ATLAS ESTATES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Atlas Estates Limited
Intertrust Funds Services (Guernsey) Limited
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Company number: 44284

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Introduction

Atlas Estates Limited ("Atlas" or the "Company") is a Guernsey incorporated closed-ended investment company investing in real estate in Central and Eastern European countries ("CEE"). Atlas shares were admitted to trading on the Alternative Investment Market, a market operated by the London Stock Exchange plc ("AIM") on 1 March 2006 and on 12 February 2008 the Company was admitted to the Warsaw Stock Exchange (WSE).

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

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

The Company does not have any significant operating transactions and as such the commentary and the key numbers presented in the Chairman's Statement and the Review of the Property Manager represent those of the Group.

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Financial Highlights

Selected Financial Items	Year ended 31 December 2009 €'000	Year ended 31 December 2008 €'000
Administrative expenses	(4,217)	(6,811)
Other operating expense	(65,703)	(1,049)
Loss from operations	(69,415)	(7,860)
Finance income	5,972	15,655
Profit / (loss) before tax	(63,968)	7,917
Profit / (loss) for the year	(63,968)	7,917
Net cash outflow from operating activities	(3,684)	(5,914)
Cash flow from investing activities	3,135	13,087
Cash flow from financing activities	2	(6,209)
Net (decrease)/ increase in cash	(563)	1,119
Non-current assets	134,409	197,282
Current assets	3,953	4,527
Total assets	138,362	201,809
Current liabilities	(2,924)	(2,432)
Total liabilities	(2,924)	(2,432)
Net assets	135,438	199,377
Number of shares outstanding	46,852,014	46,852,014
(Loss) / earnings per share basic (eurocents)	(136.5)	17.3

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Chairman's Statement

Dear shareholders,

I am pleased to announce the financial results for Atlas Estates Limited for the year ended 31 December 2009. Against a backdrop of very challenging conditions in the global markets, the Company has been able to achieve a number of key objectives.

It has been a difficult business environment for the CEE region in 2009, as a direct consequence of the global economic and banking crisis. The majority of the economies in the region have been in recession and are reporting decreases in gross domestic product ("GDP"). As a result there have been large reductions in asset valuations and instability in CEE currencies. In this environment the objectives of the Company remain to retain cash for investment, realise value from disposals, control costs and ensure projects are completed on time and within budgets.

The Company's portfolio is predominantly located in Poland with 75% of gross assets. The Polish economy has been widely reported as the top performer in Europe, achieving 1.5% growth in GDP and improved market conditions in the second half of 2009. The Company has achieved key milestones by focusing on its Warsaw properties, where the Group has completed the construction of the Platinum Towers residential development and received the permit to hand over apartments. It has also completed construction of the second stage of the Capital Art Apartments development with the first stage having been completed in 2008. In the second half of 2009 we have seen more stability in market conditions in Warsaw.

A key area of focus for the implementation of the Company's strategy has been obtaining appropriate extensions and modifications of bank facilities and restructuring of debt facilities. The deterioration in the global credit markets has resulted in curtailed banking liquidity, which has led to reduced lending and few property transactions in the CEE region. In 2009 in this difficult environment the Company has completed the construction of the Platinum Towers and the Capital Art Apartments stage 2 developments having worked closely with two lenders to access the finance.

Reported Results

The Company made a loss for the year of €64.0 million. This has arisen principally from the impairment of the carrying value of investments in subsidiaries and write down of loans receivable from subsidiaries of €65.7 million. This reflects the fall in valuation of the Group as set out below.

The Group has reported a large fall in adjusted net asset value of 33% from €206 million at 31 December 2008 to €138 million at 31 December 2009 and a fall in basic net asset value of 34% from €174 million to €114 million. The fall in adjusted and basic net asset value principally arises from the following material capital movements:

- €35.6 million fall in valuation of investment properties in 2009 as per the external valuations of King Sturge. These decreases in property valuation have arisen across all the markets in which the Company holds investment properties and reflects increasing yields, falling rentals and lower occupancy rates as well as the underlying weakness in each economy.
- €10.8 million fall in valuation of property, plant and equipment in 2009 as per the external valuations of King Sturge. These decreases in property valuation for the hotels of the Group reflect the underlying weakness and uncertainty for the hospitality market in the CEE region as reflected in increasing yields as applied in the valuations.
- €9.9 million for impairment of inventory in 2009 where the cost of inventory is higher than the valuations of King Sturge. These impairments reflect falling development lands and uncertainties in the economies in the CEE region.
- €1.6 million for the loss on sale of joint venture interests in Eastfield Atlas, Slovakia and €5.9 million for the write down of assets held for sale to the net realisable value in Circle Slovakia.

At the operating level the Group has reported an increase in gross profit less administrative expenses at €5.2 million for the year ended 31 December 2009 as compared to €1.2 million for the year ended 31 December 2008. This has arisen principally from a reduction in property manager fees, administrative expenses and property related expenses.

Financing, Liquidity and Forecasts

The Group has been in discussions with its banks and has refinanced or extended loans on several of its properties. Negotiations are difficult, due to the problems facing international banks and falling asset values. The Group continues to negotiate with lenders in respect of others.

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The Group has reported a loss before taxation for the year ended 31 December 2009 and a reduction in net asset value as at 31 December 2009. The Directors consider that although prospects are generally improving, there are challenges in the markets in which the Group operates due to reduced access to bank financing and economic uncertainty. The completion of the sale of the Group's interests in Slovakia, described in more detail below, will significantly improve the Group's overall cash position and reduce its borrowings and overheads. The Group has also recently received a loan in Hungary which will provide working capital for operations and the development of the portfolio.

The Group's forecasts and projections have been prepared taking into account the economic environment and its challenges and mitigating factors. These forecasts take into account reasonable assumptions as to possible changes in trading performance, potential sales of properties and the future financing of the Group.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2009, as set out in accounting policies to the consolidated financial statements.

Investing Policy

The Company actively invests in a portfolio of real estate assets across a range of property types throughout CEE.

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

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

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

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

The Board recognises that the current state of the credit markets and general downturn in the CEE economies in which the Company invests have had a negative effect on the overall value of the Group's portfolio, causing a decline in the Company's net asset value per share. In order for the Company to achieve its long term investing policy, the Board's short term investment strategy for 2009 and 2010 is cash focused with new development activity in relation to parts of its portfolio being selectively deferred but with current active projects displaying good sales being progressed on time and on budget and being brought to a conclusion to achieve intended returns. No dividends are expected to be paid in the short term.

Disposal of interests in Slovakia and new loan in Hungary

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

The completion of the disposal of Atlas interests in Slovakia was to be in two stages. The first stage was completed in November 2009 and proceeds of €853,000 were received. The second stage was due for completion within 70 days of the signing of the contract, when a further €7,147,000 was due to be received. On 18 January the Company announced that due to delays by the purchaser in obtaining a relevant consent from the loan provider to the joint venture, the completion of the sale of investments in Slovakia did not take place by the due date. The parties to the contract still wish to proceed with the sale and purchase of the remainder of the portfolio and negotiations are taking place with a view to completing this transaction as soon as practicable.

On 25 January 2010 the Company announced that its Hungarian subsidiary Cap East Kft, which owns the Metropol office building in Budapest, had signed a credit facility for €3.1 million with FHB Kereskedelmi Bank Zft. This loan will be utilised as working capital for operations and to fund the development of its portfolio. This new loan is a significant achievement in very tight credit conditions. It will provide increased liquidity and will enable the business to increase investment in projects, which are realising value.

Amendment agreements with Erste Bank to the facility agreements for Millennium, Ligetvaros, Solaris and Voluntari

As described in detail in the Review of the Property Manager, on 24 February 2010 the Group companies Atlas Estates (Millennium) Sp. z. o.o, Ligetvaros Kft, Atlas Solaris SRL and World Real Estate SRL signed an amendment agreement with Erste Bank. This agreement created a cross collateralisation arrangement between these four companies with respect to the loans provided by Erste Bank. In return for this cross collateralisation the bank agreed to waive any claims for any breaches of covenants which were in existence. A new covenant of interest service coverage has been included, with a priority of payments list, reduced margins on each loan and extension of maturity dates for the two Romanian land loans to 31 December 2012. This agreement provides the Group with major improvements in the loan terms on each of these four assets and overcomes breaches of covenants on three of the loans. As a result of this, loans of €88 million will be reclassified in future reporting periods from current liabilities due within one year to non-current liabilities due in after one year.

Net Asset Value (“NAV”) and Adjusted Net Asset Value (“Adjusted NAV”)

In the twelve months to 31 December 2009, NAV per share, as reported in the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), has decreased by 34% to €2.42 per share from €3.68 per share at 31 December 2008. The adjusted NAV per share, which includes valuation gains, net of deferred tax on development properties held in inventory and land held under operating lease, but not recognised at fair value in the balance sheet, has decreased by 33% to €2.95 per share from €4.42 per share at 31 December 2008.

An independent valuation of the entire property portfolio is carried out on a semi-annual basis. At 31 December 2009 this has been undertaken by King Sturge acting as independent experts. This assessed the total movement in value during the financial year and is included in the basis for the Property Manager’s performance assessment and fee calculations.

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

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

	Book cost to Group as shown in the Balance Sheet €'000	Independent Value at 31 December 2009 €'000	Movement In value €'000
Development land assets and land held under operating lease included in total assets at cost to the Group	151,059	182,489	31,430
Attributable to minority interest partners	(1,873)	(2,190)	(317)
Company share of increase in valuation of development land and land held under operating lease	**149,186**	**180,299**	**31,113**
Deferred tax on increase in valuation of development land and land held under operating lease at local rates			(5,919)
Basic net asset value per balance sheet attributable to equity holders of the Company			113,166
Adjusted net asset value			**138,360**
Number of ordinary shares in issue at 31 December 2009			46,852,014
Adjusted net asset value per share as at 31 December 2009			**2.95**
Adjusted net asset value per share as at 31 December 2008			4.42
Net asset value per share at IPO (after costs)			4.73

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

Central and Eastern Europe

In many of the markets throughout the CEE region, GDP levels have been in decline. Poland has been one of the most resilient economies in Europe with reported growth in GDP of 1.5%. Romania received €20 billion of IMF financial support and has reported a fall in GDP of 7%. Hungary has also received €15 billion of IMF financial support and reported a fall in GDP of 4% in 2009. The Slovakian economy declined by 5% in terms of GDP in 2009. These weak economic conditions have arisen with a slump in foreign investment and bank finance to the region. As a result, investment and development activity in the real estate market has been in decline.

