ATLAS ESTATES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Atlas Estates Limited
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ATLAS ESTATES LIMITED

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ATLAS ESTATES LIMITED

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 12 February 2008 on the Warsaw Stock Exchange (WSE).

The Company and its subsidiary undertakings (the "Group") invest mainly in real estate assets in Poland. The Group also currently operates in the Hungarian, Romanian and Bulgarian real estate markets.

The Company's assets are managed by Atlas Management Company Limited ("AMC"), a company focused on managing the Group's property portfolio. AMC provides the Group 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.

ATLAS ESTATES LIMITED

Financial Highlights

Selected Consolidated Financial Items	Year ended 31 December 2013 €'000	Year ended 31 December 2012 €'000
Revenues	68,261	43,159
Gross profit	22,636	15,078
Decrease in value of investment properties	(892)	(19,537)
Profit/ (Loss) from operations	10,385	(12,965)
Profit/ (Loss) before tax	4,331	(10,053)
Profit/ (Loss) for the year	3,727	(13,021)
Profit/ (Loss) attributable to owners of the parent	3,727	(13,149)
Cash flow from operating activities	26,753	14,666
Cash flow from investing activities	(1,811)	87
Cash flow used in financing activities	(17,962)	(11,608)
Net increase/ (decrease) in cash	6,797	3,583
Non-current assets	242,701	239,280
Current assets	56,589	85,177
Total assets	299,890	325,157
Current liabilities	(47,612)	(163,545)
Non-current liabilities	(175,981)	(87,898)
Total liabilities	(223,593)	(251,443)
Basic net assets (1)	76,297	73,714
Number of shares outstanding	46,852,014	46,852,014
Earnings/ (Loss) per share basic (eurocents)	8.0	(28.1)
Basic net asset value per share (€)	1.6	1.6
Adjusted net asset value (€'000) (2)	98,477	102,536
Adjusted net asset value per share (€)	2.1	2.2

(1) "Basic net assets" represent net assets value as per the consolidated balance sheet

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

ATLAS ESTATES LIMITED

Chairman's Statement

Dear Shareholders,

I am pleased to report the consolidated financial results for Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings ("the Group") for the year ended 31 December 2013.

In the current financial market conditions key priorities are enhancing liquidity and gaining access to capital. Both of these objectives are vital for operations as they will underpin our drive to progress the projects we currently have under development through to completion, whilst at the same time supporting growth of the operations.

Despite challenging environment the Group was able to achieve several key objectives:

- the residential projects that the Group is currently developing in Warsaw (*Apartamenty przy Krasińskiego*, *Concept House* and *Capital Art Apartments III & IV*) are well placed to meet the ongoing demand for quality residential property, which is demonstrated by a high level of sales and pre-sales (as presented in the Property Manager's Report on page 13). In April and July 2013 we have successfully completed construction of two of the above mentioned development projects (*Concept House* and *Apartamenty przy Krasińskiego* respectively). As a result in 2013 Atlas Group realized significant gross profit of €9.1 million from the sale of apartments;

- the above described success in the development sector contributed to the full repayment of the loan facilities extended to *Apartamenty przy Krasińskiego, Platinum Towers* and *Concept House* projects in July, December 2013 and February 2014, respectively;

- in September 2013 we have secured financing for *Galeria Platinum Towers* located in Warsaw. The loan facility amounted to €4.3 million and it was used as a refinancing of the facility extended to *Platinum Towers* project;

- in October 2013 we have signed an amendment to the existing agreement concluded with Erste Bank based on which the repayment date of cross collateralised loan facilities was extended (as presented in the Property Manager's Report on page 11). Following this amendment the loan facilities amounting to €90.9 million were reclassified as long term bank loans improving the Group's working capital position.

Reported Results

As of 31 December 2013 we had basic net assets of €76.3 million.

The increase of basic net asset value by €2.6 million (i.e. by 3%) from €73.7 million as at 31 December 2012 is primarily as a result of the following movements:

- above described €9.1 million gross profit realized on the sale of apartments;
- €2.4 million bank loan write back. In the first quarter 2013 the Group reached a settlement with the bank financing its property in Bulgaria based on which the Group received €2.4 million discount on the one off repayment of the outstanding loan facility, offset by:
- €5.5 million fall of property, plant and equipment mainly due to €1.2 million adverse foreign exchange movements, €2.5 million downward revaluation and €2.7 million depreciation charge;
- €2.9 million incentive fee charged by the Property Manager as a result of the improvement of the Group's performance (as disclosed on page 32).

Profit after tax amounts to €3.7 million for 2013 as compared to loss after tax of €13.0 million in 2012. This sudden improvement resulted mainly from:
- an outstanding performance in the development sector in 2013 (€9.1 million gross profit realized in 2013 as compared to €0.1 million gross profit realized in 2012);
- stabilization in the valuation of investment properties (€0.9 million decrease in value of investment properties in 2013 as compared to €19.5 million loss noted in 2012), offset by:
- a change in foreign currency exchange differences from a gain of €10.2 million in 2012 to a loss of €3.0 million in 2013. Foreign currency exchange differences (gains and losses) presented in the consolidated income statement mainly represent the unrealised foreign exchange differences on the bank loans. The foreign exchange losses occurred as a result of depreciation of PLN and HUF against EUR in 2013 and gains as a result of appreciation of PLN and HUF against EUR in 2012.

Financing, Liquidity and Forecasts

The Directors consider that the current outlook presents operating as well as financing challenges in which the Group operates.

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2013, as set out in note 1.

Investing Policy

Atlas mainly invests in Poland in a portfolio of real estate assets across a range of property types. The Group also operates in the Hungarian, Romanian and Bulgarian real estate markets.

We actively target Poland, where the economy is believed to be the most attractive amongst CEE economies.

We investment both on our 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.

We may employ leverage to enhance returns on equity. Wherever possible, the Directors intend to seek financing on a 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 shall employ a gearing ratio of up to 75% of the total value of its interest in income-generating properties within its property portfolio.

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

As of 31 December 2013, NAV per share, as reported in the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), has remained stable and amounted to €1.6 per share at 31 December 2012 and 31 December 2013. 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 also remained stable at the level of €2.2 as of 31 December 2012 and €2.1 as of 31 December 2013. The stability of adjusted NAV per share is mainly attributable to the valuation and profitability of the development projects that are proving to be an attractive products offered by Atlas.

An independent valuation of the entire property portfolio is carried out on an annual basis by external experts. For the interim accounts valuations are performed partially by external experts and partially internally by the Property Manager. As of 31 December 2013 the following external independent qualified experts were engaged:
- Jones Lang LaSalle responsible for the valuation of properties located in Poland and Romania,
- FHB Ingatlan Zrt responsible for the valuation of properties located in Hungary.

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 substantially all the risks and rewards of ownership of an apartment or property are transferred to the client.

A key indicator of performance is the adjusted net asset value of the Group. The following table sets out the impact on adjusted 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 2013 €'000**	**Movement In value €'000**
Development land assets and land held under operating lease included in total assets at cost to the Group	41,697	64,040	22,343
Attributable to non-controlling interest partners	-	-	-
Company share of increase in valuation of development land and land held under operating lease	**41,697**	**64,040**	**22,343**
Deferred tax on increase in valuation of development land and land held under operating lease			(163)
Basic net asset value per balance sheet			76,297
Adjusted net asset value			**98,477**
Number of ordinary shares in issue at **31 December 2013**			46,852,014
Adjusted net asset value per share as at 31 December 2013			**2.1**
Adjusted net asset value per share as at 31 December 2012			2.2

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

Corporate Governance

Atlas ensures that the Group applies a robust corporate governance structure, which is vital in the current economic conditions. This is important as there is a clear link between high quality corporate governance and Shareholder value creation. Details of the Group's corporate governance structure are given on page 28.

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 16 and 17 below.

Changes in Non-executive Directors

There were no changes in non-executive Directors as disclosed in the Director's Report.

Prospects

We intend to continue to invest resources and management attention in our hotels and income producing assets in order to further improve performance.

With the ongoing economic recovery in Poland we also focus on driving our sales activities in several residential projects in Warsaw as presented in the Review of the Property Manager.

Andrew Fox
CHAIRMAN
20 March 2014

ATLAS ESTATES LIMITED

Review of the Property Manager

In this review we present the financial and operating results for the year ended 31 December 2013. Atlas Management Company Limited ("AMC") is the Property Manager appointed by the Company to oversee the operation and management of Atlas' portfolio and advice on new investment opportunities. At 31 December 2013, the Company held a portfolio of twenty one properties comprising twelve investment properties of which eight are income yielding properties, two are held for capital appreciation and one is held for sale, two hotels and eight development properties.

It could be a long road to recovery for the real estate market in Central & Eastern Europe (CEE). Before the global financial crisis, investors perceived the individual countries of the CEE more as one region, resulting in narrowing differences between the individual countries' investment markets. In reaction to the global financial crisis and the reappraising of risk, investors are increasingly tending to look at each country and its economy individually. This divergence and a search for quality have produced a mixed picture in the region, albeit since 2009 the time has been challenging for everyone.

As a result of these uncertainties and changing conditions, management has taken measures to mitigate risks across the portfolio. This has included reducing costs and staffing levels and putting on hold higher risk investment activity. Nevertheless, key development projects have been completed on time and several new developments have commenced.

Markets and Key Properties

Poland

This is the major market of operation for the Group, with 79% of the Group's portfolio located there. The Polish economy has been one of the most resilient economies in Europe with GDP growth of 1.6% in 2013 (2.0% in 2012). There had been significant increases in property prices in previous years. These were reversed in 2009, which showed significant drop in assets values. Starting at 2010 a trend of stabilisation at the lower levels of valuations was noted on the market.

Hilton Hotel, Warsaw

The Hilton Hotel in the Wola district of Warsaw is the Group's flagship asset. The hotel's performance slightly declined in 2013 as compared to 2012 mainly since 2012 was a record year for the hotel in light of the UEFA European Football Championship games that took place in Warsaw last year.

Platinum Towers

With its construction finished, 393 apartments and penthouses have been sold or presold to date and the last 3 penthouses were still available for sale at the end of 2013. This residential development alongside the Hilton Hotel provides a unique development in the city. The plan is also to build a mixed use (residential and office) tower, on the neighbouring plot, which will enhance the attractiveness of this site.

Capital Art Apartments

The Capital Art Apartments project in Warsaw is another development in the Wola district of Warsaw close to the city centre. It is a four stage development which will release 784 apartments in the city with parking and amenities, including retail facilities.

With both the first and the second stage completed, the Company has, to date, sold all of the 219 apartments in the first stage, with a further 295 out of 300 apartments in the second stage having been sold. Construction of the third stage, comprising 189 apartments, commenced in the fourth quarter of 2012 and as of 31 December 2013 the Company pre-sold 120 apartments. Construction of the fourth stage, comprising 76 apartments, commenced in the third quarter of 2013.

Concept House

The Concept House project is a development in the Mokotów district of Warsaw. It consists of 160 apartments in the city with parking and amenities, including retail facilities.

The construction of the development is completed and as of 31 December 2013 only 39 apartments were still available for sale.

Apartamenty przy Krasińskiego

Apartamenty przy Krasińskiego project is a development in the Żoliborz district of Warsaw. This development includes 303 apartments in the city with parking as well as amenities, including retail facilities.

The construction of the development was completed in July 2013 and as of 31 December 2013 only 38 apartments were still available for sale.

Other properties in Poland

The Group also owns two investment properties in Poland.

The Millennium Plaza is a 32,700 sqm office and retail building centrally located in Warsaw. During the last years its occupancy increased to 91% by September 2012, then the occupancy sharply decreased to 68% in December 2012 due to the loss of a major tenant. As of 31 December 2013 the occupancy ratio increased to 71% and it is expected that it will gradually increase back to its recorded levels over time.

The Sadowa office is a 6,550 sqm office building in Gdańsk. During the year its occupancy ratio increased from 92% as of 31 December 2012 to 99% as of 31 December 2013.

The Group's portfolio also contains valuable land assets in Warsaw and Gdańsk.

Hungary

In Hungary, the Group's portfolio is comprised of seven properties, all of which are located in Budapest. Five are income producing assets. One of them – Moszkva office building – has been classified as an asset held for sale – as disclosed in note 20 of the consolidated financial statements.

The Hungarian economy has suffered from the global credit crisis and lack of liquidity available for development projects. As a result, Atlas has stopped development activity and has experienced client losses and pricing pressures affecting its income yielding assets. In 2012 a decline in GDP of 1.7% was noted (in 2013 GDP increase of 0.2% is expected).

Romania

The Group's portfolio contains three properties in Romania, including the Golden Tulip Hotel and two significant land banks. The Romanian GDP increased by 0.7% in 2012 (GDP increase of 2.0% is expected in 2013). Despite the difficult trading conditions, occupancy rates at the Golden Tulip remained stable and amounted to 58% for 2013 (59% for 2012).

Bulgaria

The Group holds one property in Bulgaria, which is a ca. 3,500 sqm office building in Sofia.

ATLAS ESTATES LIMITED

Financial Review

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

Portfolio valuation and valuation methods

An independent valuation of the entire property portfolio is carried out on an annual basis. For the interim accounts valuations are performed partially by external experts and partially internally by the Property Manager. At 31 December 2013 an independent valuation of the properties was undertaken by Jones Lang LaSalle for Polish and Romanian assets and FHB Ingatlan Zrt for Hungarian assets, acting as independent experts.

Loans

As at 31 December 2013, the Company's share of bank debt associated with the portfolio of the Group was €189.2 million (31 December 2012: €205.9 million). Loans and valuations may be analysed as follows for those periods in which valuations were undertaken:

	Loans	**Valuation**	**Loan to Value Ratio**	**Loans**	**Valuation**	**Loan to Value Ratio**
	31 December 2013			**31 December 2012**		
	€ millions	€ millions	%	€ millions	€ millions	%
Investment property	129	141	91%	115	137	84%
Hotels	58	90	64%	61	94	65%
Development property in construction	2	20	10%	13	55	24%
Other development property	-	-	0%	17	18	94%
Total	**189**	**251**	**75%**	**206**	**304**	**68%**

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2013 and 31 December 2012 due to the treatment under IFRS of land held under operating leases and development property.

In 2013 LTV ratio of investment property increased from 84% as of 31 December 2012 to 91% as of 31 December 2013 mainly due to reclassification of one Romanian property and its related loan balance from development to investment property (as disclosed in note 16) as well as a decrease in the valuation of the Millennium building due to a decrease in occupancy rate.

As of 31 December 2013 the LTV ratio of hotels amounted to 64% and remained at a similar level as compared to 31 December 2012.

