SECURE PROPERTY

DEVELOPMENT & INVESTMENT

ANNUAL REPORT

2013

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SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

Key Facts	31 Dec 2012	31 Dec 2013	Difference
Total Assets Under Management ($million):	58	**72**	24%
Number of Assets:	5	**5**	-
Bank Debt($million):	16.4	**15**	-9%
Operational Gearing	54%	**29%**	-46%
Rental Income ($million):	2.1	**2.8**	33%
EBITDA*($million):	-1.2	**0.3**	-
Net Equity**($ million):	33.9	**52.2**	54%
Issued Shares:	11,111,975	**28,171,833**	154%
NAV per share($):	3.05	**1.85**	-

*Before revaluation of assets.

**Attributable to the shareholders.

This report may contain forward-looking statements about the Company. Such statements are predictive in nature and depend upon or refer to future events or conditions and may include such words as "expects", "plans", "anticipates", "believes", "estimates" or other similar expressions. In addition, any statement regarding future performances, strategies, prospects, actions or plans is also a forward-looking statement. Forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, events, activities and achievements to differ materially from those expressed or implied by such statements. Such factors include general economic, political and market conditions, interest and foreign exchange rates, regulatory or judicial proceedings, technological change and catastrophic events. You should consider these and other factors carefully before making any investment decisions and before relying on forward-looking statements.

1. Letter to the Shareholders

23 June 2014

Dear Shareholders,

What a difference a year makes. In early 2012, there were real concerns that Europe was going head-on into a wall, with many predicting the collapse of the Euro and the Union. However, by late 2013, a combination of a number of events, including the German elections providing political stability in Europe's largest economy, Greece producing its first primary surplus in years, Cyprus weathering a banking crisis (which saw Cypriot banks go bust and individual depositors losing money for the first time in the EU history) and the US starting to taper-off its package of economic stimulus without major consequences, had led to renewed confidence that the European economy is back on track. There are, of course, some that do not believe enough has been done or that the risks have been fully mitigated.

At the same time, Eastern Europe has been growing faster than average, with Romania leading the pack in terms of both GDP growth rates and political stability, while a lot of non-European capital is circling around Southern European countries and Greece is looking for investment opportunities. All in all, 2013 largely saw progress being made in the right direction, with the overall environment substantially ameliorating, but fears remain that the fire is not totally extinct and that there are outstanding factors that might cause it to flare up again very quickly. The events of early February 2014 and the ongoing situation in Ukraine, which is still at a critical juncture, not only give rise to serious concern for the future political stability of the country and its economy, but also serve as a timely reminder of how quickly things can change.

For our Company, while we continued to make good operational progress, in terms of implementing our strategy of growth by acquisitions, 2013 was a year in limbo and no acquisitions were completed during the year under review. The market's concerns about lingering risks were reflected in the inability of most financial institutions in the region to extend new or refinance old loans combined with a priority for most of the regulatory bodies to assess the banking sector's capital adequacy that caused a very illiquid environment which delayed progress. Against this backdrop, we put a lot of focus on both raising further capital for investment and sourcing opportunities to invest in undervalued assets. While we were successful in raising $17 million early in the year, it took more time to start deploying these funds than we would have historically expected. However, the efforts made and many leads generated by the management team laid the foundations for the Company to make an acquisition in Romania in early 2014 - SECURE's first outside Ukraine.

In terms of asset management, the Company made good progress at its key income producing asset, Terminal Brovary, with occupancy consistently above 95% for the warehouse space and 85% including the office elements. Close to the end of the year, we rented the small amount of remaining warehouse space reaching 100% warehouse occupancy. 2013 is the first year with such high occupancy at Brovary, and our efforts resulted in a 33% increase in rental income in comparison to the previous year.

In March 2013 we finalised negotiations with the European Bank for Reconstruction and Development ("EBRD") on rescheduling the amortisation plan of the Brovary construction loan. Unfortunately, this coincided with the Cyprus banking crisis which resulted in the loan's 'B' Lender soon becoming bankrupt and being unable to complete the transaction, despite the fact that SPDI and EBRD had put in effect the new loan as of Q2 2013. In December 2013 we received the written agreement of the 'B' Lender on the restructuring and we are now in the process of finalising legal documents that would eliminate a balance sheet risk factor by formalising the loan agreement.

In parallel, the Company navigated the Cypriot banking crisis well, having previously ensured that all its available cash was kept in non-Cypriot banks before the system collapsed. Consequently, and despite post-collapse cash transfer restrictions creating challenges, our cash reserve was safe and we ended the year with more than $13 million in cash or cash equivalent.

As mentioned above, a key focus of our asset management team was sourcing acquisitions and a number of interesting opportunities were identified, mostly in Romania. By the end of the year the Company had agreed terms to acquire three assets, two of which were very close to signature.

In March 2014, we were very pleased to sign the Sale and Purchase Agreement for the acquisition of Innovations Logistics Park, a fully-let 17,000 sq.m. gross leasable area logistics park in Bucharest. Its anchor tenant is Nestle which leases more than 60% of the gross leasable area, with the remainder let to locally managed Romanian businesses. Innovations produces €1.3 million of income per annum and the acquisition is expected to increase the Company's annual net operating income by over 60%.

The acquisition strengthens SECURE's focus on the logistics industry, increases our regional logistics exposure and diversifies our portfolio outside Ukraine for the first time in its history. It is the first small step towards our ultimate goal of creating a leading regional company.

The 2013 annual accounts scarcely remind us of the troubles the Company was in just two years ago when the current management team took over. Operational revenues have increased in the region of 620% since that time, reaching $3.6 million for the year under review compared to $2.1 million in 2012 and $0.5 million in 2011. SPDI is now well placed for continued growth in line with shareholders' mandate.

Having worked through a bankruptcy in 2010, a loan default in 2011 and managing to stabilise the Company both financially and operationally against the backdrop of the economic and financial sector issues between 2010 - 2013 as well as the overall Euro crisis we are optimistic that 2014 will be seen as the real turning point in the Company's evolution. With a strategy focused on growth and diversification, a committed group of shareholders and a driven management team, SPDI has every right to expect that. We can assure both our longstanding investors, who have stuck with us through the difficult times and kept faith in the Company's potential, as well as the new investors, who share our dream and vision, that we will do everything it takes to build on the positive steps already taken and drive hard to reach our ultimate objective.

Best regards,

Lambros G. Anagnostopoulos
Chief Executive Officer

2. Management Report

2.1. Corporate Overview & Financial Performance

Summary

In 2013 the Company's management focused on three areas: First, the generation of various acquisition opportunities which in the end created a strong pipeline of suitable targets. We entered negotiations for a number of these during the period, moved into thorough due diligence on others and, by the year end, were able to bring three to a position where they are ready for closing subject to debt and equity capital availability, of which one closed in the first quarter of 2014, as detailed earlier.

Our second aim was to raise capital and, we were able to raise almost $17 million during the year, increasing the equity in the Company's balance sheet by 17%. However, the focus of international investors on opportunities arising from the distressed environment in South Europe (mainly Spain and secondarily Greece) proved a stumbling block in raising further capital for South East Europe. Availability of debt capital proved more difficult, due to local banks proving very inflexible and slow in their decision making processes (with the debacle in Cyprus exasperating this situation further).

Third, on the operational front, besides maintaining a high level of service and occupancy in Terminal Brovary, the management continued its path of addressing various issues on the ground, most notably the various legal cases brought against the Company by its ex-administrator in Ukraine who has teamed up with our ex-lawyers. In terms of financial operations, we were successful in preventing the Company from being affected by the Cypriot banking crisis and the foreign exchange ("FX") restrictions in Cyprus and Ukraine. We also concluded negotiations with EBRD on the restructuring of the Terminal Brovary construction loan, the terms of which while not yet officially signed, have been agreed by both parties since Q1 2013.

In parallel with the areas of focus, the Company maintained its overall lean and strict operations management, decreasing the annual operating and administrative costs to ~$3 million and increasing the Company's net annual rental income by 33% to $2.8 million.

Cyprus Financial Rescue

As part of its active cash management, the Company transferred 98% of its total cash balance out of the Cyprus Popular Bank ("CPB") just weeks before it went bust, eliminating almost entirely the effects of the collapse of the Cypriot economy on the Company. At the time we had more than $15 million in cash and, as a result of our premeditative action, the situation in Cyprus resulted in only a $135,000 loss for the Company, for which we expect to receive Bank of Cyprus shares during 2014 by way of compensation.

The temporary capital transfer restrictions imposed by the Cypriot authorities did not affect the Company's day-to-day operations. The Company is monitoring the situation closely and will act accordingly.

Ukrainian Political and Financial Developments

The political instability in Ukraine continues and until this is resolved it is no longer possible to predict the outcome or its impact on Ukraine's economy.

As Terminal Brovary is on the Kiev outskirts, the premises run no significant risk from the riots. Our tenants are mostly western logistics and retail companies, whose operations may be affected economically, but the end effect depends on the evolution of the events.

In view of degrading FX conditions in early February, Ukraine has instigated certain restrictions on FX transactions in response to the outflow of capital and the devaluation of Hryvnia (in excess of 40% since the beginning of the crisis) due to shortage of FX financial reserves and the political uncertainty in the country. In addition, starting from 1 January 2014, the new convention between Ukraine and Cyprus was taken into force and all payables from Ukrainian Companies to their Cypriot counterparts are now subject to 2% withholding tax.

With the risk of devaluation of the Ukrainian currency being always very high, most of our tenancy agreements were pegged by design on the US$. As such no immediate impact is expected with our net cash availability, being estimated at a monthly average of $ 130,000.

Optimizing Corporate Structure

In an effort to further streamline its operations, the Company has proceeded in essentially terminating all the non-Terminal Brovary related intragroup loans between Cyprus and Ukraine, thus considerably reducing its capital flows between the holding Company and its subsidiaries. Furthermore, such flows are now part of an overall plan to decrease the Ukrainian operation's dependency on equity support. The termination of these loans will have a substantial positive impact on the tax payable by the Company.

In the same manner, the Company has progressed with decreasing the number of its subsidiaries in Ukraine, a long and bureaucratic process that will be finalized within 2014, thus resulting in lower administrative costs and increased time efficiency.

Corporate Governance

In its push to further improve Corporate Governance, SECURE Property attracted Ned Goodman as a senior advisor to its Board. Ned Goodman, being a well respected and experienced international investor with a strong track record in both the real estate sector and the South East Europe markets, substantially strengthened the collective experience of our board. He is the founder of the Dundee Group of Companies in Canada and President and CEO of the Dundee Corporation, an independent publicly traded Canadian asset management company.

Audit Committee

The Audit Committee's constitution sets out the Board's responsibility for overseeing the financial reporting and internal controls of the Company and its subsidiaries and maintaining a relationship with the external auditor of the group. It also monitors potential conflicts of interests of directors and senior managers. The Committee met on a number of occasions during the year, and in particular engaged with the auditors during the audit process and engaged with management in the discharge of their role.

Remuneration Committee

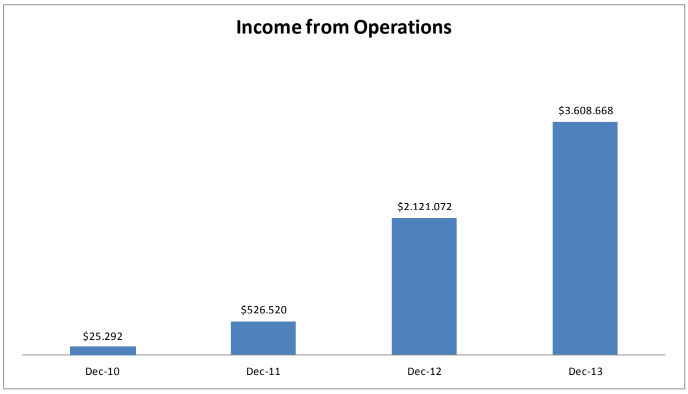
The Remuneration Committee has a responsibility to determine the policy for the remuneration of the Directors and Executive Management of the company. The role includes not only basic cash remuneration, but also bonuses, benefits in kind and non-cash remuneration. The principal activity of the Committee during the year was to consider reducing cash outflow from the Company in relation to Directors' remuneration. The discussions resulted in the successful implementation of the policy to substitute cash remuneration in part for share based remuneration. The Remuneration Committee met on a number of occasions during the year and engaged with management on remuneration issues.

Internal Audit and Control

The Board is ultimately responsible for the Group's financial reporting, internal control and risk management systems. The Finance Department prepares detailed budgets and cash flow projections, which are approved annually by the Board and updated regularly throughout the year. Ongoing financial control is the responsibility of the management. A control structure is in place with defined delegated authorities and signatory rights for both management decisions and cash payments throughout the Group.

Financial performance

The Company's performance in 2013 showed clearly the hard work done in the period after the internalization of management. Compared to 2012, gross rental income increased by 70% to $3.6 million, while operating expenses decreased to $3 million from $3.6 million of 2012. This resulted in an EBITDA of $0.3 million.



2.2. Property Holdings

Property Assets

The Company's portfolio, currently entirely focused on Ukraine, consists of one income producing property and four development projects at different stages in the development process.

Terminal Brovary Logistic Park consists of a 49,180 sq.m. Class A warehouse and associated office space, situated on the junction of the main Kiev – Moscow highway and the Borispil road. The facility has been in operation since Q1 2010 and as at the end of the reporting period was 90% leased (warehouse space was 100% leased).

Bela Logistic Centre is a 22.4 ha plot in Odessa situated on the main highway to Kiev. Following the issuance of permits in 2008, below ground construction for the development of a 103,000 sq.m. GBA logistic center commenced. Construction was put on hold in 2009 due to the global economic crisis.

Kiyanovskiy Lane consists of four adjacent plots of land, totaling 0.55 ha earmarked for a residential development, which are well located, overlooking the scenic Dnipro River, St. Michael's Spires and historic Podil neighborhood. During 2013, management held discussions with a number of interested parties with regard to a possible development of this asset should the market developments allow for such action.

Tsymlyanskiy Lane is a 0.36 ha plot of land located in the historic Podil District of Kiev earmarked for the development of a residential complex.

Balabino project is a 26.38 ha plot of land situated on the south entrance of Zaporozhye, a city in the south of Ukraine with a population of 800,000 people. Balabino is zoned for retail and entertainment development.

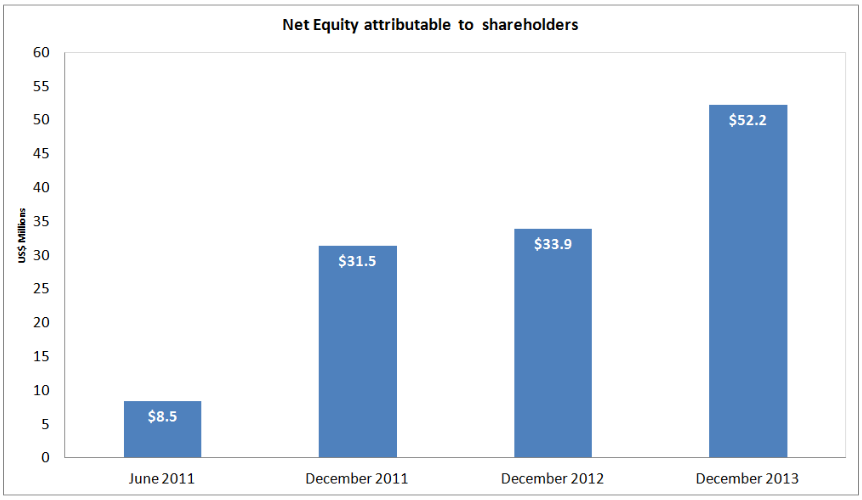
Property Asset Valuations

In 2013, the Company appointed CBRE Ukraine as its valuer. The valuations have been carried out by the appraisers on the basis of Market Value in accordance with the appropriate sections of the current Practice Statements contained within the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards (2013) (the "Red Book") and is also compliant with the International Valuation Standards (IVS).

At the year-end, the Company's property assets were valued at $53.6 million, an increase of 2.3% from the December 2012 valuation. This increase can be attributed mostly to constantly high Terminal Brovary occupancy, as well as to growth in the average unit rental revenue. Such valuation need to take into account the impact of the current political developments in Ukraine, once the situation stabilizes.