In the longer term the Company remains committed to its strategy of investment in this region, as we believe that the markets will continue to offer growth rates ahead of those to be offered in the more developed markets in Western Europe. The Company has benefited in previous years from the growth in these markets. It is now experiencing a reversal, but, as the Company operates in a cyclical business, the Directors are taking a longer term strategic view in managing the portfolio. This will allow the Company to benefit from the next positive stage in the property and economic cycle.

Risks and uncertainties

The Board and the Property Manager continually assess and monitor the key risks of the business. The principal risks and uncertainties that could have a material impact on the Group's performance are summarised in the Property Manager's Report on pages 13 and 15 below.

Changes in Nominated Adviser, Non-executive Director and Administrator and Company Secretary

On 17 March 2009 the Company announced that it had appointed Fairfax I.S. PLC as the Company's Nominated Adviser (NOMAD) and Broker. On 29 May 2009 the Company announced the resignation of Dr Helmut Tomanec from the Board of Directors. Dr Tomanec made a great contribution to the Company as a valued Non-executive Director and the Board wish to thank him for his efforts. On 26 November 2009 the Company announced that it had appointed Intertrust Fund Services (Guernsey) Limited as the Company's new Administrator and Company Secretary.

Prospects

As reported previously, the global economic crisis has had a very significant impact on the economies and prospects in the CEE region. Many economies in the region are experiencing a decline in GDP, as access to funding has become restricted and investment has been put on hold.

There have been improvements in sales demand in recent months in Warsaw, as Poland confirms its position as the most resilient market in Europe. For 2010 and beyond there have been forecasts of stabilisation and recovery for certain markets in the CEE region. The timing and extent of recovery is uncertain and depends upon how the financial crisis in the global markets resolves itself. Therefore the directors and management of Atlas continue to adopt a prudent and measured approach to investment.

Atlas has achieved significant progress with developments in Warsaw and is realising value from cash in-flows as apartments are sold. Bank refinancing and cash proceeds due from the sale of assets will provide the Group with the liquidity to develop further projects. The potential remains for the economies of the CEE region to revert in time to achieve growth rates outperforming those of most Western economies.

Quentin Spicer
CHAIRMAN
15 March 2010

Review of the Property Manager

In this review we present the financial and operating results for the twelve months ended 31 December 2009. Atlas Management Company Limited ("AMC") is the Property Manager appointed by the Company to oversee the operation and management of Atlas' portfolio and advise on new investment opportunities. At 31 December 2009, the Company held a portfolio of 21 properties comprising 10 investment properties of which eight are income yielding properties and two are held for capital appreciation, two hotels and nine development properties.

As highlighted in the Chairman's Statement on page 6 Atlas signed an agreement for the sale of its entire investment interests throughout Slovakia (the "Slovakia Portfolio"), comprising three sites in Bratislava and Kosice. This will reduce the portfolio of assets by three properties going forward and will end the Company's interests in Slovakia. The Company has disposed of the two properties in Kosice, but awaits bank consent to complete the disposal of its property in Bratislava.

Financial Review

Portfolio valuation and valuation methods

An independent valuation of the entire property portfolio is carried out on a semi-annual basis by independent valuation experts. Independent valuations may also be performed when a new property is acquired. The most recent valuation was performed at 31 December 2009 by independent real estate advisors, King Sturge.

The properties in Slovakia were independently valued at 30 June 2009 by Colliers International. These valuations were used to determine the provision for the loss on disposal and the asset held for sale. No independent valuation was undertaken at 31 December 2009 on the Slovakian properties as a disposal price was agreed with a third party purchaser, which was used in the accounting for the asset held for sale to write the value down to net realisable value.

The gross market value of the property assets within the Company's portfolio, including valuation gains on development properties held in inventory and land held under lease but not recognised at fair value in the balance sheet, and including minority interest, was €473 million as at 31 December 2009. This compares to the valuation at 31 December 2008 of €558 million.

Loans

As at 31 December 2009, the Company's share of bank debt associated with the portfolio of the Group was €260 million (31 December 2008: €248 million). Loans and valuations may be analysed as follows for those periods in which valuations were undertaken:

	Loans 2009 €'000	Valuation 2009 €'000	Loan to Value Ratio 2009	Loans 2008 €'000	Valuation 2008 €'000	Loan to Value Ratio 2008
Investment property	117,234	159,182	73.7%	116,325	196,745	59.1%
Hotels	66,727	104,050	64.1%	67,648	116,580	58.0%
Development property in construction	43,015	118,140	36.4%	30,969	109,614	28.3%
Other development property	20,774	38,649	53.7%	32,743	92,390	35.4%
	247,750	**420,021**	**59.0%**	**247,685**	**515,329**	**48.1%**
Liabilities disclosed as held for sale	12,240	21,855	56.0%	-	-	-
Total	**259,990**	**441,876**	**58.8%**	**247,685**	**515,329**	**48.1%**

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2009 due to the treatment under IFRS of land held under operating leases and development property.

Loans maturing within one year are €156.0 million at 31 December 2009 (excluding those classified as held for sale) compared to €95.7 million at 31 December 2008. The change has arisen from the maturing of debts and from the reclassification of four loans with breaches at 31 December 2009. Two of these loans, totalling €67.1 million in 2009, were in breach at 31 December 2008 and were also classified as bank loans and overdrafts due within one year or on demand at 31 December 2008. The other two breaches at 31 December 2009 relate to the non payment of interest on loans, for loans totalling €25.4 million. Also included within loans repayable on demand for 2009 (due within one year for 2008) is an amount of €9.0 million (2008: €8.4 million) and negotiations are ongoing with the bank on repayment terms. The banks have been made aware of all these breaches and have not asked for repayment of the loans. Three of these loans are included in a recent cross collateralisation agreement with Erste Bank, which is detailed in the debt financing section below. Under this agreement the breaches under the three loans have been waived. However as the loans were in breach at 31 December 2009, the Company's reporting date, the loans have been classified as repayable on demand in the balance sheet as at 31 December 2009.

Cash and cash equivalents was €13.1 million at 31 December 2009 (31 December 2008: €15.3 million). The gearing ratio is 218%, based upon net debt as a percentage of equity attributable to shareholders and is 69% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratios were 135% and 57% respectively as at 31 December 2008.

Debt financing

During 2009 the Group's predominant focus has been on maintaining regular dialogue with its lending banks, assessing performance of the properties relative to covenant testing ratios. The Group has its principal facilities with Erste Bank, Investkredit Bank and Raiffeisen Bank. The financial covenants within the Group's secured debt facilities fall into two main categories: annual Loan to Value ("LTV") tests and interest (and debt) service cover ratios ("ISCR" and "DSCR") based on audited financial statements for each company. Management continue to have detailed discussions with its senior debt providers.

<u>Erste Bank facilities</u>

The Group has four facilities with Erste Bank.

1. €65 million facility secured on the Millennium Plaza Building in Warsaw, Poland with a maturity date of 2016;
2. €4 million facility secured on the Ligetvaros Centre in Budapest, Hungary with a maturity date of 2021;
3. €12.5 million facility secured on the Voluntari land plot in Bucharest, Romania with a maturity date of December 2012 (prior to cross-collaterisation agreement: December 2010);
4. €12.9 million facility secured on the Solaris land in Bucharest, Romania with a maturity date of December 2012 (prior to cross-collaterisation agreement: June 2010).

The covenants were breached on three of the above loans (Millennium, Voluntari and Solaris) and as a result the Group entered into discussions with Erste to remedy these breaches. The solution proposed and agreed in February 2010 was to have a cross-collateralisation agreement with Erste Bank on all four loans. The terms of this amendment agreement to the four facilities included a bank waiver with respect to all previous breaches of covenants or default events under the facilities. New terms have been agreed, including a priority of payments schedule, reduced margins for each loan and new maturity dates. A new ISCR covenant is to be measured across the combination of all four assets. A new LTV covenant comes into effect from 1 January 2013. This is a significant step forward for the Group as this agreement overcomes the breaches of covenant and events of default on three properties and facilities.

<u>Investkredit Bank facilities</u>

The Group has had in operation five facilities with Investkredit Bank in 2009:

1. Polish Zloty 78 million facility for the construction of the Capital Arts Apartment project stages 1 and 2 in Warsaw, Poland, with a maturity date of December 2010;
2. €65 million facility secured on the Hilton Hotel in Warsaw, Poland with a maturity date of 2015;
3. Polish Zloty 13 million facility secured on the Zielono land plot in Warsaw, Poland, with a maturity date of June 2010;
4. €5.9 million facility secured on Atlas House office building in Sofia, Bulgaria, with a maturity date of 2017;
5. €25 million facility secured on the Vajnory land plot in Bratislava, Slovakia with a maturity date of March 2010.

The construction facility was extended from Polish Zloty 45 million for stage 1 to Polish Zloty 78 million for the construction of stage 2 of the Capital Art Apartments development. The Zielono land loan matured in February 2009 and was successfully extended to December 2009 and then onto June 2010. The LTV covenant was breached on Atlas House, Sofia and the loan reclassified as a current liability. Discussions have been ongoing with the bank, the debt has been serviced and the bank have not requested repayment of the loan. The Vajnory land loan which matured in March 2009 was successfully extended for 12 months to March 2010. Bank consent under this loan agreement is required for the completion of the disposal of Atlas interests in Slovakia, as set out in the Chairman's Statement. There were no material changes to the facility for Hilton.

Raiffeisen Bank facilities

The Group has two facilities with Raiffeisen Bank:

1. Polish Zloty 174 million facility for the construction of the Platinum Towers residential twin towers project in Warsaw, Poland with a maturity date of June 2010;
2. Polish Zloty 35 million facility secured on the Kokoszki land plot in Gdansk, Poland which matured in September 2009 and for which the terms of a formal extension are still awaiting signature from the Company and the bank.

