

ATLAS ESTATES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Atlas Estates Limited
3rd Floor, 1 Le Truchot
St Peter Port
Guernsey GY1 1WD
Company number: 44284

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 operates in the Hungarian, Romanian and Bulgarian real estate markets.

The Company’s assets are managed by Atlas Management Company Limited (“AMC”, the Property Manager), 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.

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

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Financial Highlights

Selected Financial Items	Year ended	Year ended
	31 December 2018	31 December 2017
	€'000	€'000
Administrative expenses	(6,009)	(10,102)
Other operating income	16,943	31,837
Profit from operations	10,934	21,735
Finance income	3,351	6,171
Profit before taxation	14,219	27,850
Profit for the year	14,219	27,850
Net cash used in operating activities	(2,575)	(1,228)
Net cash inflow from investing activities	3,423	2,543
Net cash inflow used in financing activities	(1,100)	(1,150)
Net (decrease)/ increase in cash and cash equivalents in the year	(252)	165
Non-current assets	142,444	125,491
Current assets	30	360
Total assets	142,474	125,851
Non-current liabilities	(5,073)	(4,162)
Current liabilities	(12,774)	(11,281)
Total liabilities	(17,847)	(15,443)
Net assets	124,627	110,408
Number of shares outstanding	46,852,014	46,852,014
Profit per €0.01 ordinary share – basic (eurocents)	30.3	59.4

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Chairman's Statement

Dear Shareholders,

I am pleased to report the financial results for Atlas Estates Limited ("Atlas" or "the Company") and its subsidiary undertakings ("the Group") for the year ended 31 December 2018.

In the current financial market conditions key priorities are enhancing liquidity, gaining access to capital as well as acquisition of new land banks. All 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.

In 2018 the Group was able to achieve several key objectives:

- the Group completed final sales of 112 apartments in the second stage of *Apartamenty przy Krasińskiego* development project in Warsaw which resulted in €3.7 million gross profit. As of 31 December 2018 all apartments were either sold or pre-sold;
- Moreover, in February 2018 the Group was able to increase the existing loan facility extended to *Hilton* project and borrow additional funds in the amount of €3.5 million for financing *Hilton* expenses and other Atlas projects;
- In December 2018 the Group sold *Sadowa* office building at the profit of €2.4 million.

Reported Results

Group results

As of 31 December 2018 the Group has reported basic net assets of €91.8 million.

The increase of basic net asset value by €6.7 million from €85.1 million as at 31 December 2017 is primarily a result of a profit after tax reported by the Group in the amount of €5.8 million as well as gains reported in other comprehensive income of €0.9 million.

The main factors of the €6.7 million increase in net assets are:

- €7.0 million fair value gains on investment properties recorded as at 31 December 2018;
- €4.2 million revaluation of hotels recorded as at 31 December 2018; and
- €9.1 million proceeds from the sale of *Sadowa* office building which were used to fully repay the loan financing this project of €3.6 million and the remaining proceeds increased Group's cash reserves as at 31 December 2018; offset by:
 - €4.3 million net loss on exchange differences (recognized in income statement and other comprehensive income);
 - €7.2 million value of the disposed *Sadowa* office property; and
 - €2.4 million annual depreciation charge.

Profit after tax amounts to €5.8 million for 2018 as compared to profit after tax of €11.6 million for 2017. The decrease of the noted results was mainly a joint effect of:

- On 19 September 2017 the Group fulfilled all the conditions from the agreement reached with Erste Group Bank AG on 14 September 2016. At the completion of this transaction Erste Group Bank AG transferred the outstanding facility extended to *Atlas Tower* (former name: *Millennium Plaza*) project (amounting to €19.5 million) to Atlas Group at the discounted transfer price of €1. As a result the Group recorded a finance income of €19.5 million in 2017 (for further details please refer to page 10);
- movements in the foreign currency exchange differences from gain of €3.0 million in 2017 to loss of €1.6 million in 2018 mainly as a result of the appreciation of the local currencies in 2017, as compared to depreciation of PLN by 2% and HUF by 4% in 2018; offset by:
- a change in valuation of investment properties from a decrease of €4.7 million recorded in 2017 to increase of €7.0 million recorded in 2018;
- above mentioned €3.7 million gross profit realised on completion of sales in the second stage of *Apartamenty przy Krasińskiego* development project in Warsaw in 2018;
- decrease of the performance fee due to the Property Manager from €8.6 million in 2017 to €4.1 million in 2018.

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Company results

The Company reported a profit of €14.2 million (compared to last year profit of €27.9 million). This significant decrease of €13.7 million was mainly driven by:

- €14.8 million decrease in reversal of impairment of the carrying value of investments; and
- €2.8 million lower dividend income received from the Company's subsidiary; offset by:
- €4.5 million decrease in annual performance fee charged by the Property Manager as a result of the improvement in the Group's performance.

The methodology applied by the Company with respect to the impairment review is further disclosed on page 45.

Financing, Liquidity and Forecasts

The Directors consider that the current outlook presents operating as well as financing challenges in the sector 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 and to manage its loan facilities for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated and financial statements for the year ended 31 December 2018, as disclosed on page 21.

Investing Policy

Atlas invests mainly in Poland in a portfolio of real estate assets across a range of property types, where approximately 86% of its assets are located. We actively target Poland, where the economy is believed to be the most attractive amongst CEE economies. The Group also operates in the Hungarian, Romanian and Bulgarian real estate markets.

We invest 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 80% 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 2018, NAV per share, as reported in the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU, increased from the level of €1.8 per share at 31 December 2017 to €2.0 per share at 31 December 2018. The adjusted NAV per share, which includes valuation gains, net of deferred tax on development properties held in inventory, at the lower of cost and net realisable value, and land held under operating lease, but not recognised at fair value in the balance sheet, also increased from €2.4 as of 31 December 2017 to €2.7 as of 31 December 2018. The increase of NAV per share is mainly attributable to the above described increase in net assets whereas the improvement of adjusted NAV per share is additionally impacted by the increase of the valuation of *Atlas Estates Tower* (land located in central area of Warsaw with zoning for an office/residential tower), which reflects the sale price in accordance with the preliminary sale agreement concluded in 2018 (see page 22).

A valuation of the entire property portfolio is carried out on an annual basis by external and internal experts. The internal valuations calculated by the Property Manager concerned only completed development projects in Warsaw. The results of these internal valuations were not reflected in net assets as presented in the consolidated statement of financial position since these projects are classified as inventory or non-current assets and there is no need to impair these balances.

As of 31 December 2018 the following external independent qualified experts were engaged:

- Jones Lang LaSalle responsible for the valuation of properties located in Poland and Romania,
- Takarek Ingatlan Zrt (*former name FHB Ingatlan Zrt*) responsible for the valuation of property located in Hungary.

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Adjusted net assets

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 2018 €'000	Change €'000
Development land assets and land held under operating lease included in total assets at cost to the Group	17,554	58,077	40,523
Company share of increase in valuations of development land and land held under operating lease	17,554	58,077	40,523
Deferred tax on increase in valuation of development land and land held under operating lease at local rates			(7,699)
Basic net asset value per balance sheet			91,803
Adjusted net asset value (see page 15)			124,627
Number of ordinary shares in issue at 31 December 2018			46,852,014
Adjusted net asset value per share as at 31 December 2018			€2.7
Adjusted net asset value per share as at 31 December 2017			€2.4

* includes effect of internal valuation of unsold development units

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 are presented on page 25 in Corporate governance review. A statement on Atlas compliance with the corporate governance recommendations and principles contained in Best Practice for WSE listed companies is presented on Atlas' corporate website.

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 Review on pages 15 and 16 below.

Changes in Board of Directors

There were no changes in Board of Directors as disclosed in the Director's Report.

Prospects

With the ongoing economic development in Poland we can now focus on strengthening as well as expanding our real estate portfolio.

Mark Chasey
CHAIRMAN
28 March 2019

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Review of the Property Manager

In this review we present the financial and operating results for the year ended 31 December 2018. 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 2018, the Company held a portfolio of fifteen properties comprising six investment properties of which four are income yielding properties, two are held for capital appreciation, two hotels and seven development properties. Two development projects were presold as of the date of this report (see note 15 and note 18 of the consolidated financial statements).

It could be a long road to recovery for the real estate market in Central & Eastern Europe (CEE). 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 new developments have commenced.

Markets and Key Properties

Poland

This is the major market of operation for the Group, with 86% (by value) of the Group's portfolio located there. The Polish economy has been one of most resilient economies in Europe with annual real GDP growth of 4.4% in 2018 (4.6% in 2017).

Hilton Hotel, Warsaw

The Hilton hotel in the Wola district of Warsaw is the Group's flagship asset. The hotel is continuously performing at a satisfactory level.

Atlas Tower (former name *Millennium Plaza*), Warsaw

The *Atlas Tower* is a 39,138 sqm office and retail building centrally located in Warsaw with occupancy rate of 89% as of 31 December 2018 (77% as of 31 December 2017). The Group has recently completed its refinancing and has embarked on a renovation project of some of the public spaces, which is almost complete.

Atlas Estates Tower

The Group was planning to build a mixed use (residential and office) Atlas Estates Tower, on the neighbouring plot alongside the *Hilton* hotel, however since the scale of the development exceeds now the Group's investment abilities on 22 November 2018 the Group decided to enter into a preliminary sale agreement and dispose this property at the sale price of PLN147 million (i.e. equivalent of €34 million) to a third party. The completion of this transaction is expected in September 2019 (more details on page 22).

Galeria Platinum Towers

Commercial area on the ground and first floors of Platinum Towers with 1,904 sqm of gallery and 208 parking places almost fully let to tenants.

Apartamenty przy Krasińskiego

Apartamenty przy Krasińskiego project is a development in the Żoliborz district of Warsaw.

The first stage of this development included 303 apartments as well as parking and amenities and retail facilities. The construction of the first stage was completed in 2013. As of 31 December 2018 all apartments were sold or presold with only 1 retail unit available for sale.

The second stage of this successful development project released 123 apartments as well as parking and retail facilities. The construction commenced in November 2015 and was completed in August 2017. As of 31 December 2018 only 1 retail unit was available for sale.

Capital Art Apartments

The *Capital Art Apartments* project in Warsaw is another development in Warsaw close to the city centre. It is a four stage development with 784 apartments as well as parking and amenities, including retail facilities. As of 31 December 2018 all apartments from all stages were either sold or presold, whereas 4 retail units remain available for sale and one is presold.

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Nakielska Apartments Project

This is a residential development that was planned to be constructed in Wola district of Warsaw. On 31 January 2019 the Group concluded a preliminary sale agreement of this project as disclosed in note 18 of the consolidated financial statements.

Hungary

In Hungary, as of 31 December 2018, the Group owned one income yielding property, Ikarus Business Park, located in Budapest. On February 2019 this entity commenced a process of liquidation as described in note 14. In September 2017 the Group completed the sale of *Atrium homes*- development land located in Budapest.

