advantage of the rental growth that is anticipated in the coming years.

The year ahead will be busy and challenging for Atlas as our chosen markets continue to grow and stabilise and also develop their legal and operating infrastructure. We have already invested and committed a large volume of the funds raised in March but continue to look for good quality assets that provide strong returns and give opportunities for enhancing value.

I must thank my fellow Board members and my predecessor, the directors and staff of AMC and our Administrator and advisers for their hard work in bringing the Company to the market and their continued enterprise and skill in moving the Group ahead. I am looking forward to the challenges ahead with confidence in the prospects for the Group.

Quentin Spicer
Chairman - 25 September 2006

REVIEW OF THE PROPERTY MANAGER

The period since admission to AIM on 1 March 2006 has been exciting and satisfying as we have invested 43% of the funds raised via the IPO and have other projects in the advanced stages of contract preparation and due diligence. We have achieved many of the aims for the seed portfolio that we set out at that time, including securing the necessary building permits for some of our developments, starting to sell residential units and increasing and improving the income from our yielding portfolio. Our activities during this period demonstrate the quality of the Group's asset portfolio and management's ability to create added value.

We are constantly reviewing the property portfolio and are focused on selecting assets in the CEE region that will provide future capital growth, the potential to enhance investment value through active and imaginative management and the ability to deliver acceptable development margins.

We continue to monitor the macroeconomics of the region to ensure that we do not become over exposed or reliant on any one particular area of the market in which we operate. We look to combine an analysis of the potential scale and capacity of a local market with the risks and rewards associated with investing in that area. Our portfolio will be structured to give a balanced exposure both to the geographical spread of the region and the individual asset classes of the property sector.

Property portfolio update

Poland

Warsaw Hilton

The Hilton Hotel, Warsaw will be the first Hilton hotel to be opened in Poland. Located on Gryzbowska Street, in the Wola district it is a fifteen minute drive from Warsaw's International Airport and a ten minute walk to the central business district and historic centre of Warsaw.

The hotel will offer 314 rooms and suites and will have the largest convention centre in the Warsaw hotel market and will be managed by Hilton under a long term management agreement. The complex also includes a 4,000 m² Holmes Place health club and spa and a casino, both of which are leased directly from Atlas. Lease agreements have also been completed for the further smaller retail units included in the complex. An operator contract has been signed for the management of the 240 space underground car park.

Construction of the hotel is nearing a conclusion with completion expected in Q4 2006. Hilton has a strong management team already on site and has already taken reservations for rooms and functions in 2007. The health club is in the process of being handed over to the operators for final fitting out, testing and marketing.

We are very positive about the prospects for the hotel's success. The Warsaw hotel market has seen further improvement through the first part of 2006 with average occupancy and room rates continuing to increase. The strength of the Hilton brand and the superior conference offering and superb leisure facilities will place the hotel as a market leader

Platinum Towers

The Platinum Towers project adjoins the Hilton hotel complex in the centrally located Wola district of Warsaw. It sits in the heart of an area that has undergone rapid expansion and redevelopment and affords easy access to both Warsaw's central business district and its more historical areas.

Originally planned to be a development of three high-rise residential towers, the Group is currently working toward developing two residential towers with the third becoming office accommodation. This would enable Atlas to take advantage of the improving office market in Warsaw. Record office letting activity in the last 18 months has increased occupancy and sustained good rental values.

Platinum Towers – Residential

Two residential towers will provide 24,000 m² of living accommodation to be split into approximately 380 apartments. The towers each spanning 22 floors, will include ground floor commercial units and allow residents to benefit from the facilities of the Hilton hotel complex.

We have received zoning and a building permit for the first tower is anticipated in Q4 2006, with construction expected to commence in the forthcoming months.

A show apartment has been constructed for the development and sales and marketing commenced approximately eight weeks ago. To date over 100 apartments have been reserved with deposits having been received.

Platinum Towers – Offices

The office tower would be built to a height of 32 storeys and provide a total of 32,000 m² of modern, Class A accommodation. The site has a zoning permit for office development and work is progressing to finalise the design of the office tower and the submission of the building permit application.

The Warsaw office market is in a very exciting stage of its development. 2005 saw a record year for lettings in the market with transactions for over 300,000 m² being completed and rental values strengthening.