The LTV ratio of development property under construction has improved significantly over the analyzed periods as a result of the repayment of facility extended to *Apartamenty przy Krasińskiego* and *Platinum Towers* projects.

As of 31 December 2013 the LTV ratio of other development property decreased as compared to 31 December 2012 due to the above mentioned reclassification of property from development to investment property line and liquidation of one subsidiary.

The gearing ratio is 69% (as presented in note 1.2 to the consolidated financial statements) based upon net debt as a percentage of total capital (net debt plus equity attributable to equity holders). The ratio improved as compared to 31 December 2012 (72%) mainly as a result of the outstanding performance in the development sector in 2013 (as further discussed on pages 12 and 13).

Debt financing

New loans

On 2 September 2013 the Group obtained financing for *Galeria Platinum Towers* project located in Warsaw. The loan facility amounted to €4.3 million and is to be repaid by 30 June 2018. This facility was used as refinancing of the facility extended to *Platinum Towers* project.

Repaid loans

On 31 July 2013 and 4 December 2013 the Group fully repaid the loan facilities extended to the development projects: *Apartamenty przy Krasińskiego* and *Platinum Towers*.

On 11 February 2014 the loan facility extended to *Concept House* residential development was repaid.

Update on current status

The Group has 4 facilities that have been cross collateralised since February 2010:

1. €61.2 million (31 December 2012: €61.4 million) facility secured on the Millennium Plaza Building in Warsaw, Poland with a maturity date on 31 December 2016;
2. €3.9 million (31 December 2012: €3.9 million) facility secured on the Ligetvaros Centre in Budapest, Hungary with a maturity date on 31 December 2021;
3. €12.3 million (31 December 2012: €12.9 million) facility secured on the Voluntari land plot in Bucharest, Romania with a maturity date on 31 December 2012;
4. €13.5 million (31 December 2012: €13.5 million) facility secured on the Solaris land in Bucharest, Romania with a maturity date on 31 December 2012.

Since Romanian facilities (Voluntari and Solaris) were not paid as of 31 December 2012 all above facilities totalling €91.7million were presented as bank loans and overdrafts due within one year or on demand.

On 15 October 2013 the Company signed the amendment to the existing bank loan agreements extending repayment date of Romanian facilities to 31 December 2015. Since 15 October 2013 all above mentioned facilities totalling €90.9 million are not in default and are classified as non-current liabilities in the consolidated statement of financial position as of 31 December 2013.

Other loans

In the preparation of the consolidated financial statements for the year ended 31 December 2013, the directors have classified:

- loan facility totalling €15.7 million as bank loans and overdrafts due within one year or on demand, since covenant breaches or defaults arose on this loan. The Company is in dialogue with the bank and is discussing restructuring of this loan;
- loan facility totalling €10.6 million as bank loans and overdrafts due within one year or on demand since this facility is overdue. On 4 March 2014 the Company signed the compromise agreement with the bank, based on which the Company is obliged to repay PLN5 million and the bank is obliged not to execute any collaterals resulting from the loan facility agreement till 31 March 2014. The intention of the Company's management is to continue negotiations with the bank relating to further extension of the loan facility agreement.

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

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

	Property Rental € millions	**Development Properties € millions**	**Hotel Operations € millions**	**Other € millions**	**Year ended 31 December 2013 € millions**	**Year ended 31 December 2012 € millions**
Revenue	12.7	37.1	18.4	-	68.2	43.1
Cost of operations	(6.0)	(28.0)	(11.6)	-	(45.6)	(28.1)
Gross profit	6.7	9.1	6.8	-	22.6	15.0
Administrative expenses	(1.2)	(0.4)	(3.1)	(5.5)	(10.2)	(7.7)
Gross profit less administrative expenses	5.5	8.7	3.7	(5.5)	12.4	7.3
Gross profit %	53%	25%	37%	n/a	33%	35%
Gross profit less administrative expenses %	43%	23%	20%	n/a	18%	17%

Revenue

Total revenues for year ended 31 December 2013 were €68.2 million compared to €43.1 million for the year ended 31 December 2012. The Group's principal revenue streams are from its hotel operations, income from the sale of the residential apartments that the Group develops and property rental income. As the Group maintains a diversified portfolio of real estate investments, seasonality or cyclicality of yielded income or results is also highly diversified.

<u>Development Properties</u>

	12 months period ended 31 December 2013 € millions	12 months period ended 31 December 2012 € millions	**Total change 2013 v 2012 € millions**	Translation foreign exchange effect € millions	Operational change 2013 v 2012 € millions
Revenue	37.1	9.0	**28.1**	-	28.1
Cost of operations	(28.0)	(8.9)	**(19.1)**	-	(19.1)
Gross profit	9.1	0.1	**9.0**	-	9.0
Administrative expenses	(0.4)	(0.5)	**0.1**	-	0.1
Gross profit less administrative expenses	8.7	(0.4)	**9.1**	-	9.1

Proceeds from the sale of residential apartments developed by the Group are only recognised when apartments have been handed over to new owners with notarial deed signed. At this moment the economic risks and rewards are transferred to the new owner and in accordance with the Group's accounting policy, the revenue and associated costs of these apartment are recognised in the income statement. Please note that for:
- *Concept House* and *Apartamenty przy Krasińskiego* projects construction was finalized in 2013 and the Group recognized sales and associated costs in the consolidated income statement as the above mentioned criteria have been met;
- *Capital Art Apartments III* project no sales and associated costs have been recognized in the income statement as the project is under construction.

The increase in gross profit realised in the year ended 31 December 2013 as compared to the same period in 2012 is mainly a result of sharp increase in a number of apartments sold. As presented in the table below in 2013 the Group managed to complete the sale of 319 apartments (in *Apartamenty przy Krasińskiego, Concept House, Platinum Towers* and *Capital Art Apartments I&II* projects), whereas in 2012 the revenues from the sale of 42 apartments were recognized.

Apartment sales in Warsaw

	CAA stage 1	CAA stage 2	CAA stage 3	Platinum Towers	Concept House	Apartamenty przy Krasińskiego	Total
Total apartments for sale	219	300	189	396	160	303	1,567
Sales completions in 2008-2011	216	250	-	383	-	-	849
Sales completions in 2012	-	37	-	5	-	-	42
Sales completions in 2013	1	6	-	4	53	255	319
Total sales completions	217	293	-	392	53	255	1,210
Sales not completed as of 31 Dec 2013 (only preliminary agreements concluded)	2	2	120	1	68	10	203
Apartments available for sale as of 31 Dec 2013	-	5	69	3	39	38	154

Property Rental

	12 months period ended 31 December 2013 € millions	12 months period ended 31 December 2012 € millions	**Total change 2013 v 2012 € millions**	Translation foreign exchange effect € millions	Operational change 2013 v 2012 € millions
Revenue	12.7	13.9	**(1.2)**	(0.1)	(1.1)
Cost of operations	(6.0)	(6.4)	**0.4**	0.1	0.3
Gross profit	6.7	7.5	**(0.8)**	-	(0.8)
Administrative expenses	(1.2)	(1.1)	**(0.1)**	-	(0.1)
Gross profit less administrative expenses	5.5	6.4	**(0.9)**	-	(0.9)

In the twelve months of 2013 the gross margin realized by the Property Rental segment decreased as compared to the twelve months of 2012 mainly as a result of lower occupancy ratio in Millennium in 2013.

Hotel operations

	12 months period ended 31 December 2013 € millions	12 months period ended 31 December 2012 € millions	**Total change 2013 v 2012 € millions**	Translation foreign exchange effect € millions	Operational change 2013 v 2012 € millions
Revenue	18.4	20.2	**(1.8)**	-	(1.8)
Cost of operations	(11.6)	(12.8)	**1.2**	-	1.2
Gross profit	6.8	7.4	**(0.6)**	-	(0.6)
Administrative expenses	(3.1)	(3.2)	**0.1**	-	0.1
Gross profit less administrative expenses	3.7	4.2	**(0.5)**	-	(0.5)

EURO 2012 the Football Championships that took place in Warsaw in June 2012 contributed to the outstanding performance of Hilton in 2012. In 2013 the hotel operations declined mainly due to decrease in average daily rate per room and decrease in additional income from the organization of special events.

Cost of operations

Cost of operations was €45.6 million in the year ended 31 December 2013, compared to €28.1 million in 2012. €17.5 million of this increase is principally due to higher number of apartments handed over (31 December 2013: 319 apartments) as compared to 2012 (31 December 2012: 42 apartments).

Administrative expenses

Administrative expenses increased by €2.4 million (i.e. by 21%) mainly due to €2.9 million property manager fees charged in 2013 in accordance with the Property Manager Agreement (see details on page 32).

Other operating income and expenses

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

The increase of other operating income by €0.9 million is mainly due to a €0.6 million refund of VAT that had been expensed in previous years.

The increase of the other operating expenses by €1.4 million is mainly due to €1.6 million of impairment of property, plant and equipment recognised in 2013. The impairment increase results mainly from €1.6 million tangible assets write off (associated with liquidated subsidiary).

Valuation movement

As of 31 December 2013 the decrease of the market value of all investment properties portfolio was only €1.8 million (i.e. 1%) as compared to 31 December 2012. This has been reflected by €0.9 million decrease presented as "decrease in value of investment properties" in the Income Statement, €2.0 million decrease of "other reserves (exchange adjustments)" in the Balance Sheet, offset by €1.1 million capitalized subsequent expenditures. The market value of investment properties expressed in EURO remained comparable and the actual decrease in the accounting records of the subsidiaries was also marginal due to fact that local currencies insignificantly weakened against EURO in 2013 (by 1%-2% as presented in the table on page 15).

As of 31 December 2012 the decrease of the market value of all investment properties portfolio was significant and amounted to €8.9 million (i.e. 6%) as compared to 31 December 2011 mainly due to decrease in the occupancy ratio in Millennium Plaza. The total decrease in the valuation of investment properties has been reflected by €18.9 million decrease presented as "decrease in value of investment properties" in the Income Statement, offset by €9.7 million gains in "other reserves (exchange adjustments)" in the Balance Sheet. The significant movements in other reserves resulted from the fact that local currencies significantly appreciated against EURO in 2012 (by 6%-7% as presented in the table on page 15).

Finance income and costs

Finance income increased by €2.7 million primarily due to the €2.4 million bank loan write off. In the first quarter 2013 the Group reached a settlement with the bank financing its property in Bulgaria based on which the Group received €2.4 million discount on the one off repayment of the outstanding loan facility.

The income statement includes finance costs of €6.1 million for the year ended 31 December 2013, compared with €7.6 million in comparative period in 2012, representing mainly interests on bank loans and related bank charges. The decline is mainly attributable to decrease of margin on Romanian land loans, decrease of EURIBOR rates on several loan facilities and repayment of loan facilities on several development projects (*Apartamenty przy Krasińskiego, Platinum Towers*).

Foreign exchange

The fluctuations in exchange rates in the underlying currencies in the countries in which the Group operates and owns assets have resulted in significant foreign exchange differences.

In the year ended 31 December 2013 the Group reported exchange losses of €3.0 million as compared to €10.2 million gains in 2012. €2.0 million out of €3.0 million foreign exchange losses noted in 2013 was due to the unrealised foreign exchange losses on EUR denominated bank loans in Polish, Hungarian and Romanian subsidiaries. The foreign exchange losses occurred as a result of depreciation of PLN, HUF and RON against EUR in 2013.

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In the year ended 31 December 2012 the Group reported exchange gains of €10.2 million. €10.0 million out of €10.2 million foreign exchange losses noted in 2012 was due to the unrealised foreign exchange gains on EUR denominated bank loans in Polish, Hungarian and Romanian subsidiaries. The foreign exchange profits occurred as a result of appreciation of PLN and HUF against EUR in 2012.

A summary of exchange rates by country for average and closing rates against the reporting currency as applied in the financial statements is set out below.

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2013	4.1472	296.91	4.4847	1.95583
31 December 2012	4.0882	291.29	4.4287	1.95583
% Change	1%	2%	1%	0%
Average rates				
Year 2013	4.1975	296.62	4.4633	1.95583
Year 2012	4.1850	289.42	4.4895	1.95583
% Change	0%	2%	-1%	0%

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2012	4.0882	291.29	4.4287	1.95583
31 December 2011	4.4168	311.13	4.3197	1.95583
% Change	-7%	-6%	2%	0%
Average rates				
Year 2012	4.1850	289.42	4.4895	1.95583
Year 2011	4.1198	279.21	4.2379	1.95583
% Change	2%	4%	6%	0%

Net Asset Value

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

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

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

- Property developments, including the land on which they will be built – held as inventory with no increase in value recognised in the financial statements unless where an increase represents the reversal of previously recognized deficit below cost.

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 2013 € millions	**NAV per share 2013 €**	NAV 2012 € millions	**NAV per share 2012 €**
Basic NAV	76.3	**1.6**	73.7	**1.6**
Development land valuation increase	22.3	**-**	29.6	**-**
Deferred tax	(0.1)	**-**	(0.8)	**-**
Adjusted NAV	98.5	**2.1**	102.5	**2.2**

Notes:
The number of shares in issue as at 31 December 2013 and 2012 is 46,852,014.

The Property Manager's basic and performance fees are determined by the adjusted NAV. For the twelve months to 31 December 2013 the combined fee payable to AMC by the Group was €4.4 million (€1.9 million to 31 December 2012).

Ongoing activities

During the year ended 31 December 2013, the Company continued to identify ways by which it can generate added value through the active management of its yielding asset portfolio. It has also continued to crystallise the value of development projects by the pre-selling of apartments under construction and by the completion of development property in the course of construction.

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

A key management objective is to control and reduce construction costs at its development projects, particularly in the light of global variations in commodity prices. Another key objective is the refinancing of the portfolio, the securing of construction loans and the evaluation of various fund raising opportunities.

Financial management, operational management and material risks

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. 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 and 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 the Property Manger closely monitor the effects that the current global economic conditions have on the business and will continue to take steps to mitigate, as far as possible, any adverse impact that may affect the business.

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

Financing and liquidity

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

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

Currency and foreign exchange

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

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

Conclusions

AMC's key strategic objective is the maximisation of value for the Company's Shareholders, which it continues to work towards. Its teams are very experienced in the active management of investment and development property and provide the Company with local market knowledge and expertise. Good progress has been made with the sales of key development projects in Warsaw (*Apartamenty przy Krasińskiego* and *Concept House*), *Capital Art Apartments* (the second and third stage) and *Platinum Towers*. In April and July 2013 the constructions of *Concept House and Apartamenty przy Krasińskiego* were successfully completed.