Romania

The Group's portfolio contains three properties in Romania, including the *Golden Tulip* hotel and two significant land banks – Voluntari and Solaris. The Romanian real annual GDP increased by 4.0% in 2018 (GDP increased by 6.9% in 2017). Occupancy rates at the Golden Tulip remained stable at the level of 70% for 2018 and 71% for 2017.

Bulgaria

The Group holds one income yielding property in Bulgaria, the Atlas House, which is a ca. 3,500 sqm office building in Sofia.

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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 overexposed 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

A valuation of the entire property portfolio is carried out on an annual basis as described on page 6.

Loans

As at 31 December 2018, the Group's bank debt associated with its portfolio was €89 million (31 December 2017: €94 million). Loans, valuations and Loan to Value ratios ("LTV") for those periods in which valuations were undertaken may be analysed as follows:

	31 December 2018			31 December 2017		
	Loans € millions	Valuation € millions	LTV Ratio %	Loans € millions	Valuation € millions	LTV Ratio %
Investment property	38	81	47%	44	81	54%
Hotels	51	94	54%	50	93	54%
Total	89	175	51%	94	174	54%

The valuations in the table above differ from the values included in the consolidated balance sheet as at 31 December 2018 and 31 December 2017 due to the treatment under IFRS as adopted by the EU of land held under operating leases.

LTV ratio of investment property decreased to the level of 47% as of 31 December 2018 (as compared to 54% as of 31 December 2017) mainly due to the sale of Sadowa office building and the repayment of the facility extended to this project as well as increase in the valuation of *Atlas Tower*.

LTV ratio of hotels remained at the level of 54% as of 31 December 2018 and 31 December 2017.

The gearing ratio is 41% 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 2017 (48%) mainly due to the full repayment of the loan extended to *Sadowa office* project as well as increase of valuation of *Atlas Tower*.

Debt financing

Portfolio of cross collateralised banking facilities extended by Erste Group Bank AG

In 2016 the Group had a facility extended to Atlas Tower Sp. z o.o. (former name: Atlas Estates Millennium Sp. z o.o.) ("*Atlas Tower*", previously "*Millennium Plaza*") by Erste Group Bank AG that had been cross collateralized. On 14 September 2016 (at which point this debt amounted to €58.9 million) the Group signed with Erste bank the agreement based on which by 29 September 2017 the bank was obliged to sell/ transfer to Atlas Projects B.V. (subsidiary of Atlas Estates Limited) its outstanding facility due from *Atlas Tower* at the price of €1 subject mainly to the following conditions:

1) repayment by or on behalf of *Atlas Tower* and receipt by the bank of principal in the aggregate amount of € 39,500,000 with interests indicated in this agreement in the following four instalments:

- € 8,075,000 to be paid by 10 business days after the signing of this agreement - this amount was paid by Atlas Tower in September 2016;
- € 3,950,000 by 30 November 2016 - this amount was paid by Atlas Tower in November 2016;
- € 3,950,000 by 31 March 2017 - this amount was paid by Atlas Tower in March 2017;
- € 23,525,000 by 29 September 2017- this amount was paid by Atlas Tower in September 2017.

2) payment by Atlas Projects B.V. of the amount of €1 for the outstanding facility of €19.5 million- this price was paid by Atlas Project B.V. in September 2017. This debt was converted into equity of *Atlas Tower* in December 2017.

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In September 2017- i.e. upon completion of the transfer of this facility to Atlas Project BV:

- Erste bank relinquished all mortgage, lien, charge pledge, promissory note, letter of comfort or other security interest or any other type of guarantee granted by *Atlas Tower* and/or third party for the benefit of Erste bank to secure the claims of the bank against *Atlas Tower*. Moreover, upon the completion of this transfer Erste Bank is no longer entitled to the Price Adjustment (defined above).
- Atlas Estates Limited in its consolidated financial statements recorded finance income of €19.5 million representing bank debt discount resulting from this transaction.

New Atlas Tower (former name: Millennium Plaza) loan facility

On 13 September 2017 *Atlas Tower* signed a new loan agreement with Bank Zachodni WBK S.A. based on which it was able to borrow €23.5 million to pay the final instalment to Erste Bank AG (as described above). As of 31 December 2018 this bank facility amounts to €22.0 million (net of unamortised part of arrangement fee paid) and the final repayment date of this facility is September 2022. In 2018 €1.1 million was repaid in respect of this loan.

Amount increase of the existing Hilton loan facility

On 7 February 2018 the Company's subsidiaries: Mantezja 3 Sp. z o.o. and HGC Gretna Investments Sp. z o.o. Sp. J., which operate *Hilton* hotel in Warsaw concluded an annex with Bank Pekao S.A. and PEKAO Bank Hipoteczny S.A. to the existing loan facility agreement dated 29 June 2015 based on which the subsidiaries were allowed to borrow additional funds in the amount of €3.5 million for financing *Hilton* expenses and other Atlas projects. As of 31 December 2018 total outstanding loan facility amounted to €48.9 million.

Sadowa office loan facility- full repayment

On 11 December 2018 following the sale of *Sadowa* office building the loan extended to this project and amounting to €3.6 million was fully repaid.

Other loans- partial repayments

During 2018 the Group paid €1.6 million in respect of scheduled partial repayments of other loans extended to the Group's projects (*Hilton* and *Golden Tulip* hotels, *Sadowa* and *Properpol* office buildings).

Hungarian loan

In the preparation of the consolidated financial statements as of 31 December 2018, the Directors have classified the loan facility extended to a Hungarian subsidiary totalling €12.4 million as current since it is overdue. In 2018 €0.5 million was repaid in respect of this loan.

Galeria Platinum Towers project - loan facility extension

On 25 January 2018 Properpol Sp. z o.o. (the Company's subsidiary) signed an amendment agreement with mBank S.A. to the facility agreement dated 2 September 2013 based on which the final repayment date of the facility was extended from 30 June 2018 to 30 June 2021. As of 31 December 2018 this facility amounted to €3.5 million and is used for financing of *Galeria Platinum Towers* project.

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

	Property Rental € millions	Development Properties € millions	Hotel Operations € millions	Other € millions	Year ended 31 December 2018 € millions	Year ended 31 December 2017 € millions
Revenue	10.0	14.7	20.3	-	45.0	35.4
Cost of operations	(4.8)	(10.7)	(12.5)	-	(28.0)	(22.7)
Gross profit/ (loss)	5.2	4.0	7.8	-	17.0	12.7
Administrative expenses	(0.7)	(0.4)	(3.0)	(7.2)	(11.3)	(15.6)
Gross profit / (loss) less administrative expenses	4.5	3.6	4.8	(7.2)	5.7	(2.9)
Gross profit/ (loss) %	52%	27%	38%	0%	38%	36%
Gross profit/ (loss) less administrative expenses %	45%	24%	24%	0%	13%	-8%

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

Revenues and cost of operations

Total Group revenues for year ended 31 December 2018 were €45.0 million compared to €35.4 million for the year ended 31 December 2017. The Group's principal revenue streams are from its hotel operations, property rental and from the sale of the residential apartments that the Group develops. As the Group maintains a diversified portfolio of real estate investments, seasonality or cyclical of yielded income or results is also highly diversified.

Cost of operations were €28.0 million in 2018 compared to €22.7 million in 2017.

Development Properties

	Year ended 31 December 2018 € millions	Year ended 31 December 2017 € millions	Total change 2018 v 2017 € millions	Translation foreign exchange gain/ (loss) € millions	Operational change 2018 v 2017 € millions
Revenue	14.7	5.5	9.2	(0.1)	9.3
Cost of operations	(10.7)	(5.8)	(4.9)	0.1	(5.0)
Gross profit/ (loss)	4.0	(0.3)	4.3	-	4.3
Administrative expenses	(0.4)	(0.5)	0.1	-	0.1
Gross profit/ (loss) less administrative expenses	3.6	(0.8)	4.4	-	4.4
Gross profit/ (loss) %	27%	-5%			
Gross profit/ (loss) less administrative expenses %	24%	-15%			

Sale of residential units (i.e. apartments, retail units, parking places, storages) developed by the Group are recognised when the performance obligations have been fulfilled in line with the Group's accounting policies. The performance obligations are considered fulfilled when the customer takes control of the property units documented by the signing of the relevant notarial deed. In 2017 the Group, following a completion of *Apartamenty przy Krasińskiego stage II* project in August 2017, started signing notarial deeds and consequently recognised first sales and associated costs of this project.

Additionally, as presented in the table below, in 2018 the Group managed to complete the sale of 112 apartments (in *Apartamenty przy Krasińskiego stage II*).

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Apartment sales in Warsaw

	CAA stage I	CAA stage II	CAA stage III&IV	Apartamenty przy Krasieńskiego I	Apartamenty przy Krasieńskiego II	Concept House*
Total apartments for sale	219	300	265	303	123	160
Sales completions in 2008-2016	218	297	265	303	-	159
Sales completions in 2017	-	1	-	-	8	1
Sales completions in 2018	-	-	-	-	112	-
Total sales completions	218	298	265	303	120	160
Sales not completed as of 31 December 2018 (only preliminary agreements concluded)	1	2	-	-	3	-
Apartments available for sale as of 31 December 2018	-	-	-	-	-	-

*Joint venture project fully sold out as at 31 December 2017

Property Rental

	Year ended 31 December 2018 € millions	Year ended 31 December 2017 € millions	Total change 2018 v 2017 € millions	Translation foreign exchange gain/ (loss) € millions	Operational change 2018 v 2017 € millions
Revenue	10.0	10.3	(0.3)	-	(0.3)
Cost of operations	(4.8)	(4.5)	(0.3)	-	(0.3)
Gross profit	5.2	5.8	(0.6)	-	(0.6)
Administrative expenses	(0.7)	(0.8)	0.1	-	0.1
Gross profit less administrative expenses	4.5	5.0	(0.5)	-	(0.5)
Gross profit %	52%	56%			
Gross profit less administrative expenses %	45%	49%			

In 2018 the gross margin realized by the Property Rental segment decreased as compared to 2017 mainly due to agents' fees associated with new leases. Although the property rental income for 2018 slightly declined, the occupancy ratio increased from 77% as of 31 December 2017 to 89% as of 31 December 2018.

Hotel operations

	Year ended 31 December 2018 € millions	Year ended 31 December 2017 € millions	Total change 2018 v 2017 € millions	Translation foreign exchange gain/ (loss) € millions	Operational change 2018 v 2017 € millions
Revenue	20.3	19.6	0.7	-	0.7
Cost of operations	(12.5)	(12.4)	(0.1)	-	(0.1)
Gross profit	7.8	7.2	0.6	-	0.6
Administrative expenses	(3.0)	(3.1)	0.1	-	0.1
Gross profit less administrative expenses	4.8	4.1	0.7	-	0.7
Gross profit %	38%	37%			
Gross profit less administrative expenses %	24%	21%			

In 2018 the hotel profit from operations improved as compared to 2017 mainly due to increase of other revenues from casino and parking rental located at *Hilton* hotel.

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Administrative expenses

Total administrative expenses decreased significantly by €4.4 million as compared to 2017 mainly due to €4.5 million decrease in accrual for performance fee.