Capital Art Apartments (formerly the Gieldowa project)

The Capital Art Apartments will provide 850 units with a total of 51,150 m² of saleable space. In addition the development will include 7,762 m² of saleable ancillary space, 1,700 m² of commercial space and 850 car parking spaces.

The project is located in the Wola district of Warsaw, one of its prime residential areas. It is close to the Hilton Hotel and Platinum Towers and adjoins an area that houses a number of newly built office complexes.

A second zoning permit (zoning permit) has been received together with a building permit for the first phase of the development. The demolition of the old buildings is underway and will soon be completed. Work will then start on the construction of the apartments and is expected to be underway by the end of the year.

A show apartment has been constructed and marketing of the apartments is ongoing. In the first two weeks of marketing over 30 apartment reservations have been made and deposits taken.

Nowy Zoliborz

The Nowy Zoliborz project is situated in one of Warsaw's popular, more suburban residential areas. The site will provide 23,025 m² of residential space forming 380 apartments with a further 3,420 m² of saleable ancillary space, 850 m² of commercial space and 380 parking spaces. The development is approximately one kilometre from the Arkadia Mall, the largest shopping centre in Poland, overlooking a popular public park and benefiting from direct access to the main roads to the city centre.

Work continues on obtaining the building permits for the first phase of the development and on finalising the sales and marketing material and the planning of phase two.

Hungary

Atrium Homes, (formerly known as the Csata residential project)

Atrium Homes is a residential development in the 13th district of Budapest. It will comprise 514 apartments over eight floors with 454 underground parking spaces. Residential areas will total 24,626 m² with an additional 5,801 m² of commercial space and 1,574 m² of ancillary space for sale. The project will be built in two phases.

The official building permit has been received for phase one. This permit allows the construction of 239 apartments, part of the commercial area and two underground parking floors. The professional team has been appointed to oversee the procurement of a construction contract. Sales and marketing material has been finalised and sales will start soon.

Varosliget

Varosliget merges two existing plots of land to give a 12,000 m² area in the centrally located 7th district of Budapest. The plot is located a few hundred metres from Andrassy ut., the main artery in the centre of the city. At present Varosliget operates as a small business centre providing lower grade office and warehousing accommodation.

Atlas owns 90% of the plot with the remaining 10% being held by the municipality of the 7th District. A re-zoning application is currently being progressed to achieve consent for the development of 30,000 m² of office and residential space.

Ikarus

The Ikarus Industrial Park is located in the 16th district of Budapest, providing flexible office, logistics and warehouse space to a mix of international and local users. The park has a gross land area of 283,000 m² with 119,000 m² of lettable area. Active management by AMC has increased the occupancy of the lettable areas to 77% (62% at IPO) with tenancies secured on a range of short and medium term leases. Major tenants include the Hungarian Government who uses part of the site to store surplus grain.

The park sits in the middle of a largely residential neighbourhood. Work continues with the municipality to re-zone the park for residential development. The layout of the park provides for existing redundant areas to be redeveloped without impacting upon the income generating units.

Metropol Office Centre

The Metropol Office Centre comprises of 7,751 m² of modern office accommodation located in the 13th district of Budapest. The Centre is located just off the Robert Karoly main road that accesses the centre of Budapest and its central business district.

The property is currently 98% let to five corporate tenants on leases maturing within periods up to five years.

Ligetvaros

The Ligetvaros Centre is an established retail and office complex well located in the 7th district of Budapest. Adjoining the Varosliget project, near to Andrassy ut., the Centre provides a range of retail facilities and flexible office space in a popular central location.

The Centre comprises 6,300 m² that is currently 91% occupied with 42 separate tenancies. The retail areas are anchored by Kaiser Supermarkets (part of the SPAR International chain) and DM Drugstores, a major pharmacy chain in Hungary.

Atlas has building rights to construct a further 3,000 m² to include a coffee shop and further office premises. Work continues to secure users for the additional space and develop the design specifications.

Slovakia

Nove Vajnory Project, Bratislava

The Nove Vajnory project is an area of land currently used as a light aircraft field on the outskirts of Bratislava. Comprising of 877,748 m² the project will provide approximately 4,000 apartments and 600 serviced plots for the development of individual housing and commercial space.

The site is currently undergoing a re-zoning process. The design of the master plan is ongoing, dealing with infrastructure and public facility issues for a community that will accommodate up to 30,000 residents. Atlas is working closely with both the Vajnory and Bratislava municipalities to agree upon the optimal design solution with favourable responses having been received to date.