The construction facility has been critical in the successful completion of the building work on the two towers and retail and piazza area for the Platinum Towers project. Discussions have been ongoing to secure an extension of the land loan for the Kokoszki plot in Gdansk. Terms are agreed in principal and the Company is awaiting final signature.

There are 6 other facilities secured on 6 different properties. Discussions have been ongoing with each of the banks for these loans to secure extensions and agree new terms. Key changes in the terms of these facilities are set out below:

The new €3.1 million 8 year facility with FHB Bank in Hungary for the Metropol Building, Budapest, Hungary was announced in January 2010 and as significant new financing is highlighted in the Chairman's Statement.

With respect to the €14.9 million loan on the Ikarus Industrial Park in Budapest, Hungary with MKB Bank, a two year deferral of principal repayment was agreed, subject to the final approval, with the bank in February 2010, due to the difficult trading conditions being experienced at this industrial park in Budapest, Hungary.

On the €3.6 million loan secured on the Golden Tulip Hotel in Bucharest, Romania a moratorium on principal repayments due to difficult trading conditions for the hotel, was agreed, subject to the final approval, with Alpha Bank in 2010.

Discussions are in progress to extend the €6 million facility secured on the Volan site in Budapest, Hungary with Volksbank, which matured in February 2010. A signed agreement is expected in the coming months to extend the loan under new terms.

The Polish Zloty 14 million land loan secured on the Cybernetki land plot in Warsaw, Poland was extended in January 2009 for 12 months under new terms. This land loan has been extended for a further 5 months in January 2010 until June 2010.

There were no material changes to the facility for Sadowa.

Net Asset Value

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

- Yielding assets let to paying tenants – classed as investment properties with valuation movements being recognised in the Income Statement;

- Property, plant and equipment operated by the Group to produce income, such as the Hilton hotel or land held for development of yielding assets (PPE) – revaluation movements are taken directly to reserves, net of deferred tax; and

- Property developments, including the land on which they will be built – held as inventory with no increase in value recognised in the financial statements.

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

	NAV 2009 € millions	**NAV per share 2009 €**	NAV 2008 € millions	**NAV per share 2008 €**
Basic NAV	113.2	**2.42**	172.6	**3.68**
Development land valuation increase	31.1	**-**	42.4	**-**
Deferred tax	(5.9)	**-**	(8.0)	**-**
Adjusted NAV	138.4	**2.95**	207.0	**4.42**

Notes:
The number of shares in issue as at 31 December 2009 and 2008 is 46,852,014.

Included in the income statement is a loss of €35.6 million (2008: €4.5 million) arising from the revaluation of the Group's investment properties. The total revaluation reserve of €6.9 million (2008: €15.6 million) represents the revaluation of the Hilton Hotel and the Golden Tulip Hotel.

The Property Manager's basic and performance fees are determined by the adjusted NAV. For the twelve months to 31 December 2009 the combined fee payable to AMC was €4.1 million (€5.7 million to 31 December 2008).

Ongoing activities

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

Financial management, operational management and material risks

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

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

The Company has completed four years as a quoted company and is a dual-listed entity in Warsaw and London. In continuing to fulfil its obligations to its shareholders and the markets, together with maintaining its policy of maximum disclosure and timely reporting, it is continually improving and developing its financial management and operational infrastructure and capability. Finance teams are operating in each of its major territories, with support across all countries provided by an experienced group finance team. Experienced operational teams are in place in each country, where there is significant activity, otherwise a central operational team and investment committee monitor and control investments and major operational matters. As such, the management team continually reviews its operating structures to optimise the efficiency and effectiveness of its network, which is particularly important given the current environment.

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

Global economic conditions

The Board and AMC closely monitor the effects that the current global economic conditions have on the business and have and will continue to take steps to mitigate, as far as possible, any adverse impact that may result for the business. The main financial risks that have affected the Company in 2009 are the effect of the global liquidity crisis on the Company's ability to access capital and to realise value from property disposals amid weakening in the economies in the CEE region.

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

Financing and liquidity

Management has experienced a change in the approach and requirements of lenders for financing in the CEE region which has been reflected in the covenants that are applied to facilities, such as a reduction of loan to value ratio, increasing margins and an increase in levels of required pre-sales on development projects. Negotiation and completion of financing agreements is also taking longer than previously experienced. Although recent news regarding the willingness of banks in the CEE region to finance projects has been negative, AMC's management team, through its strong relationship management and connections, has been able to secure financing opportunities in the region. However, the management team see this as a potential risk to the ongoing development of the Company and as a result are devoting significant resource to the management of banking relationships and the monitoring of risk in this area.

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

As at 31 December 2009, the Company's share of bank debt associated with the portfolio was €260 million, with cash at bank and in hand of €13.1 million. The gearing ratio is 218%, based upon net debt as a percentage of equity attributable to shareholders and is 69% based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratios were 135% and 57% respectively as at 31 December 2008. Where possible, we refinance properties where valuations have increased, thereby releasing equity for further investment.

Currency and foreign exchange

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

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

Conclusions

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

ATLAS ESTATES LIMITED

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

Nahman Tsabar
Chief Executive Officer
Atlas Management Company Limited
15 March 2010

Michael Williamson
Chief Financial Officer
Atlas Management Company Limited

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Property Portfolio Information

Location/Property	Description	Company's ownership
Poland		
Hilton Hotel	First Hilton Hotel in Poland – a hotel with 314 luxury rooms, large conferencing facilities, 4,500 sqm Holmes Place health club and spa and casino and retail outlets. Location close to the central business district in Wola area of Warsaw.	100%
Platinum Towers	396 apartments in two towers; the residential development has been completed in quarter 3 2009 with two residential towers, a piazza and commercial area on the ground and fist floors. Location close to the central business district in Wola area of Warsaw.	100%
Platinum Towers - offices	Land with zoning for an office scheme of class A office space planned over 40 floors.	100%
Capital Art Apartments	739 apartment three stage development with Stage 1 completed in 4th quarter 2008 with 218 out of 219 apartments pre sold. Stage 2 with the construction of 300 apartments completed in 2009. Stage 3 construction will follow. Location close to the central business district in Wola area of Warsaw.	100%
Zielono	Land with zoning and building permit for 265 apartments. Construction will commence with appropriate financing. Location in a residential area of Warsaw.	76%
Millennium Tower	32,700 square metres of modern accommodation in the central business district of Warsaw with 6,100 sqm of retail and 26,600 sqm of office space.	100%
Cybernetyki project	3,100 square metre plot of land zoned for 11,000 square metres and with building permit for residential development. Construction will commence with appropriate financing. Location in Mokotow district close to the central business district of Warsaw.	50%
Sadowa project	6,550 square metre office building close to the city centre of Gdansk.	100%
Kokoszki, Gdansk	430,000 square metre plot in Gdansk with zoning for construction of 130,000 square metres of mixed use development, situated on the outskirts of Gdansk.	100%
Hungary		
Ikarus Business Park	283,000 square metre plot with 110,000 square metres of built business space and 70,000 of currently lettable, located in the 16th district, a suburban area of Budapest	100%
Metropol Office Centre	7,600 square metre office building in the 13th district of central Budapest.	100%
Atrium Homes	Two phase development of 22,000 sqm of 456 apartments with 235 apartments in phase 1 with building permits, located in the 13th district in central Budapest.	100%
Ligetvaros Centre	6,300 square metres of office/retail space with rights to build extra 6,400 square metres, located in the 7th district, a central district in Budapest.	100%
Varosliget Centre	12,000 square metre plot in the 7th district in central Budapest, with zoning for a mixed use development of 31,000 gross square metres.	100%
Moszkva Square	1,000 square metres of office and retail space in the Buda district of the city.	100%
Volan Project	20,640 square metre plot, zoning for 89,000 square metre mixed use scheme in a central district of Budapest.	50%

Romania

Voluntari	99,116 square metres of land in three adjacent plots at the pre-zoning stage, in the north eastern suburbs of the city, known as Pipera.	100%
Solaris Project	32,000 square metres plot for re-zoning to mixed-use development in a central district of Bucharest	100%
Golden Tulip Hotel	83 room hotel in the city centre of Bucharest	100%

Bulgaria

The Atlas House	Office building in Sofia's city centre with 3,472 square metres of lettable area spread over eight floors.	100%

ATLAS ESTATES LIMITED

Directors - Atlas Estates Limited

Quentin Spicer Chairman Non-executive Director	Mr Spicer, an English Solicitor and resident of Guernsey, was head of the Property Department of Wedlake Bell in London before becoming Senior Partner of the Guernsey office in 1996. He is Chairman of a number of companies including IRP Property Investments Limited (previously ISIS Property Trust 2 Limited) and RAB Special Situations Company Limited. Mr Spicer is also a non-executive director of a number of property investment funds and is a member of the Institute of Directors.
Mike Stockwell Non-executive Director Chairman of Audit Committee	Mr Stockwell is a pension investment consultant for Kodak Limited responsible for asset allocation and investment manager appointments. He is a trustee and a member of the investment board of Kodak Limited's United Kingdom pension plan (asset size £1.1 billion). Mr Stockwell has over 30 years experience in the pension investment area, including fifteen years as manager of one of the UK's top 100 pension funds. Previously, Mr Stockwell was European pensions investment director for a large US multi-national with assets of over $2.5 billion in some fifteen European countries.
Shelagh Mason Non-executive Director	Mrs Mason is an English property solicitor with over 25 years experience in commercial property. She currently practises as Mason & Co in Guernsey specialising in English commercial property. Her last position in the United Kingdom was as a senior partner of Edge & Ellison (now part of Hammonds). For two years until 2001 she was Chief Executive of Long Port Properties Limited, a property development company active throughout the United Kingdom and the Channel Islands. Mrs Mason is a member of the Board of Directors of Standard Life Investment Property Income Trust, a property fund listed on both the London Stock Exchange and the Channel Islands Stock Exchanges and is a non-executive director of PFB Data Centre Fund and of G.Res 1 Limited, a residential property investment company, New River Retails Limited which is AIM listed and other property investment companies. She is an immediate past Chair of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association.