Reuven Havar
Chief Executive Officer
Atlas Management Company Limited
20 March 2014

Ziv Zviel
Chief Financial Officer and Chief Operations Officer
Atlas Management Company Limited

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Property Portfolio Information

Location/Property	Description	Company's ownership
Poland		
Hilton Hotel	First Hilton Hotel in Poland – a 4 star hotel with 314 luxury rooms, large conferencing facilities, 4,500 square meters Holmes Place health club and spa and casino and retail outlets. Location close to the central business district in Wola area of Warsaw.	100%
Platinum Towers	396 apartments in two towers; the residential development has been completed in the 3rd quarter of 2009 with two residential towers and a piazza. Location close to the central business district in Wola area of Warsaw.	100%
Atlas Estates Tower *(former name: Platinum Towers – offices)*	Land with zoning for an office/residential tower planned over 42 floors.	100%
Galeria Platinum Towers	Commercial area on the ground and first floors Platinum Towers with 1,842 square meters of gallery and 208 parking places almost fully let to tenants.	100%
Capital Art Apartments	784 apartments four stage development with Stage 1 completed in 4th quarter 2008 with all apartments sold. Stage 2 with the construction of 300 apartments completed in 2009, out of which 293 were already sold. Construction of stages 3 and 4 commenced in 4th quarter 2012 and 3rd quarter 2013. Location close to the central business district in Wola area of Warsaw.	100%
Apartamenty przy Krasińskiego	Residential project in Warsaw. The construction was completed in July 2013. The project released 303 apartments out of which 265 were sold till 31 December 2013.	100%
Millennium Tower	32,700 square meters of office and retail space in the central business district of Warsaw with 6,100 square meters of retail and 26,600 square meters of office space.	100%
Concept House	The construction of this residential project was completed in April 2013. Location in Mokotow district close to the central business district of Warsaw. As of 31 December 2013 only 39 apartments out of 160 apartments were still available for sale.	50%
Sadowa project	6,550 square meters office building with 99% occupancy close to the city centre of Gdansk.	100%
Kokoszki, Gdansk	431,591 square meters plot in Gdansk with zoning for construction of 125,000 square meters of mixed use development, situated on the outskirts of Gdansk.	100%
Hungary		
Ikarus Business Park	283,000 square meters plot with 110,000 square meters 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 meters office building in the 13th district of central Budapest.	100%
Atrium Homes	Two phase development of 22,000 square meters of 456 apartments with 235 apartments in phase 1 with building permits, located in the 13th district in central Budapest.	100%
Ligetvaros Centre	6,300 square meters of office/retail space with rights to build extra 6,400 square meters, located in the 7th district, a central district in Budapest.	100%
Varosliget Centre	12,000 square meters plot in the 7th district in central Budapest, with zoning for a mixed use development of 31,000 gross square meters.	100%

Location/Property	Description	Company's ownership
Moszkva Square	600 square meters of office and retail space in the Buda district of Budapest.	100%
Romania		
Voluntari	86,861 square meters 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 meters plot for re-zoning to mixed-use development in a central district of Bucharest.	100%
Golden Tulip Hotel	4 star 83 room hotel in central Bucharest in the city centre of Bucharest.	100%
Bulgaria		
The Atlas House	Office building in Sofia's city centre with 3,472 square meters of lettable area.	100%

ATLAS ESTATES LIMITED

Directors - Atlas Estates Limited

Andrew Fox
Chairman
Non-executive Director

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

Mark Chasey
Non-executive Director
Chairman of Audit Committee

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

Guy Indig
Non-executive Director

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

Registered office

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

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

Ron Izaki 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 Bachelor's Degree in civil engineering from the Israel Institute of Technology.
Nicholas Babbé Non-executive Director	Mr Babbé Graduated with a Bachelor of Arts degree with Honours in 2001 from the University of the West of England. He subsequently moved into the finance industry taking positions with HSBC and Investec respectfully and undertook the Society of Trusts and Estates Practitioners diploma and joined the society as a full member in 2008. Nick joined Oak Trust (Guernsey) Limited in early 2009 where he is a Trust Manager and now studying for a BSC degree in Management with Trusts and Estates with The University of Manchester and Manchester Business School.
Reuven Havar Chief Executive Officer	Mr Havar, has significant expertise in planning and development of large scale real estate projects. He has spent the past nine years with the Africa Israel Group, firstly as the CEO of operations for AFI-EUROPE in the Czech Republic from 2000 and then in Romania from 2006. Before joining the Africa Israel Group, Mr Havar was the CEO of the Pepsi Cola and juices central bottling plant in Bucharest between 1996 and 1998. Prior to which, Mr Havar served as an Israeli foreign diplomat assigned to the Economic Attache in Columbia and Venezuela (First Secretary for Economic Affairs) from 1994. He has also served as the CFO of M-Systems (a hi-tech company) between 1993 and 1994, during which the company listed on the NASDAQ. Mr Havar holds a BA and a MBA from Bar Ilan University in Israel.
Ziv Zviel Chief Financial Officer and Chief Operations Officer	Mr Zviel joined Atlas Management Company Limited in October 2010 as its Chief Financial Officer. Prior to this and from 2009 Mr Zviel served as Chief Financial Officer and Treasurer of Deltathree, a telecom company traded in the United States. From 2007 till then he served as VP of Finance of LivePerson, an Internet company publicly traded in the United States and Tel Aviv stock exchanges. Prior to that, and from 2002, Mr Zviel served in a number of roles in Magic Software, a global software company traded in the United States. Before that, and from 2000, Mr Zviel served as an audit manager in the Tel Aviv office of Ernst & Young. Mr Zviel holds a first degree in accounting and economics and an MBA in Business Management, both from the Bar Ilan University in Israel.

* On 27 January 2014 Mr Ron Izaki resigned his position as Director of Atlas Management Company Limited. On 14 February 2014 Mr Eran Rabinovitz was appointed as Non-executive Director.

ATLAS ESTATES LIMITED

Directors' Report

The Directors present their report and the audited financial statements for the twelve months ended 31 December 2013.

Results and dividends

The results for the Group for the year are set out in the consolidated income statement on page 36 and show a profit after tax attributable to equity shareholders of €3.7 million (2012: loss after tax of €13.0 million).

The Company has not declared a dividend for 2013 (2012: €nil).

Activities and review of business

The Company is domiciled in Guernsey as a closed-ended investment company under Guernsey Law. The Company was admitted to the AIM market of the London Stock Exchange and commenced trading on 1 March 2006. In February 2008, the Company completed a listing on the Warsaw Stock Exchange. On 15 October 2010 the Board of Directors announced that the Special Resolution to cancel admission of the Company's ordinary shares to trading on the AIM market of the London Stock Exchange was passed at an Extraordinary General Meeting of shareholders.

The principal activity of the Company and the Group is property investment and development throughout Central and Eastern Europe ("CEE"), together with the management of its properties. The development of the Group's business and future prospects, including a description of material risk factors and threats and information on the degree of the Group's exposure to such risks or threats, is considered in the Chairman's Statement on pages 5 to 7 and the Review of the Property Manager on pages 8 to 17.

There were no significant changes in the Company's organisational structure in the year ended 31 December 2013. A list of the operating subsidiaries of the Company subject to consolidation is included within note 36 of the financial statements of this report, on page 81.

Investing Policy

The Company mainly invests in Poland in a portfolio of real estate assets across a range of property types. The Group also operates in the Hungarian, Romanian and Bulgarian real estate markets.

The Company actively targets Poland, whose economy is believed to be the most attractive amongst CEE economies.

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.

The Company may employ leverage to enhance returns on equity. Wherever possible, the Directors intend to seek financing on a 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 shall employ a gearing ratio of up to 75% of the total value of its interest in income-generating properties within its property portfolio.

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

Diversification

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

Key performance Indicators

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

The success of developing and selling residential apartments will be measured in terms of the price achieved for each apartment, the profit margin earned over construction cost and as a proportion of sales and the overall rate of return from a development. Information on sales is detailed in the Review of the Property Manager on pages 8 to 17.

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 50 to 55.

Going concern

As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment still continues to present a lot of challenges for the Group. Despite this, the Group has reported a profit for the year of €3.7 million (compared to loss of €13.0 million in 2012).

The Directors believe 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 2013 the Group held land and building assets with a market value of €256.3 million, compared to external debt of €192.7 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 repossession by the bank in case of a default of loan terms would clear the outstanding debt and not result in additional financial liabilities for the Company or for the Group. There are also unencumbered assets which could potentially be leveraged to raise additional finance.

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2013, 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.

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

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2013.

ATLAS ESTATES LIMITED

Substantial shareholdings

As of 17 February 2014, the Board was aware of the following direct or indirect interest in 3% or more of the Company's ordinary share capital (excluding treasury shares). All shares have equal voting rights.

Table 1 – Significant Shareholders	Number of Shares held	Percentage of Issued Share Capital
HSBC Client Holdings Nominee (UK) Limited <636167>	34,986,124	74.67
Forest Nominees Limited <GC1>	6,536,925	13.95
Euroclear Nominees Limited <EOCO1>	5,030,646	10.74
TOTAL	**46,553,695**	**99.36**

Directors and Directors' share interests

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

Table 2 – Non-executive Directors	
Mr Andrew Fox	Appointed 16 June 2010
Mr Mark Chasey	Appointed 16 June 2010
Mr Guy Indig	Appointed 16 June 2010

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

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

The Remuneration Report contains details of Directors' remuneration, terms of their appointment and those of the Property Manager and is set out on pages 31 to 32. No other Director had, during the accounting year or in the period to 20 March 2014, any material beneficial interest in any significant contract in the Group's business.

Directors' Responsibilities

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

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

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

Company website

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

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

Auditors

The Directors confirm that as at 20 March 2014:

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

On 29 July 2013 during the Annual General Meeting it was resolved that the partnership BDO LLP were to be reappointed as the auditor of the financial reports of the Company for the year 2013.

The consolidated financial statements of the Group for 2013 were audited by BDO LLP on the basis of an engagement letter concluded on 29 August 2013. The consolidated financial statements of the Group for 2012 were audited by BDO LLP on the basis of an engagement letter concluded on 19 December 2012.

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

	2013 €'000	**2012 €'000**
Audit of individual and consolidated annual financial statements	151	248
Review of interim individual and consolidated financial statements	34	44
Tax services	-	21
Other compliance services	-	16
Total	**185**	**329**

Annual General Meeting

The Annual General Meeting is planned to be held in the period June-July 2014. Detailed timing and agenda will be communicated separately in accordance with WSE regulations.

Information about court proceedings

The Company is 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 net equity, except for legal proceeding against:

Atlas Estates Limited and Atlas Estates Investment B.V.

Atlas Estates Limited ("AEL") was notified on 9 March 2011 that Stronginfo Consultants Ltd and Columbia Enterprises Ltd (the "Plaintiffs") have submitted to an arbitrator a statement of claim against Atlas Estates Investment B.V. with its seat in Amsterdam, the subsidiary of AEL as the primary debtor and AEL itself as the guarantor (the "Defendants") asking the arbitrator to order the Defendants to provide a full and accurate accounting basis for the calculation of the Completion Consideration as defined in the agreement dated May 8, 2006 on transfer of shares from the Plaintiffs to Atlas Estates Investment B.V. and demanding payments of Completion Consideration which in the absence of any actual accounting was estimated by the Plaintiffs of total 55,420,000 PLN.

AEL hereby informs that at the current stage it is not able to assess the legitimacy of the claim as both legal and factual basis of the claim are subject of the investigation of the AEL's legal advisors.

There are no other material legal cases or disputes that are considered material to the consolidated financial information that would either require disclosure or provision within the financial information.

Significant Agreements

In addition to the Property Management Agreement detailed in the Remuneration Report, the Group entered into the following significant agreements:

Agreement of 24 September 2013, between Capital Art Apartments AEP Sp. z o.o. SKA, Zielono AEL Sp. zo.o. SKA and Unibep S.A.
On 24 September 2013 a general contractor agreement was signed between the Company's subsidiary Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, Zielono AEP Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna and Unibep S.A ("General Contractor") for the construction of multi-apartment residential building (Capital Art Apartment – the fourth stage) in Warsaw. The total value of the contract amounts to PLN 13.5 million (excluding VAT). The completion of the General Contractor obligation shall occur on 6 August 2015.

Agreement of 6 September 2012, between Capital Art Apartments AEP Sp. z o.o. SKA and Unibep S.A.
On 6 September 2012 a general contractor agreement was signed between the Company's subsidiary Capital Art Apartments AEP Sp. z o.o. SKA and Unibep S.A. for the construction of multi-apartment residential buildings (*Capital Art Apartments*, Stage III) in Warsaw. Total value of the contract amounts to PLN 38.3 million (excluding VAT).

Agreement of 28 July 2011, between Zielono Sp. z o.o. and Unibep S.A.
On 28 July 2011 a general contractor agreement was signed between the Company's subsidiary Zielono Sp. z o.o. and Unibep S.A. for the construction of multi-apartment residential building (*Apartamety przy Krasińskiego*) in Warsaw. Total value of the contract amounts to PLN 60.6 million (excluding VAT).

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

Related party transactions

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

Credit and loan facilities, guarantees and sureties

Key changes in credit and loan facilities are presented in Review of Property Manager Report on page 11.

Guarantees and sureties – changes in 2013

On 18 January 2013 the following registered and financial pledge agreements were executed with Österreichische Volksbanken AG ("Bank") and HGC AEP Spółka z ograniczoną odpowiedzialnością S.K.A ("Borrower") in fulfilment of the Borrower's obligations towards Bank resulting from the loan agreement:

1) registered and financial pledge agreement executed between the Bank and Atlas FIZ AN (the subsidiary of Atlas Estates Limited) over the 28,081,200 shares in the share capital of the Borrower, of the nominal value 1 PLN each share, of the joint nominal value of 28,081,200 PLN constituting 99.99% shares in the share capital of the Borrower, being the ownership of Atlas FIZ AN; the pledge secures repayment of the Loan Agreement up to the maximum amount of 70,000,000 EUR; the book value of the pledged shares equals 200,373,402.60 PLN;

2) registered and financial pledge agreement executed between the Bank and Gretna Investments Sp. z o.o. with its registered seat in Warsaw ("Gretna", the subsidiary of Atlas Estates Limited) over 2,800 registered shares in the share capital of the Borrower, of the nominal value of 1 PLN each share, of joint nominal value of 2,800 PLN, constituting 0.01% shares in the share capital of the Borrower, being the ownership of Gretna; the pledge secures repayment of the Loan Agreement up to the maximum amount of 70,000,000 EUR; the book value of the pledged shares equals to 19,979.40 PLN;

3) registered and financial pledge agreement executed between the Bank and Atlas Estates Investment B.V. (the subsidiary of Atlas Estates Limited) with its registered seat in Amsterdam over 100 equal shares in the share capital of Gretna, of the nominal value of 50 PLN each share, of joint nominal value of 5,000 PLN, constituting 100% of the shares in the share capital of Gretna, being the ownership of Atlas Estates Investment B.V. with its registered seat in Amsterdam; the pledge secures repayment of the Loan Agreement up to the maximum amount of 70,000,000 EUR; the book value of the pledged shares equals to 15,464.75 PLN;

4) registered and financial pledge agreement executed between the Bank and Gretna over financial receivables of Gretna being the general partner in the Borrower; the pledge secures repayment of the Loan Agreement up to the maximum amount of 70,000,000 EUR; the book value of the pledged rights constitutes 0,0036% of the Borrower's profits; (jointly "Pledge Agreements") At the day of signing of the Pledge Agreements total outstanding payment from the Loan Agreement equals 57,712,141.23 EUR.