Valuation movement

In 2018 the increase of the market value of the investment properties portfolio was €7.0 million as compared to an decrease of €4.7 million in 2017. The movements relate mainly to the change in value of *Atlas Tower* (former name *Millennium Plaza*).

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. There were no significant movements in the other operating income and expenses, except for €2.4 million profit on disposal of *Sadowa* office building in Gdańsk.

Finance income and costs

Finance income decreased by €19.8 million primarily due to a €19.5 million bank loan discount. On September 2016 the Group concluded an agreement with Erste Group Bank AG (as disclosed on page 10) which was completed in September 2017 and resulted in €19.5 million reduction in external bank debts.

The income statement includes finance costs of €4.2 million in 2018, compared to €3.4 million in 2017, representing mainly interests on bank loans and related bank charges. The increased level of finance costs in 2018 was mainly attributable to higher loss on interests rate derivative associated with *Hilton* bank facility (PLN tranche).

Foreign exchange

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

In 2018 Polish functional currency depreciated slightly by 3% as compared to 2017, when it appreciated significantly by 6%. The movements in value of the functional currencies have resulted in foreign exchange loss of €1.6 million in the income statement (2017: €3.0 million gain) and €2.7 million loss (2017: €4.5 million gain) in other comprehensive income for the year ended 31 December 2018.

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 2018	4.3000	321.51	4.6639	1.95583
31 December 2017	4.1709	310.14	4.6597	1.95583
% Change	3%	4%	0%	0%
Average rates				
Year 2018	4.2623	318.87	4.6530	1.95583
Year 2017	4.2576	309.21	4.6359	1.95583
% Change	0%	3%	0%	0%

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2017	4.1709	310.14	4.6597	1.95583
31 December 2016	4.4240	311.02	4.5411	1.95583
% Change	-6%	0%	3%	0%
Average rates				
Year 2017	4.2576	309.21	4.6359	1.95583
Year 2016	4.3625	311.46	4.5173	1.95583
% Change	-2%	-1%	3%	0%

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Net Asset Value

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

- Yielding assets let to paying tenants, including the land on which they will be built – classed as investment properties with valuation movements being recognised in the Income Statement;
- Property, plant and equipment (“PPE”) operated by the Group to produce income, such as the Hilton hotel or land held for development of yielding assets are disclosed as 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 2018 € millions	NAV per share 2018 €	NAV 2017 € millions	NAV per share 2017 €
Basic NAV	91.8	2.0	85.1	1.8
Development land valuation increase	40.5	-	31.2	-
Deferred tax	(7.7)	-	(5.9)	-
Adjusted NAV (see page 7)	124.6	2.7	110.4	2.4

Notes: The number of shares in issue as at 31 December 2018 and 2017 is 46,852,014 (excluding treasury shares).

The Property Manager's management and performance fees are based on the adjusted NAV.

For the twelve months to 31 December 2018 the combined fee payable to AMC by the Group was €6.8 million whereas for the twelve months to 31 December 2017 AMC was €10.2 million (see page 33 and 34).

Ongoing activities

During the year ended 31 December 2018, the Company continued to identify ways by which it can generate added value through the active management of its yielding asset portfolio.

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 monitor operations of hotel activity, enhance occupancy of income yielding assets, as well as remodel valuable assets in order to attract new tenants.

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

ATLAS ESTATES LIMITED

Global economic conditions

The Board and the Property Manager 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.

The Group derives its revenue from activities carried out mainly in the Polish market with Romania and Hungary also contributing, however at a much lower level. The Group's financial results are therefore contingent on factors such as the stability of the political systems at the given moment and the macroeconomic data related mainly to the condition of the Polish but also Romanian and Hungarian economies, in particular the level of GDP growth, investment spending, levels of household income, interest rates, foreign exchange rates and inflation rate. Any deterioration to the macroeconomic conditions in these countries may expose the Group's business to risk, thus affecting its future financial results and prospects for development.

Financing and liquidity

Management has experienced strict requirements of the 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. 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

Currency and foreign exchange rates 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 Group'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 Group 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 Group 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 properties and provide the Company with local market knowledge and expertise. AMC currently focuses its efforts on searching new investment opportunities in Poland, mainly in Warsaw.

Ziv Zviel

Chief Executive Officer

Atlas Management Company Limited

28 March 2019

ATLAS ESTATES LIMITED

Key Property Portfolio Information

Location/Property	Description	Company's ownership
Poland		
Hilton Hotel	First <i>Hilton</i> Hotel in Poland – a 4 star hotel with 314 luxury rooms, large convention centre, fitness club and spa Holmes Place Premium, casino and retail outlets. Location close to the central business district in Wola area of Warsaw.	100%
Atlas Estates Tower	Land located next to <i>Hilton</i> hotel in Warsaw. Land with zoning for an office/residential tower planned up to 42 floors. This property is subject to preliminary sale agreement as disclosed on page 22.	100%
Galeria Platinum Towers	Commercial area on the ground and first floors Platinum Towers with 1,904 square meters of gallery and 208 parking places almost fully let to tenants.	100%
Nakielska Apartments Project	Residential development in the Wola district of Warsaw. This property subject to preliminary sale agreement as disclosed in note 18 of the consolidated financial statements.	100%
Apartamenty przy Krasieńskiego,	<p>Development in the Żoliborz district of Warsaw.</p> <p>The first stage of this development included 303 apartments as well as parking and amenities and retail facilities. The construction of the first stage was completed in 2013. As of 31 December 2018 all apartments were sold with only 1 retail unit being available for sale.</p> <p>The second stage of this successful development project released 123 apartments as well as parking and retail facilities. The construction commenced in November 2015 and was completed in August 2017. As of 31 December 2018 only 1 retail unit was available for sale. Remaining apartments and retails were either sold or presold.</p>	100%
Atlas Tower (former name: <i>Millennium Plaza</i>)	39,138 square meters of office and retail space in the central business district of Warsaw.	100%
Capital Art Apartments	The <i>Capital Art Apartments</i> project in Warsaw is another development in Warsaw close to the city center. It is a four stage development with 784 apartments as well as parking and amenities, including retail facilities. As of 31 December 2018 all apartments were sold or presold, whereas 4 retail units remain available for sale and one is presold.	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. On February 2019 this entity commenced a process of liquidation as described in note 28 of the consolidated financial statements.	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 78 room hotel in central Bucharest.	100%
Bulgaria		
The Atlas House	Office building in Sofia's city center with 3,472 square meters of lettable area.	100%

ATLAS ESTATES LIMITED

Directors - Atlas Estates Limited

Mark Chasey

Chairman, Non-executive
Director

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.

Andrew Fox

Non-executive Director
Chairman of Audit Committee

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.

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
3rd Floor, 1 Le Truchot
St Peter Port
Guernsey GY1 1WD
Company number: 44284

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Directors and Senior Management of the Atlas Management Company Limited, the Property Manager

Eran Rabinovitz
Non-executive Director

Mr Rabinovitz serves as a consultant to various IGI group companies and is leading a few developments in London. Prior to that Mr Rabinovitz has managed a project creating a health care provider in the UK. Prior to that, and from 2005 Mr Rabinovitz has served in the UK as the director for BCRE-Izaki group, an international company with vast real estate investments around the world. In the years 2003-2004 Mr Rabinovitz has served as a financial controller in Haslemere Estate Management Limited, one of the biggest UK focused real estate companies, traded on London and Amsterdam stock exchanges.

Mr Rabinovitz holds a first degree in accounting and economics from Tel Aviv University.

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.

Ziv Zviel
Chief Executive 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 March 2018 Mr Zviel was appointed as Chief Executive Officer.

*On 12 February 2018 the Directors of Atlas were notified by AMC that due to personal circumstances Mr Reuven Havar will cease to fulfil his role as CEO of AMC with immediate effect.

ATLAS ESTATES LIMITED

Directors' Report

The Directors present their report and the audited financial statements for the twelve months ended 31 December 2018.

Results and dividends

The results for the Company for the year are set out in the statement of comprehensive income on page 39 and show a profit after tax attributable to equity shareholders of €14.2 million (2017: profit after tax of €27.8 million).

The Company has not declared a dividend for 2018 (2017: €nil).

Activities and review of business

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

The principal activity of the Company and the Group is property investment and development throughout 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 16.

There were no significant changes in the Company's organisational structure in the year ended 31 December 2018. A list of the operating subsidiaries of the Company subject to consolidation is included within note 17 of the financial statements.

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 80% of the total value of its interest in income-generating properties within its property portfolio.

Diversification

In order to hedge against risks, the Group maintains a diversified portfolio of real estate investments. The diversification has 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 16.

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 statements of this report on pages 47 to 49.

ATLAS ESTATES LIMITED

Going concern

The Group has managed to obtain profit for the year of €5.8 million (compared to profit of €11.6 million in 2017).

As at 31 December 2018 the Group held land and building assets with a market value of €175 million, compared to external debt of €89 million (€174 million and €94 million respectively in 2017). 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, may be subject to repossession by the bank in case of a default of loan terms but will 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 2018, the Directors have taken into account the fact that the Group is in a net current liability position of €2.8 million (2017: €16.9 million)

However, in considering the group's net current liability position in the context of ongoing working capital management we note the following:

- Property development inventories and assets held for sale included in current assets are held at cost and are forecasted to realise cash revenues in excess of this carrying value in future period. Since the year end such assets with the carrying value of €11 million have been, or are in the process of sale for €42 million;
- The Felikon loan of €12.4million is in default and is classified as short term borrowings. This is ring fenced within the entity, however the Group owes Felikon €6.1 million but can defer payment up to 31 December 2025.

Within trade payables of the Group is a performance fee payable to the Property Manager. Details are provided on page 33 and 34. The payment terms of this fee are subject to consultation between the parties, and the actual payment will be subject to available cash flows of the Group.

The Directors are aware that the management of the liquidity position of the company has been and still continues to be a high priority. 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, favourable arrangements for the payment timetable for the AMC performance fee 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 Company's and consolidated financial statements for the year ended 31 December 2018.

Company website

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

Auditors

The Directors confirm that as at 28 March 2019:

- 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 12 July 2018 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 2018.

The consolidated financial statements of the Group for 2018 were audited by BDO LLP on the basis of an engagement letter dated 14 February 2019. The consolidated financial statements of the Group for 2017 were audited by BDO LLP on the basis of an engagement letter concluded on 20 January 2018.

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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:

Audit Company – fees	2018	2017
	€'000	€'000
Audit of individual and consolidated annual financial statements	141	135
Review of interim individual and consolidated financial statements	32	31
Tax services	-	-
Other compliance services	-	-
Total	173	166

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 15% the Company's net equity.

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 and Capital Commitments

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

The preliminary conditional sale agreement of 22 November 2018, between HPO AEP Spółka z ograniczoną odpowiedzialnością Spółka jawna (the Company's subsidiary) and GGH Atlas Tower Sp. z o.o.