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Directors[1] and Senior Management - Property Manager, Atlas Management Company Limited

Rafael Berber Chairman of AMC Investment Committee member Non-executive Director	Mr Berber is a founding partner of RP Capital a London-based investment group founded in July 2004 and specialising in emerging markets. Prior to founding RP Capital, Mr Berber was formerly Vice Chairman of Global Capital Markets & Financing, Global Head of Equity Linked Products, and Global Head of Equity Trading and the Strategic Risk Group at Merrill Lynch. Mr Berber also led the development of Merrill Lynch's European emerging markets business. Mr Berber holds an MBA in Finance from New York University and a Bachelors Degree in Economics from Tel Aviv University.
Ron Izaki Director Chairman of Investment Committee Non-executive Director	Mr Izaki is the Chief Executive Officer and primary shareholder of the Izaki Group which was founded in 1948 and is now one of the leading real estate development firms in Israel. He has been involved in the development of thousands of apartments and millions of square feet of commercial and retail space in the USA, Israel and Western Europe. Mr Izaki is also a director of Brack RE, an international owner, developer and manager of real estate. He has a Bachelors Degree in civil engineering from the Israel Institute of Technology.
Nahman Tsabar Director Chief Executive Officer	Prior to joining AMC, Mr. Tsabar was the CEO of OCIF Investment and Development Limited from 2007. Before joining OCIF, Mr. Tsabar was President and CEO of Tahal Group, part of the Kardan Group, which is a leader in Build-Own-Transfer/Build-Own-Operate ("BOT/BOO") projects across a number of emerging markets, including Romania, Serbia, Poland, Russia, Turkey, India and China. Prior to this, he was CEO of Solel Boneh Development and Roads Limited, the largest contracting firm based in the Middle East and active worldwide, with 500 staff. From 1998 to 2000, Mr. Tsabar was Vice President of Ashtrom International Limited, an international construction company, where he was responsible for the company's operations in Jamaica, Turkey, Eastern Europe and the CIS. Prior to 1998, Mr. Tsabar spent 20 years in aviation construction.
Michael Williamson Chief Financial Officer	Mr. Williamson is a Chartered Accountant and holds a BSc (Econ) in Economics from the University of Wales. He has held divisional Finance Director positions in the pharmaceutical companies GlaxoSmithKline and Sanofi-Aventis. He was Group Finance Director with the FTSE listed group MFI Plc and has held CFO positions with other listed companies.
Steven Senter Chief Operating Officer	Mr. Senter is a Certified Public Accountant (CPA) and has many years experience in managing worldwide financing systems, working for leading international companies, like: Tahal Group – the international infrastructure company, part of Kardan Group, where he acted as CFO and temporarily as CEO; prior to working at Tahal, Mr Senter was connected with Leadcom Cala – a member of Elgadcom Group, leading telecommunications company, where he directed the company as the CFO in all the Latin American subsidiaries (Mexico, Guatemala, Costa Rica, Colombia, Ecuador, Brazil, Peru, Argentina, Chile, Uruguay and Bolivia). He also participated in development of 2 start-up companies of JVP Holdings and before that was involved in Ashtrom International as financial manager – a Real Estates Developer in Central and Eastern Europe, Central America, Cyprus, Turkey and Jamaica. Mr Senter holds BA in Accounting from Hebrew University of Jerusalem and BA in Economics and Business Administration from Ben-Gurion University.

Registered office

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[1] On 17 November 2009, D. Saradhi Rajan resigned his position as a director of AMC.

ATLAS ESTATES LIMITED

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Property Manager
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ATLAS ESTATES LIMITED

Directors' Report

The Directors present their report and the audited financial statements for the twelve months ended 31 December 2009.

Results and dividends

The results for the Company for the year are set out in the statement of comprehensive income on page 34 and show a loss after tax attributable to equity shareholders of €64.0 million (2008: profit after tax of €7.9 million).

The Company has not declared a dividend for 2009 (2008: €nil).

Activities and review of business

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

The principal activity of the Company is property investment and development throughout Central and Eastern Europe, together with the management of its properties. The development of the Company's business and future prospects, including a description of material risk factors and threats and information on the degree of the Company's exposure to such risks or threats, is considered in the Chairman's Statement on pages 5 to 9 and the Review of the Property Manager on pages 10 to 15.

A list of the operating subsidiaries of the Company subject to consolidation is included within note 19 of the financial statements of this report, on pages 52 to 53.

Investing Policy

The Company actively invests in a portfolio of real estate assets across a range of property types throughout CEE.

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

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

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

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

The Board recognises that the current state of the credit markets and general downturn in the CEE economies in which the Company invests have had a negative effect on the overall value of the Group's portfolio, causing a decline in the Company's net asset value per share. In order for the Company to achieve its long term investing policy, the Board's short term investment strategy for 2009 and 2010 is cash focussed with new development activity in relation to parts of its portfolio being selectively deferred but with current active projects displaying good sales being progressed on time and on budget and being brought to a conclusion to achieve intended returns. No dividends are expected to be paid in the short term.

Diversification

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

As at 31 December 2009, the Company had investment assets in Poland, Romania, Slovakia, Hungary and Bulgaria, but the Company intends to use its experiences in other dynamically developing markets. This strategy will allow the Company to further geographically diversify its operations and achieve an appropriate scale of its operations. The Company also intends to continue its strategy of investing in non-capital cities in the countries in which it operates.

Key performance Indicators

Key performance indicators vary between the different areas of the Company's business.

The success of developing and selling residential apartments will be measured in terms of the price achieved for each apartment, the profit margin earned over construction cost and as a proportion of sales and the overall rate of return from a development.

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

The key financial risk policies are stated within the financial sections of this report on pages 44 to 46.

Going concern

The going concern of the Company is dependent on the going concern of its subsidiaries. As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment has been challenging and the Company and the Group have reported a loss from operations for the year ended 31 December 2009 and a significant fall in net asset value as at 31 December 2009. The directors consider that the outlook presents ongoing challenges in terms of the markets in which the Group operates, the effect of fluctuating exchange rates in the functional currencies of the Group and the availability of bank financing for the Group.

As at 31 December 2009 the Group held land and building assets with a market value of €442 million, compared to external debt of €260 million. Subject to the time lag in realising the value in these assets in order to generate cash, this loan to value ratio gives a strong indication of the Group's ability to generate sufficient cash in order to meet its financial obligations as they fall due. Any land and building assets and associated debts which are ring-fenced in unique, specific, corporate vehicles, which are subject to any repossession by the bank on default of loan terms would clear the outstanding debt and not result in additional finance liabilities for the Company or for the Group. There are also unencumbered assets which could potentially be leveraged to raise additional finance.

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

In the preparation of the consolidated financial statements for the year ended 31 December 2009, the directors have reclassified four loans totaling €92.4 million within the financial statements from non current liabilities to current liabilities as bank loans and overdrafts due within one year or on demand, where covenant breaches or defaults on these loans arose. The banks are aware of the technical breaches and defaults and have not asked for repayment of the loans. Two of these loans, totalling €67.1 million in 2009, were in breach at 31 December 2008 and were classified as bank loans and overdrafts due within one year or on demand at 31 December 2008. The defaults on the other two loans result from non payment of interest. In addition there is one loan that is repayable on demand in the amount of €9.0 million (2008: €8.4 million due within one year). Negotiations are ongoing with the bank on refinancing terms. Loans maturing within one year total €156.0 million (excluding loans associated with assets held for sale) at 31 December 2009 compared to €95.7 million at 31 December 2008. €25.4 million of the €60.3 million increase from 31 December 2008 relates to the two defaults discussed above. The remaining increase of €34.9 million has resulted from the natural maturing of the Group's debt. Discussions are currently in progress with the banks in relation to repayment of certain of these loans.

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2009, the directors have taken into account the status of current negotiations on loans. These are disclosed in note 24 as part of the bank loans note. The Company has also continued to provide funds to service interest and capital repayments on these loans on behalf of its subsidiary companies

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

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2009.

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

Substantial shareholdings

As of 12 March 2010, the Board was aware of the following direct or indirect interest in 3% or more of the Company's ordinary share capital (excluding treasury shares). All shares have equal voting rights.

Table 1 – Significant Shareholders	Number of Shares held	Percentage of Issued Share Capital
Livermore Investments Limited	10,170,367	21.71
Lockerfield Limited	6,730,623	14.37
Forest Nominees Limited (1)	6,536,925	13.95
Capital Venture Worldwide Group Limited	6,385,000	13.63
RP Capital Group	5,560,572	11.87
Finiman Limited	4,097,509	8.75
APG Investments	1,600,000	3.42
TOTAL		**87.70**

(1) Mr Ron Izaki is the ultimate beneficial owner of 6,461,425 of the 6,536,925 shares, representing 13.79% of the issued share capital of the Company.

Purchase of own shares

By a resolution passed on 24 June 2009, shareholders granted the Directors the authority to purchase a maximum of 14.99% of the Company's own shares. These may be purchased at a minimum of €0.01 per share and a maximum of no more than 5% above the average mid-market price as derived from the Daily Official List for the five business days preceding the purchase. This authority was not exercised during 2009.

Directors and Directors' share interests

The non-executive Directors who served during the year are detailed in Table 2 below. No Director had any direct interest in the share capital of the Company or any of its subsidiaries during the year or the preceding year. Mr Spicer acquired a beneficial interest in 14,785 shares in the Company in 2007.

Table 2 – Non-executive Directors	
Mr Quentin Spicer	Appointed 9 February 2006
Mr Michael John Stockwell	Appointed 3 February 2006
Mrs Shelagh Mason	Appointed 3 February 2006
Dr Helmut Tomanec	Appointed 3 February 2006 Resigned 28 May 2009

Biographical details for all Directors are set out on page 18.

The Directors retire by rotation and Mrs Shelagh Mason, being so entitled and willing, offers herself for re-election.

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

The Remuneration Report contains details of Directors' remuneration, terms of their appointment and those of the Property Manager and is set out on pages 29 to 31. No other Director had, during the accounting year or in the period to 15 March 2010, any material beneficial interest in any significant contract in the Group's business.