Guarantees and sureties – changes in 2012

Capital Art Apartments Sp. z o.o. SKA

On 21 December 2012 a bank loan agreement was signed between Capital Art Apartments Sp. z o.o. SKA ("Capital Art Apartments"), a company in which AEP Sp. z o.o. and Atlas FIZ AN holds 100% of the shares, and Bank Zachodni WBK S.A. Capital Art Apartments Sp. z o.o. SKA, AEP Sp. z o.o and Atlas FIZ AN are the subsidiaries of Atlas Estates Limited. This loan provides financing for the third stage of Capital Art Apartments project.

This bank loan is secured by, inter alia:

- a first ranking contractual mortgage up to the amount of 200% of the loan;
- financial and registered pledges established on (i) the rights from certain bank account agreements concluded by Capital Art Apartments and (ii) all the shares in the share capital of Capital Art Apartments;
- the assignment of certain receivables due to Capital Art Apartments in connection with the project;
- a subordination agreement;
- statement of Capital Art Apartments of voluntary submission to execution pursuant to Art. 97 of the Banking Law up to the amount of 200% of the loan;
- submission to execution granted by Atlas FIZ AN in favour of the Bank in accordance with 777 of Polish Procedure Code; and
- a cost overrun guarantee agreement relating to the project executed between Capital Art Apartments, shareholder of the general partner of Capital Art Apartments and other entity having direct or indirect control over Capital Art Apartments and bank pursuant to which the shareholders agreed to act as guarantors for the payment of Capital Art Apartments' liability to cover cost overruns amounting to up to 10% of the project costs.

Corporate governance review

The Group aspires to apply high standards of corporate governance in all material areas of its business. The Board and, where delegated, the Property Manager use a comprehensive system of controls, checks and reporting requirements that they consider provide the capability to maintain these standards. The systems mentioned are being designed to meet the requirements of the Company and its business and to assess and manage the opportunities and risks that may arise. In accordance with the WSE Rules, the Board resolved in January 2008, to the extent practicable and reasonable, to also comply with the majority of the corporate governance rules defined in the Code of Best Practices for WSE Listed Companies. The Company's compliance with certain principles is limited by the differences between Guernsey and Polish legal systems, procedures and accepted practices. The exceptions from applying the Code of Best Practise is as follows:

- Rules specified in part I point 1 and in part I point 1.9 as well as part IV point 10;

The Company pursues a transparent information policy using traditional and modern technologies to communicate with the capital market community. However the Company does not present the information in the exact manner recommended by the WSE. Notwithstanding the above, in the Company's opinion, the Company's website contains all the required and necessary information.

The Company does not provide on-line transmissions of general meetings over the Internet and does not record the general meetings. The reason for this is the fact that all the shareholders entitled to participate in the general meetings can appoint proxies to act on their behalf and vote at the general meetings according to their instructions. Therefore, in the opinion of the Company, there is no need to record and broadcast the general meetings. If the Company's shareholders decide to attend the general meetings in person in the future, the Company will consider to ensure that such meetings are recorded and broadcast on its website.

- Rules specified in part III;

The Company's compliance with these principles is limited by the differences between Guernsey and Polish legal systems according to which there is no Supervisory Board function in Guernsey legal system. The Company is managed by the Board of Directors and the external management function provided by the Property Manager.

Structure and membership of the Company's Board

The Board of Directors comprises the non-executive Chairman and two further non-executive Directors. In 2013 there were no changes of the Board of Directors. There is a clear separation of the role of the Directors and the Property Manager, governed by the Property Management Agreement that was entered into on 24 February 2006. The Board identifies the majority of its non-executive Directors as being independent of the Company based on their level of involvement with the founder shareholders prior to the formation of the Group and their involvement in the day to day management of the Group on an ongoing basis. They provide strategic management and act as the final Investment Committee for all investment/divestment decisions. The executive and day to day management is provided by the Property Manager whose role and responsibilities are clearly defined in the Property Management Agreement.

The Board meets formally at least four times a year and regular contact is made between the Board and the Property Manager in the intervening periods.

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

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

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

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

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

Board committees

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

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

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	**13**	**3**
Mr Andrew Fox	12	2
Mr Mark Chasey	11	3
Mr Guy Indig	9	3

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

Property Manager

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

The Property Manager has a board ("PM board") comprising of a non-executive Chairman and one non-executive director. Additionally it employs Chief Executive Officer and Chief Financial Officer who on daily basis are engaged in the management of the Group. 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 controls

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 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-minimise 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.

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 questions can be raised.

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

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

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

Performance evaluation

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

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

Andrew Fox	**Mark Chasey**	**Guy Indig**
Chairman	**Director**	**Director**

20 March 2014

Remuneration Report

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

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

Non-executive Directors

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

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

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

Table 5 – Non-executive Directors' service contracts

	Appointment Date	Term	Notice Period
Mr Andrew Fox	16 June 2010	Indefinite	30 days
Mr Mark Chasey	16 June 2010	Indefinite	30 days
Mr Guy Indig	16 June 2010	Indefinite	30 days

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

Table 6 – Directors' emoluments – representing fees only	2013
	€
Non-executive Directors	
Mr Andrew Fox	17,000
Mr Mark Chasey	17,000
Total	**34,000**

Table 6 – Directors' emoluments – representing fees only	2012
	€
Non-executive Directors	
Mr Andrew Fox	13,500
Mr Mark Chasey	13,500
Total	**27,000**

Property Manager

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

Basic fee

In consideration of the services to be provided by AMC, AMC will receive an annual management fee of 2% of the previous year's closing 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). In consideration of the services provided, AMC received a management fee of €1.5 million for the year ended 31 December 2013 (2012: €1.9 million).

Performance fee

In addition, AMC will receive a performance fee payable if the Total Shareholder Return (means the sum of the growth in adjusted NAV per ordinary share plus an amount equal to the aggregate dividends or other distributions per ordinary share declared or paid in respect of such accounting period expressed as a percentage of the adjusted NAV per ordinary share at the end of the previous accounting period) 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% 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 year ended 31 December 2013 was €2.9 million (2012: €nil million).

Term and Termination

The Property Management Agreement was to run for an initial seven year term from 24 February 2006. Since the Company did not serve notice to Property Manager by 28 August 2012, the Agreement continues indefinitely after 24 February 2013. Currently the Agreement may be terminated 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 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 were exercisable during the period commencing on Admission to AIM and expiring on the earlier of: (i) seven years from Admission i.e. on 28 February 2013; or, (ii) upon an offer or becoming entitled to acquire the entire issued share capital of the Company. Since the first criteria is met, it is assumed that all warrants expired.

The exercise price of each of the Warrants was £3.41 and none of the warrants were exercised since their issue date.

Approval

The Board approved the Remuneration Report without amendment. This report was approved by the Board of Directors on 20 March 2014 and signed on its behalf by:

Andrew Fox
Chairman
20 March 2014

ATLAS ESTATES LIMITED

Declarations of the Board of Directors

Declaration concerning accounting policies

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

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

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

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

Andrew Fox
Chairman

Mark Chasey
Director

Guy Indig
Director

20 March 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATLAS ESTATES LIMITED

We have audited the financial statements of Atlas Estates Limited for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

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

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement within the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Ian Clayden (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
20 March 2014

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

ATLAS ESTATES LIMITED

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

		31 December 2013 €'000		**31 December 2012 €'000**	**Notes**
Revenues		68,261		43,159	3
Cost of operations		(45,625)		(28,081)	4.1
Gross profit		**22,636**		**15,078**	
Property manager fee	*(4,436)*		*(1,941)*		
Central administrative expenses	*(546)*		*(819)*		
Property related expenses	*(5,212)*		*(5,008)*		
Administrative expenses		(10,194)		(7,768)	4.2
Decrease in value of investment properties		(892)		(19,537)	16
Other operating income		1,900		988	5
Other operating expense		(3,065)		(1,726)	6
Profit / (Loss) from operations		**10,385**		**(12,965)**	
Finance income		3,040		330	7
Finance costs		(6,117)		(7,609)	7
Finance costs - other gains and (losses) – foreign exchange		(2,977)		10,191	7
Profit/ (Loss) before taxation		**4,331**		**(10,053)**	
Tax expense		(604)		(2,968)	8
Profit/ (Loss) for the year		**3,727**		**(13,021)**	
Attributable to:					
Owners of the parent		3,727		(13,149)	
Non-controlling interests		-		128	
		3,727		**(13,021)**	
Profit/ (Loss) per €0.01 ordinary share – basic (eurocents)		8.0		(28.1)	10
Profit/ (Loss) per €0.01 ordinary share – diluted (eurocents)		8.0		(28.1)	10

All amounts relate to continuing operations.

The notes on pages 41 to 81 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	31 December 2013 €'000	31 December 2012 €'000
PROFIT/ (LOSS) FOR THE YEAR	**3,727**	**(13,021)**
Other comprehensive (loss)/ income:		
Revaluation of buildings	(306)	(4,108)
Deferred tax on revaluation of buildings	-	9,364
Exchange adjustments	(920)	7,516
Deferred tax on exchange adjustments	82	(553)
Other comprehensive (loss)/ income for the year (net of tax)	**(1,144)**	**12,219**
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	**2,583**	**(802)**
Total comprehensive income/ (loss) attributable to:		
Owners of the parent	2,583	(930)
Non-controlling interests	-	128
	2,583	**(802)**

The notes on pages 41 to 81 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	31 December 2013 €'000	31 December 2012 €'000	Notes
ASSETS			
Non-current assets			
Intangible assets	225	280	13
Land under operating lease - prepayments	11,743	12,059	14
Property, plant and equipment	80,072	85,547	15
Investment property	143,937	133,845	16
Other loans receivable	2,358	3,318	19
Deferred tax asset	4,366	4,231	26
	242,701	**239,280**	
Current assets			
Inventories	31,202	66,479	18
Trade and other receivables	4,077	4,185	19
Cash and cash equivalents	21,310	14,513	21
	56,589	**85,177**	
Assets held within disposal groups classified as held for sale	600	700	20
	57,189	**85,877**	
TOTAL ASSETS	**299,890**	**325,157**	
Current liabilities			
Trade and other payables	(17,075)	(30,628)	23
Bank loans	(30,509)	(132,497)	24
Derivative financial instruments	(28)	(420)	25
	(47,612)	**(163,545)**	
Liabilities directly associated with assets held within disposal groups classified as held for sale	-	-	20
	(47,612)	**(163,545)**	
Non-current liabilities			
Other payables	(10,501)	(6,826)	23
Bank loans	(158,715)	(73,451)	24
Derivative financial instruments	(119)	(1,364)	25
Deferred tax liabilities	(6,646)	(6,257)	26
	(175,981)	**(87,898)**	
TOTAL LIABILITIES	**(223,593)**	**(251,443)**	
NET ASSETS	**76,297**	**73,714**	

The notes on pages 41 to 81 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	31 December 2013 €'000	31 December 2012 €'000	Notes
EQUITY			
Share capital account	6,268	6,268	27
Revaluation reserve	14,711	15,017	29
Other distributable reserve	194,817	194,817	29
Translation reserve	(7,647)	(6,809)	29
Accumulated loss	(131,852)	(135,579)	
Issued capital and reserves attributable to owners of the parent	**76,297**	**73,714**	
Non-controlling interests	-	-	30
TOTAL EQUITY	**76,297**	**73,714**	
Basic net asset value per share	€ 1.6	€ 1.6	

The notes on pages 41 to 81 form part of these consolidated financial statements. The financial statements on pages 35 to 81 were approved by the Board of Directors on 20 March 2014 and signed on its behalf by:

Andrew Fox **Chairman**	**Mark Chasey** **Director**	**Guy Indig** **Director**

20 March 2014

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Share capital account €'000	Other reserves €'000	Accumulated loss €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
As at 1 January 2012	6,268	190,854	(120,289)	76,833	597	77,430
Loss for the period	-	-	(13,021)	(13,021)	-	(13,021)
Other comprehensive income for the year	-	12,219	(128)	12,091	128	12,219
Acquisition of non-controlling interests	-	-	(2,719)	(2,719)	(195)	(2,914)
Transfer to retained earnings	-	(48)	578	530	(530)	-
As at 31 December 2012	**6,268**	**203,025**	**(135,579)**	**73,714**	**-**	**73,714**
Profit for the period	-	-	3,727	3,727	-	3,727
Other comprehensive income for the year	-	(1,144)	-	(1,144)	-	(1,144)
As at 31 December 2013	**6,268**	**201,881**	**(131,852)**	**76,297**	**-**	**76,297**

The notes on pages 41 to 81 form part of these consolidated financial statements.

ATLAS ESTATES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2013

	Note	31 December 2013 €'000	31 December 2012 €'000
Cash inflow generated from operations	22	**26,765**	**14,662**
Tax (paid)/ received		(12)	4
Net cash from operating activities		**26,753**	**14,666**
Investing activities			
Interest received		161	201
Purchase of investment property		(1,097)	(574)
Purchase of property, plant and equipment		(1,076)	(609)
Proceeds from disposal of investment properties and property, plant and equipment		259	405
Proceeds from disposal of investment property classified as held for sale		-	700
Purchase of intangible assets		(58)	(36)
Net cash from investing activities		**(1,811)**	**87**
Financing activities			
Interest paid		(4,472)	(6,922)
New bank loans raised		13,940	14,258
Repayments of bank loans		(27,430)	(18,944)
Net cash used in financing activities		**(17,962)**	**(11,608)**
Net increase in cash and cash equivalents in the year		**6,980**	**3,145**
Effect of foreign exchange rates		(183)	438
Net increase in cash and cash equivalents in the year		**6,797**	**3,583**
Cash and cash equivalents at the beginning of the year		**14,513**	**10,930**
Cash and cash equivalent at the end of the year		**21,310**	**14,513**
Cash and cash equivalents			
Cash and cash equivalents	21	21,310	14,513
	21	**21,310**	**14,513**

The notes on pages 41 to 81 form part of these consolidated financial statements.