On 22 November 2018 of preliminary conditional agreement on the sale of right of perpetual usufruct (the "Agreement") of the undeveloped real property located in Warsaw, at 59 Grzybowska Street, designated as the plot of land No 59/10, precinct No 60104, with an area of 2,740.00 m², for which the District Court for Warszawa-Mokotów in Warsaw, X Land and Mortgage Register Division, keeps land and mortgage register No. WA4M/00382291/2 (the "Real Property") together with related rights, including the building permit. The Agreement was concluded between the subsidiary of the Company - HPO AEP Spółka z ograniczoną odpowiedzialnością Spółka jawna (the "Seller") and GGH Atlas Tower Sp. z o.o. (the "Purchaser"). The Seller and the Purchaser are non- related parties.

The price for the sale of the of right of the perpetual usufruct to the Real Property together with related rights amounts to PLN 147 million increased by applicable VAT. The transfer of the right the perpetual usufruct to the Real Property together with related rights is subject to statutory condition of non-execution by the Mayor of the Capital City of Warsaw of the pre-emption right to the Real Property. Subject to specific provisions of the Agreement, conclusion of the conditional sale agreement of the perpetual usufruct to the Real Property shall occur on 5 September 2019.

The Company decided to sell perpetual usufruct to the Real Property because the scale of the development exceeds the investment abilities of Atlas Estates Group.

Details of the bank financing agreements are disclosed as required in note 22 to the consolidated financial statements.

On 27 February 2019 the Group's subsidiary- Felikon Kft commenced a process of liquidation as described in note 28 to the consolidated financial statements. The loan extended to Felikon Kft (amounting to €12.4 million) is in default and is classified as short term borrowing as of 31 December 2018. This is ring fenced within this entity, however the Group owes Felikon €6.1 million but can defer payment up to 31 December 2025.

There are no other significant agreements that would result in Group's capital commitments as of 31 December 2018.

Related party transactions

Related party transactions (also terms of the transactions with majority shareholder) are stated within note 13 of the financial statements of this report.

Credit and loan facilities, guarantees and sureties

Key changes in credit and loan facilities are presented in Review of Property Manager Report on page 10 and 11.

ATLAS ESTATES LIMITED

Guarantees and sureties – changes in 2018

In 2018 the Company did not issue any guarantees or sureties for the benefit of its subsidiaries/ or other parties except for the guarantee agreement in connection with the above described preliminary sale agreement concluded by its subsidiary HPO AEP Spółka z ograniczoną odpowiedzialnością Spółka jawna. The Company issued a guarantee for the benefit of the Purchaser based on which it provided security to return the advance payment of PLN 12.5 million by the Seller to the Purchaser in case of the non-performance of the agreement.

The table below presents a list of guarantees, warranties and other types of security received by the Group from contracting parties as at 31 December 2018:

Company	Contractor's name	Type of security	Currency	(000)
Atlas Estates (Przasnyska 9) Sp. z o.o.	Kalter sp. z o.o.	Bank guarantee	PLN	1,500
Capital Art Apartments AEP Sp. z o.o. sp.j.	Unibep S.A.	Bank guarantee	PLN	2,626
Atlas Tower Sp. z o.o.	Several tenants	Bank guarantee	PLN	1,554
Atlas Tower Sp. z o.o.	Modzelewski & Rodek Sp. z o.o.	Bank guarantee	PLN	246
Properpol Sp. z o.o.	Jeronimo Martins Polska S.A.	Bank guarantee	EUR	44
Zielono AEP Sp z o.o.	Unibep S.A.	Insurance guarantee	PLN	100
Mantezja 3 Sp. z o.o.	Holmes Place Poland	Corporate guarantee	PLN	5,000
Mantezja 3 Sp. z o.o.	Holmes Place Poland	Bank guarantee	EUR	400
Mantezja 3 Sp. z o.o.	Casinos Poland Sp. z.o.o.	Bank guarantee	EUR	203

On 11 December 2018 following the sale of *Sadowa* office building the Company's subsidiary Atlas Estates Sadowa Sp. z o.o. fully repaid its loan facility extended by ING Bank Śląski S.A. and as a result all securities related to this facility were released.

Guarantees and sureties – changes in 2017

In 2017 the Company did not issue any guarantees or sureties for the benefit of its subsidiaries/ or other parties.

The table below presents a list of guarantees, warranties and other types of security received by the Group from contracting parties as at 31 December 2017:

Company	Contractor's name	Type of security	Currency	(000)
Atlas Estates (Przasnyska 9) Sp. z o.o.	Kalter sp. z o.o.	Bank guarantee	PLN	1,500
Capital Art Apartments AEP Sp. z o.o. sp.j.	Unibep S.A.	Bank guarantee	PLN	2,626
Atlas Estates (Millennium) Sp. z o.o.	Several tenants	Bank guarantee	PLN	1,896
Atlas Estates (Sadowa) sp. z o.o.	Several tenants	Bank guarantee	PLN	1,056
Properpol Sp. z o.o.	Jeronimo Martins Polska S.A.	Bank guarantee	EUR	44
Zielono AEP Sp z o.o.	Unibep S.A.	Insurance guarantee	PLN	100

A list of other types of security issued by the Company's subsidiaries in 2017 is presented below.

In 2017 in execution of obligations resulting from a loan agreement (the "Agreement") between the Company's subsidiary Atlas Estates (Millennium) Sp. z o.o. (the "Borrower") and Bank Zachodni WBK S.A (the "Lender") the following collaterals were established:

- contractual mortgage over *Millennium Plaza* (i.e. "Building" located on the plot of land nos. 19/2, 22 and 29/3 for which District Court for Warszawa – Mokotów in Warsaw, VI Division of Land and Mortgage Registers maintains the land and mortgage register No. WA1M/00127335/7 and No. 28/2, for which the District Court for Warszawa-Mokotów in Warsaw, VI Division of Land and Mortgage Register maintains land and mortgage register No. WA1M/00201201/2 as well as the premises located in the Building for which the District Court for Warszawa-Mokotów in Warsaw, VI Division of Land and Mortgage Register maintains land and mortgage register Nos.: WA1M/00287612/2, WA1M/00287613/9, WA1M/00287614/6, WA1M/00287615/3, WA1M/00287616/0, WA1M/00287617/7, WA1M/00287618/4, WA1M/00287619/1, WA1M/00287936/9, WA1M/00287937/6) in favour of the Lender up to amount of € 38,137,500.00;
- financial pledges over all 100 shares in the Borrower;
- registered pledges over all 100 shares in the Borrower up to the maximum secured amount of € 35,287,500.00;

ATLAS ESTATES LIMITED

4. registered pledges over the set of movables and rights of the Borrower up to the maximum secured amount of € 35,287,500.00.

Additionally, alongside the above new loan, in 2017:

- the Company's subsidiary Atlas Tower Sp. z o.o. (former name Atlas Estates (Millennium) Sp. z o.o.) fulfilled all conditions precedents from the Agreement on the Amendment and Transfer of Loan (as described on page 10) and as a result Erste Bank AG relinquished any mortgage, lien, charge pledge, promissory note, letter of comfort or other security interest or any other type of guarantee granted by Atlas Tower Sp. z o.o. and/or third party for the benefit of Erste Bank to secure Erste Bank's claims under on in connection with the loan facility agreement dated 21 December 2006 or any other agreements;
- the Company's subsidiary Atlas Estates (Przasnyska 9) Sp. z o.o. fully repaid its loan facility extended by Bank Polska Kasa Opieki S.A and as a result all securities related to this facility were released.

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Corporate governance review

Indication of corporate governance rules, which the Company adheres to and the place, where the rules are publicly available

In accordance with the WSE Rules, the Board resolved in January 2008, to the extent practicable and reasonable, to comply with the majority of the corporate governance rules defined in the Code of Best Practices for WSE Listed Companies ("Best Practice"). The current and binding text of Best Practices is available at the WSE official website concerning corporate governance in public companies: <https://www.gpw.pl/best-practice>, whereas, in 2016, the Company applied Best Practices in accordance with the version that was in effect in 2016, to which this declaration of the Board regarding compliance with Corporate Governance Rules refers to. In addition, the Company's shareholders may find "A statement on the company's compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016" at the Company's web site www.atlasestates.com, section concerning corporate governance maintained as part of the investor relations site.

Information on the Company non-compliance with applying Best Practices

The Company's compliance with certain principles is mainly limited by the differences between Guernsey and Polish legal systems, procedures and accepted practices.

According to the current status of compliance with the Best Practice, the Company does not apply 2 recommendations:

III.R.1. - The recommendation is not applied due to the size of the Company.

IV.R.2. - The Company will not comply with this rule since it is not in a position to provide technical infrastructure enabling secure participation in general meeting using electronic communication means. This rule is not applied with the exception of point 3) of the rule.

According to the current status of compliance with the Best Practice, the Company does not apply 15 detailed principles:

I.Z.1.3.and II.Z.1. - There is no formal division of duties and responsibilities among members of the Board of Directors since pursuant to the Articles of Association, Atlas Group's policy and its strategic direction are determined by the full Board. On the corporate website the formal schedule of matters reserved to the Board of Directors is disclosed.

I.Z.1.19. and IV.Z.13. - Atlas Estates Limited is Guernsey company and therefore the rules of the Commercial Companies Code do not apply, instead the Company applies Articles of Association according to which the Board of Directors shall determine under what conditions the books and documents of the Company shall be open to inspection.

I.Z.1.20.- Atlas Estates Limited 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.

II.Z.7. - The Company do not apply the Annex 1 to the "Commission Recommendation of ..." however the audit committee's terms of reference which are available on the corporate website are broadly consistent with Annex 1.

IV.Z.1. - The Articles provide that the Company's General Meeting shall be held in Guernsey or elsewhere. The determination of the location of the General Meeting is mainly driven by the need of ensuring administration assistance in accordance with the Guernsey Law. The Company's administrator is located in Guernsey and, therefore, the general meetings will be, most likely, held in Guernsey.

IV.Z.2. - Atlas Estates Limited 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.

IV.Z.3.- Atlas Estates Limited is incorporated under Guernsey law and there is no requirement under Guernsey law to permit media to attend general meetings. Accordingly, many Guernsey based fund administrators (corporate service providers) have adopted internal policies which do not permit the media to attend general meetings. In this regard, the internal policies of Intertrust Fund Services (Guernsey) Limited, the Company's administrator, do not permit media to attend meetings as a matter of standard practice and as Intertrust Fund

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Services (Guernsey) Limited co-ordinate the general meetings of the Company, such policy is adopted by the Company.

IV.Z.4.- Atlas Estates Limited is Guernsey company and therefore the rules of the Commercial Companies Code do not apply, instead the Company applies The Companies (Guernsey) Law. The Board of Directors (the "Board") may whenever it thinks fit and shall on the requisition in writing of one or more holders representing not less than one-tenth of the issued Share capital of the Company upon which all calls or other sums then due have been paid convene an extraordinary General Meeting. If there are not sufficient Directors capable of acting to call a general meeting, any Director may call a General Meeting. If there is no Director able to act, any two Shareholders may call a general meeting for the purpose of appointing Directors. The requisition shall be dated and shall state the object of the meeting and shall be signed by the requisitionists and deposited at the Company's registered office and may consist of several documents in like form each signed by one or more of the requisitionists. If the Board does not cause a meeting to be held within twenty-one days from the date of the requisition being so deposited the requisitionists or a majority of them in value may themselves convene the meeting. Any meeting convened by requisitionists shall be convened in the same manner (as nearly as possible) as that in which meetings are convened by the Board.