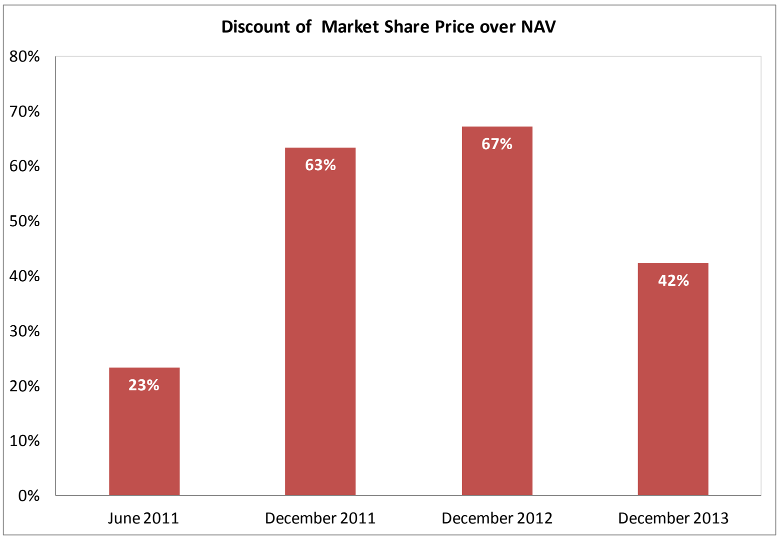
Net Equity

The Net Equity attributable to the shareholders as at 31 December 2013 stood at $52.2 million representing a ~520% increase over the June 2011 ($8.5 million) figure, when the new management took over. This figure includes also the total capital raised in 2013.



Net Asset Value

The NAV per share as at 31 December 2013 stood at $1.85; lower than a year before, due to the new shares issued as a result of the capital increase, while the discount of the Market Value against the NAV decreased to 42%.



2.3. Financial and Risk Management

Leverage

The Group's overall bank debt exposure at the reporting date consisted of a single $15 million net construction loan to Terminal Brovary from EBRD. The loan was originally restructured in June 2011 and is again under a restructuring process expected to be completed in Q3 2014 as the Company has agreed with EBRD to match cash inflows from the asset with the debt amortization plan.

In October 2013, the Company proceeded with capitalizing the convertible loan amounting to $1.7 million granted by certain shareholders a year earlier in order to provide additional working capital to the Company. The lenders have agreed to convert these liabilities due to them into new ordinary shares.

Overall, the Group's gearing ratio (debt/equity) at the end of 2013 stands at 29%.

Liquidity Management-Cash Flow Risk

Throughout 2013 the Company continued to preserve liquidity and optimize its cash flow in a worsening credit environment. By maintaining a tight cash flow schedule, the Company has been able to manage its liabilities while making progress towards implementing its growth strategy.

Most importantly, during the year the Company mitigated the effects of both the Cyprus financial crisis, by holding the bulk of its financial assets outside the Cypriot banking system and the gradual devaluation of the Ukrainian hryvnia, by minimizing the cash available in Ukraine and transferring all excess cash out of the country, thus protecting the shareholder's value.

2.4. 2014 and beyond

Real Estate Market

Going into 2014, the political and economic developments in Ukraine overshadow all other performance factors for the Company. While management is doing whatever is needed to avoid any negative consequences, the need to expedite our regional expansion (and through it mitigate the Ukrainian risk) is now more pertinent than ever. On the other hand, the EU situation is ameliorating and the EU economy is looking at a brighter year, helping the property markets and our growth efforts.

The Company

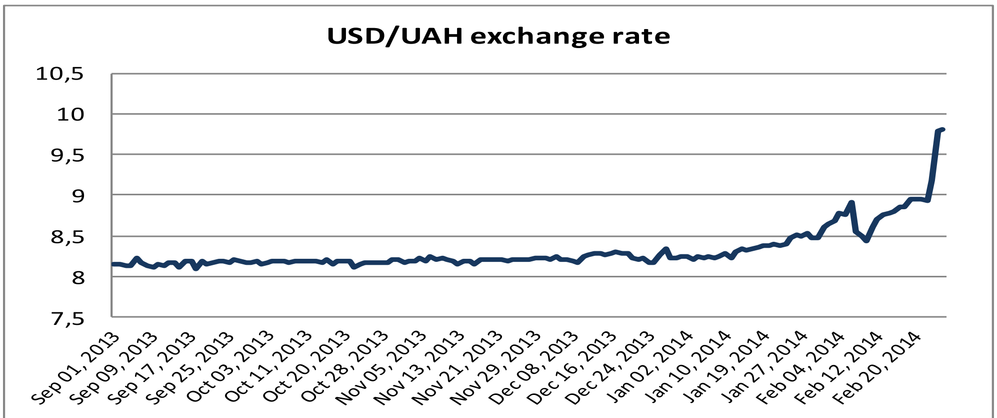
As such, our focus in 2014 is to grow the Company's balance sheet with assets in other countries in the South East Europe region (with priority being placed in Romania and Bulgaria), while safeguarding our position and income in Ukraine.

3. Regional Economic Developments [1]

Ukraine

Although Gross Domestic Product continued to decrease in Q3 2013, it is expected to rebound in Q4 2013 closing at -1% for the whole year. However economic activity is expected to be seriously hampered in 2014, due to the unfolding political events and the uncertainty regarding the financing of the current account deficit of Ukraine.

Over the period from January 2013 to September 2013, the Current Account balance reduced by 7% year-on-year to $10.2 billion, because of weak exports, foreign exchange movements that negatively affected competitiveness and the increase in consumer lending. This trend stopped temporarily in September-October 2013, when imports increased by 2.8% year-on-year, predominantly as a result of higher gas imports. Headline inflation dropped by 0.4% year-on-year in August 2013, after reaching a plateau in June. The deflation reflected the continued decline in food prices, which constitute approximately half of the CPI basket, as well as lower domestic demand and the reluctance to implement the IMF's measures (a hike of over 30% in gas prices and a forced devaluation of the Hryvnia).



Source: Bloomberg

As far as interest rates are concerned, the National Bank of Ukraine (NBU) has kept the rate at around 6%; a decision primarily driven by the close-to-zero inflationary levels, the deposit growth in the banking sector, as well as the diminishing cost of funds. However, real interest rates in the market are on the rise as the devaluation of the Hryvnia has picked up later in the year.

On the political front, in November 2013, during the Eastern Partnership Summit in Vilnius, Ukraine failed to sign the Association Agreement with the EU and instead opted for a closer relationship with Russia, which caused political turmoil.

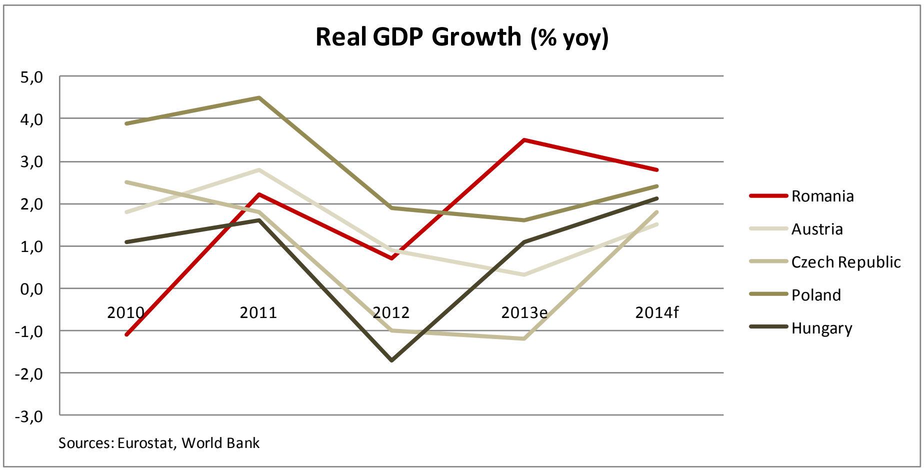
Macroeconomic data and forecasts					
	2010	**2011**	**2012**	**2013e**	**2014f**
GDP (USD bn)	136,2	163,4	173,5	181,0	173,8
Population (mn)	45,8	45,6	45,6	45,5	45,5
GDP (constant prices y-o-y %)	4,2	5,2	0,2	-1,0	-4,0
CPI (average, y-o-y %)	9,4	8,0	0,6	-0,2	5,0
ILO Unemployment rate (%)	8,1	7,9	7,5	8,0	10,0
Net FDI (USD bn)	5,7	7,0	6,6	5,0	6,0
FDI % GDP	4,2	4,3	3,8	2,8	3,1

Sources : IMF, Raiffeisen Research, National Sources, Eurobank EFG

[1] Sources: Eurobank Research, NBG Research, National Statistical Services, National Central Banks, Eurostat, European Central Bank, International Monetary Fund, Raiffeisen Research, Bloomberg, World Bank

Romania

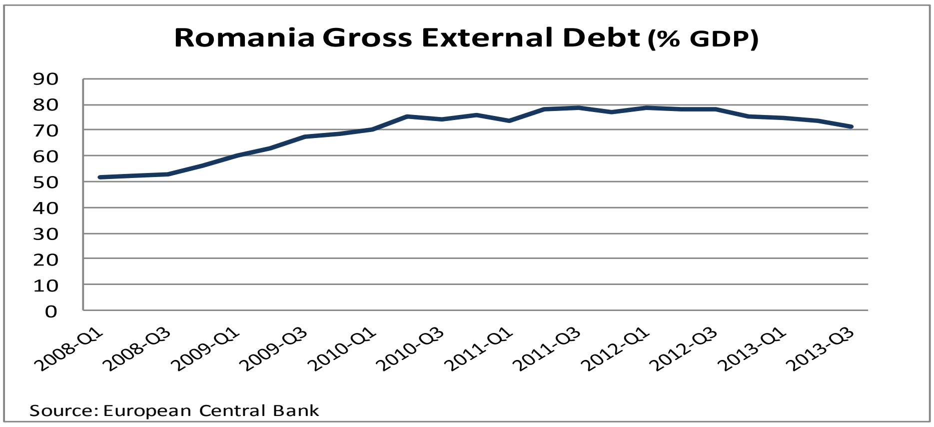
Romania's preliminary GDP results recorded an unexpected 3.5% year-on-year increase in 2013, from a sluggish 0.7% in 2012, while in Q4 2013 readings showed a 5.2% year-on-year increase (vs 4.1% in Q3 2013).



The Current Account Deficit fell by 0.9% of GDP during the first 11 months of 2013, mainly because the trade deficit narrowed by 2.9% year-on-year to 2.2% of GDP. Exports soared by 9% as a result of the broadening of Romania's export base, particularly in the automotive sector (40% of total exports) and in the export of agricultural products following the recovery from the 2012 drought. Imports remained close to 2012 levels.

The National Bank of Romania continued its cycle of monetary easing by cutting its rate to 3.5%, with the aggregate cuts since July 2013 totaling 175 bps. It has also reduced the minimum reserve requirement ratios on Romanian Leu and FX-denominated debt to 12% and 18% respectively from 15% and 20%, thus allowing for banks to build up their reserves.

The significant improvement in inflation and its outlook was the main reason that allowed the Central Bank to implement its easing strategy reaching a 16-month low of 1.9% for the first time ever.



In September 2013, Fitch affirmed the BBB- rating with a stable outlook for Romania, reflecting the public finance consolidation, the reduction of external imbalances and the improving GDP, amongst a number of other factors. Meanwhile, Romania has raised $2 billion in middle January 2014 from the international markets at a ~5% implying yield on the 10 year maturity, which indicates Romania's improved external position and its positive prospects.

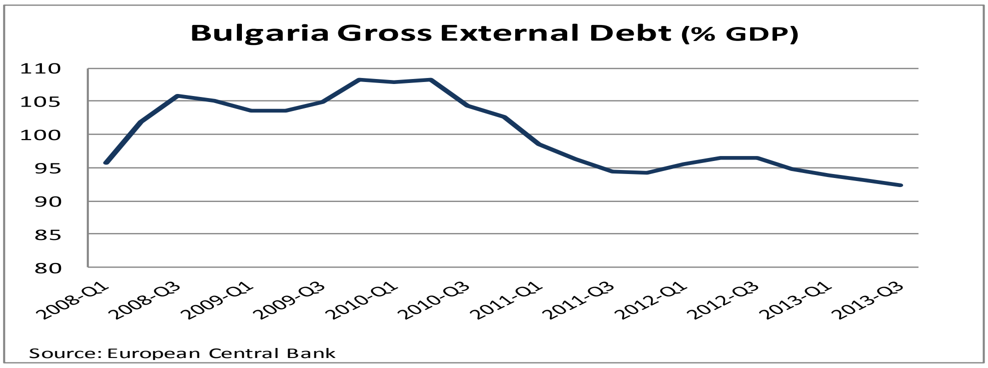
Macroeconomic data and forecasts					
	2010	2011	2012	2013e	2014f
GDP (EUR bn)	124,4	131,4	131,8	143,3	152,4
Population (mn)	21,5	21,4	21,3	21,3	21,3
GDP (constant prices y-o-y %)	-1,1	2,2	0,7	3,5	2,5
CPI (average, y-o-y %)	6,1	5,8	3,3	4,6	3,3
Unemployment rate (%)	7,3	7,4	7,0	6,8	6,8
Net FDI (EUR bn)	2,2	1,9	1,6	2,0	3,0
FDI % GDP	1,8	1,4	1,2	1,4	2,0

Sources : IMF, Raiffeisen Research, National Sources, Eurobank EFG

Bulgaria

GDP grew by 1.5% year-on-year in Q3 2013 from a slight decline of -0.2% in Q2 2013, while GDP for the full year was at 0.5%. 2014 is expected to be a better year in terms of economic growth and GDP may quadruple to 2% as exports increase.

The Current Account Balance reached an unprecedented surplus of 3.1% of GDP during the first eight months of 2013, mostly due to the contraction of the trade deficit to 3.3% of GDP, making Bulgaria the best external sector performer in the region. In August 2013, electricity prices experienced a second cut by an average of 4.3% as a result of high public discontent (which followed the one earlier in the year). This, in combination with lower food prices, made headline inflation reach 1.6% year-on-year from 4.2% the previous year.



Credit activity continued to be subdued but, deposits grew by 8.9% throughout the year. The stabilization of the Non-Performing Loans' ratio at around 18% may signify a complete turnaround and indicate improving credit conditions going forward.

Macroeconomic data and forecasts					
	2010	2011	2012	2013e	2014f
GDP (EUR bn)	36,1	38,5	39,7	40,5	42,0
Population (mn)	7,5	7,3	7,3	7,3	7,2
GDP (constant prices y-o-y %)	0,4	1,8	0,8	0,5	2,0
CPI (average, y-o-y %)	2,4	4,2	3,0	2,0	3,4
Unemployment rate (%)	10,2	11,2	12,3	12,5	12,0
Net FDI (EUR bn)	1,0	1,2	1,2	1,4	1,6
FDI % GDP	2,7	3,1	3,1	3,5	3,9

Sources : IMF, Raiffeisen Research, National Sources, Eurobank EFG

4. Real Estate Market Developments [2]

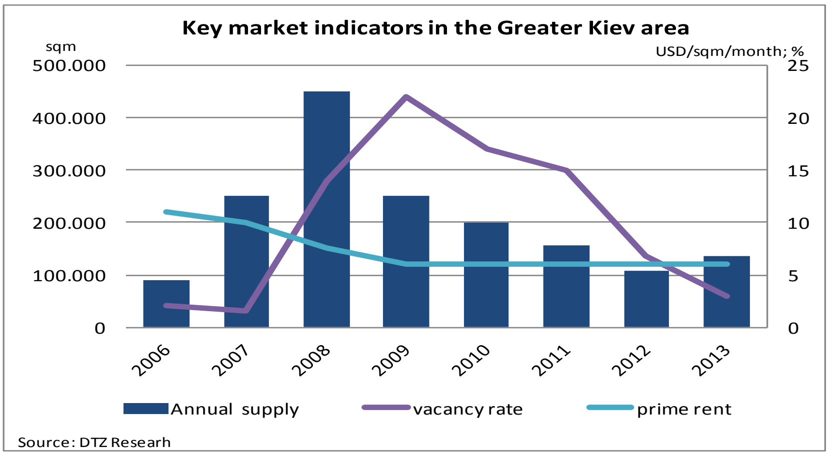
4.1. Ukraine

General

Despite a high level of interest in income producing assets from high net worth individuals, the deterioration of the political situation in Ukraine in late 2013 led to many deals being put on hold.