STATEMENT OF ACCOUNTING POLICIES

Year ended 31 December 2013

Basis of preparation

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

As described in the Chairman's Statement and in the Review of the Property Manager, the economic environment still continues to present a lot of challenges for the Group and its management. Despite this the Group has reported a profit for the year of €3.7 million (compared to loss of €13.0 million in 2012).

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 2013 the Group held land and building assets with a market value of €250.6 million, compared to external debt of €189.2 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 repossession by the bank in case of a default of loan terms would clear the outstanding debt and not result in additional financial liabilities for the Company or for the Group. There are also unencumbered assets which could potentially be leveraged to raise additional finance.

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2013, 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.

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

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

While there will always remain some inherent uncertainty within the aforementioned cash flow forecasts, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2013.

STATEMENT OF ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries up to 31 December 2013. Subsidiaries are those entities that are controlled by the Company. Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

Segmental reporting

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

Revenue recognition

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

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

Share based payments

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

Foreign currencies

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

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

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

On consolidation, the assets and liabilities of the Group's overseas operations (none of which has the currency of an hyperinflationary economy) are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated using the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

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

Leases

Where the Group is the lessee:

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

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

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

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

Where the land held under operating lease is part of an investment property, the operating lease contract for the land is treated as a finance lease in accordance with IAS 40. As a result, at the time the Group enters into the contract, the fair value of future payments under the lease contract is calculated and recognised as a liability. Following the initial recognition, in subsequent accounting periods, the total value of investment property (including the land element) is revalued to fair value and the difference is included in the income statement.

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

Where the Group is the lessor:

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

Borrowing costs

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

All other borrowing costs are recognised in the income statement in the year in which they are incurred.

Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. As at 31 December 2013 and 2012 no financial assets at fair value through profit or loss were held by the Group.

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

(c) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. As at 31 December 2013 and 2012, no available-for-sale financial assets were held by the Group.

Financial liabilities

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

(b) *Amortised cost*
Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs, and are then subsequently measured at amortised cost with interest being calculated using the effective interest rate method.

Fair value measurement hierarchy

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

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

Intangible assets

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

Property, plant and equipment

Land (except land under operating lease contracts) and buildings held for use in the supply of hotel services are stated in the balance sheet at their revalued amounts, being fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are performed on a semi-annual basis.

Any revaluation increase arising on such assets is credited to the revaluation reserve, except if it reverses a reduction in value for the same property that was previously recognised as an expense. In such an instance the revaluation increase is credited to the income statement to the extent that the previous reduction in value was charged. A decrease in the valuation of land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held on the property revaluation reserve relating to a previous increase in the revaluation of that asset.

Depreciation on revalued properties is charged to income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

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

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

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

Land is not depreciated.

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

Goodwill

Business combinations are accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the purchase price over the fair value of the assets and liabilities acquired is recognised as goodwill. Any

STATEMENT OF ACCOUNTING POLICIES

discount received is credited to the income statement in the period of acquisition. Goodwill is not amortised but is reviewed for impairment at each balance sheet date. The Group's policy on impairment is set out below.

Impairment

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

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

Assets held for sale

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

Investment property

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

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

Other loans receivable

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

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

Inventories

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

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 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.

STATEMENT OF ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted cash: bank deposits and customer deposits

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. As at 31 December 2013 and 2012, the Group had interest rate swap categorised as financial liability at fair value through profit or loss.

Bank borrowings

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

When the Group renegotiates the terms of its existing finance arrangements it assesses whether the revised terms represents a modification of the existing arrangement or, in substance, an extinguishment and replacement with a new facility. When the cash flows associated with the revised terms are substantially different from those under the original term the group treats the transaction as an extinguishment and replacement. In such circumstances the carrying value of the original finance is derecognised and replaced with a new liability, measured at fair value, based on future cash flows. Any transaction costs arising as a result of the renegotiation are added to the gain and loss of disposal of the debt instrument, which is recognised in the income statement. Where the cash flows are not substantially different, any difference in the present value of the revised cash flows, together with any fees arising on the renegotiation, are factored into a revised effective interest rate over the remaining term of the instrument. In this case any transaction costs relating to the original facility which are being carried in the Group's balance sheet will continue to be amortised over the life of the facility.

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 or sale of own shares does not lead to a gain or loss being recognised in the income statement.

Taxation

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

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

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

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

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

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

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

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

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

Dividends

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

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

Changes to accounting policies since the last period

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

- IAS 19 'Employee Benefits'.
- Amendment to IAS1 'Presentation of Items of Other Comprehensive Income'.
- Amendment to IAS12 'Deferred Tax: Recovery of Underlying Assets'.
- Amendment to IFRS 7 'Disclosures - Offsetting Financial Assets and Financial Liabilities'.
- Amendment to IFRS 1 'Government Loans'.
- Annual Improvements to IFRSs (2009-2011 Cycle) - Minor amendments to various accounting standards, effective for periods beginning on or after 1 January 2013 onwards.
- IFRS 13 'Fair Value Measurement'. IFRS 13 did not materially affect any fair value measurements of the Group's assets or liabilities, with changes being limited to presentation and disclosure, and

STATEMENT OF ACCOUNTING POLICIES

therefore has no effect on the Group's financial position or performance. In addition, IFRS 13 is to be applied prospectively and therefore comparative disclosures have not been presented.

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

- IFRS 10 'Consolidated Financial Statements'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).

- IFRS 11 'Joint Arrangements'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).

- IFRS 12 'Disclosure of Interests in Other Entities'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).

- Amendments to IFRS 10, IFRS 11 and IFRS 12 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance'. This amendment has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).

- IAS 27 'Separate Financial Statements'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).

- IAS 28 'Investments in Associates and Joint Ventures'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).

- Amendment to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.

- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities' (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.

- IFRS 9 'Financial Instruments' (effective date for accounting periods is to be confirmed). This amendment has not yet been endorsed for use in the EU.

- Amendment to IAS 36 'Recoverable amounts disclosures for non-financial assets' (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.

- Amendment to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU

- IFRIC 21 'Levies' (effective for accounting periods beginning on or after 1 January 2014). This amendment has not yet been endorsed for use in the EU

- Amendment to IAS 19 'Defined Benefit Plans: Employee Contributions' (effective for accounting periods beginning on or after 1 July 2014). This amendment has not yet been endorsed for use in the EU.

- Annual Improvements to IFRSs (2010-2012 Cycle) Minor amendments to various accounting standards, effective for periods beginning on or after 1 July 2014 onwards. These amendments have not yet been endorsed for use in the EU

- Annual Improvements to IFRSs (2011-2013 Cycle) Minor amendments to various accounting standards, effective for periods beginning on or after 1 July 2014 onwards. These amendments have not yet been endorsed for use in the EU

1. Financial risk management

1.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

The results for the year 2013 have been impacted by the effects of the depreciating currencies in the Central and Eastern European markets. For the Company's investments in Poland, Hungary and in Romania the PLN/EUR, HUF/EUR and RON/EUR rates have increased by 1%, 2% and by 1% from the 31 December 2012 to 31 December 2013. The movements in value of the functional currencies has resulted in foreign exchange losses of €3.0 million in the income statement (2012: gains of €10.2 million) and €0.9 million loss (2012: gain of €7.5 million) in other comprehensive income for the year ended 31 December 2013. Of that loss in the income statement, €2.0 million loss (2012: gain of €11.1 million) is unrealised. It has arisen on monetary assets and liabilities denominated in foreign currencies, for example bank loans, which are translated at the rates prevailing on the balance sheet date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The tables below summarise the Group's exposure to foreign currency risk at 31 December 2013.

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

2013	PLN €'000	HUF €'000	RON €'000	Total €'000
Trade and other receivables	331	-	-	331
Cash and cash equivalents	1,230	211	17	1,458
Other loans receivable	471	-	-	471
Total financial assets	**2,032**	**211**	**17**	**2,260**
Trade and other payables	(7,237)	(1)	(6)	(7,244)
Borrowings, including finance leases	(126,317)	(21,719)	(28,824)	(176,860)
Derivative financial instruments	(147)	-	-	(147)
Total financial liabilities	**(133,701)**	**(21,720)**	**(28,830)**	**(184,251)**
Net financial liabilities	**(131,669)**	**(21,509)**	**(28,813)**	**(181,991)**

2012	PLN €'000	HUF €'000	RON €'000	Total €'000
Trade and other receivables	271	-	-	271
Cash and cash equivalents	3,508	210	5	3,723
Other loans receivable	462	993	-	1,455
Total financial assets	**4,241**	**1,203**	**5**	**5,449**
Trade and other payables	(6,951)	(1,004)	-	(7,955)
Borrowings, including finance leases	(130,060)	(23,375)	(29,609)	(183,044)
Derivative financial instruments	-	(1,784)	-	(1,784)
Total financial liabilities	**(137,011)**	**(26,163)**	**(29,609)**	**(192,783)**
Net financial liabilities	**(132,770)**	**(24,960)**	**(29,604)**	**(187,334)**

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

If the euro weakened/ strengthened by 10% against the Polish Zloty with all other variables held constant, post-tax profit for the year would have been €13.8 million higher/ €12.3 million lower.

If the euro weakened/ strengthened by 10% against the Hungarian Forint with all other variables held constant, post-tax profit for the year would have been €3.1 million higher/ €2.7 million lower.

If the euro weakened/ strengthened by 10% against the Romanian Lei with all other variables held constant, post-tax profit for the year would have been €3.1 million higher/€2.5 million lower.

(ii) Price risk

The Group is exposed to property price and property rentals risk. The Group is not exposed to the market risk with respect to financial instruments as it does not hold any equity securities.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets denoted in currencies other than euro, its income and operating cash flows from such assets are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings (note 24). Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group's cash flow and fair value interest rate risk is periodically monitored by the Property Manager. The Property Manager analyses its interest rate exposure on a dynamic basis. It takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are considered including refinancing, renewal of existing positions, alternative financing and hedging. The scenarios are reviewed on a periodic basis to verify that the maximum loss potential is within the limit given by management. During the years ended 31 December 2013 and 2012, the Group had one interest rate swap agreement to mitigate the cash flow and interest rate risk related to some of its borrowings.

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

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

An increase/ decrease in 100 basis points in interest yields would result in a decrease/ increase in the post-tax loss for the year of €1.7 million (2012: decrease/ increase in the post-tax loss for the year of €1.8 million).

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

(b) Credit risk

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

The maximum credit risk exposure in relation to financial assets, being cash and cash equivalents and trade and other receivables is the carrying value of those assets for the year, namely €25.6 million (2012: €18.7 million).

Cash is held with the following banks which have the following rating as at 31 December 2013 and 2012:

Bank	**Rating**	**2013**	**Bank**	**Rating**	**2012**
Bank Pekao S.A.	A-	9,107	Bank Pekao S.A.	A-	9,799
ABN Amro	A+	309	ABN Amro	A+	308
ING Bank N.V.	A+	666	ING Bank N.V.	A+	401
Raiffeisen Bank	A	1,843	Raiffeisen Bank	A	600
Bank Zachodni WBK	BBB	8,100	Bank Zachodni WBK	BBB	2,544
Other		1,285	Other		861
		21,310			**14,513**

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

(c) Liquidity risk

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

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

	31 December 2013 €'000	**31 December 2012 €'000**
Financial assets – non- current		
Other loans receivable	2,358	3,318
	2,358	**3,318**
Financial assets – current		
Trade receivables – maturity within one year	3,152	3,290
Cash and cash equivalents – maturity within one year	21,310	14,513
	24,462	**18,698**
Financial liabilities – non-current borrowings		
Between 1 and 2 years	(149,183)	(11,007)
Between 2 and 5 years	(11,782)	(64,270)
Over 5 years	(4,216)	(9,055)
	(165,181)	**(84,332)**
Financial liabilities – current		
Borrowings	(34,566)	(137,878)
Trade and other payables – maturity within one year	(17,075)	(30,628)
	(51,641)	**(168,506)**

Included in trade and other payables are deposits received from customers from the pre-sale of apartments in development. These amount to €6.4 million (2012: €14.0 million) and will be released to the income statement upon completion of the development.

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

1.2 Capital risk management

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

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

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

The Group's longer term strategy is to maintain a gearing ratio below 75%. The gearing ratio as at 31 December 2013 was as follows:

	31 December 2013 €'000	31 December 2012 €'000
Total bank borrowings	(189,224)	(205,948)
Less: cash and cash equivalents	21,310	14,513
Net debt	**(167,914)**	**(191,435)**
Total equity attributable to owners of the parent	(76,297)	(73,714)
Total capital	**(244,211)**	**(265,149)**
Gearing ratio	**69%**	**72%**

Included in cash and cash equivalents is €8.2 million (2012: €12.7 million) restricted cash relating to restricted proceeds, security, customer deposits and loan financing.

2. Critical accounting estimates and judgements

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

2.1 Critical accounting estimates and assumptions

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

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

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

To enable this review, management have appointed an appropriately qualified engineer to monitor and control the costs of construction. The costs that have been incurred and are projected to be incurred are benchmarked against those available in the market to ensure that best value is received. A strict tendering process is adhered to when procuring construction services and the costs are controlled locally on a monthly basis. Jones Lang LaSalle undertakes an independent assessment of the net realisable value of its developments (on annual basis – the whole portfolio; on semi-annual basis – the selected assets).