IV.Z.5.- Shareholders are not generally restricted from participating in General Meetings, but they may be restricted from voting in limited circumstances in accordance with Guernsey Law and Articles of Association. If, for example, they fail to comply with the obligation pursuant to Articles of Association to disclose the identity of any person (other than the registered shareholder) who has an interest in the shares they would be barred from voting. This may therefore mean that in certain circumstances the Company will not comply with this rule.

IV.Z.7.- The Chairman of general meeting may interrupt proceedings and adjourn the meeting, which can be reconvened at a later point. This would not be at the instruction of a shareholder but any request could be submitted to the Chairman at the meeting who would decide the action to be taken.

IV.Z.13.- Atlas Estates Limited is Guernsey company and therefore the rules of the Commercial Companies Code do not apply, instead the Company applies Articles of Association according to which the Board of Directors shall determine under what conditions the books and documents of the Company shall be open to inspection.

IV.Z.18.- Atlas Estates Limited share capital is divided into shares at nominal value of EUR0.01, which is below PLN 0.50 limit.

V.Z.2. and V.Z.6. - Pursuant to the Articles, the Company's Directors may take part in the discussion and vote in certain circumstances provided, however, that such Directors disclose their interest. Circumstances in which a director may vote notwithstanding their interest are presented in the Articles.

According to the current status of compliance with the Best Practice, the Company applies recommendations: II.R.1., II.R.2., II.R.3., II.R.4., II.R.5., II.R.6., II.R.7. however the Company added the following comment:

Recommendation concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates Limited as a Guernsey company has only one governing body– the Board of Directors.

According to the current status of compliance with the Best Practice, the Company applies below listed principles however the Company added the following comments:

I.Z.1.15. - Atlas Estates Limited Group has not adopted a diversity policy with respect to the Board of Directors and its key managers, however the process of selection of members of the Board of Directors and key managers is based on such elements as appropriate education, experience and expertise, as well as, the qualifications and competencies of candidates and in no way leads to the disqualification of any candidate due to the above-mentioned elements of a diversity policy.

II.Z.2. - Each Director of Atlas Estates Limited declare all directorship positions held and the Board of Directors consider and approve this at each meeting convened.

II.Z.3., II.Z.5., II.Z.6., II.Z.9., II.Z.10.1, II.Z.10.2, II.Z.10.3, II.Z.10.4, II.Z.11., III.Z.1., III.Z.2., III.Z.4., IV.Z.11., V.Z.5. - Rules concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates Limited as a Guernsey company has only one governing body – the Board of Directors.

III.Z.5. - Rule concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates

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Limited as a Guernsey company has only one governing body– the Board of Directors. There is an audit committee which reports to the Board of Directors.

VI.Z.1. and VI.Z.2. - The property investments held by Atlas Group are externally managed by Atlas Management Company Group (“AMC” or “Property Manager”). AMC has been established for the sole purpose of providing the property management and ancillary services to the Company. On signing the agreement with the Property Manager, the Company looked to structure a remuneration package that combined a management fee element with performance related rewards that motivate the Property Manager and align their interests with the performance and growth of the business and the long term enhancement of shareholder value. The details concerning remuneration package are disclosed in the Company’s annual financial statements.

VI.Z.3. - The rule is applicable to Board of Directors regarding the fact that rule concerning the members of the management and supervisory boards, do not apply directly due to the fact that Atlas Estates Limited does not have both a management and a supervisory boards. Atlas Estates Limited as a Guernsey company has only one governing body– the Board of Directors.

VI.Z.4. - Remuneration Report is part of the Company’s annual report.

Financial statements’ preparation process

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.

DIVISION OF RESPONSIBILITIES AND COMPETENCES IN THE PREPARATION OF FINANCIAL INFORMATION

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.

The Group’s reporting department prepares financial statements, interim reports of the Group and the Company under the supervision of the Property Manager (CFO).

The Group’s reports are drafted by highly qualified team of employees of the controlling and reporting departments on the basis of accounting information prepared by the financial and accounting department. The preparation process is supervised by the reporting department’s mid-level management. The financial statements, before they are delivered to the independent auditor, are verified by Group Financial Reporting Manager, then by the Property Manager (CFO).

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 staff 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

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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 Property Manager reports to the Directors at least annually that they have carried out a review of the system for internal controls.

The internal financial control department operates on the basis of 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 Board of Directors.

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.

Significant shareholders

The Board is aware of the following direct or indirect interest in 5% or more of the Company's ordinary share capital (excluding 3,470,000 treasury shares, which have no voting rights). All shares have equal voting rights.

1. Direct shareholders (*i.e. shareholders holding the shares for the benefit of other parties*)

Significant Shareholders	Number of Shares held	Voting Rights
Euroclear Nominees Limited <EOCO1>	40,306,170	86.03
Atlas International Holdings Limited	6,461,425	13.79
TOTAL	46,767,595	99.82

2. Beneficial shareholders (*i.e. shareholders for the benefit of which the above direct shareholders held the shares*) based on the information provided to the Company by these shareholders under the applicable legislation (*the notifications received from shareholders in accordance with Art. 70 with connection to art. 69 of the Act of 29 July 2005 on the Public Offering, Condition Governing the introduction of Financial Instruments to Organized Trading and Public Companies*)

Significant Shareholders	Number of Shares held	Voting Rights
Fragiolig Holdings Limited	36,661,145	78.25
Atlas International Holdings Limited	6,461,425	13.79
TOTAL	43,122,570	92.04

3. The ultimate parent company is RIG Investments Sarl and the ultimate controlling party by a virtue of ownership is Mr Ron Izaki.

Indication of the holders of any and all securities which give special control rights along with a description of these rights

The Company's share capital is divided into 46,852,014 shares which give equal rights to shareholders. Additionally the Company holds 3,470,000 treasury shares, which have no voting rights.

Legal or statutory limitations in the exercise of voting rights

Each share gives right to one vote at the General Meeting of the Company as indicated above. Shareholders are not generally restricted from participating in General Meetings, but they may be restricted from voting in limited circumstances in accordance with the Companies (Guernsey) Law, 2008, as amended ("the Companies Law") and Articles of Association. If, for example, they fail to comply with the obligation pursuant to Articles of Association to disclose the identity of any person (other than the registered shareholder) who has an interest in the shares they would be barred from voting (disclosed by the Company as non-compliance with WSE Best Practice rule IV.Z.5 on page 26)

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Limitations in the transfer of the ownership rights of the Company's securities

The Articles of Association provide certain limitations with regard to the transfer of the ownership rights to the Company's shares as stated in article 13 of these Articles. The Directors shall have power to implement such arrangements as they may, in their absolute discretion, think fit in order for any class of shares to be admitted to settlement by means of The National Depository for Securities' system.

The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any share which is not fully paid or on which the Company has a lien, provided, in the case of a listed share that this would not prevent dealings in the share from taking place on an open and proper basis. In addition, the Directors may refuse to register a transfer in respect of certificated shares if:

- (i) it is not fully paid up;
- (ii) it is in respect of more than one class of shares;
- (iii) it is not delivered for registration to the Company's registered office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

The Board may comment in its absolute discretion and, without giving a reason, refuse to register any allotment or transfer of shares in favour of more than four joint transferees or a child, bankrupt or person of unsound mind.

If the Board refuses to register the transfer of a share they shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee. The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any one year) as the Board may decide and either generally or in respect of a particular class of share provided that the Board may not suspend the registration of transfers of any participating security without the consent of the operator of the relevant system.

Terms for the appointment and removal of Directors and the description of their powers

Terms of appointment and removal of Directors are presented in the Company's Articles of Association in articles 23, 24 and 30. The current version of the Company's articles of Association is available at the Company website:

<http://www.atlasestates.pl/en/investor-relations/corporate-governance>

POWERS OF THE BOARD OF DIRECTORS

The Management Board exercises all powers in accordance with Guernsey Law and, the Company's Articles of Association (especially articles 27 and 28).

AUTHORISATION OF THE BOARD OF DIRECTORS TO MAKE DECISIONS CONCERNING THE ISSUE OF THE COMPANY'S SHARES

According to the Articles of Association (article 3) the unissued shares within the scope of the authorised capital (pursuant to a resolution of the General Meeting) are at the disposal of the Board, which has the unconditional authority to allot, grant options or warrants over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons on such terms and conditions and at such times as the Board determines but so that no share shall be allotted at a discount.

AUTHORISATION OF THE BOARD OF DIRECTORS TO MAKE DECISIONS CONCERNING THE REDEMPTION OF THE COMPANY'S SHARES

The Board has the power to issue redeemable shares pursuant to article 3.1 of the Articles of Association and may redeem any such shares in accordance with the terms of their issue.

Furthermore, the Board is authorised, on the basis of the article 8.4 of the Articles of Association to adopt a regulations governing the redemption of those redeemable shares.

Article 3.2(b) of the Articles of Association gives the company the power to buy back shares whether they are redeemable or not.

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Annual General Meeting

The Annual General Meeting is usually scheduled in the period June/July. Detailed timing and agenda is communicated separately in accordance with WSE regulations and the Company's Articles of Association.

The Board encourages active communication with all of the Company's shareholders. The Chief Executive 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.

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

Amendment of the Company's articles of association

The Company's articles can be altered in accordance with provisions of Part IV of the Companies Law. Any amendment of the articles of association of the Company may be done by a special resolution of the General Meeting or a written special resolution of the shareholders.

A special resolution requires a majority of no less than three-quarters of the votes recorded (including, where there is a poll, any votes cast by proxy) in order to be passed. In the case of a resolution passed at a General Meeting, notice specifying the intention to propose the resolution has to have been duly given in accordance with article 18 of the Company's articles.

Where the amendment of the Company's articles will result in the variation of the rights of a class of shares, the consent in writing of three-quarters of the nominal amount of the issued shares of that class or a special resolution of the holders of the shares of that class is required.

Structure and membership of the Company's Board

The Board of Directors comprises the non-executive Chairman and two further non-executive Directors. In 2018 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, i.e. Mr Andrew Fox and Mr Mark Chasey as independent Directors and Mr Guy Indig as non-independent Director. The Directors provide strategic management and act as the final decision makers 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.

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Directors and Directors' share interests

The non-executive Directors who served during the year are detailed in table 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.

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 18.

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 33 to 34. No other Director had, during the accounting year or in the period to 28 March 2019, any material beneficial interest in any significant contract in the Group's business.

BOARD COMMITTEES

The Audit Committee comprises the whole of the Board and is chaired by Mr Andrew Fox. It meets at least two 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.

Attendance at meetings

	Board of Directors Meetings	Audit Committee Meetings
No. of meetings in the year	5	4
Mr Andrew Fox	5	3
Mr Mark Chasey	5	4
Mr Guy Indig	4	4

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

PROPERTY MANAGER

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

The Property Manager has a board ("PM board") comprising of two non-executive directors. Additionally it employs Chief Executive 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 PM board collectively approves the appointment of senior management within the Property Manager, details of which are then reported to the Company.