Transaction Pipeline

One of the Group's major strengths is its ability to source new opportunities throughout the region. This is due to the connections that have been formed by both senior management and our local management teams, enabling us to access international property owners as well as those in the local markets. This gives rise to a larger number of off market transactions and access to a wider pool of investment opportunities.

As in any property market the number and range of opportunities is ever changing. Atlas monitors and reviews many investment and development proposals in order to select those that fit in with its overall strategy. A key consideration is also the balance of the portfolio to ensure that the Group is not overexposed to a particular geographical location or single asset class.

We continue to work on some opportunities detailed in the pipeline in the AIM Admission Document and others that have been sourced since. We are nearing completion of the legal documentation for the acquisition of one of the large assets that we outlined at IPO. Others continue to be reviewed and monitored whilst many have been rejected either due to valuation issues or their unsuitability once further due diligence had been completed.

The current pipeline remains strong with over 20 potential investments and development sites being investigated and appraised. This list demonstrates the variety of opportunities available to the Group as it includes office, retail and logistic investments and development opportunities for offices, retail, logistics and residential and hotels.

Sites are located throughout the region, taking advantage of the already established management capability in Hungary, Poland and Slovakia and the developing team in Romania.

Various Memorandums of Understanding have been entered into giving Atlas exclusivity whilst due diligence is completed. With the transactions announced today we have further demonstrated our ability to secure good quality assets for the Group. We aim to conclude deals over the coming months that will enable us to invest the remaining IPO proceeds well within the timescale set out at the time of admission.

Finance

The financial management infrastructure of the Group's assets and operations has continued to be developed over the period. The experienced Group finance function oversees and assists the local teams in each of our territories.

Group reporting procedures and systems continue to be established and implemented to generate appropriate, timely management information for the ongoing assessment of the Group's performance.

The management of the financial risks faced by the Group is of prime importance. These encompass both currency and interest rate exposures.

Currency risk is largely managed at a local level by matching the currency in which income and expenses are transacted and also the currencies of the underlying assets and liabilities.

The vast majority of income from the Group's investment properties is denominated in Euro and so debt is arranged in Euro to match the flow of income and outgoings. Inevitably some items arise in local currency and these are planned for in advance. Development of residential projects will lead to income in local currencies and so facilities are arranged accordingly.

The Group has a number of debt facilities to finance its different projects. Some of these carry floating interest rates and some are fixed. A balance will be maintained so as to allow flexibility when funding transactions but still to provide protection from interest rate fluctuations.

Gadi Dankner – Chief Executive Officer
Phil Holland – Chief Financial Officer

25 September 2006

CONSOLIDATED INCOME STATEMENT

Four months ended 30 June 2006

	Four months Ended 30 June 2006 €'000	Notes
Continuing Operations		
Revenue	1,983	
Cost of sales	(769)	
Gross profit	1,214	
Other operating income	111	
Administrative expenses	(3,013)	
Increase in value of investment properties	2,300	
Operating profit	612	
Investment income	1,808	
Other gains and losses	(372)	
Net negative goodwill arising on acquisitions	721	2
Finance costs	(1,293)	
Profit on ordinary activities before taxation	1,476	
Tax on profit on ordinary activities	(1,000)	3
Profit for the period	476	
Earnings per €0.01 ordinary share	€0.01	4

CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	2006 €'000	Notes
ASSETS		
Non-current assets		
Property, plant and equipment	109,390	5
Investment property	51,500	5
Deferred tax asset	145	
	161,035	
Current assets		
Inventory	92,095	5
Trade and other receivables	5,903	
Cash at bank and in hand	101,946	
	199,944	
TOTAL ASSETS	360,979	
Current liabilities		
Trade and other payables	27,318	
Bank overdrafts and loans	1,110	
Current tax liabilities	54	
	28,482	
Non-current liabilities		
Other payables	4,607	
Bank loans	72,540	
Deferred tax liabilities	18,442	
	95,589	
Total liabilities	124,071	
NET ASSETS	236,908	
EQUITY		
Share capital	494	6, 8
Share premium account	232,944	7
Revaluation reserve	1,000	7
Other reserves	(1,146)	7
Profit and loss account	476	7
Equity attributable to equity holders of the parent	233,768	
Minority Interest	3,140	
TOTAL EQUITY	236,908	

NOTES TO THE INTERIM REPORT

1. Accounting policies

These results have been prepared in accordance with International Financial Reporting Standards (IFRS) that will be applied in the 2006 full year financial statements. As permitted, the interim financial statements have been prepared in accordance with the AIM Rules and not in accordance with IAS 34 "Interim Financial Reporting

The principal accounting policies adopted in the preparation of these financial reports are set out below.