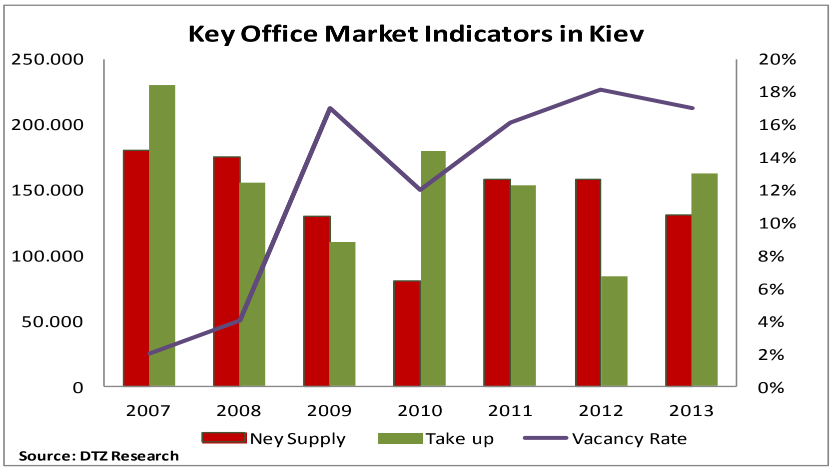
Logistics Market

In 2013, the Greater Kiev area saw a 25% year-on-year increase in the supply of logistics space (+135,500 sq.m. of GLA), with another 149,100 sq.m. being in the pipeline for 2014. The take-up soared by 32% year-on-year in 2013 and is just 1.5% lower than the historic peak of 2008. As a result rental rates are largely stable.



Office Market

New office supply decreased by 17% year-on-year in 2013 in Kiev, (+131,100 sq.m. of GLA), while 180,000 sq.m. are scheduled for delivery in 2014. With take-up more than doubling (+162,300 sq.m. in 2013 compared to 2012) and being comparable to the 2008 levels, the net effect was also stable rental rates. Take up is mostly supported by FMCG, pharmaceuticals, IT, energy, financial and agricultural related companies.



Retail Market

In 2013, total retail stock soared by 13% year-on-year and by 51% compared to 2008 and stood at 1,314,910 sq.m. In 2012 and 2013, premium fashion brands such as Dolce & Gabbana, Versace and Tom Ford opened their first boutiques in Ukraine. This is going to impact positively on the logistics sector over the long term, if not stopped by the political uncertainty. Average monthly rents in Kiev generally remained stable at $70-90/sq.m., while for prime properties rental rates reached $160-200/sq.m.

[2] Sources : Jones Lang LaSalle, DTZ Research, CBRE Research, The Advisers/Knight Frank, Forton International, MBL Research

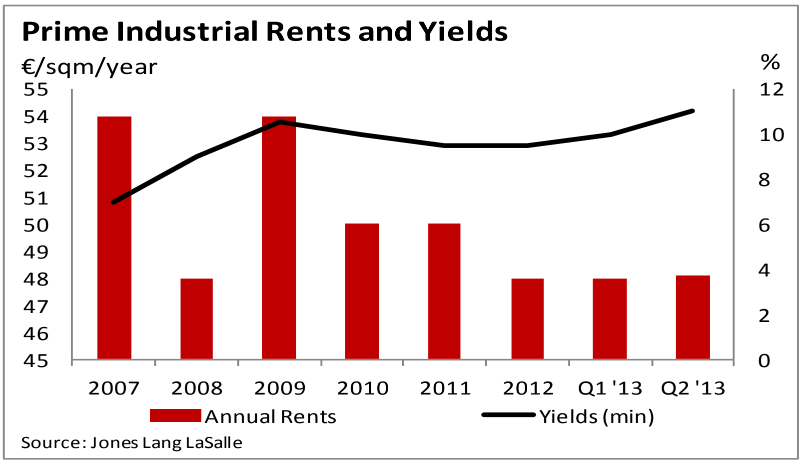
4.2. Romania

General

The total investment volume is expected to surpass EUR350 million in 2013 from less than EUR300 million in 2012. At the same time, research by BNP Paribas Real Estate showed increased interest in European second-tier markets. Romania is included in a list of 10 countries that offer strong growth potential.

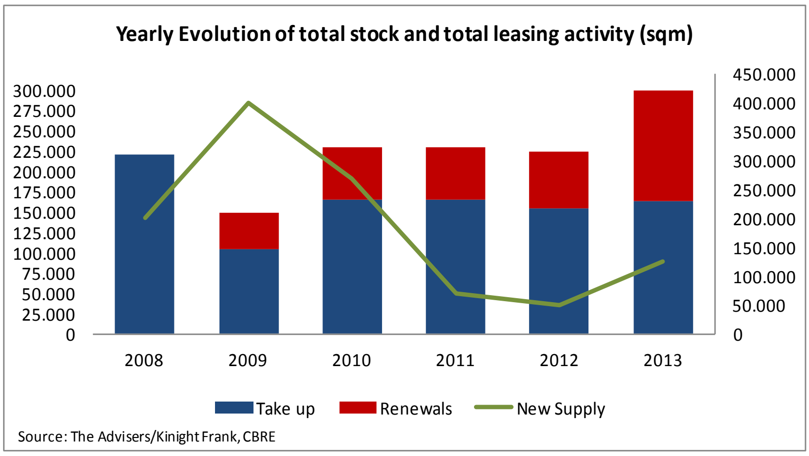
Logistics Market

Gross industrial take-up activity hit a record level of 145,000 sq.m. in H1 2013. 2013 closed with a total leasing activity of over 250,000 sq.m. recording an increase of 82% year-on-year. The strong leasing activity, as well as the awaken appetite from investors caused a drop of 50bps in cap rates to 10% towards the end of the year, while the headline rental rates remained stable.



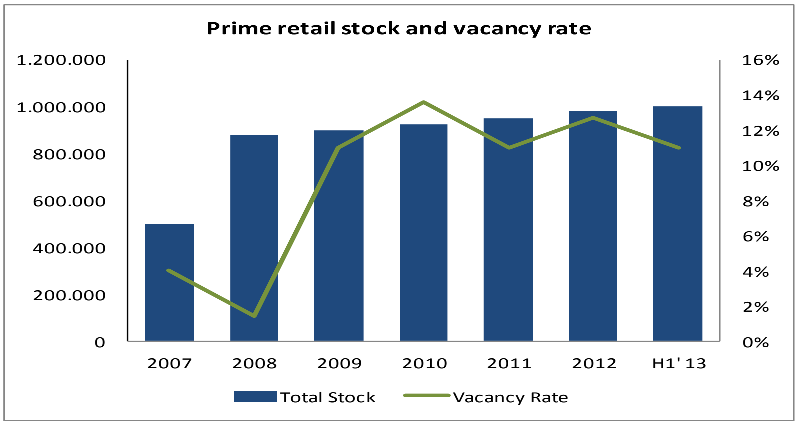
Office Market

Q3 2013 was the best quarter for total leasing activity for the past two years and represented an increase of 25% or 84,500 sq.m. from the Q2 2013 total. Overall, the total leasing activity recorded in 2013 was the highest in Bucharest office market over the past six years, with approximately 300,000 sq.m. transacted and 30% of the transactions stemming from the IT&C sector. Headline rents have remained stable at the region of EUR18/sq.m., while cap rates have gone down to 8% for CBD prime properties.



Retail Market

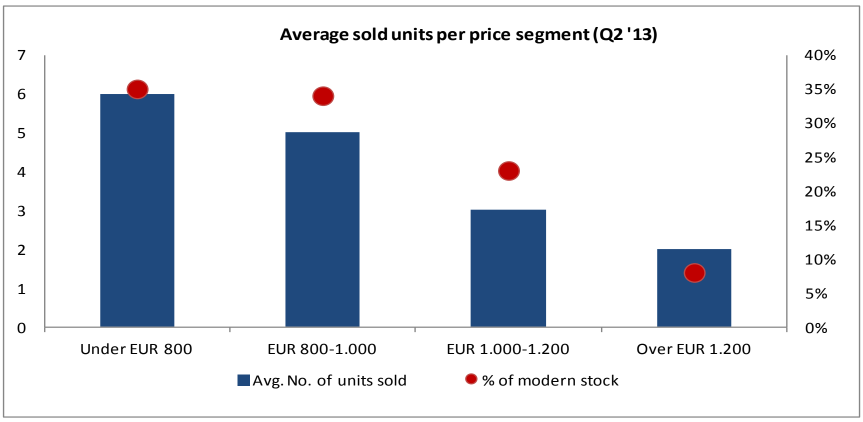
The modern retail stock in Romania stood at 2.8 million sq.m. in 2013 with more than half located in shopping centers. This figure is expected to surpass 2.9 million sq.m. in 2014. Two strong trends have been observed; firstly the increasing sales of online retailers, which are opening more and more physical stores, and secondly the strong demand for prime assets that has pushed the vacancy rates to below 5%.



Source: The Advisers/Knight

Residential Market

With no more than 2,800 units being delivered in 2013 the modern stock remains insufficient to cover long term demand. Bucharest remained the East Europe city with the lowest levels of post 1989 residential property stock. Should credit conditions and the capacity of the local lenders (mostly owned by Greek and Austria banks) allow, the market is poised to pick up quickly. To this day, the most important driver of demand continues to be the "Prima Casa" government program, with more than 90,000 loans granted from 2009 to 2013, for approximately EUR4 bn. However, the program's terms recently changed so as to cover loans only in local currency (RON) which may affect the market temporarily.



Source: CBRE

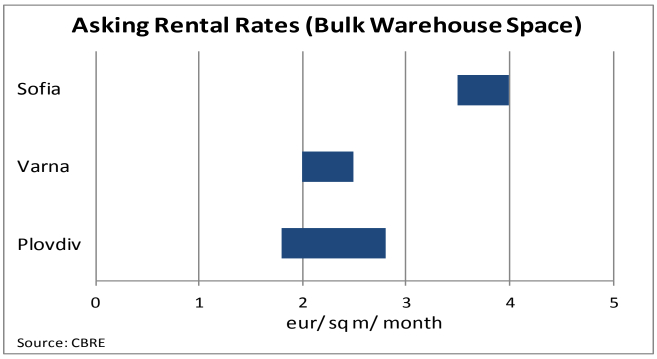
4.3. Bulgaria

General

The level of construction permits issued was approximately 4% down in 2013 compared to 2012, while new construction starts remained at the same levels as the year before.

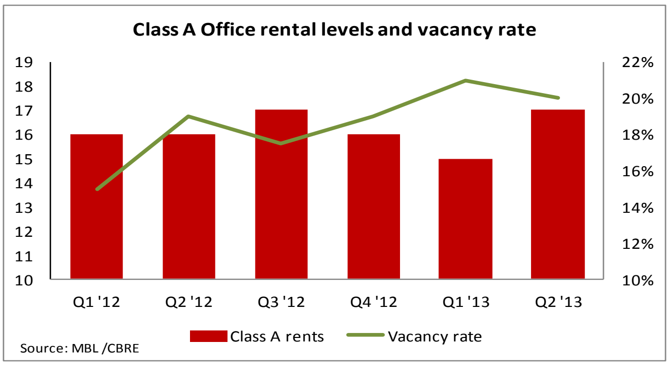
Logistics Market

Total modern stock increased by 9.6% year-on-year to 796,000 sq.m. with shortages being observed in quality logistics space, as well as in light industrial space. Take up activity in Sofia remained relatively stable at 78,000 sq.m.



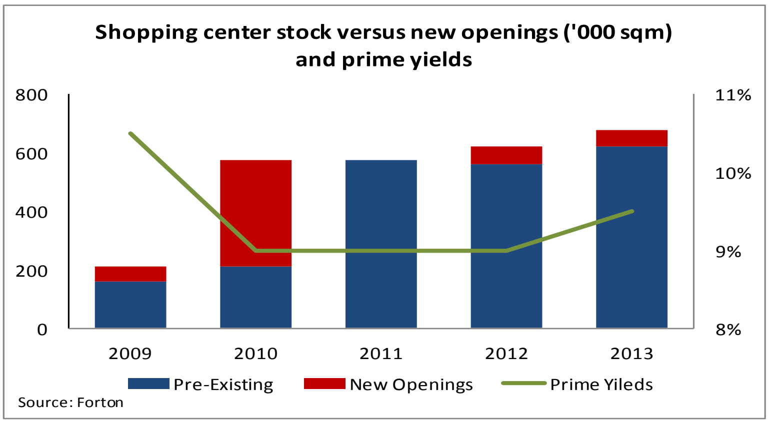
Office Market

2013 saw only 34,000 sq.m. of class A and B office buildings being delivered. As a consequence the Sofia office stock increased only slightly at 1.65 million sq.m. while the pipeline has shrunk by 40% year-on-year at 163,000 sq.m. Total office absorption for the whole of 2013 soared by 12.2% year-on-year reaching 108,300 sq.m., supported by the outsourced IT sector that counted up for 52% of take-up. Yields remained stable at 9.5%.



Retail Market

The shopping center stock in Bulgaria experienced a 24% year-on-year increase, due to the opening of Strand Burgas, the fifth consecutive shopping center opened during the last 18 months. At the same time, the vacancy rate in Sofia significantly decreased from 16.5% in Q3 2013 to 12% in Q4 2013. One of the main reasons was the increase in occupancy rate to 95% of the Paradise center, the first lifestyle center in Sofia with more than 200,000 sq.m. built-up area.



5. Property Assets

5.1. Aisi Brovary – Terminal Brovary Logistic Park

Project description

The Brovary Logistic Park consists of a 49,180 sq.m. GLA Class A warehouse and associated office space. The building has large facades to Brovary ring road, at the intersection of Brovary (E-95/M-01 highway), and Borispil ring road. It is located 10 km from Kiev city border and 5 km from Borispol international airport.

The building is divided into six independent sections (each at least 6,400 sq.m.), with internal clear ceiling of 12m height and industrial flooring constructed with an anti – dust overlay quartz finish. The terminal accommodates 90 parking spaces for cars and trucks, as well as 24 hour security and municipal provided sewage, water and garbage collection.

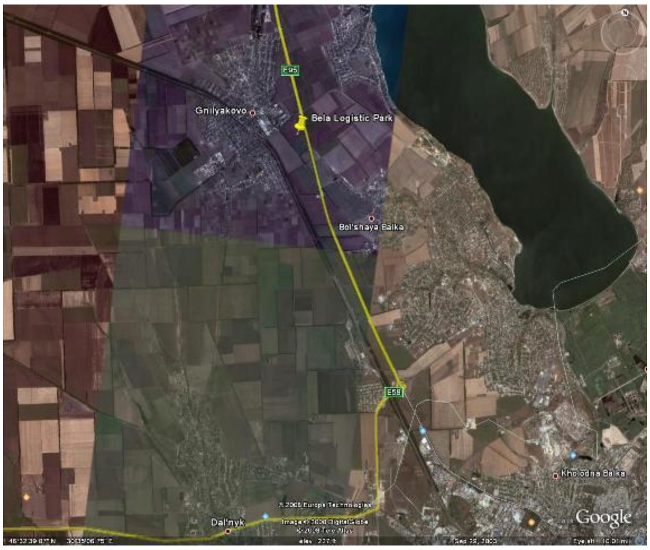
Current status

As of the end of 2013, the building is 90% leased, reflecting a 100% lease of its warehouse capacity. The majority of the leases, which have been entered into with large, multinational corporate tenants, have a duration of three to five year.

5.2. Aisi Bela – Bela Logistic Center

Project description

The site consists of a 22.4 ha plot of land with zoning allowance to construct industrial properties of up to 103,000 sq.m. GBA, is situated on the main Kiev – Odessa highway, 20km from Odessa port and in an area of high demand for logistics and distribution warehousing.



Current status

Following the completion of planning and issuance of permits in 2008, construction commenced with column foundation and peripheral walls for 100,000 sq.m. being completed in 2009. Development was then put on hold, due to lack of funding and deteriorating market conditions.

5.3. Kiyanovskiy Lane – Land for Residential Complex

Project description

The project consists of 0.55 ha of land located at Kiyanovskiy Lane, near Kiev city centre. It is destined for the development of business to luxury residences with beautiful protected views overlooking the scenic Dnipro River, St. Michaels's Spires and historic Podil.

The concept design of the project is under review with the proposed development to include residential apartments (GBA of circa 21,000 sq.m.) and 100 parking spaces across two levels of basement.