Directors' Responsibilities

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

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

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

Company website

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

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

Auditors

The Directors confirm that as at 15 March 2010:

- So far as they are aware, there is no relevant information (that is, information needed by the Company's auditors, in connection with preparing their report) of which the Company's auditors are unaware;
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information; and
- The auditing firm (qualified auditor of financial statements) who audited the annual financial statements has been selected in compliance with the provisions of the law and that this firm and the qualified auditors who performed the audit met the conditions to issue an impartial and independent opinion on the audited annual financial statements in accordance with the applicable provisions of national law.

The financial statements of the Company for 2009 were audited by BDO LLP on the basis of a contract concluded on 9 December 2009. The financial statements of the Company for 2008 were audited by BDO LLP on the basis of a contract concluded on 5 December 2008.

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

Table 3 – Audit Company – fees

	2009	**2008**
Audit of individual and consolidated annual financial statements	315	328
Review of interim individual and consolidated financial statements	95	101
Tax services	11	90
Total	**421**	**519**

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

Annual General Meeting

The Annual General Meeting will be held on 16 June 2010.

Information about court proceedings

As of 12 March 2010, the Company was not aware of any proceedings instigated before a court, a competent arbitration body or a public administration authority concerning liabilities or receivables of the Company, or its subsidiaries, whose joint value constitutes at least 10% the Company's equity capital.

Significant Agreements

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

Agreement of 23 June 2008, between Capital Art Apartments and Eiffage Budownictwo MITEX S.A. as amended
Under the above agreement, Eiffage Budownictwo MITEX S.A. agreed to carry out construction works, as the general contractor, with regard to the second stage of the Capital Art Apartments Project. The value of the agreement was agreed as equivalent to a lump sum of the amount of PLN 40,680,931 plus VAT (€9.9 million plus VAT) for part of the works, increased by a sum based on a costs plus fee (fee equal to 8%) formula for the remaining works within the general contractor works. The maximum value of the contract was agreed by the Parties at 78,000,000 PLN plus VAT (€19.0 million plus VAT). The works were completed in December 2009.

Agreement of 4 September 2007, between Platinum Towers and HOCHTIEF Polska Sp. z o.o.
Under the above agreement, HOCHTIEF Polska Sp. z o.o. agreed to carry out construction works with regard to the Platinum Towers Project. The value of the agreement is PLN 179,655,000. The works were completed in September 2009.

Related party transactions

Related party transactions are stated within note 15 of the financial statements of this report, on page 52

Credit and loan facilities, guarantees and sureties

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

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

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

ATLAS ESTATES LIMITED

Corporate governance review

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

Structure and membership of the Company's Board

The Board of Directors comprises the non-executive Chairman and two further non-executive Directors. In May 2009 Dr. Helmut Tomanec resigned as a non-executive Director. There is a clear separation of the role of the Chairman and the Property Manager, governed by the Property Management Agreement that was entered into on 24 February 2006. The Board did not find it necessary to appoint a Senior Independent Director. The Board identifies all of its non-executive Directors as being independent of the Company based on their level of involvement with the founder shareholders prior to the formation of the Group and their involvement in the day to day management of the Group on an ongoing basis. They provide strategic management and act as the final Investment Committee for all investment/divestment decisions. The executive and day to day management is provided by the Property Manager whose role and responsibilities are clearly defined in the Property Management Agreement.

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

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

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

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

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

Appointments to the Board are subject to a formal process of selection involving the Board as a whole. The Directors are appointed for indefinite terms and a third of the Board retire by rotation each year. Directors' terms of appointment provide for prior approval of the Board for the acceptance of any outside appointments. In the event of a request for approval the Director in question is asked to confirm and demonstrate that they can continue to commit sufficient time to the fulfilment of their duties.

Board committees

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

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

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

Table 4 - Attendance at meetings

	Board	Committee meetings Audit
No. of meetings in the year	**16**	**5**
Mr Quentin Spicer	14	3
Mr Michael John Stockwell	13	5
Mrs Shelagh Mason	13	3
Dr Helmut Tomanec	7	2

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

Property Manager

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

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

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

Internal control

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

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

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

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

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

In accordance with the procedures outlined in this report, the Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 December 2009. The review took account of material developments that have taken place since the year end and considered the need for an internal audit function. The Board resolved that due to the size of the Company an internal audit function would be inappropriate but will review this need on an annual basis.

Shareholder relations

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

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

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

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

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

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

Performance evaluation

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

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

Details of those Directors seeking re-election at the Company's Annual General Meeting can be found on page 25.

Quentin Spicer
Chairman
15 March 2010

Shelagh Mason
Director

ATLAS ESTATES LIMITED

Remuneration Report

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

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

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

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

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

Table 5 – Non-executive Directors' service contracts

	Contract Date	Term	Notice Period
Mr Quentin Spicer	9 February 2006	Indefinite	90 days
Mr Michael John Stockwell	3 February 2006	Indefinite	90 days
Mrs Shelagh Mason	3 February 2006	Indefinite	90 days
Dr Helmut Tomanec	3 February 2006	Resigned 28 May 2009	n/a

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

Basic fee
In consideration of the services to be provided by AMC, AMC will receive an annual management fee of 2 per cent. of the previous year's closing adjusted NAV (less any un-invested net proceeds of the IPO or any subsequent equity capital raising)..

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

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

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

AMC performance fee payment
AMC's performance fee in respect of the financial years ended 31 December 2009 and 31 December 2008 was €nil.

Term and Termination
The Property Management Agreement is to run for an initial seven year term from 24 February 2006 and may be terminated thereafter on 12 months' notice by either party. The agreement may be terminated at any time for reasons of material breach by either party not remedied within a 90 day period (21 days if the breach relates to non-payment of sums due to the Property Manager) or on the insolvency of either party. The Company may also terminate the Agreement in the event that any of the AMC Shareholders sells (other than to certain categories of intra-group permitted transferees) more than 49 per cent. of their respective shareholdings in AMC as at the date of Admission or in the event that the AMC Shareholders (or their permitted transferees) between them cease to own collectively at least 75 per cent

of the issued share capital of AMC. The Company also has the right to terminate the agreement in the event that it becomes tax resident in the United Kingdom for any reason. Upon termination of this Agreement, the Manager shall be entitled to receive all fees and other moneys accrued to it (and unpaid) and a performance fee.

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

The exercise price of each of the Warrants is £3.41 (€3.85 as at 31 December 2009). 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.

The total amounts for Directors' remuneration were as follows:

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

Table 7 – Warrants issued

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

The warrants have been issued at nil cost to the recipients with an exercise price of £3.41 per share. These warrants are exercisable at any time during the period commencing on admission to trading on AIM (1 March 2006) and ending on the seventh anniversary of such admission. There are no performance criteria for execution and execution can be undertaken on or after the date of exercise as detailed above or immediately upon a Change of Control of the Company. None of the terms and conditions of the warrants has been varied in the period.

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

During the year to 31 December 2009, the market price of the ordinary shares ranged between £0.30 and £0.98 on AIM and PLN 1.85 and PLN 4.76 on WSE.

Approval

The Board approved the Remuneration Report without amendment. This report was approved by the Board of Directors on 15 March 2010 and signed on its behalf by:

Quentin Spicer
Director
15 March 2010

ATLAS ESTATES LIMITED

Declaration of the Board of Directors

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

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

Quentin Spicer
Chairman

Michael Stockwell
Director

Shelagh Mason
Director

15 March 2010

ATLAS ESTATES LIMITED

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

We have audited the financial statements of Atlas Estates Limited for the year ended 31 December 2009 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

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

We read other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises the Financial Highlights, Chairman's Statement, Review of the Property Manager, Property Portfolio Information, Directors' Report, Remuneration Report and the Declaration of the Board of Directors. Our responsibilities do not extend to any other information.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008; and
- the information given in the directors' report is consistent with the financial statements.

BDO LLP

Chartered Accountants and Registered Auditors

London

15 March 2010

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

ATLAS ESTATES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	2009 €'000	2008 €'000	Notes
Revenues	-	-	
Cost of operations	-	-	
Gross profit	**-**	**-**	
Administrative expenses	(4,217)	(6,811)	**3**
Other operating expenses	(65,703)	(1,049)	**4**
Loss from operations	**(69,920)**	**(7,860)**	
Finance income	5,972	15,655	**5**
Finance costs	(4)	(25)	**5**
Other (losses) and gains – foreign exchange	(16)	147	**5**
(Loss) / profit before taxation	**(63,968)**	**7,917**	
Tax expense	-	-	
(Loss) / profit for the year	**(63,968)**	**7,917**	
Total comprehensive income for the year	**(63,968)**	**7,917**	
(Loss) / profit per €0.01 ordinary share – basic (eurocents)	(136.5)	17.3	**7**
(Loss) / profit per €0.01 ordinary share – diluted (eurocents)	(136.5)	17.3	**7**

All amounts relate to continuing operations.

The notes on pages 38 to 53 form part of these financial statements.