(c) Income taxes
The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.2 Critical judgments in applying the Group's accounting policies

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

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

3. Segmental information

3.1 Operating segments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The segment information provided to the property manager's executive management for the reportable segments for the year ended 31 December 2013 is as follows:

Year ended 31 December 2013	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Revenues	12,671	37,133	18,449	8	68,261
Cost of operations	(6,016)	(27,968)	(11,641)	-	(45,625)
Gross profit	**6,655**	**9,165**	**6,808**	**8**	**22,636**
Administrative expenses	(1,163)	(425)	(3,125)	(5,481)	(10,194)
Gross profit/ (loss) less administrative expenses	**5,492**	**8,740**	**3,683**	**(5,473)**	**12,442**
Other operating income	705	390	118	687	1,900
Other operating expenses	(191)	(183)	(501)	(2,190)	(3,065)
Decrease in value of investment properties	(892)	-	-	-	(892)
Profit/ (Loss) from operations	**5,114**	**8,947**	**3,300**	**(6,976)**	**10,385**
Finance income	442	125	43	2,430	3,040
Finance cost	(4,354)	(432)	(1,347)	16	(6,117)
Finance costs - other gains – foreign exchange	(1,459)	(540)	(845)	(133)	(2,977)
Segment result before tax	**(257)**	**8,100**	**1,151**	**(4,663)**	**4,331**
Tax (expense)/ credit	(622)	(41)	83	(24)	(604)
Profit for the period as reported in the income statement					**3,727**
Attributable to non-controlling interests					-
Net profit attributable to owners of the parent					**3,727**

Year ended 31 December 2013	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Reportable segment assets	153,863	49,374	93,774	-	297,011
Unallocated assets	-	-	-	2,879	2,879
Total assets	**153,863**	**49,374**	**93,774**	**2,879**	**299,890**
Reportable segment liabilities	(140,979)	(15,591)	(62,255)	-	(218,825)
Unallocated liabilities	-	-	-	(4,768)	(4,768)
Total liabilities	**(140,979)**	**(15,591)**	**(62,255)**	**(4,768)**	**(223,593)**

Year ended 31 December 2013	Property rental €'000	Residential sales €'000	Hotel operations €'000	Other €'000	Total €'000
Other segment items					
Capital expenditure	1,121	243	863	4	2,231
Depreciation	53	220	2,532	14	2,819
Amortisation	2	2	49	55	108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012	**Property rental €'000**	**Residential sales €'000**	**Hotel operations €'000**	**Other €'000**	**Total €'000**
Revenues	13,882	9,018	20,259	-	43,159
Cost of operations	(6,383)	(8,881)	(12,817)	-	(28,081)
Gross profit	**7,499**	**137**	**7,442**	**-**	**15,078**
Administrative expenses	(1,088)	(533)	(3,208)	(2,939)	(7,768)
Gross profit/ (loss) less administrative expenses	**6,411**	**(396)**	**4,234**	**(2,939)**	**7,310**
Other operating income	534	254	163	37	988
Other operating expenses	(253)	(642)	(837)	6	(1,726)
Decrease in value of investment properties	(19,537)	-	-	-	(19,537)
(Loss) / profit from operations	**(12,845)**	**(784)**	**3,560**	**(2,896)**	**(12,965)**
Finance income	122	112	41	55	330
Finance cost	(4,717)	(1,106)	(1,770)	(16)	(7,609)
Finance costs - other gains – foreign exchange	5,896	23	4,177	95	10,191
Segment result before tax	**(11,544)**	**(1,755)**	**6,008**	**(2,762)**	**(10,053)**
Tax credit/ (expense)	246	(181)	(3,029)	(4)	(2,968)
Loss for the period as reported in the income statement					**(13,021)**
Attributable to non-controlling interests					(128)
Net loss attributable to owners of the parent					**(13,149)**

Year ended 31 December 2012	**Property rental €'000**	**Residential sales €'000**	**Hotel operations €'000**	**Other €'000**	**Total €'000**
Reportable segment assets	144,285	76,294	100,266	-	320,845
Unallocated assets	-	-	-	4,312	4,312
Total assets	**144,285**	**76,294**	**100,266**	**4,312**	**325,157**
Reportable segment liabilities	(127,618)	(53,946)	(64,609)	-	(246,173)
Unallocated liabilities	-	-	-	(5,270)	(5,270)
Total liabilities	**(127,618)**	**(53,946)**	**(64,609)**	**(5,270)**	**(251,443)**

Year ended 31 December 2012	**Property rental €'000**	**Residential sales €'000**	**Hotel operations €'000**	**Other €'000**	**Total €'000**
Other segment items					
Capital expenditure	729	142	312	36	1,219
Depreciation	52	159	2,632	11	2,854
Amortisation	2	2	49	19	72

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

There are immaterial sales between the business segments.

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

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

Unallocated liabilities include accrued costs and deferred taxation liabilities within the Company and selected sub-holding companies as at the balance sheet date.

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

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

Year ended 31 December 2013	**Revenue €'000**	**Non-current assets €'000**	**Capital expenditure €'000**	**Depreciation €'000**	**Amortisation €'000**
Poland	63,261	185,154	2,028	2,640	107
Hungary	3,420	28,808	139	46	1
Bulgaria	412	2,756	-	1	-
Romania	1,168	24,695	64	132	-
Unallocated	-	1,888	-	-	-
Total	**68,261**	**243,301**	**2,231**	**2,819**	**108**

Year ended 31 December 2012	**Revenue €'000**	**Non-current assets €'000**	**Capital expenditure €'000**	**Depreciation €'000**	**Amortisation €'000**
Poland	37,937	190,553	801	2,673	72
Hungary	3,591	29,512	406	39	-
Bulgaria	403	2,746	-	8	-
Romania	1,228	13,727	12	134	-
Unallocated	-	3,442	-	-	-
Total	**43,159**	**239,980**	**1,219**	**2,854**	**72**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Analysis of expenditure

4.1 Cost of operations

	31 December 2013 €'000	31 December 2012 €'000
Costs of sale of residential property	(26,114)	(7,810)
Utilities, services rendered and other costs	(10,914)	(11,094)
Legal and professional expenses	(1,516)	(1,712)
Staff costs	(4,821)	(5,417)
Sales and direct advertising costs	(1,408)	(1,625)
Depreciation and amortisation	(973)	(894)
Reversal of impairment on inventory	121	471
Cost of operations	**(45,625)**	**(28,081)**

4.2 Administrative expenses

	31 December 2013 €'000	31 December 2012 €'000
Audit and tax services:		
Fees payable to the Group's auditor for the audit of the Company and its consolidated financial statements	(100)	(206)
Fees payable to the Group's auditor for the other services:		
- Audit of subsidiaries of the Company pursuant to legislation	(51)	(42)
- Non audit services – interim reviews	(34)	(44)
- Non audit services – taxation services	-	(21)
- Other compliance services	-	(16)
Other professional services	(189)	(251)
Incentive and management fee	(4,436)	(1,941)
Legal and other professional fees	(786)	(876)
Utilities, services rendered and other costs	(1,207)	(1,255)
Staff costs	(1,071)	(1,065)
Depreciation and amortisation	(1,954)	(2,032)
Other administrative expenses	(366)	(19)
Administrative expenses	**(10,194)**	**(7,768)**

4.3 Employee benefit expenses

	31 December 2013 €'000	31 December 2012 €'000
Wages and salaries	(5,643)	(6,253)
Social security costs	(775)	(714)
Employee benefit expenses	**(6,418)**	**(6,967)**
Average number of employees	**312**	**318**

5. Other operating income

	31 December 2013 €'000	31 December 2012 €'000
Profit on disposal of non-current assets	58	-
Income from insurance	54	98
Income from penalty charges on cancelled contracts	25	160
Income from tax refund	588	324
Write back of other payables	617	-
Other	558	406
Other operating income	**1,900**	**988**

6. Other operating expenses

	31 December 2013 €'000	31 December 2012 €'000
Penalty charges, interest and fees	(120)	(216)
Loss on disposal of non-current assets	-	(207)
Land bank impairment	(26)	(580)
Impairment on property, plant and equipment	(2,158)	(614)
Other	(761)	(109)
Other operating expenses	**(3,065)**	**(1,726)**

7. Finance income and finance costs – net

	31 December 2013 €'000	31 December 2012 €'000
Interest payable on bank borrowings	(5,528)	(7,176)
Interest payable on other loans	(36)	(33)
Loss on interest rate derivative	(158)	-
Other similar charges	(395)	(400)
Finance costs	**(6,117)**	**(7,609)**
Bank loan write off	2,376	-
Other	664	330
Finance income – interest income	**3,040**	**330**
Finance costs, excluding foreign exchange – net	**(3,077)**	**(7,279)**
Unrealised foreign exchange gains	723	12,920
Unrealised foreign exchange losses	(2,744)	(1,797)
Realised foreign exchange gains	335	506
Realised foreign exchange losses	(1,291)	(1,438)
Other gains and (losses) – foreign exchange	**(2,977)**	**10,191**
Finance (costs)/ income, including foreign exchange – net	**(6,054)**	**2,912**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Tax expense

Continuing operations	**31 December 2013 €'000**	**31 December 2012 €'000**
Current tax on profits for the year	(41)	-
Adjustment in respect of prior periods	-	-
Total current tax	(41)	-
Deferred tax	(563)	(2,968)
Tax expense for the year	**(604)**	**(2,968)**

Deferred tax expense is an effect of release of deferred tax asset that is no longer expected to be realized mainly following the tax restructuring of the Group in Poland.

Tax on items charged to equity

	31 December 2013 €'000	**31 December 2012 €'000**
Deferred tax on revaluations surplus	-	9,364
Deferred tax on exchange movements offset in reserves	82	(553)
	82	**8,811**

Deferred tax on revaluations surplus mainly represent decrease of deferred tax liability following the tax restructuring of the Group in Poland.

Taxation has been calculated by applying the standard corporate tax rates ruling in each operating territory. The difference between the total current tax shown above and the amount calculated by applying the standard rates of corporation tax to the profit before tax is as follows:

	31 December 2013 €'000	**31 December 2012 €'000**
Profit/ (Loss) before tax	**4,331**	**(10,053)**
Tax on profit/ (loss) at average country rate 15.6% (2012: 22.8%)	**(674)**	**2,297**
Factors affecting charge:		
Permanent differences	403	(972)
Utilisation of brought forward tax losses not recognized for deferred tax	153	43
Losses for which deferred tax is not recognized in current year	(435)	(696)
Adjustments in respect of prior years	-	5
Write down of a deferred tax asset	(51)	(493)
Group restructuring	-	(3,152)
Tax credit for year	**(604)**	**(2,968)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

There is an unrecognised gross deferred tax asset in relation to losses of €3.5 million (2012: €3.3 million). Expiration date of unrecognised tax losses (amounts presented at relevant tax rates) is as follows:

	31 December 2013 €'000	31 December 2012 €'000
2013	-	1,024
2014	882	609
2015	391	405
2016	609	370
2017	297	280
2018	410	173
2019	208	125
2020	49	-
indefinitely	608	345
	3,454	**3,331**

9. Dividends

There were no dividends declared or paid in the years ended 31 December 2013 and 31 December 2012.

10. Earnings/ (Loss) per share

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

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

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

Year ended 31 December 2013 Continuing operations	**Profit €'000**	**Weighted average number of shares**	**Per share amount Eurocents**
Basic EPS			
Profit attributable to equity shareholders of the Company	3,727	46,852,014	8.0
Diluted EPS			
Adjusted profit	**3,727**	**46,852,014**	**8.0**

Year ended 31 December 2012 Continuing operations	**(Loss) €'000**	**Weighted average number of shares**	**Per share amount Eurocents**
Basic (LPS)			
Loss attributable to equity shareholders of the Company	(13,149)	46,852,014	(28.1)
Effect of dilutive securities			
Share warrants	**-**	**-**	-
Diluted (LPS)			
Adjusted loss	**(13,149)**	**46,852,014**	**(28.1)**

11. Goodwill

	31 December 2013 €'000	31 December 2012 €'000
Cost		
At beginning of year	1,550	1,550
At end of year	**1,550**	**1,550**
Aggregate impairment		
At beginning of year	(1,550)	(1,550)
At end of year	**(1,550)**	**(1,550)**
Net book amount at end of year	**-**	**-**

The underlying assets and liabilities of the Group relate to its property assets and development projects. Such assets and liabilities were independently valued as at their acquisition date.

12. Joint ventures

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

	31 December 2013 €'000	31 December 2012 €'000
Non-current assets	342	240
Current assets	6,857	13,305
Current liabilities	(4,212)	(3,313)
Non-current liabilities	(2,351)	(7,081)
Net assets	**636**	**3,151**
Income	3,568	-
Expenses	(3,609)	(591)
Loss after tax	**(41)**	**(591)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Intangible assets

	Computer software €'000
Cost	
At 1 January 2012	649
Additions	36
Exchange adjustments	52
At 31 December 2012	**737**
Additions	58
Exchange adjustments	11
At 31 December 2013	**806**
Accumulated amortisation	
At 1 January 2012	(354)
Charge for the year	(72)
Exchange adjustments	(31)
At 31 December 2012	**(457)**
Charge for the year	(108)
Exchange adjustments	(16)
At 31 December 2013	**(581)**
Net book value at 31 December 2013	**225**
Net book value at 31 December 2012	280

14. Land under operating lease - prepayments

Land under operating lease - prepayments which arose under business combinations during 2006.

	Land under operating lease €'000
Cost	
At 1 January 2012	12,244
Additions	-
Exchange adjustments	984
At 31 December 2012	**13,228**
Additions	-
Exchange adjustments	(188)
At 31 December 2013	**13,040**
Accumulated amortisation	
At 1 January 2012	(948)
Charge for the year	(142)
Exchange adjustments	(79)
At 31 December 2012	**(1,169)**
Charge for the year	(142)
Exchange adjustments	14
At 31 December 2013	**(1,297)**
Net book value at 31 December 2013	**11,743**
Net book value at 31 December 2012	12,059

15. Property, plant and equipment

	Buildings	Plant and equipment	Motor vehicles	Total
	€'000	€'000	€'000	€'000
Cost or valuation				
At 1 January 2012	80,635	10,115	96	90,846
Additions at cost	24	567	18	609
Exchange adjustments	5,603	744	6	6,353
Disposals	-	(110)	(25)	(135)
Revaluation	(4,722)	-	-	(4,722)
At 31 December 2012	**81,540**	**11,316**	**95**	**92,951**
Additions at cost	439	637	-	1,076
Exchange adjustments	(1,252)	(153)	-	(1,405)
Disposals	(211)	(170)	-	(381)
Revaluation	(1,984)	(480)	-	(2,464)
At 31 December 2013	**78,532**	**11,150**	**95**	**89,777**
Accumulated depreciation				
At 1 January 2012	(674)	(3,727)	(62)	(4,463)
Charge for the year	(1,948)	(752)	(12)	(2,712)
Adjustment due to revaluation	-	-	-	-
Exchange adjustments	-	(282)	(4)	(286)
Disposals	-	42	15	57
At 31 December 2012	**(2,622)**	**(4,719)**	**(63)**	**(7,404)**
Charge for the year	(1,902)	(765)	(8)	(2,675)
Adjustment due to revaluation	-	-	-	-
Exchange adjustments	138	56	-	194
Disposals	65	115	-	180
At 31 December 2013	**(4,321)**	**(5,313)**	**(71)**	**(9,705)**
Net book value at 31 December 2013	**74,211**	**5,837**	**24**	**80,072**
Net book value at 31 December 2012	78,918	6,597	32	85,547

Hotels Hilton in Warsaw and Golden Tulip in Bucharest the constitute majority of the total property, plant and equipment balance as of 31 December 2013 and 2012. Hotels were valued as at 31 December 2013 (and 31 December 2012) by qualified professional valuers working for the company of Jones Lang LaSalle Sp. z o.o., Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors ("RICS"). All properties were valued on the basis of Market Value and the valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The results of valuation:
- revaluation adjustments, net of applicable deferred taxes, have been taken to the revaluation reserve in shareholders' equity (note 29),
- impairment adjustments have been taken to other operating expenses (note 6).