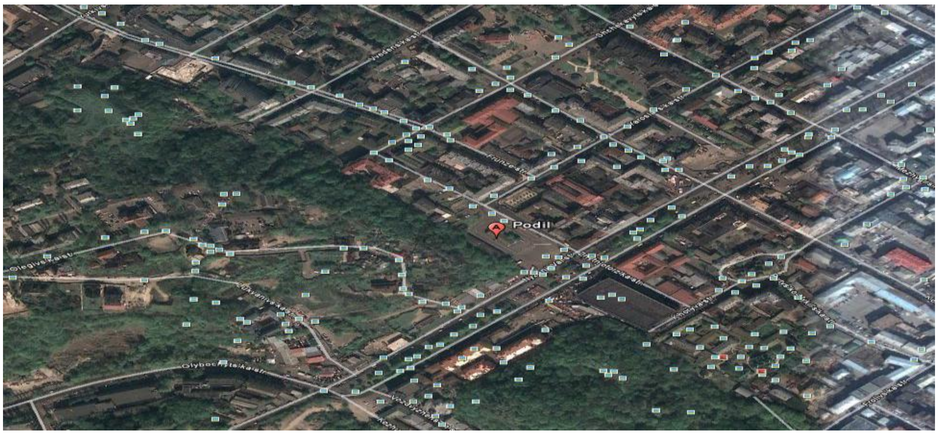
Current status

During 2013 discussions were held with potential developers in order to prepare the ground for development when the market conditions improve and the political landscape stabilizes.

5.4. Tsymlyanskiy Lane – Land for Residential Complex

The 0.36 ha plot is located in the historic and rapidly developing Podil District in Kiev. The Company owns 55% of the plot, with one local co-invetsor owning the remaining 45%.

Project description



In 2009, all necessary documents were submitted to relevant authorities for approval and issuance of a construction permit. The plan was to develop circa 10,000 sq.m. GBA of 40 high end residential units and office spaces on lower floors, as well as 41 parking spaces in three underground levels. Since then, the project has been frozen.

Current status

5.5. Balabino-Land for Retail/Entertainment Development

The site, consisting of 26.38 ha land is situated on the south entrance of Zaporozhye city, 3 km away from the administrative border of Zaporozhye. It borders the Kharkov-Simferopol Highway (which connects eastern Ukraine and Crimea and runs through the two largest residential districts of the city) as well as another major artery accessing the city centre.

Project description

UKRAINE

SATELITE MAP OF ZAPOROZHYE

The site is zoned for retail and entertainment and various development options are being evaluated as per the market's needs.

Current status

6. Board of Directors and Other Officers

Board of Directors

Antonios Achilleoudis
Lambros Anagnostopoulos
Ian Domaille
Paul Ensor
Franz Hoerhager
Antonios Kaffas
Alvaro Portela
Robert Sinclair
Harin Thaker

Registered Address

16, Kyriakou Matsi Avenue
Eagle House, 10th floor, PC 1082,
Agioi Omologites, Nicosia, Cyprus

Principal Places of Business

Prytys'ko-Mykilska 5
Kiev 04070,
Ukraine

16, Kyriakou Matsi Avenue
Eagle House, 10th floor, PC 1082,
Agioi Omologites, Nicosia, Cyprus

49-51 Sfintii Voievozi Street,
1st floor, apartment no 6
Interior 006, district 1, Bucharest
Romania PC 010965

Company Secretary

Chanteclair Secretarial Ltd
16, Kyriakou Matsi Avenue
Eagle House, 10th floor, PC 1082,
Agioi Omologites, Nicosia, Cyprus

Nominated Adviser and Broker

S. P. Angel Corporate Finance LLP
Prince Frederick House
35-39 Maddox Street
London W1S 2PP

Registrars

Computershare Investor Services PLC
The Pavillions
Bridgewater Road
Bristol BS99 7NH, UK

Cymain Registrars Limited
P.O. Box 25719
1311 Nicosia
Cyprus

Collaborating Banks

European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

PJSC Fidobank
10 Krasnoarmeyskaya Street
Kiev 01601
Ukraine

Bank of Cyprus (ex-Cyprus Popular Bank Public Co. Ltd)
P.O. Box 22032
1598 Nicosia, Cyprus

ALPHA BANK Bulgaria
99, Tsarigradsko Shosse Blvd.
1113 Sofia, Bulgaria

UNIVERSAL Bank
54/19, Avtozavodska str., 04114
Kiev, Ukraine

Eurobank EFG Cyprus Ltd
41 Makarios Avenue, 5th floor,
1065 Nicosia, CYPRUS

Solicitors

AVELLUM PARTNERS
Leonardo Business Center
19-21 Bohdana Khmelnytskoho Str.11th floor
01030, Kyiv, Ukraine

Reed Smith LLP
The Broadgate Tower
20 Primrose Street
London EC2A 2RS, United Kingdom

Law Firm Pantelakis - Skaltsas
19 Lycavittou Str , Athens 10672
Greece

Georgiades & Pelides LLC
Kyriakou Matsi Avenue
Eagle House, 10th floor, PC 1082,
Agioi Omologites, Nicosia, Cyprus

DRAKOPOULOS LAW FIRM
7 David Praporgescu, District 2, 020965
Bucharest, Romania

Auditors

Baker Tilly Klitou and Partners Limited
Corner C Hatzopoulou & 30 Griva Digheni Avenue
1066 Nicosia, Cyprus

7. Report of the Board of Directors

The Board of Directors presents its report and the audited consolidated financial statements of SPDI SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC ("SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2013.

Principal activities

The principal activities of the Group, which are unchanged from last year, are directly or indirectly to invest in and/or manage real estate properties as well as real estate development projects in Central, East and South East Europe (the "Region"). These include the acquisition, development, operation and selling of property assets, in major population centers in the Region.

Review of current position, future developments and significant risks

Throughout the year management has worked towards identifying growth opportunities for assets acquisitions in South East Europe. To this end, various assets have been identified as potential portfolio additions but due to the difficult banking environment such transactions have taken longer to materialize. The first of these transactions was effected in H1-2014. At the same time, considerable effort has been put in the restructuring of the EBRD Terminal Brovary loan, where the Cyprus financial crisis resulted in a considerable delay, even though EBRD and the Company have in principal agreed. The Board of Directors expects that with the proceeds of the capital increase received at the beginning of 2013 the implementation of the Company's strategic plan for growth will enable the Group to further enhance its financial results.

The most significant risks faced by the Group and the steps taken to manage these risks are described in notes 4 and 26 of the consolidated financial statements.

Results and Dividends

The Group's results for the year are set out on page 30. The net loss for the year is carried forward. The Board of Directors does not recommend a payment of a dividend.

Share Capital

Authorized share capital

There were no changes in the authorized share capital of the Company during the year ended 31 December 2013.

Pursuant to the capital reorganization in August 2011 the Company's authorized share capital amounts to 989.869.935 (new) ordinary shares of €0,01 nominal value, 4.142.727 deferred shares of €0,99 nominal value and 1 (old) ordinary share of €0,92 nominal value.

As of the 31st of December, 2013 a reduction of the Authorized Share Capital was approved on the amount of 4.142.727 deferred shares with no rights and 1 (old) ordinary share of nominal value of €0,92. Both deferred shares and (Old) ordinary share of €0,92 are to be cancelled.

Issued share capital

As of 31 December 2012 the total amount of outstanding ordinary shares was 11.111.975 shares.

Within the reporting year the Company has effected:

a) on the 1st of February, 2013, a share capital increase of US$16.845.000, issuing 14.389.926 ordinary shares of €0,01 nominal value each, at a premium of €12.271.241,
b) on the 27th of February 2013, a share capital increase of US$200.000, issuing 178.916 ordinary shares of €0,01 nominal value each, at a premium of €151.819,
c) on the 18th of October 2013 a share capital increase of US$1.974.252, issuing 2.491.016 ordinary shares of €0,01 nominal value each, at a premium of €1.433.847,

As of the 31st of December, 2013 the total amount of outstanding ordinary shares is 28.171.833. At that date a reduction of the Issued Share Capital was approved on the amount of 4.142.727 deferred shares with no rights and 1 (old) ordinary share of nominal value of €0,92. Both deferred shares and (Old) ordinary share of €0,92 are to be cancelled.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2013 and at the date of this report are presented on page 21.

In accordance with the Company's Articles of Association, during the Annual General Meeting held on 30th December 2013, Mr. Paul Ensor and Mr. Antonios Achilleoudis being eligible, retired by rotation, offered themselves for re-election and were re-elected. Mr. Ian Domaille, who was appointed as a director on 8 August 2011, resigned, offered himself for re-election and was re-elected.

There were no changes in the assignment of responsibilities of the Board of Directors.

Board Committees

The Board has constituted two committees, the audit committee and the remuneration committee. The membership of both committees remains unchanged since 2011.

Remuneration Policy

The remuneration policy for the Board (non-executive members) and the senior management of the Company which includes a monetary portion, as well as equity like instruments to further incentivize the recipients and further align their interests with those of the shareholders, remains unchanged. Such equity like instruments and the respective granting terms have been approved by the Annual General Meeting of December 30th 2013.

As far as the Board's remuneration is concerned, the Remuneration Committee presented on December 30th 2013 a new remuneration scheme, under which the annual remuneration for non-executive Directors is to be paid in shares locked up for the lesser of two years from the date of issue or the date following which the 30 day average traded value exceeds GBP 70.000.

Options currently held by Board Members

Following the share capital restructuring of the Company, the existing option schemes are as follows:

Director's Option scheme, allotted on 25/7/2007

Under the said scheme each of the directors serving at the time, who is still a Director of the Company is entitled to subscribe for 2.631 ordinary shares exercisable as set out below:

	Exercise Price	Number of
	US$	Shares
Exercisable till 1 August 2017	57	1.754
Exercisable till 1 August 2017	83	877

Director Franz M. Hoerhager Option scheme, 12/10/2007

Under the said scheme, director Franz M. Hoerhager is entitled to subscribe for 1.829 ordinary shares exercisable as set out below:

	Exercise Price	Number of
	GBP	Shares
Exercisable till 1 August 2017	40	1.219
Exercisable till 1 August 2017	50	610

The above option schemes were approved by the shareholders of the Company in General Meeting on 31st March 2008. As at 31 December 2011 the Company has reversed the reserved equity for the share options in the statement of financial position as at 31 December 2011 in the amount of US$68.390 as the options are well out of the money.

Director and Management Holdings in the Company

As at the end of the reporting period the following Directors and Management hold shares of the Company:

Name	Position	Amount of Shares held
Antonios Achilleoudis	Non-Executive Director	36.842
Lambros Anagnostopoulos	Executive Director and CEO	25.500
Ian Domaille	Non-Executive Director	32.509
Paul Ensor	Chairman	45.381
Franz Hoerhager	Non-Executive Director	33.860
Antonios Kaffas	Non-Executive Director	27.439
Alvaro Portela	Non-Executive Director	11.228
Robert Sinclair	Non-Executive Director	23.860
Harin Thaker	Non-Executive Director	11.228
Constantinos Bitros	Chief Financial Officer	9.000

Warrants issued and exercised

All Class B Warrants are yet to be exercised. The exercise period has been extended to 31 December 2016, pursuant to a decision at the Annual General Meeting of December 30th 2013.

Other share capital related matters

Pursuant to decisions taken by the Annual General Meeting of December 30th 2013, the Board is authorized and empowered to:

- issue up to 82.940.142 ordinary shares of €0,01 each at an issue price as the Board may from time to time determine (with such price being at a discount to the net asset value per share in the Company which is in issue immediately prior to the issue of the shares) so as to facilitate the profitable growth of the Company.
- issue Class A Warrants, to subscribe for up to 10% of the ordinary shares at the time of issuance of the Class A Warrants, upon such terms and conditions as may be determined by the Board (with such price being at a discount to the net asset value per share in the Company which is in issue immediately prior to the issue of the Class A Warrants). Such Class A Warrants may be offered to various third party entities a) for participating in the capital raising of the Company, b) for their contribution in creating value for the Company and c) for their assistance with the fundraising.
- issue up to 550.000 ordinary shares at a nominal price of €0,01 each (the "Management Shares") to be given to the directors, management and employees of the Company according to the recommendation of the Remuneration Committee. The Management Shares shall be given as a reward for the continued commitment of the recipients to the Company and their dedication and hard work in assisting the Company's turnaround since August 2011.
- issue on an annual basis and in accordance with the provisions of the Employee Stock Option Plan the applicable amount of ordinary shares of €0,01 (the "Share Options") each to be given to the directors, the management, the employees and the advisors of the Company as well as any third party that offers services to the Company. At no point in time will the total number of Share Options outstanding be more than 10% of the share capital of the Company issued at that time. The strike price of the Share Options awarded each year will be at such a discount to the 3 months Volume Weighted Average share Price ("3m VWAP") prior to awarding such Share Options so as not to distance the interest of the recipient from those of the Company.
- issue the Class C Warrants under the terms and conditions attached thereto or as otherwise may be determined by the Board having due regard to any change of circumstances which may warrant a change to any of the terms of the Class C Warrants and to issue Class C Warrants to a maximum of 2,5% of the ordinary shares of the Company at the time of exercise, to the CEO and the CFO of the Company, as the Board shall in its absolute discretion determine. The Class C Warrants would be exercisable after the exercise of the existing Class B Warrants of the Company and would be tied to the growth of the Company's Total Asset Value ("TAV"). More specifically the Class C Warrants allocated will provide for a two months exercise window from the moment the TAV of the Company reaches $150m and then, new 2,5% warrants will be issued exercisable within 2 months from the moment TAV reaches $250m and so forth until the Company's TAV reaches $650m. The Class C Warrants will be linked through an exercise clause to the share price and the Company's performance and consequently their two months exercisability period will be triggered only a) when the share price (3m VWAP) has increased 10% from the time they were allocated and b) the Company's previous half year EBITDA has been positive. In case that neither (a) or (b) is reached, then the two months exercisability of the Class C Warrants and the issue of the new batch of such Class C Warrants will be deferred until both conditions are met.

Events after the end of the reporting period

Any significant events that occurred after the end of the reporting period are described in note 27 to the financial statements.

Independent auditors

The independent Auditors, Baker Tilly Klitou and Partners Limited, have expressed their willingness to continue in office.

The Audit Committee will be proposing to the Board the appointment of the Auditor for 2014, authorizing the CEO and the CFO to negotiate their remuneration so as to present a relevant proposal to the Annual General Meeting of the Shareholders of the Company.

By order of the Board of Directors,

Bitros Constantinos
CFO

8. Chairman's Statement

During 2013 the Company continued to pursue its strategy of consolidating existing assets in Ukraine, while acquiring new ones elsewhere. While progress was made on both fronts, the management was frustrated by delays arising from what remains a very cautious and inefficient business environment in the region. The small loss the Company recorded in 2013 came largely due to the later than expected acquisitions of income generating buildings in Romania, which if accomplished earlier would have increased bottom line result considerably. These problems came on top of others, notably the banking crisis in Cyprus early in the year, and the political problems in Ukraine that flared up as the year closed.

It is thus very much to the credit of the management team that the impact of these macroeconomic headwinds was contained: operating expenses remained close to budget, rental income for Terminal Brovary, which rose by 70% to USD 3,6m was also on budget, allowing the Company to end the year with a strong balance sheet and a great deal of acquisitions preparatory work behind it. There is every indication that 2014 may be as challenging as 2013 as Ukraine has entered a period of crisis but the Secure Property Management and Board who are very experienced in dealing with economic and political turbulence have already taken the steps to diversify and grow the Company.

Paul Ensor
Chairman

9. Declaration by the members of the Board of Directors and the person responsible for the preparation of the consolidated Financial Statements of the Company

We, the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of SECURE PROPERTY DEVELOPMENT AND INVESTMENT PLC for the year ended 31 December 2013, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the consolidated financial statements are true and complete.

Board of Directors members:

Antonios Achilleoudis	
Lambros Anagnostopoulos	
Ian Domaille	
Paul Ensor	
Franz M. Hoerhager	
Antonios Kaffas	
Alvaro Portela	
Robert Sinclair	
Harin Thaker	

Person responsible for the preparation of the consolidated financial statements for the year ended 31 December 2013:

Constantinos Bitros	

BAKER TILLY

Baker Tilly Klitou and Partners Ltd
Corner C Hatzopoulou &
30 Griva Digheni Avenue
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Cyprus

T: +357 22 458500
F: +357 22 751648

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www.bakertillyklitou.com

10. Independent Auditor's Report

To the Members of
SPDI Secure Property Development & Investment PLC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of SPDI Secure Property Development & Investment Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap113.

Emphasis of matters

We draw attention to Notes 3, 4 and 13 to the consolidated financial statements, which describe the following matters:

- **Valuation of investment properties**

The valuation of the investment properties as indicated in Notes 3 and 13 to the consolidated financial statements were prepared by the independent Chartered Surveyors, CBRE Ukraine (CBRE) based on various assumptions and limiting conditions. However, in the event that any of these assumptions do not materialize or the limiting conditions are realized then the valuations of CBRE should be revised accordingly.