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The Board of Directors assessment of risk control, compliance, and management systems

The Board of Directors has a positive opinion on the Company's and Group's existing risk control, compliance and risk management systems as being appropriate for the size of the Group and the complexity of its operations. The Board has no reservations concerning the correctness of its compliance systems introduced and operating in the Group, nor regarding the risk management system which is of particular importance to the Company and the Group.

Assessment of the Company's compliance with disclosure obligations

In the disclosure policy, providing investors with confidential, current, and periodic information, the Management Board takes the current requirements of the law into account. In the opinion of the Board of Directors, in 2018, the Company properly performed its disclosure obligations arising out of the provisions of the law and the Best Practices of the WSE Listed Companies.

The Company's policies regarding sponsoring and charitable activities

The Company does not pursue sponsorship, charity or other similar activities.

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Remuneration Report

The Directors present their report (the 'Report') on their remuneration, the fees payable to the Property Manager as well as details of payments to directors of subsidiary companies where the services are rendered or procured by external entities that has been prepared in a manner consistent with commonly accepted practice.

1) 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.

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

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	3 months

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

Directors' emoluments – representing fees only	2018
	€
Non-executive Directors	
Mr Andrew Fox (GBP17,500)	19,500
Mr Mark Chasey (GBP17,500)	19,500
Mr Guy Indig (GBP20,000)	22,000
Total	61,000
Directors' emoluments – representing fees only	2017
	€
Non-executive Directors	
Mr Andrew Fox (GBP17,500)	20,000
Mr Mark Chasey (GBP17,500)	20,000
Mr Guy Indig (GBP20,000)	22,000
Total	62,000

2) Property Manager fees

Management 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 consideration of the services provided, AMC charged a management fee amounting to €2.2 million for the year ended 31 December 2018 (2017: €1.6 million).

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

Performance fee

On signing the Property Management Agreement, the Company and AMC agreed upon performance related fee that motivates the Property Manager and align their interests with the performance and growth of the Atlas business and the long term enhancement of shareholder value. The Property Management agreement provides for a formal process of performance evaluation that is based on the collective performance of the Property Manager rather than on standalone companies' performance. These performance criteria are based on financial measures assessed over the life of the Property Management Agreement. Procedures are in place to review the approach and resources applied by the Property Manager and its performance throughout the year.

In addition to the management fee, 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

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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.

AMC’s performance fee accrual in respect of the financial year ended 31 December 2018 is €4.1 million (2017: €8.6 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 percent 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 percent 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.

3) Members of the subsidiaries’ Management Boards

The following entities serve as members of the subsidiaries’ Management Board in addition to the Property Manger mentioned above:

- Euryton Trust Management B.V., Dorsha B.V. (representing Dutch subsidiaries) appointed for indefinite period with 6 weeks’ notice period at the fixed fee of €80,500 (plus VAT- the fee also includes administration services provided to the subsidiaries);
- TMF Curacao N.V (representing Atlas Estates Antilles B.V.) appointed for indefinite period with 3 months’ notice period at the fixed annual fee of USD1,500;

The following entities procure services of Directors to the subsidiaries’ Management Board in addition to the Property Manger mentioned above:

- Altea Management S.A. (representing Luxembourg subsidiaries) appointed for indefinite period with 3 months’ notice period at the fixed annual fee of €6,000 (plus VAT).
- Cyproman Services Limited (representing Fernwood Limited) appointed for indefinite period with no notice period at the fixed annual fee of €1,400 (plus VAT);

Mark Chasey

Chairman

Andrew Fox

Director

Guy Indig

Director

28 March 2019

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Declarations of the Board of Directors

Declaration concerning accounting policies

The Board of Directors of Atlas Estates Limited confirms that, to the best of its knowledge, the annual 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 Company for the period.

The Directors' and Property Manger's 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 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 in accordance with applicable rules and professional standards.

Other obligatory declaration

Since the Company is incorporated outside European Union it is not Public Interests Entity as defined by Regulation (EU) No 537/2014 of the European Parliament and of the Council dated 16 April 2014 as well as Act of 11 May 2017 on statutory auditors, audit firms and on public oversight. As a result the Company is not obliged to comply with:

- the requirements regarding rules of the appointment, composition and functioning of the audit committees, and
- the mandatory rotation of the audit firm and statutory auditor and the mandatory period of grace as imposed by the above mentioned regulations.

Mark Chasey
Chairman

Andrew Fox
Director

Guy Indig
Director

28 March 2019

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INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ATLAS ESTATES LIMITED

Opinion

We have audited the financial statements of Atlas Estates Limited ("the Parent Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

The Parent Company is a holding company with transactions and accounting estimates being either non-complex, or, with reference to work performed on the group financial statements as a whole, not requiring further significant judgement and therefore no significant allocation of resources in the audit. We have determined therefore that there are no key audit matters to communicate in our report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality for Atlas Estates Limited has been calculated as €1,250,000 based on 1% of total assets (2017: €1,138,000 based on 1%) on the basis that the Parent Company is a holding company. Performance materiality was calculated at €937,500 (2017:€853,500) based on 75% of materiality, which was deemed appropriate with reference to the quality of

ATLAS ESTATES LIMITED

internal controls and our historic experience of limited accounting adjustments identified in the course of our previous audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €25,000 (2017: €22,500), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

Our audit of the Parent Company was scoped by obtaining an understanding of the Parent Company, the Group and its environment, including the Group's system of internal control, and assessing the risk of material misstatement at the Group level.

Audit work required to respond to the assessed risks was performed by the Group engagement team.

Other information

The other information comprises the information included in the document containing the Parent Company Financial Statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the regulations of the Warsaw Stock Exchange

In our opinion, the information contained in the Directors' Report on the Group's activities complies with the requirements of the regulations of the Warsaw Stock Exchange issuers and is consistent with the information presented in the accompanying consolidated financial statements.

Based on our knowledge obtained during the audit about the Group and its environment we have identified no material misstatements in the Directors' Report on the Group's activities.

The Parent Company's Management Board and members of its Audit Committee are responsible for the preparation of a declaration on the application of corporate governance in accordance with regulations of the Warsaw Stock Exchange.

In connection with our audit of the consolidated financial statements it was our responsibility to read the declaration on the application of corporate governance, constituting a separate section of the Directors' Report on the Group's activities.

In our opinion, the declaration on the application of corporate governance contains the information specified in paragraph 70 section 6 point 5 of the Minister's of Finance Decree of 28 March 2018 on the current and periodic information provided by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2018 Journal of Laws, item 757 with subsequent amendments).

Information provided in paragraph 70 section 6 point 5 letters c-f, h and i of the Regulation contained in the statement on the application of corporate governance are in accordance with the applicable regulations and information contained in the annual consolidated financial statements.

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 Parent Company; or
- the financial statements are not in agreement with the accounting records; or

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- 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the board of directors, we were appointed by members at the Annual General Meeting on 27 June 2008 to audit the financial statements for the year ending 31 December 2008 and re-appointed by members at each subsequent annual General Meeting. The period of total uninterrupted engagement is 11 years, covering the years ending 31 December 2008 to 31 December 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Parent Company and its controlled undertakings and we remain independent of the Parent Company and its controlled undertakings in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

We have reported separately on the consolidated financial statements of Atlas Estates Limited for the year ended 31 December 2018. That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Collins
For and on behalf of BDO LLP, recognised auditor
London, United Kingdom
28 March 2018

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

ATLAS ESTATES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017	
	€'000	€'000	Notes
Revenues	-	-	
Cost of operations	-	-	
Gross profit	-	-	
Administrative expenses	(6,009)	(10,102)	3
Other operating income	16,943	31,837	4
Profit from operations	10,934	21,735	
Finance income	3,351	6,171	5
Finance costs	(63)	(56)	5
Other (losses) and gains – foreign exchange	(3)	-	5
Profit before taxation	14,219	27,850	
Tax expense	-	-	
Profit for the year	14,219	27,850	
Total comprehensive income for the year	14,219	27,850	
Profit per €0.01 ordinary share - basic (eurocents)	30.3	59.4	6
Profit per €0.01 ordinary share - diluted (eurocents)	30.3	59.4	6

All amounts relate to continuing operations.

The notes on pages 43 to 56 form part of these financial statements.

ATLAS ESTATES LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	2018 €'000	2017 €'000	Notes
ASSETS			
Non-current assets			
Investment in subsidiaries	142,376	125,433	7
Loans receivable from subsidiaries	68	58	8
	142,444	125,491	
Current assets			
Trade and other receivables	4	82	8
Cash and cash equivalents	26	278	9
	30	360	
TOTAL ASSETS	142,474	125,851	
Non-current liabilities			
Other payables	(5,073)	(4,162)	10
	(5,073)	(4,162)	
Current liabilities			
Trade and other payables	(12,774)	(11,281)	10
TOTAL LIABILITIES	(17,847)	(15,443)	
NET ASSETS	124,627	110,408	
EQUITY			
Share capital account	6,268	6,268	11
Other distributable reserve	194,817	194,817	13
Accumulated loss	(76,458)	(90,677)	
TOTAL EQUITY	124,627	110,408	

The notes on pages 43 to 56 form part of these financial statements. The financial statements on pages 39 to 56 were approved by the Board of Directors on 28 March 2019 and signed on its behalf by:

Mark Chasey
Chairman

Andrew Fox
Director

Guy Indig
Director

28 March 2019

ATLAS ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital account	Other reserves	Accumulated loss	Total
	€'000	€'000	€'000	€'000
As at 1 January 2017	6,268	194,817	(118,527)	82,558
Total comprehensive income for the year	-	-	27,850	27,850
As at 31 December 2017	6,268	194,817	(90,677)	110,408
Total comprehensive income for the year	-	-	14,219	14,219
As at 31 December 2018	6,268	194,817	(76,458)	124,627

The notes on pages 43 to 56 form part of these financial statements.

ATLAS ESTATES LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2018

	Note	Year ended 31 December 2018 €'000	Year ended 31 December 2017 €'000
Profit for the year		14,219	27,850
Adjustments for:			
Effects of foreign currency		-	-
Finance costs	5	61	53
Finance income	5	(3,351)	(6,171)
Profit on sale of interests in subsidiary		-	(80)
Reversal of impairment on investments	7	(16,943)	(31,755)
		(6,014)	(10,103)
Changes in working capital			
Decrease/ (Increase) in trade and other receivables		(4)	7
Increase in trade and other payables	10	3,443	8,868
Net cash used in operating activities		(2,575)	(1,228)
Investing activities			
New loans advanced to subsidiaries	13c	(9)	(9)
Repayment of loans receivable from subsidiaries		-	132
Dividend income from subsidiary	5	3,350	6,170
Cash contribution to subsidiary undertaking		-	(3,750)
Proceeds from sale of investment in subsidiary		82	-
Net cash from investing activities		3,423	2,543
Financing activities			
Loan received from majority shareholder	13d	-	3,750
Loan received from subsidiary	13b	850	400
Loan repayments to majority shareholder	13d	(1,950)	(5,300)
Net cash used in financing activities		(1,100)	(1,150)
Net (decrease)/ increase in cash and cash equivalents in the year as a result of cashflows		(252)	165
Effect of foreign exchange rates		-	-
Net (decrease)/ increase in cash and cash equivalents in the year		(252)	165
Cash and cash equivalents at the beginning of the year		278	113
Cash and cash equivalents at the end of the year	9	26	278
Cash and cash equivalents			
Cash at bank and in hand		26	278
Bank overdrafts		-	-
		26	278

The notes on pages 43 to 56 form part of these financial statements.