The fair value of hotels is level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	31 December 2013
	€'000
Opening balance (level 3 recurring fair values)	82,940
Additions at cost	718
Disposals	(53)
Loss included in other comprehensive income	(306)
Loss included in other operating expenses	(463)
Depreciation charge for the year	(2,439)
Exchange adjustments	(1,197)
Closing balance (level 3 recurring fair values)	79,200

The valuation techniques and significant unobservable inputs used in determining the fair value measurement as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below:

Valuation Techniques used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
Income approach The valuation has been undertaken using DCF valuation methodology.	Exit Capitalisation Rate (9.25% - 7.25% - 6.75%) Discount Rate (12.25% - 10.25% - 7.25%)	The higher the exit capitalisation and discounts rates the lower the fair value.

Fair value measurements are based on highest and best use, which does not differ from their actual use.

The Group has pledged property, plant and equipment of €79.2 million (31 December 2012: €82.9 million) to secure certain banking facilities granted to subsidiaries. Borrowings for the value of €58.6 million (31 December 2012: €60.6 million) are secured on these properties (note 24).

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

	31 December 2013 €'000	31 December 2012 €'000
Cost	81,530	82,554
Accumulated depreciation	(12,039)	(10,337)
At 31 December	**69,491**	**72,217**

16. Investment property

	31 December 2013 €'000	31 December 2012 €'000
At beginning of the year	134,545	144,836
Disposals	-	(1,234)
Transfers from other asset categories	11,800	-
Capitalised subsequent expenditure	1,097	574
Exchange movements	(2,011)	9,908
PV of annual perpetual usufruct fees	(2)	(2)
Fair value losses	(892)	(19,537)
At the end of the year	**144,537**	**134,545**
Less assets classified as held for sale (note 20)	(600)	(700)
	143,937	**133,845**

The fair value of the Group's investment properties at 31 December 2013 has been arrived at on the basis of a valuation carried out at that date:
- for the properties located in Poland and Romania by Jones Lang LaSalle Sp. z o.o. external independent qualified valuer with recent experience valuing the properties in the location held by the Group;
- for the properties located in Hungary by FHB Ingatlan Zrt external independent qualified valuer with recent experience valuing the properties in the location held by the Group.

All properties were valued on the basis of Market Value and the valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The fair value of the investment property has not been adjusted for the purposes of financial reporting.

The fair value of investment property is categorised as a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	31 December 2013 €'000
Opening balance (level 3 recurring fair values)	134,545
Purchases	1,097
Reclassifications	11,800
Disposals- other	(2)
Unrealized change in fair value	(892)
Unrealized foreign exchange movements	(2,011)
Closing balance (level 3 recurring fair values)	**144,537**

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of investment property, as well as the inter-relationship between key unobservable inputs and fair value, is detailed in the table below.

Valuation Techniques used	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value**
Income approach Fair value is determined by applying the income approach based on the estimated rental value of the property.	Discount Rate (8% - 9.75%) Exit Yield (7.75% - 10%) Letting voids on vacant spaces (3-9 months) Office rent - individually estimated per each property/type of leasable unit (€5/m^2 - €45/m^2)	The higher the exit yield and discounts rates the lower the fair value. The higher the office rent the higher the fair value.
Comparable approach The valuation technique that uses prices and other relevant information generated by market transactions involving comparable (i.e. similar) assets, adjusted for several factors to ensure comparability of the transactions.	The following adjusting factors were adopted: ✓ Location (5% - 25%) ✓ Size (5% - 25%) ✓ Development situation (10% - 35%) ✓ Date of transaction (15% - 20%)	The higher/ the lower the adjusting factor the higher/ the lower the fair value.

There were no changes to the valuation techniques of level 3 fair value measurements in the period except for five investment properties in case of which the valuation technique was changed from income to comparable approach to appropriately estimate the fair value as of 31 December 2013.

The fair value measurement is based on the above items highest and best use, which does not significantly differ from their actual use.

The Group has pledged investment property of €136.0 million (2012: €128.6 million) to secure certain banking facilities granted to subsidiaries.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €12.7 million (2012: €13.9 million). Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to €6.0 million (2012: €6.4 million). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to €1.1 million (2012: €1.1 million).

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

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

The future aggregate minimum lease receipts under non-cancellable operating leases as at 31 December 2013 are as follows:

	31 December 2013 €'000	**31 December 2012 €'000**
No later than one year	8,865	8,517
Later than one year and no later than 5 years	15,572	14,985
Later than 5 years	2,503	1,604
Total	**26,940**	**25,106**

18. Inventories

	31 December 2013 €'000	31 December 2012 €'000
Land held for development	3,730	32,799
Construction expenditures	11,658	25,268
Completed properties	14,565	7,167
Hotel inventory	1,249	1,245
As at 31 December	**31,202**	**66,479**

€26.1 million (2012: €7.8 million) of inventories were released to cost of operations in the income statement during the year. In 2013 €0.1 million was recognised in the income statement in relation to reversal of impairment on inventories. In 2012 €0.1million was recognised in the income statement in relation to impairment on inventories. The stock which is held at fair value less cost to sell amounts to €5.4 million as of 31 December 2013 (2012: €29.0 million).

Bank borrowings are secured on inventory for the value of €19.8 million (2012: €55.6 million) (note 24).

For the year ended 31 December 2013 borrowing costs of €0.3 million (31 December 2012: €0.4 million) that are directly attributable to the construction of qualifying assets are capitalised as part of the cost of inventory until they are substantially ready for use or sale.

As of 31 December 2013 the inventory of €11.8 million was reclassified to investment property category as the Directors intention is rather to sell this asset than develop it in the future.

19. Trade and other receivables

	31 December 2013 €'000	31 December 2012 €'000
Amounts falling due within one year:		
Trade receivables	3,303	2,906
Less: provision for impairment of receivables	(1,677)	(1,390)
Trade receivables – net	**1,626**	**1,516**
Other receivables	1,526	1,774
Prepayments and accrued income	925	895
At 31 December	**4,077**	**4,185**
Non-current – other loans receivable:		
Loans with joint ventures (note 32 e)	2,358	3,318
As at 31 December	**2,358**	**3,318**

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

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

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

As at 31 December 2013, current trade receivables of €1.7 million (2012: €1.4 million) were impaired. Bad debts of €nil million as at 31 December 2013 (2012: €0.1 million) were written off. The ageing of the impaired receivables is as follows:

	31 December 2013 €'000	31 December 2012 €'000
0 to 3 months	-	-
3 to 6 months	-	-
Over 6 months	(1,677)	(1,390)
At 31 December	**(1,677)**	**(1,390)**

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As of 31 December 2013, current trade receivables of €0.5 million (2012: €0.6 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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

	31 December 2013 €'000	31 December 2012 €'000
Euro	253	142
Polish Zloty	2,570	2,712
Hungarian Forint	886	863
Romanian Lei	321	379
Other currencies	47	89
At 31 December	**4,077**	**4,185**

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

	31 December 2013 €'000	31 December 2012 €'000
At beginning of year	(1,390)	(1,510)
Provision for impairment of trade receivables	(355)	(53)
Trade receivables written off during the year as uncollectible	2	120
Reversal of unused provision	43	108
Exchange adjustments	23	(55)
At end of year	**(1,677)**	**(1,390)**

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

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

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

In March 2011 Atlas management started to actively market for sale Moszkva office building located in Budapest, Hungary. In September 2012 the Company entered into conditional agreement to sell half of the building for the total price of €700 thousand. This transaction was completed in December 2012.

The major classes of assets and liabilities held for sale were as follows:

	31 December 2013 €'000	31 December 2012 €'000
Assets:		
Investment property	600	700
Assets held within disposal groups classified as held for sale	**600**	**700**

	31 December 2013 €'000	31 December 2012 €'000
At beginning of the year	700	1,900
Disposals	-	(700)
Exchange movements	(14)	133
Fair value losses	(86)	(633)
At the end of the year	**600**	**700**

21. Cash and cash equivalents

	31 December 2013 €'000	31 December 2012 €'000
Cash and cash equivalents		
Cash and cash equivalents	10,104	13,348
Short term bank deposits	11,206	1,165
At 31 December	**21,310**	**14,513**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 31 December 2013, the Group had available undrawn committed borrowing facilities. Refer to Note 24 for further details.

Included in cash and cash equivalents is €8.2 million (2012: €12.7 million) restricted cash relating to restricted proceeds, security, customer deposits and loan financing.

22. Cash generated from operations

	31 December 2013 €'000	31 December 2012 €'000
Profit/ (Loss) for the year	**3,727**	**(13,021)**
Adjustments for:		
Effects of foreign currency	2,640	(11,166)
Finance costs	5,634	7,305
Finance income	(216)	(310)
Tax expense	604	2,968
Provision for receivables	310	(120)
Depreciation of property, plant and equipment	2,675	2,712
Amortisation charges	250	214
Loss on disposal of property, plant and equipment	(58)	-
Loss on disposal of investment properties	-	207
Decrease in the value of investment property	892	19,537
(Reversal of impairment)/ impairment on inventory	(147)	109
Property, plant and equipment write off	2,158	614
Bank loan write off	(2,376)	-
	16,093	**9,049**
Changes in working capital		
Decrease/(Increase) in inventory	20,125	(10,484)
(Increase)/ Decrease in trade and other receivables	(218)	240
(Decrease)/ Increase in trade and other payables	(8,836)	12,630
Effects of foreign currency on working capital translation	(399)	3,227
	10,672	**5,613**
Cash inflow from operations	**26,765**	**14,662**

23. Trade and other payables

	31 December 2013 €'000	31 December 2012 €'000
Current		
Trade payables	(3,610)	(6,166)
Other tax and social security	(1,541)	(1,243)
Other creditors	(3,265)	(2,720)
Amounts payable to non-controlling shareholders (note 32)	(1,636)	(2,914)
Accruals and deferred income	(7,023)	(17,585)
At 31 December	**(17,075)**	**(30,628)**
Non-current – other payables		
Loans from non-controlling investors (note 32)	(2,351)	(3,314)
Other non-current trade and other payables	(8,150)	(3,512)
At 31 December	**(10,501)**	**(6,826)**
Total trade and other payables	**(27,576)**	**(37,454)**

The loan from non-controlling investor was unsecured and bore interest between 1.99% and 2.03% (2012: 2.02% and 3.16%) per annum. The book value of the loans is considered to be approximately equal to their fair value. They are repayable within one to two years.

24. Bank loans

	31 December 2013 €'000	31 December 2012 €'000
Current		
Bank loans and overdrafts due within one year or on demand		
Secured	**(30,509)**	**(132,497)**
Non-current		
Repayable within two years		
Secured	(145,719)	(6,592)
Repayable within three to five years		
Secured	(9,147)	(58,285)
Repayable after five years		
Secured	(3,849)	(8,574)
	(158,715)	**(73,451)**
Total	**(189,224)**	**(205,948)**

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

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

Loan currency	Basis of interest	Loan balance in loan currency €'000	Loan balance in EUR €'000	Maturity date	Collateral
Euro	3mth EURIBOR	55,789	55,789	September 2015	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
Euro	3mth EURIBOR	61,246	61,246	December 2016	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances and / or shares, security assignment; loan cross-collateralised
Euro	1mth EURIBOR	5,396	5,396	May 2021	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
PLN	1mth WIBOR	44,151	10,646	May 2013	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
PLN	1mth WIBOR	4,190	1,011	March 2014	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
PLN	1mth WIBOR	3,491	842	May 2016	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances and shares
Euro	3mth EURIBOR	4,267	4,267	June 2018	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances, shares and insurance rights
Euro	3mth EURIBOR	15,679	15,679	March 2017	Mortgage over the asset together with assignment or pledge of the associated receivables and shares
Euro	3mth EURIBOR	3,925	3,925	December 2021	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances and / or shares, security assignment; loan cross-collateralised
Euro	3mth EURIBOR	2,114	2,114	December 2017	Mortgage over the asset together with assignment or pledge of the associated receivables and shares
Euro	3mth EURIBOR	12,265	12,265	December 2015	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances and / or shares, security assignment; loan cross-collateralised
Euro	3mth EURIBOR	13,486	13,486	December 2015	Mortgage over the asset together with assignment or pledge of the associated receivables, bank balances and / or shares, security assignment; loan cross-collateralised
Euro	3mth LIBOR	3,072	3,072	August 2016	Mortgage over the asset together with assignment or pledge of the associated bank balances and insurance rights
Total			**189,738**		

The Total Amount Due in the table above differs from the total bank loans and overdrafts included in the consolidated balance sheet as at 31 December 2013 due to the treatment under IFRS of direct issue costs.

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

		Euro	Zloty
Bank loans	**2013**	**1.22% - 5.48%**	**5.35% - 13.50%**
Bank loans	2012	1.61% - 6.19%	7.22% - 7.79%

Bank loans are denominated in a number of currencies and bear interest based on a variety of interest rates. An analysis of the Group's borrowings by currency:

	Euro €'000	Zloty €'000	Total €'000
Bank loans and overdrafts – 31 December 2013	**176,862**	**12,362**	**189,224**
Bank loans and overdrafts – 31 December 2012	188,091	17,857	205,948

The Group has the following undrawn borrowing facilities:

Floating rate:	Euro 31 December 2013 €'000	Euro 31 December 2012 €'000
Expiring beyond one year	9,501	29,415

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

	31 December 2013 €'000	31 December 2012 €'000
Trade receivables	4,505	13,174
Cash and cash equivalents	1,367	3,470
Total carrying amount of financial assets for which collateral was established to guarantee repayment of bank liabilities	**5,872**	**16,644**

New loans

On 2 September 2013 the Group obtained financing for *Galeria Platinum Towers* project located in Warsaw. The loan facility amounted to €4.3 million and is to be repaid by 30 June 2018. This facility was used as refinancing of the facility extended to *Platinum Towers* project.

Repaid loans

On 31 July 2013 and 4 December 2013 the Group fully repaid the loan facilities extended to the development projects: *Apartamenty przy Krasińskiego* and *Platinum Towers*.

On 11 February 2014 the loan facility extended to *Concept House* residential development was repaid.