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 (EU). The financial statements have been prepared on an historical cost basis as amended by applicable accounting standards. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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 cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. 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 results of subsidiaries and joint ventures acquired or disposed of during the year are included in the consolidated income statement 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.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Revenue recognition

Revenue comprises rental income and the sale of other related services to tenants of the Group's investment and trading properties and the proceeds of the sale of residential apartments developed by the Group.

Rental income is recognised on an accruals basis. Changes to rental income that arise from open market rental values or 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 period from the lease commencement date to the first possible termination date.

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.

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 that 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 profit or loss for the period. Those that arise on the re-translation of non-monetary items carried at fair value are included in the profit or loss 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.

The financial statements of foreign subsidiaries, associates and jointly controlled entities that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the balance sheet date before they are translated into Euros.

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 retains 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 profit and loss account over the term of the lease such that they produce a constant periodic rate of interest on the outstanding balance. Investment properties acquired under finance leases are carried at their fair value.

Where the Group is the lessor:

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

Finance leases – where properties are let under finance leases, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross amount receivable and the present value of the receivables is recognised as unearned finance income. Rental payments are recognised over the period of the lease using the net investment method before tax, which reflects a

constant periodic rate of return. In instances where only the building element of a property lease is classed as a finance lease, the land element is shown as an operating 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.

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

Property and equipment

Land and buildings held for used 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 bi-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 decrease 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. Depreciation of these assets will commence when they are ready for their intended use and will be on the same basis as other 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:

	%
Office equipment and furniture	10 to 20 per annum
Computer hardware	30 to 33 per annum
Computer software	50 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

Goodwill arising on consolidation represents the excess cost of the acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill that is recognised as an asset is reviewed for impairment at each reporting date. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

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 assets recoverable amount is assessed. An impairment loss is recognised in profit or loss 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 property, property that is held to earn rental income and/or for capital appreciation, is initially stated at cost, including any related transaction costs. Investment property is then carried at its 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 profit and loss account 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, subcontracting and those direct overheads which have been incurred in bringing the inventory to their present location and costs. Net realisable value represents the estimated selling price, as evaluated by the Directors based on advice from the Company's engineers and valuers, less all estimated costs of completion and direct selling costs.

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents consist of deposits in banks and short-term investments (primarily time deposits and certificates of deposit) with original maturities of three months or less.

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 accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

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

Equity instruments

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

Taxation

The tax expense represents the sum on the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. 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 and it further excludes items that are never taxable or deductible. The Group's

liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probably that taxable profits will be available against which deductible temporary differences can be utilised. 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 associates 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 shareholders.

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

2. Acquisition of subsidiary undertakings

2 (a) As described in the Admission Document on the successful admission of the Company to AIM, various acquisition contracts were completed for the acquisition of the Seed Portfolio. The consideration for these acquisitions was €68.487 million via the issue of shares in Atlas Estates Limited and €15.74 million in cash. These transactions have been accounted for by the purchase method of accounting.

	Book Value €'000	Fair value adjustments €'000	Fair value €'000
Net assets acquired			
PPE	96		96
Investment property	37,400		37,400
Investments in subs	33,634	18,940	52,574
Investments in associates	6	3,186	3,192
Deferred tax assets	27		27
Inventory	5,405	20,495	25,900
Trade and other receivables	655		655
Cash	2,419		2,419
Shareholder loans payable	(44,209)	30,630	(13,579)
Banks Loan	(23,324)		(23,324)
Trade and other payables	(1,172)		(1,172)
Deferred tax liabilities	(334)	(4,147)	(4,481)
Overdrafts	(563)		(563)
current tax liabilities	(11)		(11)
	10,029	69,104	79,133
Goodwill			5,094
Total consideration			84,227
Satisfied by:			
Equity			68,487
Cash			15,740
			84,227