As stated in Note 3, a number of the land leases are held for relatively short terms and place an obligation upon the lessee to complete development by a prescribed date. It is important to note that the rights to complete a development may be lost or at least delayed if the lessee fails to complete a permitted development within the timescale set out by the ground lease. In addition, in the event that a development has not commenced upon the expiry of a lease then the City Authorities are entitled to decline the granting of a new lease on the basis that the land is not used in accordance with the designation. Furthermore, where all necessary permissions and consents for the development are not in place, this may provide the City Authorities with grounds for rescinding or non-renewal of the ground lease. However the management believes that the possibility of such action is remote and was made only under limited circumstances in the past.

Management believes that rescinding or non-renewal of the ground lease is remote if a project is on the final stage of development or on the operating cycle. In undertaking the valuations reported herein, CBRE have made the assumption that no such circumstances will arise to permit the City Authorities to rescind the land lease or not to grant a renewal.

Our opinion is not qualified in respect of these matters.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from the examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Christodoulos Loulloupis
Certified Public Accountant and Registered Auditor
for and on behalf of
Baker Tilly Klitou and Partners Limited
Certified Public Accountants and Registered Auditors
Nicosia, 23 June 2014

11. Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	2013 US$	2012 US$
Operational income	7	3.608.668	2.121.072
Valuation gains/(losses) from investment property	7	843.433	3.452.294
		4.452.101	**5.573.366**
Administration expenses	8	(3.288.004)	(3.242.494)
Investment property operating expenses	9	(721.446)	(554.281)
Other income, net	10	658.438	524.112
Operating profit		**1.101.089**	**2.300.703**
Finance costs, net	11	(1.105.648)	(2.155.308)
(Loss) / Profit before tax		**(4.559)**	**145.395**
Income tax expense	12	(166.972)	(83.845)
(Loss) / Profit for the year		**(171.531)**	**61.550**
Other comprehensive (loss)/income			
Exchange difference on translation of foreign operations	17	(80.292)	6.727
Total comprehensive (loss)/income for the year		**(251.823)**	**68.277**
(Loss)/ Profit attributable to:			
Owners of the parent		(185.148)	131.735
Non-controlling interests		13.617	(70.185)
		(171.531)	**61.550**
Total comprehensive income attributable to:			
Owners of the parent		(276.293)	112.880
Non-controlling interests		24.470	(44.603)
		(251.823)	**68.277**
Earnings/(losses) per share ($ cent per share):	6		
Basic (loss)/earnings for the year attributable to ordinary equity owners of the parent		(0,01)	0,01
Diluted (loss)/earnings for the year attributable to ordinary equity owners of the parent		(0,01)	0,01

The notes on pages 34 to 66 form an integral part of these consolidated financial statements

12. Consolidated Statement of Financial Position

For the year ended 31 December 2013

	Note	2013 US$	2012 US$
ASSETS			
Non-current assets			
Investment properties	13b	39.600.000	39.230.000
Investment property under construction	13a	9.000.000	8.353.161
Prepayments made for investments	13c	5.000.000	5.000.000
Property, plant and equipment		142.658	96.331
		53.742.658	**52.679.492**
Current assets			
Prepayments and other current assets	14	4.958.887	5.448.173
Cash and cash equivalents	15	13.333.497	256.447
		18.292.384	**5.704.620**
Total assets		**72.035.042**	**58.384.112**
EQUITY AND LIABILITIES			
Issued share capital	16	5.762.809	5.531.191
Share premium		123.141.051	104.779.503
Foreign currency translation reserve	17	(1.340.671)	(1.249.526)
Accumulated losses		(75.355.408)	(75.170.260)
Equity attributable to equity holders of the parent		52.207.781	33.890.908
Non-controlling interests	18	1.063.265	1.038.795
Total equity		**53.271.046**	**34.929.703**
Non-current liabilities			
Interest bearing borrowings	19	-	1.777.680
Finance lease liabilities	23	534.264	565.973
Trade and other payables	20	662.599	664.899
Deposits from tenants	21	435.250	427.918
		1.632.113	**3.436.470**
Current liabilities			
Interest bearing borrowings	19	15.276.622	16.563.976
Trade and other payables	20	1.075.268	2.561.736
Taxes payable	22	584.102	529.827
Provisions	22	164.144	334.552
Finance lease liabilities	23	31.747	27.848
		17.131.883	**20.017.939**
Total liabilities		**18.763.996**	**23.454.409**
Total equity and liabilities		**72.035.042**	**58.384.112**
Net Asset Value (NAV) $ per share:	6		
Basic NAV attributable to equity holders of the parent		1,85	3,05
Diluted NAV attributable to equity holders of the parent		1,62	2,67

On 23 June 2014 the Board of Directors of SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC authorized these financial statements for issue.

Lambros Anagnostopoulos Director & Chief Executive Officer	Paul Ensor Director & Chairman of the Board	Constantinos Bitros Chief Financial Officer

The notes on pages 34 to 66 form an integral part of these consolidated financial statements

13. Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to equity holders of the Parent						
	Share capital	Share premium	Accumulated losses, net of non-controlling interest	Foreign currency translation reserve	Total	Non- controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$
Balance – 31 December 2011/ 1 January 2012	**5.507.276**	**102.447.925**	**(75.301.995)**	**(1.230.671)**	**31.422.535**	**1.083.398**	**32.505.933**
Profit /(Loss) for the year	-	-	131.735	-	**131.735**	(70.185)	**61.550**
Issue of share capital	23.915	2.331.578	-	-	**2.355.493**	-	**2.355.493**
Foreign currency translation reserve	-	-	-	(18.855)	**(18.855)**	25.582	**6.727**
Balance – 31 December 2012/ 1 January 2013	**5.531.191**	**104.779.503**	**(75.170.260)**	**(1.249.526)**	**33.890.908**	**1.038.795**	**34.929.703**
(Loss) / Profit for the year	-	-	(185.148)	-	**(185.148)**	13.617	**(171.531)**
Issue of share capital, net (Note 16)	231.618	18.798.086	-	-	**19.029.704**	-	**19.029.704**
Transaction costs attributable to the increase share capital		(436.538)			**(436.538)**		**(436.538)**
Foreign currency translation reserve	-	-	-	(91.145)	**(91.145)**	10.853	**(80.292)**
Balance - 31 December 2013	**5.762.809**	**123.141.051**	**(75.355.408)**	**(1.340.671)**	**52.207.781**	**1.063.265**	**53.271.046**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable on account of the shareholders.

The notes on pages 34 to 66 form an integral part of these consolidated financial statements

14. Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 US$	2012 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax and non-controlling interests		**(4.559)**	**145.395**
Adjustments for:			
Profit/(loss) on revaluation of investment property	7	(843.433)	(3.452.294)
Other non-cash movements		52.618	151.978
Prepayments and other current assets impairment loss/(reversal)	10	(13.304)	(53.264)
Trade and other payables written off	10	(354.299)	(614.667)
Depreciation of property, plant and equipment		16.154	11.590
Interest income	11	(132.827)	(1.496)
Interest expense	11	1.358.435	1.767.095
Provisions	23	(170.408)	-
Effect of foreign exchange difference	11	(268.211)	7.370
Cash flows used in operations before working capital changes		**(359.834)**	**(2.038.293)**
Change in prepayments and other current assets	14	(116.583)	(597.968)
Change in trade and other payables	20	(702.841)	(465.657)
Change in other taxes and duties	22	(6.144)	(139.766)
Increase in deposits from tenants	21	7.332	364.111
Income tax paid		(106.553)	(247.180)
		(924.789)	**(1.086.460)**
Net cash flows used in operating activities		**(1.284.623)**	**(3.124.753)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures on investment property	13	(173.406)	(112.393)
Decrease in payables for construction	20	(431.628)	(463.592)
Change in VAT recoverable		619.173	418.724
Increase/(Decrease) in financial lease liabilities	23	(27.810)	(86.084)
Changes in property, plant and equipment		(62.481)	(86.133)
Interest received	11	132.827	1.496
Net cash flows from / (used in) investing activities		**56.675**	**(327.982)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital / shareholders advances	16	17.045.000	2.353.864
Proceeds from/(Repayment of) borrowings	19	(1.473.363)	1.729.295
Interest and financial charges paid		(1.164.851)	(1.128.532)
Net cash flows from / (used in) financing activities		**14.406.786**	**2.954.627**
Effect of foreign exchange rates on cash		(101.787)	(85)
Net increase/(decrease) in cash at banks	15	**13.077.051**	**(498.193)**
Cash:			
At beginning of the year		256.447	754.640
At end of the year		**13.333.498**	**256.447**

The notes on pages 34 to 66 form an integral part of these consolidated financial statements

15. Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. General Information

Country of incorporation

SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC (the "Company") was incorporated in Cyprus on 23 June 2005 and is a public limited liability company, listed on the London Stock Exchange (AIM): ISIN CY0102102213. Its registered office is at Kyriakou Matsi 16, Eagle House, 10th floor, Agioi Omologites, 1082 Nicosia, Cyprus.

Principal activities

The principal activities of the Group, which are unchanged from last year, are directly or indirectly to invest in and/or manage real estate properties as well as real estate development projects in Central, East and South East Europe (the "Region"). These include the acquisition, development, operation and selling of property assets, in major population centers in the Region.

The Group maintains offices in Kiev, Ukraine and Nicosia, Cyprus, while it has an affiliate in Bucharest, Romania.

As at the reporting date, the Group has 13 Full Time Equivalent (FTEs) employed persons, including the CEO and the CFO (December 2012 → 13, December 2011→ 19).

2. Adoption of new and revised Standards and Interpretations

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2013. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these consolidated financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Standards and Interpretations adopted by the EU

New standards

- *IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014).*

Amendments

IFRS Interpretations Committee

- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS 36 "Recoverable Amount - Disclosures for Non-Financial Assets" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS 39 "Financial Instruments: Recognition and Measurement", Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014).*
- *Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2014).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

(ii) Standards and Interpretations not adopted by the EU

New standards

- *IFRS 9 "Financial Instruments" issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. (effective for annual periods beginning on or after 1 January 2013).*

2. Adoption of new and revised Standards and Interpretations (continued)

Amendments

- *Amendments to IAS 19 - "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 July 2014).*
- *Amendment to IAS 36 "Recoverable Amount - Disclosures for Non-Financial Assets" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS 39 "Financial Instruments: Recognition and Measurement", Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 9 "Financial Instruments" (issued 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011) (effective for annual periods beginning on or after 1 January 2015).*
- *Annual Improvements to IFRSs 2010–2012 Cycle (issued on 12 December 2013) (effective for annual periods beginning on or after 1 July 2014)*
- *Annual Improvements to IFRSs 2011–2013 Cycle (issued on 12 December 2013) (effective for annual periods beginning on or after 1 July 2014)*

New IFRICs

- *IFRIC 21 "Levies" (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).*

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the consolidated financial statements of the Group.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property and investment property under construction to fair value.

3.2 Basis of preparation

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Items included in the Group's financial statements are measured applying the currency of the primary economic environment in which the entities operate ("the functional currency"). The national currency of Ukraine, the Ukrainian Hryvnia, is the functional currency for all the Group's entities, except for the parent company and its subsidiaries SC Secure Capital Ltd and SL Secure Logistics Ltd for which the United States Dollar is the functional currency.

Ukrainian statutory accounting principles and procedures differ from those generally accepted under IFRS. Accordingly, the consolidated financial information, which has been prepared from the Ukrainian statutory accounting records for the entities of the Group domiciled in Ukraine, reflects adjustments necessary for such consolidated financial information to be presented in accordance with IFRS.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group may from time to time include other companies that are registered in Cyprus servicing as special purpose vehicles for acquiring new projects. Such SPVs are considered dormant unless an acquisition is materialized.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

The financial statements of all the Group companies are prepared using uniform accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

3.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

The Group's consolidated financial statements comprise the financial statements of the parent company, SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC and the financial statements of the following subsidiaries:

Name	Country of incorporation	Related Asset	Holding %	
			as at 31.12.2013	as at 31.12.2012
SC SECURE Capital Limited	Cyprus		100	100
SL SECURE Logistics Limited	Cyprus	Brovary Logistics Park	100	100
LLC Aisi Brovary	Ukraine	Brovary Logistics Park	100	100
LLC Terminal Brovary	Ukraine	Brovary Logistics Park	100	100
LLC Aisi Ukraine	Ukraine	Kiyanovskiy Residence	100	100
LLC Trade Center	Ukraine	Kiyanovskiy Residence	100	100
LLC Almaz-press-Ukrayina	Ukraine	Tsymlianskiy Residence	55	55
LLC Aisi Bela	Ukraine	Bela Logistic Park	100	100
LLC Merelium Investments	Ukraine	Zaporozyia Retail Center	100	100
LLC Interterminal	Ukraine	Zaporozyia Retail Center	100	100
LLC Aisi Outdoor	Ukraine		100	100
LLC Aisi Vida	Ukraine		100	100
LLC Aisi Val	Ukraine		100	100
LLC Aisi Ilvo	Ukraine		100	100
LLC Aisi Consta	Ukraine		100	100
LLC Aisi Roslav	Ukraine		100	100
LLC Aisi Donetsk	Ukraine		100	100
LLC Retail Development Balabino	Ukraine		100	100

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

As of the reporting date the subsidiaries LLC Merelium Investments, LLC Aisi Outdoor, LLC Aisi Vida, LLC Aisi Val, LLC Aisi Consta, LLC Aisi Roslav and LLC Aisi Donetsk were under the merging process to LLC Aisi Ilvo. The reorganization (merger) process is expected to be finished in 2014.

3.3.2 Foreign currency translation

The management believes that the US Dollar reporting better reflects the economic substance of the underlying events and circumstances relevant to the Group itself. Consequently the Group's management has determined that the Group's functional currency is the US Dollar.

As management records the consolidated financial information of the entities domiciled in Ukraine in Hryvnia, in translating financial information of the entities domiciled in Ukraine into US Dollars for incorporation in the consolidated financial information, the Group follows a translation policy in accordance with International Accounting Standard No. 21, "The Effects of Changes in Foreign Exchange Rates", and the following procedures are performed:

- All assets and liabilities are translated at closing rate;
- Income and expense items are translated using exchange rates at the dates of the transactions, or where this is not practicable the average rate has been used;
- All resulting exchange differences are recognized as a separate component of equity;
- When a foreign operation is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of that entity, the exchange differences deferred in equity are reclassified to the consolidated statement of comprehensive income as part of the gain or loss on sale.

The relevant exchange rates of the Central Bank of Ukraine used in translating the financial information of the entities domiciled in Ukraine into US Dollars are as follows:

	Average		**31 December**	
Currency	**2013**	**2012**	**2013**	**2012**
US$	7,993	7,9911	7,993	7,993

The Group's financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the year ended 31 December 2013.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial information of subsidiaries is included in the consolidated financial information from the date that control effectively commences until the date that control effectively ceases. Investments in subsidiaries are accounted for under the acquisition method.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard; and
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date.

3. Significant accounting policies (continued)

3.4 Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in the statement of comprehensive income.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in the statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the statement of comprehensive income where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3.5 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Non-current assets held for sale

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.7 Operating segments analysis

The Group has one material reportable segment on the basis that in all material aspects all of its revenue is to be generated from investment properties located in Ukraine; accordingly no segment analysis is presented.

3. Significant accounting policies (continued)

3.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. It is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Revenue earned by the Group is recognized on the following bases:

3.8.1 Income from investing activities

Income from investing activities includes profit received from disposal of investments in the Company's subsidiaries and associates and income accrued on advances for investments outstanding as at the year end.

3.8.2 Dividend income

Dividend income from investments is recognized when the shareholders' right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3.8.3 Interest income

Interest income is recognized on a time-proportion (accrual) basis, using the effective interest rate method.

3.8.4 Rental income

Rental income arising from operating leases on investment property is recognized on an accrual basis in accordance with the substance of the relevant agreements.

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred as interest costs which are calculated using the effective interest rate method, net result from transactions with securities, foreign exchange gains and losses, and bank charges and commission.

3.10 Other property expenses

Irrecoverable running costs directly attributable to specific properties within the Group's portfolio are charged to the statement of comprehensive income. Costs incurred in the improvement of the assets which, in the opinion of the directors, are not of a capital nature are written off to the statement of comprehensive income as incurred.

3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.11.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.11.2 Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

3. Significant accounting policies (continued)

3.11 Taxation (continued)

3.11.3 Current and deferred tax for the year

Current and deferred tax are recognized in the statement of comprehensive income, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

All the subsidiaries of the Group are incorporated in Ukraine, except for SC Secure Capital Limited, SL Secure Logistics Limited and the parent company, which are incorporated in Cyprus. The Group's management and control is exercised in Cyprus. There is no withholding tax or special defense contribution on the dividend income to be received from the Ukrainian subsidiaries as provided for by the current tax treaty.