ATLAS ESTATES LIMITED

BALANCE SHEET
As at 31 December 2009

	2009 €'000	2008 €'000	Notes
ASSETS			
Non-current assets			
Investment in subsidiaries	134,409	21,220	**8**
Loans receivable from subsidiaries	-	176,062	**9**
	134,409	**197,282**	
Current assets			
Trade and other receivables	165	176	**9**
Cash and cash equivalents	3,788	4,351	**10**
	3,953	**4,527**	
TOTAL ASSETS	**138,362**	**201,809**	
Current liabilities			
Trade and other payables	(2,924)	(2,432)	**11**
	(2,924)	**(2,432)**	
TOTAL LIABILITIES	**(2,924)**	**(2,432)**	
NET ASSETS	**135,438**	**199,377**	
EQUITY			
Share capital account	6,268	6,268	**12**
Other distributable reserve	194,817	194,817	**14**
Accumulated loss	(65,647)	(1,708)	
TOTAL EQUITY	**135,438**	**199,377**	

The notes on pages 38 to 53 form part of these financial statements. The financial statements on pages 34 to 53 were approved by the Board of Directors on 15 March 2010 and signed on its behalf by:

Quentin Spicer
Chairman

Shelagh Mason
Director

ATLAS ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	Share capital account €'000	Other reserves €'000	Accumulated loss €'000	Total €'000
As at 1 January 2008	**484**	**202,320**	**(9,716)**	**193,088**
Total comprehensive income for the year	-	-	7,917	**7,917**
Shares issued in the year (note 12)	5,784	-	-	**5,784**
Share based payments (note 13)	-	-	91	**91**
Dividends paid (note 6)	-	(7,503)	-	**(7,503)**
As at 31 December 2008	**6,268**	**194,817**	**(1,708)**	**199,377**
Total comprehensive income for the year	-	-	(63,968)	**(63,968)**
Share based payments (note 13)	-	-	29	**29**
As at 31 December 2009	**6,268**	**194,817**	**(65,647)**	**135,438**

ATLAS ESTATES LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2009

	Note	Year ended 31 December 2009 €'000	Year ended 31 December 2008 €'000
(Loss) / profit for the year		**(63,968)**	**7,917**
Adjustments for:			
Effects of foreign currency		16	(155)
Finance costs		4	25
Finance income		(5,467)	(11,236)
Bad debt write off		-	259
Creditor write back		(505)	(4,419)
Provision against investments in subsidiaries		55,487	-
Provision against loans receivable from subsidiaries		10,217	-
Charge relating to share based payments		29	91
		(4,187)	**(7,518)**
Changes in working capital			
Decrease / (increase) in trade and other receivables		11	(30)
Increase in trade and other payables		492	1,634
Net cash outflow from operating activities		**(3,684)**	**(5,914)**
Investing activities			
New loans advanced to subsidiaries		(594)	-
Repayment of loans from subsidiary undertakings		3,729	13,087
Net cash from investing activities		**3,135**	**13,087**
Financing activities			
Interest received		6	53
Interest paid		(4)	(6)
Dividends paid		-	(6,256)
Net cash (from)/ used in financing activities		**2**	**(6,209)**
Net increase / (decrease) in cash and cash equivalents in the year as a result of cashflows		**(547)**	**964**
Effect of foreign exchange rates		(16)	155
Net decrease in cash and cash equivalents in the year		**(563)**	**1,119**
Cash and cash equivalents at the beginning of the year		**4,351**	**3,232**
Cash and cash equivalents at the end of the year	**10**	**3,788**	**4,351**
Cash and cash equivalents			
Cash and cash equivalents	10	3,788	4,351
Bank overdrafts		-	-
		3,788	**4,351**

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES

Year ended 31 December 2009

Basis of preparation

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

The going concern of the Company is dependent on the going concern of its subsidiaries. As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment has been challenging and the Company and the Group have reported a loss from operations for the year ended 31 December 2009 and a significant fall in net asset value as at 31 December 2009. The directors consider that the outlook presents ongoing challenges in terms of the markets in which the Group operates, the effect of fluctuating exchange rates in the functional currencies of the Group and the availability of bank financing for the Group.

As at 31 December 2009 the Group held land and building assets with a market value of €442 million, compared to external debt of €260 million. Subject to the time lag in realising the value in these assets in order to generate cash, this "loan to value" ratio gives a strong indication of the Group's ability to generate sufficient cash in order to meet its financial obligations as they fall due. Any land and building assets and associated debts which are ring-fenced in unique, specific, corporate vehicles, which are subject to any repossession by the bank on default of loan terms would clear the outstanding debt and not result in additional finance liabilities for the Company or for the Group. There are also unencumbered assets which could potentially be leveraged to raise additional finance.

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

In the preparation of the consolidated financial statements for the year ended 31 December 2009, the directors have reclassified four loans totaling €92.4 million within the financial statements from non current liabilities to current liabilities as bank loans and overdrafts due within one year or on demand, where covenant breaches or defaults on these loans arose. The banks are aware of the technical breaches and defaults and have not asked for repayment of the loans. Two of these loans, totalling €67.1 million in 2009, were in breach at 31 December 2008 and were classified as bank loans and overdrafts due within one year or on demand at 31 December 2008. The defaults on the other two loans result from non payment of interest. In addition there is one loan that is repayable on demand in the amount of €9.0 million (2008: €8.4 million due within one year). Negotiations are ongoing with the bank on refinancing terms. Loans maturing within one year total €156.0 million (excluding loans associated with assets held for sale) at 31 December 2009 compared to €95.7 million at 31 December 2008. €25.4 million of the €60.3 million increase from 31 December 2008 relates to the two defaults discussed above. The remaining increase of €34.9 million has resulted from the natural maturing of the Group's debt. Discussions are currently in progress with the banks in relation to repayment of certain of these loans.

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2009, the directors have taken into account the status of current negotiations on loans. These are disclosed in note 24 of the consolidated financial statements as part of the bank loans note. The Company has also continued to provide funds to service interest and capital repayments on these loans on behalf of its subsidiary companies

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

The Group's forecasts and projections have been prepared taking into account the economic environment and its challenges and the mitigating factors referred to above. These forecasts take into account reasonably possible

STATEMENT OF ACCOUNTING POLICIES - continued

Basis of preparation (continued)

changes in trading performance, potential sales of properties and the future financing of the Group. They show that the Group will have sufficient facilities for its ongoing operations.

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2009.

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

The financial statements present the individual financial data of the Company for the year ended 31 December 2009. The financial information is prepared in Euro and presented in thousands of Euro ("€'000"). Atlas Estates Limited also prepares separate consolidated financial statements, which incorporate the financial statements of the Company and its subsidiaries up to 31 December 2009.

Share based payments

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

Foreign currencies

The functional currency of the Company and the presentation currency for the financial statements is Euro.

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

Gains and losses arising on the settlement of monetary items and on the re-translation of monetary items are included in the income statement for the year.

The following exchange rates were used in preparation of these financial statements:

	Polish Zloty	Hungarian Forint	Romanian Lei	Slovakian Crown	Bulgarian Lev
Closing rates					
31 December 2009	4.1082	270.84	4.2282	n/a	1.95583
31 December 2008	4.1724	264.78	3.9852	30.126	1.95583
Average rates					
Year 2009	4.3273	280.58	4.2373	n/a	1.95583
Year 2008	3.5166	251.25	3.6827	31.291	1.95583

Finance income

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

STATEMENT OF ACCOUNTING POLICIES - continued

Financial assets

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

(a) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables', 'other loan receivables' or 'loans receivable from minority investors' in the balance sheet (note 9). Cash and cash equivalents (note 10) are classified as loans and receivables. Cash and cash equivalents are a separate position in the balance sheet.

Impairment

The carrying amounts of the Company'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.

Investments in subsidiaries

Investments in subsidiary companies are recognised initially at cost. The carrying amounts of the investments are reviewed at each reporting date. If any indication of impairment of the value of these assets exists, the recoverable amount of the asset is assessed. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment of investments in subsidiaries is recognised when there is objective evidence that the market value of the investment less any costs that would be incurred to realise its value is less than the carrying value. Significant financial difficulties of the subsidiary, probability that the subsidiary will enter bankruptcy or financial reorganisation, and default or delinquency in payments on loans receivable from the subsidiary are considered indicators that the investment 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.

Other loans receivable

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

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

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents consist of cash balances, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank loans in current liabilities on the balance sheet. Bank overdrafts that are repayable on demand and which form an integral part of the Company'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 Company after deducting all of its liabilities. As at 31 December 2009 and 2008, no such financial liabilities were held by the Company.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Equity instruments

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

Treasury shares

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

Taxation

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

Dividends

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

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

STATEMENT OF ACCOUNTING POLICIES - continued

Changes to accounting policies since the last period

The following new standards, interpretations and amendments applied for the first time from 1 January 2009, have had an effect on the financial statements:

Amendments to IAS 1 Presentation of Financial Statements: A revised presentation
As a result of the application of the Amendment the Company has elected to present one statement of comprehensive income; previously it presented an income statement. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

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

IFRS 8 Operating Segments - This standard contains requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The standard is concerned only with disclosure and replaces IAS 14 – Segment reporting.

IFRIC13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 has been endorsed for use in the EU.

IAS23 (Amendment) – Borrowing costs (effective for annual periods beginning on or after 1 January 2009). IAS23 has been endorsed for use in the EU.

IFRS2 (amendment) - 'Share-based payment: vesting conditions and cancellations' effective for accounting periods beginning on or after 1 January 2009). This amendment has been endorsed for use in the EU.

Amendments to IAS32 Financial Instruments: Presentation and IAS1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009). These amendments have been endorsed for use in the EU.

IFRIC15 – Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009). IFRIC15 has been endorsed for use in the EU.

IFRIC16 – Hedges of a net investment in a foreign operation (effective for accounting periods beginning on or after 1 January 2009). IFRIC16 has been endorsed for use in the EU.

IFRS1 First Time Adoption of IFRS and IAS27 Consolidated and Separate Financial Statements (amended) (effective for accounting periods beginning on or after 1 January 2009). This amendment has been endorsed for use in the EU.

IAS39 Financial Instruments: Recognition and Measurement and IFRS7 Financial Instruments: Disclosures (amended) (effective for periods beginning on or after 1 July 2008). This amendment has been endorsed for use in the EU.

IFRS7 (amended) 'Improving Disclosures about Financial Instruments' (effective for accounting periods beginning on or after 1 January 2009). This amendment has been endorsed for use in the EU.

In addition, the IASB2008 annual improvements project includes minor amendments to various accounting standards which are effective for accounting periods beginning on or after 1 January 2009.

ATLAS ESTATES LIMITED

STATEMENT OF ACCOUNTING POLICIES - continued

Changes to accounting policies since the last period (continued)

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Company as these were not effective for the year 2009. The Company is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods.

IFRS3 (revised) – Business combinations (effective for accounting periods beginning on or after 1 July 2009). IFRS3 (revised) has been endorsed for use in the EU.

IFRIC17, 'Distributions of Non-cash Assets to Owners' (effective for accounting periods beginning on or after 1 July 2009). This IFRIC has been endorsed for use in the EU.

Amendment to IAS39 'Reclassification of Financial Assets: Effective Date and Transition' (effective for accounting periods starting on or after 1 July 2009). This amendment has been endorsed for use in the EU.