ATLAS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

Basis of preparation

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

In considering the going concern basis of preparation of the Company financial statements management note that the Company is in a net current liability position of €12.7m (2017: €10.9m). The going concern of the Company is dependent on income from its subsidiaries and their ability to continue as a going concern. The Company obtained a profit for the year of €14.2 million as compared to prior year profit of €27.8 million. Based upon cash flow forecasts prepared for the Group, management expect that the Company’s subsidiaries will be able to support the Company as its liabilities fall due.

As at 31 December 2018 the Group held land and building assets with a market value of €175 million, compared to external debt of €89 million (€174 million and €94 million respectively in 2017). 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, may be subject to repossession by the bank in case of a default of loan terms but will 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 2018, the Directors have taken into account the fact that the Group is in a net current liability position of €2.8 million (2017: €16.9 million)

However, in considering the group’s net current liability position in the context of ongoing working capital management we note the following:

- Property development inventories and assets held for sale included in current assets are held at cost and are forecasted to realise cash revenues in excess of this carrying value in future period. Since the year end such assets with the carrying value of €11 million have been, or are in the process of sale for €42 million;
- The Felikon loan of €12.4million is in default and is classified as short term borrowings. This is ring fenced within the entity, however the Group owes Felikon €6.1 million but can defer payment up to 31 December 2025.

Within trade payables of the Group is a performance fee payable to the Property Manager. Details are provided on page 33 and 34. The payment terms of this fee are subject to consultation between the parties, and the actual payment will be subject to available cash flows of the Group.

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, favourable arrangements for the payment timetable for the AMC performance fee 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 financial statements for the year ended 31 December 2018.

ATLAS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

The financial statements present the individual financial data of the Company for the year ended 31 December 2018. The financial information is prepared in Euro and presented in thousands of Euro ("€'000"). Atlas Estates Limited also prepares separate consolidated financial statements, which incorporate the financial statements of the Company and its subsidiaries up to 31 December 2018.

Foreign currencies

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

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

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

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

	Polish Zloty	Hungarian Forint	Romanian Lei	Bulgarian Lev
Closing rates				
31 December 2018	4.3000	321.51	4.6639	1.95583
31 December 2017	4.1709	310.14	4.6597	1.95583
% Change	3%	4%	0%	0%
Average rates				
Year 2018	4.2623	318.87	4.6530	1.95583
Year 2017	4.2576	309.21	4.6359	1.95583
% Change	0%	3%	0%	0%

Finance income

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

Financial assets

The Company classifies its financial assets in the following categories: measured at amortised cost, measured at fair value through profit or loss and measured at fair value through other comprehensive income. Classification is performed on initial recognition and depends on the business model for managing of financial assets adopted by the entity and on the characteristics of the contractual cash flows from such instruments

- *Financial assets measured at fair value through profit or loss*
As at 31 December 2018 and 2017 no financial assets at fair value through profit or loss were held by the Company.
- *Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loan receivable from subsidiary (note 8) and cash and cash equivalents (note 9) are classified as financial assets measured at amortised cost.

ATLAS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Financial liabilities

(a) Fair value through profit and loss

The Company does not have nor has it designated any financial liabilities as being at fair value through profit and loss.

(b) Amortised cost

Interest-bearing loans 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 (note 10).

Investments in subsidiaries

Investments in subsidiary companies are recognised initially at cost. The carrying amounts of the investments are reviewed at each reporting date. If any indication of impairment of the value of these assets exists, the recoverable amount of the asset is assessed. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable value of the Company's investments in the subsidiaries is assessed by comparing the consolidated Adjusted Net Asset Value of the Group with the net assets attributable to the Company.

Loans receivable

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.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

As of 31 December 2018 the Company hold only other trade receivables (prepayments) (note 8).

Cash and cash equivalents

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

Trade payables

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

ATLAS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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.

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 accounting policies adopted and methods of computation are consistent with those of the annual financial statements for the year ended 31 December 2017.

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

- IFRS 9 'Financial Instruments'.

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Company as these are not effective for the current year. The Company is currently assessing the impact these standards and interpretations will have on the presentation of its results in future periods; those that may have a material impact on the financial statements are:

- (a) Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective date for accounting periods from 1 January 2019).
- (b) IFRIC 23 Uncertainty over Income Tax Treatments (effective date for accounting periods from 1 January 2019).
- (c) Amendments to IAS 28: Long-term interests in Associates and Joint Ventures (effective date for accounting periods from 1 January 2019).
- (d) Annual Improvements to IFRSs (2015-2017 Cycle) , effective 01 Jan 2019. This amendment has not yet been endorsed for use in the EU.
- (e) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, effective 01 Jan 2019. This amendment has not yet been endorsed for use in the EU.
- (f) Amendments to References to the Conceptual Framework in IFRS Standards, effective 01 Jan 2020. This amendment has not yet been endorsed for use in the EU.
- (g) Amendments to IFRS 3 Business Combinations – Definition of a Business, effective 01 Jan 2020. This amendment has not yet been endorsed for use in the EU.
- (h) Definition of Material - Amendments to IAS 1 and IAS 8, effective 01 Jan 2020. This amendment has not yet been endorsed for use in the EU.

The Company has already assessed the impact of IFRS 16 'Leases' (effective date for accounting periods from 1 January 2019) and concluded that it will not have no impact on its consolidated results or financial position in the future.

ATLAS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Financial risk management

1.1 Financial assets and financial liabilities

	31 December 2018	31 December 2017	Note
	€'000	€'000	
Financial assets			
Financial assets held at amortised cost			
Loans receivable from subsidiaries	68	58	8
Trade receivables	-	82	8
Cash and cash equivalents	26	278	9
	94	360	
Financial liabilities			
Liabilities at amortized cost			
Trade and other payables	(12,774)	(9,331)	10
Borrowings (current and non-current)	(5,073)	(6,112)	10
	(17,847)	(15,443)	

1.2 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

ATLAS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2018	€'000	PLN'000	Other'000	Total'000
Loans receivable from subsidiaries	68	-	-	68
Cash and cash equivalents	26	-	-	26
Total financial assets	94	-	-	94
Trade and other payables	(17,782)	-	(65)	(17,847)
Total financial liabilities	(17,782)	-	(65)	(17,847)
Net financial assets / (liabilities)	(17,688)	-	(65)	(17,753)
2017	€'000	PLN'000	Other'000	Total'000
Loans receivable from subsidiaries	58	-	-	58
Trade receivables	82	-	-	82
Cash and cash equivalents	278	-	-	278
Total financial assets	418	-	-	418
Trade and other payables	(15,412)	-	(31)	(15,443)
Total financial liabilities	(15,412)	-	(31)	(15,443)
Net financial assets / (liabilities)	(14,994)	-	(31)	(15,025)

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

If the euro weakened / strengthened by 10% against either of the Polish Zloty, Hungarian Forint or Romanian Lei, with all other variables held constant, post-tax loss for the year would have remained the same (2017: post-tax loss for the year would have remained the same).

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

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

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

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

ATLAS ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

An increase in 100 basis points in interest yields would result in a decrease in the post-tax profit for Company for the year of €50 thousand (2017: decrease in the post-tax profit for Company for the year of €41 thousand). A decrease in 100 basis points in interest yields would result in an increase in post-tax profit for the year of €50 thousand (2017: increase in post-tax profit for the year of €41 thousand).

(b) Credit risk

The Company's credit risk arises from cash and cash equivalents as well as credit exposures with respect to outstanding receivables from subsidiaries (note 9). Credit risk is managed on a local and Group basis and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual and more frequent review. Cash transactions are limited to high-credit-quality financial institutions. The utilisation of credit limits is regularly monitored.

As at 31 December 2018, the Company had one major counterparty, Barclays PLC. Given that Barclays PLC is a high-credit-quality financial institution, with a rating of BBB in 2018, as well as the short-term nature of those investments, the credit risk associated with cash and cash equivalents is estimated as low. The maximum exposure of the Company in respect of cash and cash equivalents and outstanding receivables is equal to their gross value at the balance sheet date.

(c) Liquidity risk

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

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

Below there is summary of maturity analysis of undiscounted cash flows for financial liabilities held by the Company.

	2018	2017
	€'000	€'000
Financial liabilities – non-current borrowings		
Over 5 years	(5,073)	(4,162)
	(5,073)	(4,162)
Financial liabilities – current		
Borrowings	-	(1,950)
Trade and other payables – maturity within one year	(12,774)	(9,331)
	(12,774)	(11,281)

1.3 Capital risk management

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

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

2. Critical accounting estimates and judgements

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

Impairment of investments in the Company's subsidiaries

In assessing the carrying value of the Company's investments in its subsidiaries, the management consider the adjusted net asset value of the Group. The adjusted net asset value takes the basic net assets as per the consolidated financial statements and adjusts these for the fair value of the property portfolio which is not included in the reported balance sheet due to the accounting standard requirements. To calculate the fair value of the

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property portfolio the Property Manager engages qualified experts to assist in its assessment. A valuation of the entire property portfolio is carried out on an annual basis by external and internal experts. 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.

3. Administrative expenses

	2018 €'000	2017 €'000
Audit and tax services		
- Fees payable to the Group's auditor for the audit of the Company and its consolidated financial statements	(93)	(87)
Fees payable to the Group's auditor for the other services:		
- Non audit services – interim reviews	(31)	(31)
Incentive and management fee (note 13a)	(5,702)	(9,568)
Legal and other professional fees	(111)	(208)
Insurance cost	(11)	(146)
Staff costs	(61)	(62)
Administrative expenses	(6,009)	(10,102)

4. Other operating income

	2018 €'000	2017 €'000
Profit on sale of interest in subsidiary	-	80
Reversal of impairment of investments in subsidiaries (note 7)	16,943	31,755
Other operating income	-	2
Other operating income	16,943	31,835

5. Finance income and finance costs – net

	2018 €'000	2017 €'000
Bank and other similar charges	(2)	(3)
Interest payable on loan received from subsidiary (note 13 b)	(61)	(53)
Finance costs	(63)	(56)
Interest receivable on subsidiary loans (note 13 c)	1	1
Dividend income from subsidiary- Atlas Finance Limited	3,350	6,170
Finance income	3,351	6,171
Finance income, excluding foreign exchange – net	3,288	6,115
Unrealised foreign exchange gains	-	-
Unrealised foreign exchange losses	-	-
Realised foreign exchange gains	-	-
Realised foreign exchange losses	(3)	-
Other gains and (losses) – foreign exchange	(3)	-
Finance income, including foreign exchange – net	3,285	6,115

6. 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.