The Group's management does not intend to dispose of any asset. However, in the event that a decision is taken in the future to dispose of any asset it is the Group's intention to dispose of shares in subsidiaries rather than assets. The corporate income tax exposure on disposal of development companies in Ukraine is mitigated by the fact that the sale would represent a disposal of the securities by a non-resident shareholder and therefore would be exempt from tax. The Group is therefore in a position to control the reversal of any temporary differences and as such, no deferred tax liability has been provided for in the financial statements.

3.12 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates are as follows:

Type	%
Leasehold	20
Citylights	20
Software and hardware	33,33
Motor vehicles	25
Furniture, fixtures and office equipment	20

No depreciation is provided on land.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the statement of comprehensive income of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

3. Significant accounting policies (continued)

3.13 Share-based compensation

The Group had in the past and intends in the future to operate a number of equity-settled, share-based compensation plans, under which the Company receives services from Directors and/or employees as consideration for equity instruments (options) of the Group. The fair value of the Director and employee cost related to services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each financial position date, the Group revises its estimates on the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

3.14 Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see above).

Lease payments are analyzed between capital and interest components so that the interest element of the payment is charged to the statement of comprehensive income over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amount payable to the lessor.

3.15 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment loss annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant accounting policies (continued)

3.16 Investment properties

Investment property, principally comprising freehold and leasehold land and investment properties held for future development, is held for long term rental yields and/or for capital appreciation and is not occupied by the Group. Investment property and investment property under construction are carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in the statement of comprehensive income and are included in other operating income.

A number of the land leases are held for relatively short terms and place an obligation upon the lessee to complete development by a prescribed date. It is important to note that the rights to complete a development may be lost or at least delayed if the lessee fails to complete a permitted development within the timescale set out by the ground lease.

In addition, in the event that a development has not commenced upon the expiry of a lease then the City Authorities are entitled to decline the granting of a new lease on the basis that the land is not used in accordance with the designation. Furthermore, where all necessary permissions and consents for the development are not in place, this may provide the City Authorities with grounds for rescinding or non-renewal of the ground lease. However the management believes that the possibility of such action is remote and was made only under limited circumstances in the past.

Management believes that rescinding or non-renewal of the ground lease is remote if a project is on the final stage of development or on the operating cycle. In undertaking the valuations reported herein, CBRE have made the assumption that no such circumstances will arise to permit the City Authorities to rescind the land lease or not to grant a renewal.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition is met. The operating lease is accounted for as if it were a finance lease.

Investment property under development or construction initially is measured at cost, including related transaction costs.

The property is classified in accordance with the intention of the management for its future use. Intention to use is determined by the Board of Directors after reviewing market conditions, profitability of the projects, ability to finance the project and obtaining required construction permits.

The time point, when the intention of the management is finalized is the date of start of construction. At the moment of start of construction, freehold land, leasehold land and investment properties held for a future redevelopment are reclassified into investment property under development or inventory in accordance to the final decision of management.

3.16.1 Initial measurement and recognition

Investment property is measured initially at cost, including related transaction costs. Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, or the commencement of an operating lease to third party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property under construction until construction or development is complete. At that time, it is reclassified and subsequently accounted for as investment property.

3. Significant accounting policies (continued)

3.16 Investment properties (continued)

3.16.2 Subsequent measurement

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise.

If a valuation obtained for an investment property held under a lease is net of all payments expected to be made, any related liabilities/assets recognized separately in the statement of financial position are added back/reduced to arrive at the carrying value of the investment property for accounting purposes.

Subsequent expenditure is charged to the assets' carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

3.16.3 Basis of valuation

The fair values reflect market conditions at the financial position date. These valuations are prepared annually by chartered surveyors (hereafter "appraisers"). In 2013, the Company appointed CBRE Ukraine as its valuer. The valuations have been carried out by the appraisers on the basis of Market Value in accordance with the appropriate sections of the current Practice Statements contained within the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards (2012) (the "Red Book") and is also compliant with the International Valuation Standards (IVS).

"Market Value", is defined as: "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In expressing opinions on Market Value, in certain cases the appraisers have estimated net annual rentals/income from sale. These are assessed on the assumption that they are the best rent/sale prices at which a new letting/sale of an interest in property would have been completed at the date of valuation assuming: a willing landlord/buyer; that prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the letting/sale; that the state of the market, levels of value and other circumstances were, on any earlier assumed date of entering into an agreement for lease/sale, the same as on the valuation date; that no account is taken of any additional bid by a prospective tenant/buyer with a special interest; that the principal deal conditions assumed to apply are the same as in the market at the time of valuation; that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

A number of properties are held by way of ground leasehold interests granted by the City Authorities. The ground rental payments of such interests may be reviewed on an annual basis, in either an upwards or downwards direction, by reference to an established formula. Within the terms of the lease, there is a right to extend the term of the lease upon expiry in line with the existing terms and conditions thereof. In arriving at opinions of Market Value, the appraisers assumed that the respective ground leases are capable of extension in accordance with the terms of each lease. In addition, given that such interests are not assignable, it was assumed that each leasehold interest is held by way of a special purpose vehicle ("SPV"), and that the shares in the respective SPVs are transferable.

With regard to each of the properties considered, in those instances where project documentation has been agreed with the respective local authorities, opinions of the appraisers of value have been based on such agreements.

In those instances where the properties are held in part ownership, the valuations assume that these interests are saleable in the open market without any restriction from the co-owner and that there are no encumbrances within the share agreements which would impact the sale ability of the properties concerned.

The valuation is exclusive of VAT and no allowances have been made for any expenses of realization or for taxation which might arise in the event of a disposal of any property.

In some instances the appraisers constructed a Discounted Cash Flow (DCF) model. DCF analysis is a financial modeling technique based on explicit assumptions regarding the prospective income and expenses of a property or business. The analysis is a forecast of receipts and disbursements during the period concerned. The forecast is based on the assessment of market prices for comparable premises, build rates, cost levels etc. from the point of view of a probable developer.

3. Significant accounting policies (continued)

3.16 Investment properties (continued)

To these projected cash flows, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. In this case, it is a development property and thus estimates of capital outlays, development costs, and anticipated sales income are used to produce net cash flows that are then discounted over the projected development and marketing periods. The Net Present Value (NPV) of such cash flows could represent what someone might be willing to pay for the site and is therefore an indicator of market value. All the payments are projected in nominal US Dollar amounts and thus incorporate relevant inflation measures.

Valuation Approach
In addition to the above general valuation methodology, the appraisers have taken into account in arriving at Market Value the following:

Pre Development
In those instances where the nature of the 'Project' has been defined, it was assumed that the subject property will be developed in accordance with this blueprint. The final outcome of the development of the property is determined by the Board of Directors decision, which is based on existing market conditions, profitability of the project, ability to finance the project and obtaining required construction permits.

Development
In terms of construction costs, the budgeted costs have been taken into account in considering opinions of value. However, the appraisers have also had regard to current construction rates passing in the market which a prospective purchaser may deem appropriate to adopt in constructing each individual scheme. Although in some instances the appraisers have adopted the budgeted costs provided, in some cases the appraisers' own opinions of costs were used.

Post Development
Rental values have been assessed as at the date of valuation but having regard to the existing occupational markets taking into account the likely supply and demand dynamics during the anticipated development period. The standard letting fees were assumed within the valuations. In arriving at their estimates of gross development value ("GDV"), the appraisers have capitalized their opinion of net operating income, having deducted any anticipated non-recoverable expenses, such as land payments, and permanent void allowance, which has then been capitalized into perpetuity.

The capitalization rates adopted in arriving at the opinions of GDV reflect the appraisers' opinions of the rates at which the properties could be sold as at the date of valuation.

In terms of residential developments, the sales prices per sq. m. again reflect current market conditions and represent those levels the appraisers consider to be achievable at present. It was assumed that there are no irrecoverable operating expenses and that all costs will be recovered from the occupiers/owners by way of a service charge.

The valuations take into account the requirement to pay ground rental payments and these are assumed not to be recoverable from the occupiers. In terms of ground rent payments, the appraisers have assessed these on the basis of information available, and if not available they have calculated these payments based on current legislation defining the basis of these assessments. Property tax is not presently payable in Ukraine.

3.17 Non-current liabilities

Non-current liabilities represent amounts that are due in more than twelve months from the reporting date.

3.18 Project/Special Purpose Vehicle Related Transaction Expenses

Expenses incurred by the Group for acquiring a subsidiary or associated company and are directly attributable to such acquisition are recognized in the statement of comprehensive income.

3.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or tax) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. As at the reporting date the Group has settled all its construction liabilities.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. Significant accounting policies (continued)

3.19 Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.20 Financial liabilities and equity instruments

3.20.1 Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.20.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.
Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.20.3 Financial liabilities
Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

3.20.3.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income.

3.20.3.2 Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.20.3.3 De-recognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. Significant accounting policies (continued)

3.21 Value added tax

VAT is levied at the following rates:

- 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine.
- 18% on Cyprus domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Cyprus.

A taxpayer's VAT liability equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT credit arise on the earlier of the date of payment to the supplier or the date goods are received. The part of VAT credit expected to be recovered in the long-term prospective is classified as non-current being discounted for reflecting principal market assumptions as to projects realization. Initial loss on discounting VAT credit, non-current was recognized as part of finance costs.

3.21.1 Withholding Tax

With effect from 1 January 2014, a new agreement for the avoidance of double taxation (DTA) between Cyprus and Ukraine came into force. Under the new agreement withholding tax of 2% applies on interest received by a Cyprus company from Ukraine.

3.22 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

The Group presents basic and diluted earnings per share (EPS) and net asset value per share (NAV) for its ordinary shares.

3.23 Earnings and Net Assets value per share

Basic EPS amounts are calculated by dividing net profit/loss for the year, attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Basic NAV amounts are calculated by dividing net asset value as at year end, attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding at the end of the year.

Diluted EPS is calculated by dividing net profit/loss for the year, attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares. Diluted NAV is calculated by dividing net asset value as at year end, attributable to ordinary equity holders of the parent with the number of ordinary shares outstanding at year end plus the number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares.

4. Financial risk management

4.1 Financial risk factors

The Group is exposed to country risk, real estate holding and development associated risks, market price risk, interest rate risk, credit risk, liquidity risk, currency risk, other market price risk, operational risk, compliance risk, litigation risk, reputation risk, capital risk management and other risks arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below. Financial Risk Management is also described in note 26 of the financial statements.

4.1.1 Operating Country Risks

The Group is exposed to country risk, stemming from the political and economic environment of every country in which it operates.

4.1.1.1 Ukraine

In recent years, the Ukrainian economy has been characterized by a number of features that contribute to economic instability, including a relatively weak banking system providing limited liquidity to Ukrainian enterprises, significant capital outflows and low wages for a large portion of the Ukrainian population.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

The implementation of reforms has been impeded by lack of political consensus, controversies over privatization, the restructuring of the energy sector, the removal of exemptions and privileges for certain state-owned enterprises or for certain industry sectors, the limited extent of cooperation with international financial institutions and non-stable taxing environment.

Although Ukraine had made significant progress in increasing its gross domestic product, decreasing inflation, stabilizing its currency, increasing real wages and improving its trade balance, these gains were not sustainable over the longer term and may be reversed by the current political uncertainty which plunges the country into a state of potential war and separatism.

Ukraine's future government will have to rely to a significant extent on official or multilateral borrowings to avoid bankruptcy, finance its budget deficit, fund its payment obligations under domestic and international borrowings and support foreign exchange reserves. These borrowings will be conditioned on Ukraine's ability to achieve a stable political environment to implement strategic, institutional and structural reforms but seems to be mainly depending on how long and how severe the current geopolitical conflict will last; Further negative developments on these fronts may result in Ukraine not finding adequate financing which could have a material adverse effect on the Ukrainian economy as a whole, and thus, on the Group's business prospects.

Current Ukraine's relations with Russia may adversely affect supplies of energy resources from Russia to Ukraine and Ukraine's revenues derived from transit charges for Russian oil and gas towards Europe. It already has negative effects on certain sectors of the Ukrainian economy which could under certain conditions affect the Group's business.

The Ukrainian legal system has also been developing to support a market-based economy. Ukraine's legal system is, however, in transition and is, therefore, subject to greater risks and uncertainties than a more mature legal system. In particular, risks associated with the Ukrainian legal system include, but are not limited to:
(i) inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts;
(ii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted;
(iii) difficulty in predicting the outcome of judicial application of Ukrainian legislation; and
(iv) the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in understandably organized form.

Furthermore, several fundamental Ukrainian laws either have only relatively recently become effective or are still pending hearing or adoption by the Parliament. The recent origin of much of Ukrainian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Ukrainian legal system in ways that may not always coincide with market developments, place the enforceability and underlying constitutionality of laws in doubt, and result in ambiguities, inconsistencies and anomalies.

In addition, Ukrainian legislation often contemplates implementing regulations. Often such implementing regulations have either not yet been promulgated, leaving substantial gaps in the regulatory infrastructure, or have been promulgated with substantial deviation from the principal rules and conditions imposed by the respective legislation, which results in a lack of clarity and growing conflicts between companies and regulatory authorities.

Tax laws are changing and compared to more developed market economies are in a non-mature level thus creating often an unclear tax environment of unusual complexity. This particularly may affect negatively the ability of the Group to recuperate VAT paid and/or to utilize operating losses as a carry forward tax shield.

Ukraine's current political and economic situation is subject to rapid change and the information set out in these financial statements may become outdated relatively quickly.

Since November 2013 Ukraine has been going through a political crisis. On February 22nd, 2014, Ukraine's Parliament voted for the return to the 2004 Constitution and the dismissal of the President, who fled the country. New presidential elections are scheduled for May 2014 and a transitional Government has been appointed. On March 16, 2014 the residents of Crimea peninsula voted overwhelmingly for their region to secede to Russia in a referendum not globally accepted as legal and a week later Crimea was annexed by Russia.

During the last three months the Ukrainian Hryvnia lost value against the major foreign currencies. Significant external financing is required to maintain its stability. The National Bank of Ukraine, among other measures, imposed certain temporary restrictions to the Banks on processing client payments and on purchasing foreign currencies on the inter-banking market. In February 2014, Ukraine's sovereign rating has been further downgraded to CCC. The final resolution and impact of the political crisis are difficult to predict and the ongoing crisis may further adversely affect Ukrainian economy. Subsequent to 31 December 2013 the Group has been operating in the normal course of business and the management of the Group believes that it has undertaken all necessary measures to maintain the economic stability of the Group under these circumstances.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.1.2 Cyprus

During the past 10 years Cyprus has become an established financial center taking advantage of favorable double tax treaties with various countries around the world, most importantly with Eastern European countries where the Company operates. Due to the world financial crisis erupting in 2008 and the ensuing debt crisis which had a liquidity effect of the Cypriot banking system as in all of the south and east European countries, following the restructuring of the Greek public debt certain of the Cypriot banks have taken a blow to their solvency (write off of €4,5bn of Greek debt) and have requested the support of the ECB through the ELA mechanism.

Thus, the indebtedness of the Cypriot Republic and its two main banks Bank of Cyprus and Cyprus Popular Bank (Laiki) created the basis for the country to be part of a financial rescue plan under the supervision of the IMF, the ECB and the European Union in early 2013.

At the same time, the recent discovery of potentially significant natural gas and oil deposits within the boundaries of the Cypriot exclusive economic zone perplexes the geographic and political relationships and developments as Cyprus is in the crossroad of 3 continents.

Any failure to effect and implement an economic restructuring plan may have a significant negative effect on the financials of the Cypriot economy that could lead to a default and the abandonment of the Euro currency. Such result would have a destabilizing effect on the operations of the Company at the corporate level.

4.1.2 Risks associated with property holding

Several factors may affect the economic performance and value of the Group's properties, including:

- risks associated with construction activity at the properties, including delays, the imposition of liens and defects in workmanship;
- the ability to collect rent from tenants , on a timely basis or at all, taking also into account the UAH rapid devaluation;
- the amount of rent and the terms on which lease renewals and new leases are agreed being less favorable than current leases;
- cyclical fluctuations in the property market generally;
- local conditions such as an oversupply of similar properties or a reduction in demand for the properties;
- the attractiveness of the property to tenants or residential purchasers;
- decreases in capital valuations of property;
- changes in availability and costs of financing, which may affect the sale or refinancing of properties;
- covenants, conditions, restrictions and easements relating to the properties;
- changes in governmental legislation and regulations, including but not limited to designated use, allocation, environmental usage, taxation and insurance;
- the risk of bad or unmarketable title due to failure to register or perfect our interests or the existence of prior claims, encumbrances or charges of which we may be unaware at the time of purchase;
- the possibility of occupants in the properties, whether squatters or those with legitimate claims to take possession;
- the ability to pay for adequate maintenance, insurance and other operating costs, including taxes, which could increase over time; and
- political uncertainty, acts of terrorism and acts of nature, such as earthquakes and floods that may damage the properties.