Amendment to IAS39 'Financial Instruments: Recognition and Measurement: Eligible Hedged Items' (effective for accounting periods starting on or after 1 July 2009). This amendment has been endorsed for use in the EU.

Amendments to IFRIC9 and IAS39 'Embedded Derivatives' (effective for accounting periods starting on or after 1 July 2009). This amendment has been endorsed for use in the EU.

IFRIC18, 'Transfers of Assets from Customers' (effective for accounting periods beginning on or after 1 July 2009). This interpretation has been endorsed for use in the EU.

Revised IAS24 'Related Party Disclosures' (effective for accounting periods beginning on or after 1 January 2011). This revision has not yet been endorsed for use in the EU. This revision will only impact disclosure and have no effect on the net assets or result of the Group.

Amendment to IAS32 'Classification of Rights Issues' (effective for accounting periods beginning on or after 1 February 2010). This amendment has been endorsed for use in the EU.

Amendment to IFRS1 'Additional Exemptions for First-time Adopters' (effective for accounting periods beginning on or after 1 January 2010). This amendment has not yet been endorsed for use in the EU.

IFRIC19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for accounting periods beginning on or after 1 July 2010). This interpretation has not yet been endorsed for use in the EU.

Amendment to IFRIC14, 'Prepayments of a Minimum Funding Requirement' (effective for accounting periods beginning on or after 1 January 2011). This amendment has not yet been endorsed for use in the EU.

IFRS9 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2013). This standard has not yet been endorsed for use in the EU.

IFRS2 (Amended) 'Group Cash-settled Share-based Payment Transactions' (effective for accounting periods beginning on or after 1 January 2010). This amendment has not yet been endorsed for use in the EU.

IFRS1 (amended) 'Limited exemption from Comparative IFRS7 Disclosures for first time adopters' (effective for accounting periods beginning on or after 1 July 2010). This amendment has not yet been endorsed for use in the EU.

The IASB2009 annual improvement project includes further minor amendments to various accounting standards and is effective from various dates from 1 January 2010 onwards, but has not yet been endorsed for use in the EU.

NOTES TO THE FINANCIAL STATEMENTS

1. Financial risk management

1.1 Financial risk factors

The activities of the Company's subsidiaries exposes the Group to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. As a result, the Company is also exposed to the same financial risks. The Company's financial risks relate to the following financial instruments: loans and receivables, cash and cash equivalents and trade and other payables. 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 and of the Company.

(a) Market risk

(i) Foreign exchange risk

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

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

The majority of the Company's assets and liabilities are Euro-based, minimising the Company's individual exposure to foreign exchange risk. The tables below summarise the Company's exposure to foreign currency risk at 31 December 2009. The Company's financial assets and liabilities at carrying amounts are included in the table, categorised by the currency at their carrying amount.

2009:	€'000	PLN'000	HUF'000	SKK'000	RON'000	Other'000	Total'000
Loans receivable from subsidiaries	-	-	-	N/A	-	-	-
Trade and other receivables	137	-	-	N/A	-	28	165
Cash and cash equivalents	3,777	-	-	N/A	-	11	3,788
Total financial assets	**3,914**	**-**	**-**	**N/A**	**-**	**39**	**3,953**
Trade and other payables	(2,920)	-	-	N/A	-	(4)	(2,924)
Total financial liabilities	**(2,920)**	**-**	**-**	**N/A**	**-**	**(4)**	**(2,924)**
Net financial assets	**994**	**-**	**-**	**N/A**	**-**	**35**	**1,029**

NOTES TO THE FINANCIAL STATEMENTS

1. Financial risk management (continued)

1.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

2008:	€'000	PLN'000	HUF'000	SKK'000	RON'000	Other'000	Total'000
Loans receivable from subsidiaries	176,062	-	-	-	-	-	176,062
Trade receivables	176	-	-	-	-	-	176
Cash and cash equivalents	4,338	-	-	-	-	13	4,351
Total financial assets	**180,576**	**-**	**-**	**-**	**-**	**13**	**180,589**
Trade and other payables	(1,850)		-	-	-	(582)	(2,432)
Total financial liabilities	**(1,850)**		**-**	**-**	**-**	**(582)**	**(2,432)**
Net financial assets / (liabilities)	**178,726**		**-**	**-**	**-**	**(569)**	**178,157**

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 Company 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 either of the Polish Zloty, Hungarian Forint or Romanian Lei, with all other variables held constant, post-tax profit for the year would have remained the same (2008: post-tax loss for the year would have remained the same).

(ii) Price risk

Through its subsidiaries, the Company is exposed to property price and property rentals risk. It is not exposed to the market risk with respect to financial instruments as it does not hold any equity securities, other than its investment in subsidiaries.

(iii) Cash flow and fair value interest rate risk

As the Company 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 Company's interest rate risk arises from long-term receivables from subsidiaries. Loans issued at variable rates expose the Company to cash flow interest rate risk.

The Company'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 a increase in the post-tax profit for Company for the year of €0.1 million (2008: decrease in the post-tax loss for the year of €1.8 million). A decrease in 100 basis points in interest yields would result in a decrease in post tax profit for the year of €0.1 million (2008: increase in post tax loss for the year of €1.8 million).

(b) Credit risk

The Company's credit risk arises from cash and cash equivalents as well as credit exposures with respect to outstanding receivables from subsidiaries (note 9). 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. Cash transactions are limited to high-credit-quality financial institutions. The utilisation of credit limits is regularly monitored.

As at 31 December 2009, the Company had one major counterparty, MeesPierson, which is part of the Fortis Bank Group. Given that MeesPierson is a high-credit-quality financial institution, with a rating of A, as well as the short-term nature of those investments, the credit risk associated with cash and cash equivalents is estimated as low. In 2008 the Company's major counter party was BNP Paribas, also a high-credit-quality financial institution with a rating of AA.

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

(c) Liquidity risk

Prudent liquidity risk management for the Company 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 Company's liquidity position is monitored on a weekly basis by the management and is reviewed quarterly by the Board of Directors.

1.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2. Critical accounting estimates and judgements

Management makes estimates and judgements concerning the future that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and various other factors that are deemed to be reasonable based on knowledge available at that time.

3. Administrative expenses

	2009 €'000	2008 €'000
Audit and tax services		
- Fees payable to the Group's auditor for the audit of the Company and its consolidated financial statements	295	308
Fees payable to the Group's auditor for the other services:		
- Audit of subsidiaries of the Company pursuant to legislation	20	20
- Non audit services – interim reviews	95	101
- Non audit services – taxation services	11	22
Other professional services	40	-
Incentive and management fee	2,924	4,089
Other professional fees	586	1,563
Utilities, services rendered and other costs	33	37
Share based payments (note 13)	29	91
Staff costs	184	322
Other administrative expenses	-	258
Administrative expenses	**4,217**	**6,811**

4. Other operating expenses

	2009 €'000	2008 €'000
Costs of WSE IPO	-	1,049
Impairment of investments in subsidiaries	55,486	-
Write down of loans receivable from subsidiaries	10,217	-
Other operating expenses	**65,703**	**1,049**

5. Finance income and finance costs – net

	2009 €'000	2008 €'000
Bank and other similar charges	(4)	(6)
Interest payable on shareholder loans	-	(19)
Finance costs	**(4)**	**(25)**
Bank and other similar interest	6	52
Write off of loan from subsidiary	505	4,419
Interest receivable on shareholder loans	5,461	11,184
Finance income	**5,972**	**15,655**
Finance income, excluding foreign exchange – net	**5,968**	**15,630**
Unrealised foreign exchange gains	79	164
Unrealised foreign exchange losses	(95)	(9)
Realised foreign exchange gains	-	4
Realised foreign exchange losses	-	(12)
Other gains and (losses) – foreign exchange	**(16)**	**147**
Finance income, including foreign exchange – net	**5,952**	**15,777**

Under the loan agreement of 24 October 2008, Grzybowska Centrum Atlas RE Projects BV SK (formerly Grzybowska Centrum Sp. z o.o.) ("GC"), a subsidiary of Atlas Estates Limited, extended a loan facility of €4.4 million to Atlas Estates Limited. The loan facility was to be repaid before 15 October 2009 and bore interest at a variable rate equal to the sum of EURIBOR and the lender's margin. On 10 December

NOTES TO THE FINANCIAL STATEMENTS

5. Finance income and finance costs – net (continued)

2008, GC redeemed Atlas Estates Limited of all obligations resulting from the loan agreement, including interest incurred to that date, and Atlas Estates Limited wrote off the related creditor balance.

In 2009, thee write off of a loan from subsidiary of €0.5 million represents the release of amounts due to GC as a result of the agreement of 10 December 2008 between GC and Atlas Estates Limited as referred to above.

6. Dividends

	2009 €'000	2008 €'000
Interim paid	-	-
Second interim paid for 2007 –16.68 eurocents per ordinary share	-	7,503
	-	**7,503**

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

7. (Loss) / earnings per share

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

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

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

Year ended 31 December 2009	**Loss**	**Weighted average number of shares**	**Per share amount**
Continuing operations	**€'000**		**Eurocents**
Basic LPS			
Loss attributable to equity shareholders of the Company	**(63,968)**	**46,852,014**	**(136.53)**
Effect of dilutive securities			
Share warrants	**-**	**-**	-
Diluted LPS			
Adjusted loss	**(63,968)**	**46,852,014**	**(136.53)**

Year ended 31 December 2008	**Profit**	**Weighted average number of shares**	**Per share amount**
Continuing operations	**€'000**		**Eurocents**
Basic EPS			
Profit attributable to equity shareholders of the Company	**7,917**	**45,848,392**	**17.27**
Effect of dilutive securities			
Share warrants	**-**	**-**	-
Diluted EPS			
Adjusted profit	**7,917**	**45,848,392**	**17.27**

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

8. Investments in subsidiaries

	2009 €'000	2008 €'000
Shares in subsidiary undertakings		
At beginning of period	21,220	21,220
Additions in year (see note 9)	168,675	-
Impairment of investments in subsidiaries	(55,486)	-
As at 31 December	**134,409**	**21,220**

Investments in subsidiary undertakings are stated at cost. Cost is recognised as the nominal value of the company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

A list of principal subsidiary undertakings and joint ventures is given at note 19.