2 (b) On 9 May 2006, the Group acquired the remaining 67.67% of Trilby B.V., HPA Sp z o.o. and DPM Sp z o.o. for a cash consideration of €35.92 million. This group of companies owns and manages various property assets in Poland in which the Group acquired a 33.33% interest on 1 March 2006. The transaction has been accounted for by the purchase method of accounting

	Book Value €'000	Fair value adjustments €'000	Fair value €'000
Net assets acquired			
PPE	29,991	39,385	69,376
shareholder loans receivable	459	(459)	0
Inventory	6,409		6,409
Trade and other receivables	2,173		2,173
Cash	460		460
Shareholder loans payable	(17,009)	16,875	(134)
Banks Loan	(13,347)	(12,130)	(25,477)
Trade and other payables	(4,658)		(4,658)
Deferred tax liabilities	(611)	(5,178)	(5,789)
Overdrafts	(368)		(368)
current tax liabilities	(19)		(19)
	3,480	38,493	41,973
Goodwill			(6,057)
Total consideration			35,916
Satisfied by:			
Cash			35,916

2 (c) On 8 June 2006, the Group acquired the entire share capital of Ligetvaros Kft and Varosliget Kft for a cash consideration of €3.7 million. These companies own and manage property assets in Budapest, Hungary. This transaction has been accounted or using the purchase method of accounting.

	Book Value €'000	Fair value adjustments €'000	Fair value €'000
Net assets acquired			
PPE	50		50
Investment property	9,795	2,011	11,806
Investments in associates	267		267
shareholder loans receivable	251		251
Trade and other receivables	273		273
Cash	289		289
Shareholder loans payable	(494)	238	(256)
Banks Loan	(7,740)		(7,740)
Trade and other payables	(597)		(597)
Deferred tax liabilities	(503)	(382)	(885)
	1,591	1,867	3,458
Goodwill			242
Total consideration			3,700
Satisfied by:			
Cash			3,700

3. Tax on profit on ordinary activities

	2006 €'000
Current period tax liability	(7)
Deferred tax	
Deferred tax on revaluation of Property, plant and equipment	-
Deferred tax on revaluation of investment properties	1,007
	1,007
Total	1,000

4. Earnings per €0.01 ordinary share

Earnings per €0.01 ordinary share are based upon the profit after tax attributable to ordinary shareholders of €476,000. The calculation of the basic earnings per €0.01 ordinary share is based on the average number of ordinary shares of 48,868,915, in issue in the period.

No diluted earnings per share figure has been calculated. The Company has granted warrants over 5,488,118 €0.01 ordinary shares, but due to the movement in share price in the period under review these were deemed to be anti-dilutive in accordance with IAS 33.

5. Property assets

All property assets owned by the Group as at 30 June 2006 were valued as at that date 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 Open Market Value and the valuations were carried out in accordance with the RICS Appraisal and Valuation Manual.

The valuation is summarised as follows:

	30 June 2006
Included within Property, Plant and Equipment	123,323,000
Included within Investment Properties	51,500,000
Properties comprising Inventory	1 96,130,000
	270,953,000

Note:

1. Includes property valued in Polish Zloty, totalling PLN 103,541,000. These values have been translated into Euro at €1:PLN 4.0668, the closing rate as at 30 June 2006

6. Called up share capital

	2006 €'000
Authorised	
100,000,000 ordinary shares of €0.01 each	1,000
Issued and fully paid up	
Allotted on admission to AIM	357
Allotted to satisfy portfolio acquisition	137
At 30 June 2006	494

13,702,981 ordinary shares were issued, not for cash, as part consideration for the acquisition of some of the Company's subsidiaries on 1 March 2006 as detailed in note

7. Reserves

	Share premium account €'000	Revaluation reserve €'000	Other reserve €'000	Profit and loss Account* €'000	Total €'000
Group					
As at 1 March 2006	-	-	-	-	-
On issue of shares	246,472	-	-	-	246,472
Costs of issue of shares	(13,528)	-	-	-	(13,528)
Profit for the period	-	-	-	476	476
Revaluation of properties	-	1,000	-	-	1,000
Exchange differences	-	-	(1,146)	-	(1,146)
As at 30 June 2006	232,943	1,000	(1,146)	476	233,277

8. Post balance sheet event

On 10 July 2006, the Company announced its intention to buy back its own shares. The Board approved the buy back of up to 5% of the number of shares in issue at that time. To date a total of 360,000 shares have been purchased at an average price of £2.61.