4.1.3 Property Market price risk

Market price risk is the risk that the value of the Company's portfolio investments will fluctuate as a result of changes in market prices. The Group's assets are susceptible to market price risk arising from uncertainties about future prices of the investments. The Group's market price risk is managed through diversification of the investment portfolio, continuous elaboration of the market conditions and active asset management. To quantify the value of its assets and/or indicate the possibility of impairment losses, the Company commissioned internationally acclaimed valuers.

The prevailing global economic conditions throughout 2008-2010 and the ensuing Euro zone Sovereign Debt crisis have had a considerable effect on the market prices of the current portfolio investments of the Group. Valuations reported as at 31/12/2013 do not take into account recent political developments in Ukraine as such is difficult to evaluate. Given the nature of the Group's assets the most immediate effect would be the prolongation of the period needed to market and effectively sell an asset under such duress conditions.

The BoD is monitoring the situation to ensure that asset value is preserved while at the same time through diversification according to the strategic plan of the Company, Ukrainian operations will become part of a larger structure.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.4 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets apart from its cash balances that are mainly kept for liquidity purposes.

The Group is exposed to interest rate risk in relation to its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. All of the Group's borrowings are issued at a variable interest rate. Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

4.1.5 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets at hand at the end of the reporting period. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution. Moreover, the Group has moved outside Cyprus its liquidity that is not required for operational purposes.

As part of its active cash management, the Company had transferred most (98%) of its cash out of the Cypriot home bank (Cyprus Popular Bank, CPB) just weeks before CPB went bankrupt, eliminating almost entirely the effects of the collapse of the Cypriot economy. In fact the Cypriot banking crisis, which hit at a time the Company had more than US$15million in the Company's coffers, resulted in only a US$135.000 loss for the Company to be countered by receiving Bank of Cyprus shares within 2014.The temporary capital transfer restrictions imposed by the Cypriot authorities did not affect its day-to-day operations. The Company is monitoring the situation closely and acts accordingly.

Management has been in continuous discussions with banking institutions monitoring their ability to extend financing as per the Group's needs. The sovereign debt crisis has affected the pan-European banking system during 2011 and 2012 imposing financing uncertainties for new development projects. The financial crisis in the European Union periphery has strained any remaining liquidity and the financial institutions in the region (including those that have Italian, Greek or Austrian parent) have entered into deleveraging programs.

4.1.6 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Most of the Group's transactions, including the rental proceeds are denominated in the functional currency (USD). For the rest of the foreign exchange exposure Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly, by limiting net exposures to 1-3 months.

As a precaution against probable depreciation of local currencies, and especially of the UAH, the majority of the Group's liquid assets are held in USD denominated deposit accounts while most of the inflows of the company are pegged to the US dollar. However, the current political uncertainty in Ukraine, and the currency devaluation may result in effecting the Group's income streams indirectly through affecting the financial condition of the tenants of the Group's properties. Management is monitoring the situation closely and acts accordingly.

4.1.7 Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's core strategy is described in note 26 of the financial statements.

4.1.8 Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state.

Although the Group is trying to limit such risk, the uncertain environment in which it operates in various countries increases the complexities handled by Management. The Group's exposures are discussed under note 26.

4.1.9 Litigation risk

Litigation risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations and is discussed in note 25.

4. Financial risk management (continued)

4.2. Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

4.3 Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the end of the reporting period. Valuations reported as at 31/12/2013 do not take into account recent political developments in Ukraine as such is difficult to evaluate. Given the nature of the Group's assets the most immediate effect would be the prolongation of the period needed to market and effectively sell an asset under such duress conditions.

5. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on Management's best knowledge of current events and actions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results though may ultimately differ from those estimates.

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

- **Provision for impairment of receivables**
  The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the counter party's payment record, and overall financial position as well as the state's ability to pay its dues (VAT receivable). If indications of non-recoverability exist, the recoverable amount is estimated and a respective provision for impairment of receivables is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly. As at the reporting date the management did not consider necessary to make a provision for impairment of receivables.

- **Fair value of investment property**
  The fair value of investment property is determined by using various valuation techniques. The Group selects highly reputed international companies with local presence to effect such valuations. Such valuers use their judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each financial reporting date. The fair value of the investment property has been estimated based on the fair value of their individual assets as at 31/12/2013 (note 4.3).
- **Income taxes**
  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of tangible assets**
  Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

- **Provision for deferred taxes**
  Deferred tax is not provided in respect of the revaluation of the investment property and investment property under construction as the Group is able to control the timing of the reversal of this temporary difference and the management has intention not to reverse the temporary difference in the foreseeable future. The properties are held by subsidiary companies in Ukraine. The management estimates that the assets will be realized through a share deal rather than through an asset deal. Should any subsidiary be disposed of, the gains generated from the disposal will be exempt from any tax.

6. Earnings and net assets per share attributable to equity holders of the parent

a. Weighted average number of ordinary shares

	2013		2012
Issued ordinary shares capital	28.171.833		11.111.975
Weighted average number of ordinary shares (Basic)	24.790.668		10.157.531
Diluted weighted average number of ordinary shares	28.765.486		11.724.013

b. Basic diluted and adjusted earnings per share

Earnings per share	**31/12/2013**		**31/12/2012**
	US$		**US$**
(Loss) / Profit after tax attributable to owners of the parent	(185.148)		131.735
Basic	(0,01)		0,01
Diluted	(0,01)		0,01

c. Net assets per share

Net assets per share	**31/12/2013**		**31/12/2012**
	US$		**US$**
Net assets attributable to equity holders of the parent	52.207.781		33.890.908
Number of ordinary shares	28.171.833		11.111.975
Diluted weighted number of ordinary shares	32.196.381		12.699.400
Basic	1,85		3,05
Diluted	1,62		2,67

7. Revenues

Operational income in the amount of US$3.608.668 for the year ended 31/12/2013 and US$2.121.072 for the year ended 31/12/2012 represents rental income as well as service and utilities charges generated during the reporting periods by the rental agreements concluded with tenants of the Terminal Brovary Logistic Park. Net Warehouse space vacancy rate of the Terminal has gone down to 0% as at 31/12/2013 (note 13).

	2013	**2012**
	US$	**US$**
Rental income	2.838.744	1.699.253
Service charges and utilities income	769.924	421.819
Net finance result	**3.608.668**	**2.121.072**

Valuation gains/losses from investment property for the reporting period are presented below (note 13):

Project Name	**Valuation gains/(losses) 2013**	**Valuation gains/(losses) 2012**
	US$	**US$**
Brovary Logistic Park	(88.406)	4.134.923
Bela Logistic Center	646.839	211.354
Kiyanovskiy Lane	(35.000)	(576.709)
Tsymlyanskiy Lane	40.000	(139.033)
Balabino	280.000	(178.241)
Total	**843.433**	**3.452.294**

8. Administration Expenses

	2013	2012
	US$	US$
Salaries and Wages	1.011.105	1.379.640
Directors' remuneration	223.882	194.202
Legal fees	698.473	467.641
Advisory fees	647.534	425.605
Public group expenses	221.659	182.765
Administration expenses	202.842	371.103
Audit and Accounting expenses	147.376	162.878
Taxes and duties	118.979	47.070
Depreciation	16.154	11.590
Total Administration Expenses	**3.288.004**	**3.242.494**

Salaries and wages include the remuneration:

a) of the CEO, the CFO, the Group Commercial Director and the Managing Director Ukraine

b) of personnel employed in Ukraine

Directors' remuneration represents the remuneration of all non-executive Directors and committee members.

Public group expenses include among others fees paid to the AIM: LSE stock exchange and the Nominated Advisor of the Company as well as marketing and other expenses related to the listing of the Company.

9. Investment property operating expenses

	2013	2012
	US$	US$
Property management, utilities and other costs	**721.446**	**554.281**

Property management, utilities and other costs include fees paid to DTZ Consulting Limited Liability Company as per the Maintenance and Property Management Agreement signed on 20 December 2011 the Company. It also includes utility expenses, insurance premiums, as well as various other expenses required for the proper operation of the Terminal Brovary logistics complex, increased from last year due to higher occupancy.

10. Other income/ (expenses), net

	2013	2012
	US$	US$
Accounts payable written off	524.707	614.667
Provision on prepayments and other current assets impairment – reverse	13.304	26.079
Penalties	(83.939)	(39.070)
Other income, net	204.366	(1.700)
Impairment loss of VAT recoverable	-	(75.864)
Total	**658.438**	**524.112**

Accounts payable written off represents the total amount of creditors' payables written off as a result of negotiations and settlement during the reorganization of the Group that started in August 2011.

Provision for prepayments and other current assets impairment - reverse represents difference between allowances for prepayments and other current assets estimated previously by the Management and the amounts which have been finally settled.

Impairment loss for VAT recoverable in 2013 represents the non- recoverable VAT in Terminal Brovary LLC.

Penalties incurred by the Group were mainly caused as a result of delayed payments of its liabilities due to negotiations.

Other income net in 2013 includes a provisional income of US$200.000 for advisory services; one off agency related expenses for the letting of Terminal Brovary and previous year expense write offs.

11. Finance (costs), net

	2013	2012
	US$	US$
Bank interest expenses (note 19)	(1.367.807)	(1.180.387)
Finance charges and commissions	(138.879)	(433.282)
Loan restructuring cost	-	(535.765)
Foreign exchange (losses) /gains	268.211	(7.370)
Bank interest income	132.827	1.496
Net finance result	**(1.105.648)**	**(2.155.308)**

Bank interest represents interest paid on the borrowings of the Group as described in note 19.1.

Finance charges and commissions include mainly financial fees paid to the banks and financial lease interest.

12. Tax

	2013	2012
	US$	US$
Taxes	**166.972**	**83.845**

The income tax rate for the Company's Ukrainian subsidiaries is 19% for the year ended 31/12/2013 and for the Company and its Cypriot subsidiaries is 12.5% for the year ended 31/12/2013.

The tax on the Group's results differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013	2012
	US$	US$
Profit / (loss) before tax	(4.559)	145.395
Tax calculated on applicable rates	(570)	14.540
Allowances for tax losses carry forward	-	-
Expenses not recognized for tax purposes	388.027	344.238
Income/ (loss) on revaluation not subject to tax	105.429	345.229
Tax allowances not subject to tax	(360.622)	(620.180)
10% additional tax	13.323	18
Tax effect on tax losses b/f	(41.264)	-
Defense Tax	22.649	-
Total Tax	**166.972**	**83.845**

As from 1 January 2008, deferred tax is not provided in respect of the revaluation of the investment property and investment property under construction as the Group is able to control the timing of the reversal of this temporary difference and the management has intention not to reverse the temporary difference in the foreseeable future, the properties are held by subsidiary companies in Ukraine. The management estimates that the assets will be realized through a share deal rather than through an asset deal. Should any subsidiary be disposed of, the gains generated from the disposal will be exempted from any tax. The respective reversal of previously accrued Deferred Tax Liabilities has been made in 2008.

13. Investment Property (all)

Investment Property consists of the following assets:

- **Terminal Brovary Logistic Park** consists of a 49.180 sq.m. Class A warehouse and associated office space, situated on the junction of the main Kiev – Moscow highway and the Borispil road. The facility is in operation since Q1 2010 and as at the end of the reporting period was 100% leased.
- **Bela Logistic Center** is a 22,4Ha plot in Odessa situated on the main highway to Kiev. Following the issuance of permits in 2008, below ground construction for the development of a 103.000 sq.m. m GBA logistic center commenced. Construction was put on hold in 2009 following adverse macro-economic developments at the time.
- **Kiyanovskiy Lane** consists of four adjacent plots of land, totaling 0,55 Ha earmarked for a residential development, overlooking the scenic Dnipro River, St. Michael's Spires and historic Podil neighborhood.
- **Tsymlyanskiy Lane** is a 0,36 Ha plot of land located in the historic Podil District of Kiev and is destined for the development of a residential complex. The Company is in the process of renewing the land lease permits.
- **Balabino** project is a 26,38 ha plot of land situated on the south entrance of Zaporozhye, a city in the south of Ukraine with a population of 800.000 people. Balabino is zoned for retail and entertainment development.

13. Investment Property (all) (continued)

Asset Name	Description / Location	Principal activities/ Operations	Related Companies	Carrying amount as at 31/12/2013 US$	Carrying amount as at 31/12/2012 US$
Terminal Brovary Logistic Park	Brovary, Kiev Oblast	Warehouse	TERMINAL BROVARY AISI BROVARY SL SECURE LOGISTICS LTD	25.200.000	25.115.000
Bela Logistic Center	Odessa	Land and Development Works	AISI BELA	9.000.000	8.353.161
Kiyanovskiy Lane	Podil, Kiev City Center	Land for residential development	AISI UKRAINE TORGOVIY CENTR	7.400.000	7.435.000
Tsymlyanskiy Lane	Podil, Kiev City Center	Land for residential development	ALMAZ PRES UKRAINE	2.400.000	2.360.000
Balabino	Zaporozhye	Land for retail development	INTERTERMINAL MERELIUM INVESTMENTS	4.600.000	4.320.000
TOTAL				**48.600.000**	**47.583.161**

Carrying amounts of the properties represent fair value estimates as of 31 December 2013 as provided by CBRE Ukraine, an external valuer.

a. Investment Property Under Construction

	2013	2012
	US$	**US$**
At 1 January	**8.353.161**	**8.100.000**
Capital expenditures on investment property	-	45.050
Revaluation on investment property	646.839	211.354
Translation difference	-	(3.243)
At 31 December	**9.000.000**	**8.353.161**

As at 31 December 2013 investment property under construction represents the carrying value of Bela Logistic Center project, which has reached the +10% construction in late 2008 but it is stopped since then. The Company's external valuer has appraised the property's value at US$9.000.000.

b. Investment Property

	2013	2012
	US$	**US$**
At 1 January	**39.230.000**	**35.937.000**
Capital expenditure on investment property	173.406	67.343
Revaluation gain/(loss) on investment property	196.594	3.240.843
Translation difference	-	(15.186)
At 31 December	**39.600.000**	**39.230.000**

Terminal Brovary, Kiyanovskiy Lane, Tsymlyanskiy Lane and Balabino village are included in the Investment Property category.

c. Advances for Investments

	31/12/2013	31/12/2012
	US$	**US$**
Advances for investments	11.840.547	11.840.547
Impairment provision (cumulative as of the reporting period)	(6.840.547)	(6.840.547)
Total	**5.000.000**	**5.000.000**

13. Investment Property (all) (continued)

The Group has made an advance payment of ~US$12mil. (representing principal plus interest) for the acquisition of a project in Podol (Kiev) in 2007. As of the end of the reporting period the Management considers that such acquisition will not take place and as the seller has already defaulted on his credit to the Group, the Group has commenced legal proceedings for a) collecting the original US $12mil. payment b) the transfer of the collateral (land plot of 42 ha in Kiev Oblast) in the Group's name. As a result the Group has reduced the amount of the receivable to the value of the collateral as valued by CBRE.

In respect of the Fair Value of Investment Properties the following table represents an analysis based on the various valuation methods. The different levels have been defined as follows:

- Level 1 relates to quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 relates to inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 2 fair values of investment properties have been derived using the market value approach by comparing the subject asset with similar assets for which price information is available. Under this approach the first step is to consider the prices for transactions of similar assets that have occurred recently in the market. The most significant input into this valuation approach is price per square meter.
- Level 3 relates to inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Level 3 valuations have been performed by the external valuer using the income approach (discounted cash flow) due to the lack of similar sales in the local market (unobservable inputs).

To derive Fair Values the group has adopted a combination of income and market approach with a weigh of 70/30% respectively. As a result of low market activity the expert valuer appointed by the Group, CBRE, has come to the conclusion that results obtained by means of market approach are less representative of Fair Value compared to the income approach.