Update on current status

The Group has 4 facilities that have been cross collateralised since February 2010:

1. €61.2 million (31 December 2012: €61.4 million) facility secured on the Millennium Plaza Building in Warsaw, Poland with a maturity date on 31 December 2016;
2. €3.9 million (31 December 2012: €3.9 million) facility secured on the Ligetvaros Centre in Budapest, Hungary with a maturity date on 31 December 2021;
3. €12.3 million (31 December 2012: €12.9 million) facility secured on the Voluntari land plot in Bucharest, Romania with a maturity date on 31 December 2012;
4. €13.5 million (31 December 2012: €13.5 million) facility secured on the Solaris land in Bucharest, Romania with a maturity date on 31 December 2012.

Since Romanian facilities (Voluntari and Solaris) were not paid as of 31 December 2012 all above facilities totalling €91.7million were presented as bank loans and overdrafts due within one year or on demand.

On 15 October 2013 the Company signed the amendment to the existing bank loan agreements extending repayment date of Romanian facilities to 31 December 2015. Since 15 October 2013 all above mentioned facilities totalling €90.9 million are not in default and are classified as non-current liabilities in the consolidated statement of financial position as of 31 December 2013.

Other loans

In the preparation of the consolidated financial statements for the year ended 31 December 2013, the directors have classified:
- loan facility totalling €15.7 million as bank loans and overdrafts due within one year or on demand, since covenant breaches or defaults arose on this loan. The Company is in dialogue with the bank and is discussing restructuring of this loan;
- loan facility totalling €10.6 million as bank loans and overdrafts due within one year or on demand since this facility is overdue. On 4 March 2014 the Company signed the compromise agreement with the bank, based on which the Company is obliged to repay PLN5 million and the bank is obliged not to execute any collaterals resulting from the loan facility agreement till 31 March 2014. The intention of the Company's management is to continue negotiations with the bank relating to further extension of the loan facility agreement.

25. Derivative financial liabilities

	31 December 2013 €'000	**31 December 2012 €'000**
Derivatives not designated as hedging instruments:		
- Interest rate swap	(147)	(1,784)
Total financial instruments classified as held for trading	(147)	(1,784)
Less non-current portion:		
- Interest rate swap	119	1,364
Current portion	**(28)**	**(420)**

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cash flows. The fair value of the Group's interest rate derivatives is based on broker quotes.

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

	31 December 2013 €'000	**31 December 2012 €'000**
Up to 3 months	(7)	(105)
3 to 6 months	(7)	(105)
6 to 12 months	(14)	(210)
Later than one year and not later than 5 years	(102)	(1,364)
Later than 5 years	(17)	-
Total financial instruments classified as held for trading	**(147)**	**(1,784)**

26. Deferred tax

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

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

	31 December 2013 €'000	31 December 2012 €'000
At beginning of the year	(2,026)	(7,348)
Disposals	-	-
Credited to income statement	(563)	(2,968)
Credited to other comprehensive income	82	8,811
Exchange differences	25	(521)
At 31 December	**(2,482)**	**(2,026)**

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

Deferred tax liabilities – non-current	**Accelerated tax depreciation and other €'000**	**Revaluation and fair value adjustments on acquisition €'000**	**Total €'000**
At 1 January 2012	(3,341)	(11,088)	(14,429)
Profit and loss (charge)/ credit	(439)	308	(131)
Charged to other comprehensive income	(53)	9,364	9,311
Exchange differences	(270)	(738)	(1,008)
At 31 December 2012	**(4,103)**	**(2,154)**	**(6,257)**
Profit and loss (charge)/ credit	(685)	8	(677)
Charged to other comprehensive income	2	-	2
Disposed	-	-	202
Exchange differences	54	30	84
At 31 December 2013	**(4,732)**	**(2,116)**	**(6,646)**

Deferred tax assets – non-current	**Tax losses €'000**	**Other €'000**	**Total €'000**
At 1 January 2012	1,185	5,896	7,081
Profit and loss charge	(474)	(2,363)	(2,837)
Credited to the other comprehensive income	-	(500)	(500)
Exchange differences	79	408	487
At 31 December 2012	**790**	**3,441**	**4,231**
Profit and loss (charge)/ credit	(88)	202	114
Credited to the other comprehensive income	-	80	80
Exchange differences	(13)	(46)	(59)
At 31 December 2013	**689**	**3,677**	**4,366**

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

	31 December 2013 €'000	31 December 2012 €'000
Fair value reserves in shareholders' equity		
Revaluation of property, plant and equipment	-	9,364
Exchange movements offset in reserves	82	(553)
	82	**8,811**

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

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

27. Share capital account

	Number of shares	Ordinary shares - share capital account €'000	Total €'000
Authorised			
Ordinary shares of €0.01 each	100,000,000	1,000	1,000
Issued and fully paid			
At 1 January 2008	44,978,081	484	484
Issued as part settlement of the performance fee	1,430,954	4,537	4,537
Issued under the Scrip Dividend Offer	442,979	1,247	1,247
As at 31 December 2008, 2009 , 2010 2011, 2012 and 2013	**46,852,014**	**6,268**	**6,268**

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

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

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

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

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

28. Share based payment

On 23 February 2006 the Company executed and adopted a Warrant Instrument and thereby constituted up to 5,114,153 Warrants that were issued on 24 February 2006 conditional upon the Company's admission to AIM on 1 March 2006. This was increased by 373,965 on 20 March 2006 upon the exercise of the Greenshoe provisions of the placing agreement. The Warrants were exercisable during the period commencing on Admission to AIM and expiring on the earlier of: (i) seven years from Admission i.e. on 28 February 2013; or,

(ii) upon an offer or becoming entitled to acquire the entire issued share capital of the Company. Since the first criteria is met, it is assumed that all warrants expired.

The exercise price of each of the Warrants was £3.41 and none of the warrants were exercised since their issue date.

29. Other reserves

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

	Revaluation reserve €'000	Other distributable reserve €'000	Translation reserve €'000	Total €'000
At 1 January 2012	9,809	194,817	(13,772)	190,854
Revaluation – gross (note 15)	(4,108)	-	-	(4,108)
Revaluation – tax (note 26)	9,364	-	-	9,364
Exchange differences – gross	-	-	7,516	7,516
Exchange differences – tax (note 26)	-	-	(553)	(553)
Transfer to retained earnings	(48)	-	-	(48)
At 31 December 2012	**15,017**	**194,817**	**(6,809)**	**203,025**
Revaluation – gross (note 15)	(306)	-	-	(306)
Exchange differences – gross	-	-	(920)	(920)
Exchange differences – tax (note 26)	-	-	82	82
Transfer to retained earnings	-	-	-	-
At 31 December 2013	**14,711**	**194,817**	**(7,647)**	**201,881**

The amount standing to the credit of the revaluation reserve, in respect of land and buildings, is not a realised gain and is therefore not a distributable reserve. Upon the sale of the underlying assets the amount standing to the credit of the reserve with regard to the asset disposed will be crystallised within retained earnings.

30. Non-controlling interests

	31 December 2013 €'000	31 December 2012 €'000
At beginning of the year	-	597
Share of net loss of subsidiaries	-	128
Acquisition of non-controlling interests	-	(195)
Transfer to retained earnings	-	(530)
	-	-

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

31.1 Acquisitions of non-controlling interest during the year ended 31 December 2013

No acquisitions of non-controlling interest took place during the year ended 31 December 2013.

31.2 Disposals of subsidiary undertakings and interests in joint ventures during the year ended 31 December 2013

No disposals of subsidiary undertakings and interests in joint ventures took place during the year 2013.

31.3 Acquisitions of non-controlling interest during the year ended 31 December 2012

On 22 November 2012, the Group acquired 24% interest in the voting shares of Zielono Sp. z o.o., increasing its interests to 100%. The purchase price of €2,914 thousand is due to the non-controlling shareholder (Coralcliff Limited) and is disclosed in note 23.

The carrying value of the net assets of Zielono Sp. z o.o. at the acquisition date was €812 thousand and the carrying value of the additional interest acquired amounted to €195 thousand. The difference of €2,719 thousand between consideration and the carrying value of the interest acquired has been recognised in retained earnings within equity.

31.4 Disposals of subsidiary undertakings and interests in joint ventures during the year ended 31 December 2012

No disposals of subsidiary undertakings and interests in joint ventures took place during the year 2012.

32. Related party transactions

(a) Key management compensation

	31 December 2013	31 December 2012
	€'000	**€'000**
Fees for non-executive directors	34	27

The Company has appointed AMC to manage its property portfolio. In consideration of the services provided, AMC received a management fee of €1.5 million for the year ended 31 December 2013 (2012: €1.9 million). Under the agreement, AMC are entitled to a performance fee based on the increase in value of the properties over the 12 month period to 31 December 2013. The Company has accrued a performance fee of €2.9 million for the year ended 31 December 3013 (2012: €nil million).

On 15 July 2013 AMC Poland entered into an agreement with the Company's subsidiary – Capital Art Apartments Sp. z o.o. SKA. Based on this agreement AMC Poland administers the sale process of Capital Art Apartments stage III. As of 31.12.2013 AMC Poland received a fee of €58 thousand in relation to this agreement.

As of 31 December 2013, €3.2 million included in current trade and other payables was due to AMC (2012: €1.1 million).

(b) Under the loan agreement of 18 May 2007, EdR Real Estate (Eastern Europe) Finance S.a.r.l, which is also a shareholder in Atlas Estates (Cybernetyki) Sp. z o.o., has extended a loan facility of €3.9 million to Atlas Estates (Cybernetyki) Sp. z o.o. for the purpose of covering ongoing investment and business expenses. The loan facility is to be repaid by 31 December 2020 and bears interest at a variable rate equal to the sum of EURIBOR and the lender's margin. In 2013 the lender charged €82 thousand as interest (31 December 2012: €103 thousand). As of 31 December 2013 Atlas Estates (Cybernetyki) Sp. z o.o. has drawn the loan facility plus associated interest in the amount of €4.7 million (31 December 2012: €4.6 million).

(c) On 22 November 2012, the Group acquired 24% interest in the voting shares of Zielono Sp. z o.o., increasing its interests to 100%. As of 31 December 2013 the purchase price of €1.6 million (31 December 2012: €2.9million) and loan payable of €nil million (31 December 2012: €1.4million) is due to former non-controlling shareholder (Coralcliff Limited).

(d) In 2013 Mr. Reuven Havar, the Chief Executive Officer, acquired two apartments in *Apartamenty przy Krasińskiego* project in Warsaw for the total price of €284.9 thousand. As of 31 December 2013 €171.2 thousand included in current trade receivables was due from Mr Reuven Havar as a result of this transaction. In January 2014 Mr. Havar paid and the balance due was fully settled.

(e) The loans with joint ventures are the loans extended to the subsidiaries (Atlas Estates Cybernetyki Sp. z o.o., Atlas and Sasha Zrt) in which the Group's shareholding equal 50%. As of 31 December 2013 €2.4 million (31 December 2012: €3.3 million) included in the non-current receivables balance was due from these subsidiaries.

33. Post balance sheet events

33.1 Financing

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

34. Significant Agreements

On 24 September 2013 a general contractor agreement was signed between the Company's subsidiary Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, Zielono AEP Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna and Unibep S.A ("General Contractor") for the construction of multi-apartment residential building (Capital Art Apartment – the fourth stage) in Warsaw. The total value of contract amounts to PLN 13.5 million (excluding VAT). The completion of the General Contractor obligation shall occur on 6 August 2015.

35. Other items

35.1 Information about court proceedings

The Company is 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 net equity, except for legal proceeding against:

Atlas Estates Limited and Atlas Estates Investment B.V.

Atlas Estates Limited ("AEL") was notified on 9 March 2011 that Stronginfo Consultants Ltd and Columbia Enterprises Ltd (the "Plaintiffs") have submitted to an arbitrator a statement of claim against Atlas Estates Investment B.V. with its seat in Amsterdam, the subsidiary of AEL as the primary debtor and AEL itself as the guarantor (the "Defendants") asking arbitrator to order the Defendants to provide a full and accurate accounting basis for the calculation of the Completion Consideration as defined in the agreement dated May 8, 2006 on transfer of shares from the Plaintiffs to Atlas Estates Investment B.V. and demanding payments of Completion Consideration which in the absence of any actual accounting yet was estimated by the Plaintiffs of total 55,420,000 PLN.

AEL hereby informs that at the current stage it is not able to assess the legitimacy of the claim as both legal and factual basis of the claim are subject of the investigation of the AEL's legal advisors.

There are no other material legal cases or disputes that are considered material to the consolidated financial information that would either require disclosure or provision within the financial information.

35.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2013.

35.3 Guarantees and sureties

This information is presented in Directors' Report on pages 26 and 27.

35.4 Capital commitments

This information is presented in Directors' Report on page 26.

36. Principal subsidiary companies and joint ventures

The table below lists the current operating companies of the Group. In addition, the Group owns other entities which have no operating activities. All Group companies are consolidated except for Hungarian subsidiary, Atlas and Shasha Zrt, which is under liquidation. Deconsolidation of this subsidiary started on 1 October 2013, i.e. from the moment when Group control was lost. No gain or loss was recognised in the consolidated financial statements as a result of this event.

	31 December 2013
	€'000
The fair value of any consideration received	-
The carrying amount of the subsidiary's assets and liabilities	-
	-

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%
Curacao	Atlas Estates Antilles B.V.	Holding	100%
Cyprus	Fernwood Limited	Holding	100%
Poland	AEP Sp. z o.o.	Management	100%
Poland	Platinum Towers AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Zielono AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Properpol Sp. z o.o.	Investment	100%
Poland	Atlas Estates (Millennium) Sp. z o.o.	Investment	100%
Poland	Atlas Estates (Sadowa) Sp. z o.o.	Investment	100%
Poland	Capital Art Apartments AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	HGC Gretna Investments Spółka z ograniczoną odpowiedzialnością SKA	Hotel operation	100%
Poland	HPO AEP Spółka z ograniczoną odpowiedzialnością SKA	Development	100%
Poland	Atlas Estates (Cybernetyki) Sp. z o.o.	Development	50%
Poland	Atlas Estates (Kokoszki) Sp. z o.o.	Investment	100%
Poland	Atlas FIZ AN	Holding	100%
Hungary	CI-2005 Investment Kft.	Development	100%
Hungary	Cap East Kft.	Investment	100%
Hungary	Felikon Kft.	Investment	100%
Hungary	Ligetváros Kft	Investment	100%
Hungary	Városliget Center Kft	Investment	100%
Hungary	Atlas Estates (Moszkva) Kft.	Investment	100%
Romania	World Real Estate SRL	Investment	100%
Romania	Atlas Solaris SRL	Investment	100%
Romania	D.N.B. - Victoria Towers SRL	Hotel operation	100%
Bulgaria	Immobul EOOD	Investment	100%