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

Year ended 31 December 2018	Profit	Weighted average number of shares	Per share amount
Continuing operations	€'000		Eurocents
Basic EPS			
Profit attributable to equity shareholders of the Company	14,219	46,852,014	30.3
Diluted EPS			
Adjusted profit	14,219	46,852,014	30.3

Year ended 31 December 2017	Profit	Weighted average number of shares	Per share amount
Continuing operations	€'000		Eurocents
Basic EPS			
Profit attributable to equity shareholders of the Company	27,850	46,852,014	59.4
Diluted EPS			
Adjusted profit	27,850	46,852,014	59.4

7. Investments in subsidiaries

	2018	2017
	€'000	€'000
Shares in subsidiary undertakings		
<i>Cost</i>		
At beginning of period	217,681	213,933
Additions in year (note 13 d)	-	3,750
Disposals	-	(2)
At the end of the period	217,681	217,681
<i>Impairment</i>		
At beginning of period	(92,248)	(124,003)
Reversal	16,943	31,755
At the end of the period	(75,305)	(92,248)
As at 31 December	142,376	125,433

Investments in subsidiary undertakings are stated at cost. Cost is recognised as the nominal value of the company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings. A list of principal subsidiary undertakings and joint ventures is given at note 17.

The Company has carried out an annual impairment review of the carrying values of investments and loans receivable from subsidiaries. The Company considers the best indication of value of investments and loans to subsidiaries to be the valuation reports produced by the independent qualified experts.

In 2018: €16.9 million was recognised in other operating income in respect of reversal of impairment of investment in subsidiaries. In 2017: €31.7 million was recognised in other operating income in respect of reversal of impairment of investment in subsidiaries.

The method applied to assign value to the company's investments is fair value less costs to sell and has been based on the property valuations assessed by independent experts and, where appropriate, management. In assessing the value of each investment the Company has considered not only the asset value recognised in the books of the individual entities but also the valuation amount of elements held at cost. Substantially, this has resulted in the carrying values of investments and loans receivable from subsidiaries being compared to the adjusted net asset value of the Group. The Adjusted Net Asset Value of the Group has increased from €110.4m to €124.6m which facilitates a reversal of the historic impairment of €16.9m such that the Company's net assets match and do not exceed the Group's Adjusted Net Assets.

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8. Trade and other receivables

	2018	2017
	€'000	€'000
Amounts falling due within one year:		
Amounts due from subsidiary	-	82
Other third party receivables (prepayments)	4	-
As at 31 December	4	82
Non-current – loan receivable from subsidiary:		
Loan receivable due from subsidiary (Atlas Estates Antilles BV) (note 13 c)	68	58
As at 31 December	68	58

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

Loan receivable from subsidiary is interest-bearing, with interest charged at EURIBOR plus an agreed margin. The loan has an agreed maturity date in 2020.

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

	2018	2017
	€'000	€'000
Euro	-	82
Other	4	-
	4	82

The maximum amount of exposure of the Company to credit risk at the balance sheet date approximates the total of loans receivable from subsidiaries. The Company applies the IFRS 9 simplified approach to trade receivables for measuring expected credit losses. The Company has determined that the current loss allowance is €nil (2017: €nil).

9. Cash and cash equivalents

	2018	2017
	€'000	€'000
Cash and cash equivalents	26	278
	26	278

10. Trade and other payables

	2018	2017
	€'000	€'000
Current		
Amounts due to Atlas Management Company Group in respect of management and performance fee (note 13a)	(12,623)	(9,218)
Trade payables	(151)	(113)
Loan from majority shareholder (note 13d)	-	(1,950)
	(12,774)	(11,281)
Non-current		
Loan from subsidiary- HGC Gretna Investments Sp. z o.o. Sp. J.(note 13b)	(5,073)	(4,162)
	(5,073)	(4,162)
Total trade and other payables	(17,847)	(15,443)

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Loan payable to the subsidiary is interest-bearing, with interest charged at EURIBOR plus an agreed margin. This loan has agreed maturity date in 2045.

Reconciliation between opening and closing balances in the statement of financial position for liabilities arising from financing activities:

	31 December 2017 €'000	NON-CASH CHANGE Interests accrued €'000	CASH FLOW CHANGE New loans raised €'000	CASH FLOW CHANGE Repayments €'000	31 December 2018 €'000
Amounts payable to majority shareholder	1,950	-	-	(1,950)	-
Loan received from subsidiary	4,162	61	850	-	5,073

	31 December 2016 €'000	NON-CASH CHANGE Interests accrued €'000	CASH FLOW CHANGE New loans raised €'000	CASH FLOW CHANGE Repayments €'000	31 December 2017 €'000
Amounts payable to majority shareholder	3,500	-	3,750	(5,300)	1,950
Loan received from subsidiary	3,709	53	400	-	4,162

11. 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			
As at 31 December 2017 and 2018	46,852,014	6,268	6,268

During 2007, 3,470,000 ordinary shares of €0.01 each with aggregate nominal value of €34,700 were purchased and held in Treasury.

12. Other distributable reserve

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

	€'000
At 31 December 2017 and 2018	194,817

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13. Related party transactions

(a) Key management compensation

	2018	2017
	€'000	€'000
Fees for non-executive directors	61	62

The Company has appointed AMC, a company under common control, to manage its property portfolio. In consideration of the services provided, AMC charged a management fee of €1.5 million for the year ended 31 December 2018 (2017: €1.0 million). Under the agreement, AMC is also entitled to a performance fee based on the increase in value of the properties over the year. The Company has accrued a performance fee of €4.1 million for the year ended 31 December 2018 (for the year ended 31 December 2017 performance fee amounted €8.6 million).

As of 31 December 2018, €12.6 million included in current trade and other payables was due to AMC (2017: €9.2 million). In 2018 €2.3 million was paid to AMC in respect of management and performance fees (in 2017: €0.7 million).

(b) The loan payable to the subsidiary (HGC Gretna Investments Sp. z o.o Sp. J.) is interest bearing and the Company was charged €61 thousand as interest (2017: €53 thousand as interest). As at 31 December 2018 the loan balance including capitalised interest due to subsidiary amounted to €5.1 million (as of 31 December 2017: €4.2 million).

(c) The loan receivable from the subsidiary (Atlas Estates Antilles B.V.) is interest bearing and the Company charged €0.7 thousand (2017: €0.6 thousand) as interest. As at 31 December 2018 the loan balance including capitalised interest due from subsidiary amounted to €67.9 thousand (2017: €57.9 thousand).

(d) In November 2016 Atlas Estates Limited ("AEL") received a loan from its majority shareholder Fragiolig Holdings Limited ("Fragiolig") amounting to €3.5 million. The loan repayment date was 30 January 2017 however it was subsequently extended to 30 May 2018. In March 2017 AEL received an additional €3.75 million and as a result the loan amount was increased to €7.25 million. In September and November 2017 AEL executed several repayments totalling €5.3 million. In May 2018 AEL repaid the last tranche totalling €1.95 million. As of 31 December 2018 the loan is fully repaid. The loan was not interests bearing.

Moreover on 31 January 2017 AEL concluded an option agreement with Fragiolig based on which AEL granted to Fragiolig an option to acquire (through AEL's subsidiaries) whole or part of the partnership interest in the partnership in its indirect subsidiary- HPO AEP Sp. z o.o. Sp. j. with its seat in Warsaw ("HPO"). The option expired on 30 May 2018.

14. Post balance sheet events

On 27 February 2019 a decision from the Metropolitan Companies' Court in Budapest was received, which ordered the compulsory strike off of Felikon Kft, a subsidiary of the Company. The decision of the court was based on the fact that the equity of Felikon Kft. does not reach the minimum equity prescribed by law. The court's decision commences a process of liquidation and deletion of Felkon Kft. from the companies register. The liquidation of Felikon Kft. Is expected to have no material adverse effect on the financial statements of the Company.

There are no other significant post balance sheet events that require disclosure

15. Significant Agreements

In 2017 and 2018 the Company did not enter into any significant agreements.

16. Other items

16.1 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 15% the Company's net equity.

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.

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16.2 Financial forecasts

No financial forecasts have been published by the Company in relation to the year ended 31 December 2018.

17. Principal subsidiary companies and joint ventures

The table on the next page 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 a Polish subsidiary, Atlas Estates (Kokoszki) Sp. z o.o. Deconsolidation of this subsidiary started on 24 December 2014, i.e. from the moment when Group control was lost.

No new subsidiary undertakings were acquired and no significant investments were made in any additional joint ventures during the period ended 31 December 2018 and 2017.

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	Atlas Projects B.V.	Holding	100%
Holland	Atlas Residential BV	Holding	100%
Holland	Atlas HPO BV	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	AEP Sp. z o.o. 2 SKA	Holding	100%
Poland	AEP Sp. z o.o. 3 SKA	Holding	100%
Poland	Platinum Towers AEP Sp. z o.o. SKA	Development	100%
Poland	Zielono AEP Sp. z o.o. SKA	Development	100%
Poland	Properpol Sp. z o.o.	Investment	100%
Poland	Atlas Tower Sp. z o.o. (former name: Atlas Estates (Millennium) Sp. z o.o.)	Investment	100%
Poland	Atlas Estates (Sadowa) Sp. z o.o.	Investment	100%
Poland	Capital Art Apartments AEP Sp. z o.o. Sp. j.	Development	100%
Poland	HGC Gretna Investments Sp. z o.o. Sp. j.	Hotel operation	100%
Poland	Mantezja 3 Sp. z o.o.	Hotel operation	100%
Poland	HPO AEP Sp. z o.o. Sp. j.	Development	100%
Poland	Atlas Estates (Cybernetyki) Sp. z o.o.	Development	50%
Poland	Le Marin Sp. z o.o.	Development	100%
Poland	Atlas Estates (Przasnyska 9) Sp. z o.o.	Development	100%
Poland	La Brea Management Sp. z o.o.	Development	100%
Poland	CAA Finance Sp. z o.o.	Development	100%
Poland	Gretna Investments Sp. z o.o.	Holding	100%
Poland	Gretna Investments Sp. z o.o. 4 SKA	Holding	100%
Poland	Negros 3Sp. z o.o.	Holding	100%
Hungary	CI-2005 Investment Kft.	Development	100%
Hungary	Felikon Kft.	Investment	100%
Hungary	Atlas Estates (Moszkva) Kft.	Investment	100%
Romania	World Real Estate SRL	Investment	100%
Romania	Atlas Solaris SRL	Development	100%
Romania	D.N.B. - Victoria Towers SRL	Hotel operation	100%

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Country of incorporation	Name of subsidiary/ joint venture entity	Status	Percentage of nominal value of issued shares and voting rights held by the Company
Bulgaria	Immobul EOOD	Investment	100%
Luxembourg	Gretna SCSP	Holding	100%
Luxembourg	Residential SCSP	Holding	100%
Luxembourg	Gretna Projects Sarl	Holding	100%
Luxembourg	HPO SCSP	Holding	100%
Luxembourg	Residential Projects Sarl	Holding	100%

18. Ultimate Parent Company and Ultimate Controlling Party

The ultimate parent company is RIG Investments Sarl and the ultimate controlling party by a virtue of ownership is Mr Ron Izaki.