Additions during the year relate entirely to the capitalisation of intercompany borrowings against the equity of its subsidiary Atlas Finance (Guernsey) Limited (formerly Shelco Five Limited).

In addition during the year the company transferred its membership rights in Atlas Estates Cooperatif U.A. to a newly incorporated subsidiary, Atlas Estates Antilles B.V.

The Company has carried out an annual impairment review of the carrying values of investments and loans receivable from subsidiaries. The Company considers the best indication of value of investments and loans to subsidiaries to be the valuation reports produced by King Sturge, the independent valuers. Recent economic turmoil has led to a significant reduction in asset values across the portfolio of the group and consequently, the impairment and write down against investments and loans has been significant. In total €67.7 million (2008: €nil) has been recognised in other operating expenses in respect of impairment and writedowns.

The method applied to assign value to the company's investments is fair value less costs to sell and has been based on the property valuations assessed by independent experts. In assessing the value of each investment the Company has considered not only the asset value recognised in the books of the individual entities but also the valuation amount of elements held at cost. Substantially, this has resulted in the carrying values of investments and loans receivable from subsidiaries being compared to the adjusted net asset value of the group.

9. Trade and other receivables

	2009 €'000	2008 €'000
Amounts falling due within one year:		
Other receivables	135	137
Prepayments and accrued income	30	39
As at 31 December	**165**	**176**
Non-current – loans receivable from subsidiaries:		
Loans receivable from subsidiaries	178,892	176,062
Capitalised amount (see note 8)	(168,675)	-
Write down of loans receivable from subsidiaries	(10,217)	-
As at 31 December	**-**	**176,062**

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

Loans receivable from subsidiaries are interest-bearing, with interest charged at EURIBOR plus an agreed margin. These loans have agreed maturity dates in excess of five years.

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

For fair value considerations see note 8.

9. Trade and other receivables (continued)

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

	2009 €'000	2008 €'000
Euro	137	176,238
Other	28	-
	165	**176,238**

The maximum amount of exposure of the Company to credit risk at the balance sheet date approximates the total of loans receivable from subsidiaries. Due to the fact that the financial situation and the financial results of subsidiary companies are closely monitored, the Company estimates that the level of credit risk related to the granted loans is low.

As at 31 December 2009 the Company transferred its loan receivable from its subsidiary Atlas Estates Cooperatif U.A. to its subsidiary Atlas Finance (Guernsey) Limited. These loans were then capitalised against the equity of that company (see note 8).

10. Cash and cash equivalents

	2009 €'000	2008 €'000
Cash and cash equivalents	3,788	4,351
	3,788	**4,351**

11. Trade and other payables

	2009 €'000	2008 €'000
Trade payables	(36)	(448)
Other creditors	(2,888)	(1,984)
	(2,924)	**(2,432)**

12. Share capital account

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

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

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

- 699,141 new ordinary shares issued at £2.6842 per ordinary share (being the price per ordinary share calculated by the formula set out in the PMA using data derived from the

12. Share capital account (continued)

London Stock Exchange Daily Official List) in settlement of one third of the 2007 performance fee as Atlas is entitled to do under the terms of the PMA; and

- 731,813 new ordinary shares issued at £2.3958 per ordinary share (being the price per ordinary share calculated as the average closing price of the ordinary shares for the 45 days prior to (but not including) the date (being 15 May 2008) of the results for the first quarter of 2008).

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

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

13. Share based payment

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

The exercise price of each of the Warrants is £3.41 (€3.85 as at 31 December 2009). The exercise price and number of ordinary shares relating to such Warrants will be subject to adjustment in respect of dilution events, including the payment by the Company of cash or special dividends, any amalgamation, reorganisation, reclassification, consolidation, merger or sale of all or substantially all of the Group's assets and other dilutive events. The Warrants are freely transferable.

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

Grant date	24 February 2006	20 March 2006
Share price at grant date	£3.41	£3.41
Exercise price	£3.41	£3.41
Number of recipients	7	6
Warrants issued	5,114,153	373,965
Vesting period	1 - 4 years	1 - 4 years
Expected volatility	15%	15%
Option life	7 years	7 years
Expected life	7 years	7 years
Risk free rate	4.3%	4.3%
Expected dividends expressed as a dividend yield	8.29%	8.29%
Possibility of ceasing employment before vesting	Nil	Nil
Fair value per warrant option	18 eurocents	18 eurocents

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

The fair value of the employee services received in exchange for the grant of the warrants is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the warrants granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of warrants that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

In 2009, the fair value of the benefit of the total warrants in issue of €29,000 (2008: €91,000) has been charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

14. Other distributable reserve

The Other Distributable Reserve includes amounts relating to cancellation of share premium, shares bought back and cancelled or held in Treasury, and dividends paid.

	€'000
At 1 January 2008	202,320
Dividend paid (note 6)	(7,503)
At 31 December 2008 and 2009	**194,817**

15. Related party transactions

(a) The RP Explorer Master Fund and RP Partners Fund are funds that are managed by RP Capital Group. The RP Capital Group is also the holder of 51% of the share capital of AMC. As a result of a qualifying shareholding of 5,560,576 shares in the Company, RP Capital Group was the holder of 11.87% of the share capital of Atlas Estates Limited at 12 March 2010.

(b) RI Limited and RI Holdings Limited together are the holders of 49% of the share capital of AMC. These entities have the same beneficial owner as Atlas International Holdings Limited, who has a qualifying shareholding of 6,461,425 shares in the Company or 13.79% of the share capital of Atlas Estates Limited at 12 March 2010.

(c) Key management compensation

	2009 €'000	2008 €'000
Fees for non-executive directors	187	282

The Company has appointed AMC to manage its property portfolio. At 31 December 2009 AMC was owned by the RP Capital Group and RI Limited and RI Holdings Limited. In consideration of the services provided, AMC received a total management fee of €4.1 million (of which €2.9 million was charged through the Company for the year ended 31 December 2009 (2008: €5.7 million and €4.1 million respectively). 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 2009. No performance fee is due for the year ended 31 December 2009 (2008: €nil). As of 31 December 2009, €2.1 million included in current trade and other payables was due to AMC (2008: €1.7 million).

(d) The Company also granted loans to its subsidiaries in the amount of €0.6 million (2008: €nil) as well as received loan repayments from subsidiaries of €3.7 million (2008: €13.1 million).
The loans receivable from subsidiaries are interest bearing and the Company charged its subsidiaries €5.5 million (2008: €11.2 million) as interest. As at 31 December 2009 the loan balances including capitalised interest due from subsidiaries were €10.2 million (2008: €176.1 million). For details of other transactions with subsidiaries see note 9.

16. Post balance sheet events

As of 12 March 2010 no post balance sheet events have been noted to disclose within these financial statements.

17. Significant Agreements

No new significant agreements have been entered into.

18. Other items

18.1 Information about court proceedings

As of 12 March 2010, the Company was not aware of any proceedings instigated before a court, a competent arbitration body or a public administration authority concerning liabilities or receivables of the Company, or its subsidiaries, whose joint value constitutes at least 10% the Company's equity capital.

18.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2009.

19. Principal subsidiary companies and joint ventures

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

19. Principal subsidiary companies and joint ventures (continued)

No new subsidiary undertakings were acquired and no investments were made in any additional joint ventures during the period ended 31 December 2009. Three new entities were established, one in Hungary, one in the Netherlands Antilles and one in Slovakia (the Slovakian assets were subsequently disposed on 2 November 2009). On 26 January 2009 the merger of Atlas Estates (Totleben) EOOD and Immobul EOOD, the Group's two Bulgarian subsidiaries, was successfully completed; the resulting entity is Immobul EOOD. On each of 15 January 2009 and 9 February 2009, the Group acquired an additional 5% of the share capital of its subsidiary, Atlas Estates (Kokoszki) Sp. z o.o., for a total cash consideration of PLN 300,000 (€68,000 thousand). At 31 December 2009, the Group's holding in Atlas Estates (Kokoszki) Sp. z o.o. was 100%. The percentage holdings are consistent across all periods presented except for Atlas Estates (Kokoszki) Sp. z o.o., which was 100% at 31 December 2009 and 90% at 31 December 2008.

Country of incorporation	Name of subsidiary/joint venture entity	Status	Percentage of nominal value of issued shares and voting rights held by the Company
Holland	Atlas Estates Cooperatief U.A.	Holding	100%
Holland	Atlas Estates Investment B.V.	Holding	100%
Holland	Trilby B.V.	Holding	100%
Guernsey	Atlas Finance (Guernsey) Limited	Holding	100%
Netherlands Antilles	Atlas Estates Antilles B.V.	Holding	100%
Cyprus	Darenisto Limited	Holding	100%
Cyprus	Kalipi Holdings Limited	Holding	100%
Poland	Atlas Estates (Poland) Sp. z o.o.	Management	100%
Poland	Platinum Towers Sp. z o.o.	Development	100%
Poland	Zielono Sp. z o.o.	Development	76%
Poland	Properpol Sp. z o.o.	Investment	100%
Poland	Atlas Estates (Millennium) Sp. z o.o.	Investment	100%
Poland	Atlas Estates (Sadowa) Sp. z o.o.	Investment	100%
Poland	Capital Art Apartments Sp. z o.o.	Development	100%
Poland	Grzybowska Centrum Atlas Re Projects BV SK	Holding	100%
Poland	HGC S.A.	Hotel operation	100%
Poland	HPO Sp. z o.o.	Development	100%
Poland	Atlas Estates (Cybernetyki) Sp. z o.o.	Development	50%
Poland	Atlas Estates (Kokoszki) Sp. z o.o.	Investment	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	Investment	100%
Hungary	Atlas Estates (Moszkva) Kft.	investment	100%
Hungary	Atlas and Shasha Zrt	Development	50%
Romania	World Real Estate SRL	Investment	100%
Romania	Atlas Solaris SRL	Development	100%
Romania	DNB Victoria Towers SRL	Hotel operation	100%
Bulgaria	Immobul EOOD	Investment	100%
Slovakia	Circle Slovakia s.r.o	Development	50%