Fair value measurements at 31 December 2013 using	**(Level 1)**	**(Level 2)**	**(Level 3)**
Recurring fair value measurements			
Balabino- Zaporozhye		4.600.000	
Tsymlyanskiy – Podil Kiev City Center			2.400.000
Bela Logistics Center- Odessa		9.000.000	
Terminal Brovary Logistics Park- Brovary Kiev Oblast			25.200.000
Kiyanovskiy Lane – Podil Kiev City Center			7.400.000

The following transfers were made in the year from level 2 to level 3 and via versa:

1) Investment property Tsymlyanskiy situated in Podil Kiev City Center in 2012 was valued under the market approach (level 2) while in 2013 under the income approach (level 3).
2) Investment property Bela Logistics Center situated in Odessa in 2012 was valued under the cost replacement approach (level 3) while in 2013 under the market approach (level 2).
3) Investment property Kiyanovskiy Lane situated in Podil Kiev City Center was valued under the market approach (level 2) while in 2013 under the income approach (level 3).

The table below shows yearly adjustments for Level 3 investment property valuations:

Level 3 Fair value measurements at 31 December 2013	**Terminal Brovary Logistics Park- Brovary Kiev Oblast**	**Bela Logistics Center- Odessa**	**Kiyanovskiy Lane – Podil Kiev City Center**	**Tsymlyanskiy – Podil Kiev City Center**
Opening balance	25.115.000	8.353.161		
Transfers to / from level 2		(8.353.161)	7.435.000	2.360.000
Additions				
disposals				
Profit / loss on revaluation	85.000		(35.000)	40.000
Closing balance	25.200.000	0	7.400.000	2.400.000

13. Investment Property (all) (continued)

Information about Level 3 Fair Values is presented below:

	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Terminal Brovary Logistics Park- Brovary Kiev Oblast	25.200.000	Income approach	Future rental income and costs for 15 years	The higher the estimated price of rental income the higher the fair value
Kiyanovskiy Lane – Podil Kiev City Center	7.400.000	Income approach	Future rental income and costs for 15 years	The higher the price of sales/rental income the higher the fair value
Tsymlyanskiy – Podil Kiev City Center	2.400.000	Income approach	Future rental income and costs for 15 years	The higher the price of sales/rental income the higher the fair value

14. Prepayments and other current assets

	31/12/2013	31/12/2012
	US$	US$
Prepayments and other current assets	781.182	709.249
VAT and other tax receivable	3.637.251	4.256.424
Deferred expenses	540.454	495.804
Impairment of prepayments and other current assets	-	(13.304)
Total	**4.958.887**	**5.448.173**

Prepayments and other current assets mainly include prepayments made for services.

VAT and other tax receivable represent the current portion of the Terminal Brovary VAT receivable, to be offset from VAT over rental income during the next few years.

Deferred expenses include legal, advisory, consulting and marketing expenses related to the ongoing share capital increase as mandated by the Annual General Meeting of the Company on 26/11/2012 and due diligence expenses related to the possible acquisition of investment properties.

15. Cash and cash equivalents

Cash and cash equivalents represent liquidity held at banks.

	31/12/2013	31/12/2012
	US$	US$
Cash with banks in USD	8.326.109	27.386
Cash with banks in EUR	4.656.989	9.086
Cash with banks in UAH	203.101	219.975
Cash equivalents	147.298	-
Total	**13.333.497**	**256.447**

Cash equivalents represent the aggregate amount withheld by the Cypriot Authorities in view of the extraordinary decree for withholding all amounts above €100.000 held with Laiki-Marfin Bank as a result of the financial rescue plan of Cyprus agreed between the IMF, the EU and the ECB. As per the provisions of the agreement the Company expects to receive shares in the Bank of Cyprus in lieu of this amount.

16. Share capital

Number of Shares (as at)	31/12/2012	01/02/2013	27/02/2013	18/10/2013	31/12/2013
		Increase of Share Capital	Increase of Share Capital	Increase of Share Capital	
Authorized					
Ordinary shares of €0,01 each	989.869.935	-	-	-	989.869.935
Ordinary shares of €1 each	-	-	-	-	-
Ordinary Shares of €0,92 each	1	-	-	-	1
Deferred Shares of €0,99 each	4.142.727	-	-	-	4.142.727
Total	994.012.663	-	-	-	994.012.663
Issued and fully paid					
Ordinary shares of €0,01 each	11.111.975	14.389.926	178.916	2.491.016	28.171.833
Ordinary shares of €1 each	-	-	-	-	-
Ordinary Shares of €0,92 each	1	-	-	-	1
Deferred Shares of €0,99 each	4.142.727	-	-	-	4.142.727
Total	15.254.703	14.389.926	178.916	2.491.016	32.314.561

Value (as at)	31/12/2012	01/02/2013	27/02/2013	18/10/2013	31/12/2013
		Increase of Share Capital	Increase of Share Capital	Increase of Share Capital	
Authorized (€)					
Ordinary shares of €0,01 each	9.898.699	-	-	-	9.898.699
Ordinary shares of €1 each	-	-	-	-	-
Ordinary Shares of €0,92 each	0.92	-	-	-	0.92
Deferred Shares of €0,99 each	4.101.300	-	-		4.101.300
Total	14.000.000	-	-	-	14.000.000
Issued and fully paid ($)					
Ordinary shares of €0,01 each	5.531.191	195.320	2.407	33.891	5.762.809
Ordinary shares of €1 each	-	-	-	-	-
Ordinary Shares of €0,92 each	-	-	-	-	-
Deferred Shares of €0,99 each	-	-	-	-	-
Total	5.531.191	195.320	2.407	33.891	5.762.809

16. Share capital (continued)

16.1 Authorized share capital

As at the end of 2013 the authorized share capital of the Company was 989.869.935 Ordinary Shares of €0,01 nominal value each, 1 Ordinary Share of €0,92 nominal value and 4.142.727 Deferred Shares of €0,99 nominal value each.

16.2 Issued Share Capital

As at the end of 2012 the issued share capital of the Company was 11.111.975 Ordinary Shares of €0,01 nominal value each, 1 Ordinary Share of €0,92 nominal value and 4.142.727 Deferred Shares of €0,99 nominal value each.

Further to the resolutions approved at the AGM of 30 December 2013 the Board has allotted 17.059.858 new ordinary shares arising from:

1. 14.568.842 ordinary shares of €0,01 each have been allotted for equity contribution amounting to US$17.045.000.
2. 2.310.190 ordinary shares of €0,01 each have been allotted to the debt holders of a convertible loan amounting to US$1.700.000 (note 24) for converting the loan granted to the Company during 2012.
3. 180.826 ordinary shares of €0,01 each have been allotted to the Directors of the Company who thus converted all their receivables by the Company until 2012 amounting to GBP 171.783,33. (note 24) into equity.

As at the end of the reporting period the issued share capital of the Company is 28.171.833 Ordinary Shares of €0,01 nominal value each.

16.3 Director's Option scheme

Under the said scheme each of the directors serving at the time, which is still a Director of the Company is entitled to subscribe for 2.631 Ordinary Shares exercisable as set out below:

	Exercise Price	Number of
	US$	Shares
Exercisable till 1 August 2017	57	1.754
Exercisable till 1 August 2017	83	877

Director Franz M. Hoerhager Option scheme, 12/10/2007

Under the said scheme, director Franz M. Hoerhager is entitled to subscribe for 1.829 ordinary shares exercisable as set out below:

	Exercise Price	Number of
	GBP	Shares
Exercisable till 1 August 2017	40	1.219
Exercisable till 1 August 2017	50	610

The above option schemes were approved by the shareholders of the Company in General Meeting on 31 March 2008. As of the reporting date the Company has reversed the reserved equity (from past periods) for the share options in the statement of financial position as at 31 December 2011 in the amount of US$68.390 as the options are well out of the money.

16.4 Warrants issued

On 8 August 2011 the Company has issued an amount of Class B Warrants for an aggregate equivalent to 12,5% of the issued share capital of the Company at the exercise date. Each Class B Warrant entitles the holder to receive one Ordinary Share. The Class B Warrants may be exercised at any time until 31st December 2016, pursuant to a decision by the AGM of 30/12/2013. The exercise price of the Class B Warrants will be the nominal value per Ordinary Share as at the date of exercise. The Class B Warrant Instruments have anti-dilution protection so that, in the event of further share issuances by the Company, the number of Ordinary Shares to which the holder of a Class B Warrant is entitled will be adjusted so that he receives the same percentage of the issued share capital of the Company (as nearly as practicable), as would have been the case had the issuances not occurred. This anti-dilution protection will lapse on the earlier of (i) the expiration of the Class B Warrants; and (ii) capital increase(s) undertaken by the Company generating cumulative gross proceeds in excess of US$100.000.000. As of the reporting date, the aggregate amount of class B warrant is 4.024.548.

16. Share capital (continued)

16.5 Capital Structure as at the end of the reporting period

As at the reporting date the Company's share capital is as follows:

Number of		**(as at)** 31/12/2013	**(as at)** 31/12/2012
Ordinary shares of €0,01	Listed in AIM	28.171.833	11.111.975
Class B Warrants		4.024.548	1.587.425
Total number of Shares	**Non-Dilutive Basis**	**28.171.833**	**11.111.975**
Total number of Shares	**Full Dilutive Basis**	**32.196.381**	**12.699.400**
Options		4.460	4.460

17. Foreign Currency Translation Reserve

Exchange differences related to the translation from the functional currency of the Group's subsidiaries are accounted by entries made directly to the foreign currency translation reserve. The foreign exchange translation reserve represents unrealized profits or losses related to the appreciation or depreciation of the local currencies against the USD in the countries where the Company's subsidiaries own property assets.

18. Non-Controlling Interests

Non-controlling interests represent the equity value of 45% shareholding in LLC Almaz-press-Ukraine, which is being held by ERI Trading & Investments Co. Limited.

19. Borrowings

	31/12/2013	**31/12/2012**
	US$	**US$**
Principal EBRD loan	14.231.049	15.529.412
Principal due to related parties (note 24)	-	1.700.000
Other Borrowing	-	175.000
Restructuring fees and interest payable to EBRD	785.098	785.098
Interests accrued on bank loans	32.098	74.466
Interests due to related parties (note 24)	228.377	77.680
Total	**15.276.622**	**18.341.656**

	31/12/2012	**31/12/2012**
	US$	**US$**
Current portion	15.276.622	16.563.976
Non - current portion	-	1.777.680
Total	**15.276.622**	**18.341.656**

<u>19.1 EBRD</u>

In March 2013 the Company finalized negotiations with the EBRD on rescheduling the amortization plan of the Brovary construction loan. Unfortunately, at that time the Cyprus crisis hit, and the B Lender (Laiki Bank) soon became bankrupt and unable to approve such restructuring, despite the fact that SPDI has been observing the capital repayments under the new agreement with EBRD's consent ever since. In December 2013 the Company received notice that the B Lender agreed to the restructuring officially. According to the signed term sheet with EBRD the repayment of the loan is being extended to 2022, with a balloon payment of US$3.633.333. The exact terms of the loan restructuring will be announced upon signing of the related documents.

Under the current agreement the collaterals accompanying the existing loan facility are as follows:

1. LLC Terminal Brovary pledged all movable property with the carrying value more than US$25.000.
2. LLC Terminal Brovary pledged its Investment property, Brovary Logistics Centre that was finished construction in 2010 (note 13), and all property rights on the center.
3. SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC pledged 100% corporate rights in SL SECURE Logistics Ltd, a Cyprus Holding Company for the Shareholder of LLC Terminal Brovary, LLC Aisi Brovary.
4. SL SECURE Logistics Ltd pledged 99% corporate rights in LLC Aisi Brovary.

19. Borrowings (continued)

5. LLC Aisi Brovary pledged 100% corporate rights in LLC Terminal Brovary.
6. LLC Terminal Brovary pledged all current and reserved accounts opened by LLC Terminal Brovary in Fido Bank, Ukraine.
7. LLC Aisi Brovary entered into a call and put option agreement expiring on 30th of May 2014 with EBRD, SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC and LLC Terminal Brovary pursuant to which following an Event of Default (as described in the Agreement) EBRD has the right (Call option) to purchase at the Call Price from LLC Aisi Brovary, 20% of the Participatory Interest of LLC Terminal Brovary on the relevant Settlement Date. To this date and even though the loan is in default, EBRD has not served any notice of exercising the call option and as the discussion for the restructuring of the loan facility has been finalized, management estimates that such possibility has low probability to materialize before signing the restructuring. Furthermore, management is in discussions with EBRD for the cancellation of the option, as a result of the loan restructuring itself. Should such call option be exercised EBRD would have the a put option right, exercisable in its sole discretion, to sell to LLC Aisi Brovary all but not less than all of the Participatory Interest, received under the call option, in the Charter Capital of LLC Terminal Brovary held by EBRD on the relevant Settlement Date at the Put Price.
8. LLC Terminal Brovary has granted EBRD a second ranking mortgage in relation to its own and LLC Aisi Brovary's obligations under the call and put option agreement.

The issued corporate guarantee dated 12 January 2009 guaranteeing all liabilities and fulfilment of conditions under existing the loan agreement remain in force. The maturity of the guarantee is equal to the maturity of the loan.

The existing credit agreement with EBRD includes among others the following requirements for LLC Terminal Brovary and the Group as a whole:

1. Consolidated total liabilities to audited equity of the Company, adjusted for deferred tax and independent valuation, should not exceed 60% over the life of SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC Guarantee.
2. At all times minimum value of unencumbered assets and cash of the Company should not be less than US$30.000.000 (based on the Group consolidated results).
3. At all times Brovary Logistics shall maintain a balance in the Debt Service Reserve Amount (DSRA) account equal to not less than the sum of all payments of principal and interest on the Loan which will be due and payable during the next six months on and after the Project Completion Date provided, however, that (A) LLC Terminal Brovary shall deposit not less than 50% of the DSRA before the end of the Grace Period and (B) the DSRA shall be fully funded on or before 18th December 2012.
4. LLC Terminal Brovary shall achieve a "CNRI"(Contract Net Rental Income is the aggregate of monthly lease payments, net of value added tax, contracted by the Borrower pursuant to the Lease Agreements as of the relevant testing date and converted into Dollars at the official exchange rate established by the National Bank of Ukraine as of such testing date) according to the following schedule:
   (a) on 31st December 2013, on 30th June 2014 and on 31st December 2014, the CNRI of more than US$200.000.
   (b) on 30th June 2015, the CNRI of more than US$220.000.
   (c) on 31st December 2015, the CNRI of more than US$230.000.
   (d) from 30th June 2016, the CNRI of more than US$250.000.
5. LLC Terminal Brovary shall achieve a "DSCR"(Debt Service Coverage Ratio is the sum of net income minus operating expenses plus amortization, divided with the sum of paid principal & interest and converted into Dollars at the official exchange rate established by the National Bank of Ukraine as of such testing date) according to the following schedule:
   i. on 31st December 2014, the DSCR of more than US$1,10.
   ii. on 30th June 2015 and on 31st December 2015, the DSCR of more than US$1,15.
   iii. from 30th June 2016, the DSCR of more than US$1,2.

Part of the above mentioned requirements are expected to be amended under the restructuring agreement.

<u>19.2 Other Borrowings</u>

The amount represents short term borrowing to repay part of the UVK settlement amount (note 20). The loan was contracted in December 2012 and fully repaid by end of January 2013.

20. Trade and other payables

	31/12/2013	31/12/2012
	US$	US$
Payables to related parties (note 24)	793.280	1.057.983
Guarantee reserve on construction works, current	-	743.018
Payables for construction, non-current	405.447	414.819
Payables for construction, current	-	24.826
Payables for services	167.091	351.611
Provision for reimbursements	-	300.000
Deferred income from tenants	257.151	250.080
Accruals	114.898	84.298
Total	**1.737.867**	**3.226.635**

	31/12/2013	31/12/2012
	US$	US$
Current portion	1.075.268	2.561.736
Non - current portion	662.599	664.899
Total	**1.737.867**	**3.226.635**

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

Payables for construction represent amounts payable to the contractor of Bella Logistic Center in Odessa. The settlement was reached in late 2011 on the basis of maintaining the construction contract in an inactive state (to be reactivated at the option of the Group), while upon reactivation of the contract or termination of it (because of the sale of the asset) the Group would have to pay an additional UAH5.400.000 payable upon such event occurring. Since it is uncertain when the latter amount is to be paid it has been discounted at the current discount rates in Ukraine and is presented as a non-current liability.

Payables for services represent amounts payable to various service providers including auditors, legal advisors, consultants and third party accountants.

Deferred income from tenants represents advances from tenants which will be used as future rental income & utilities charges.

21. Deposits from Tenants

	31/12/2013	31/12/2012
	US$	US$
Deposits from tenants	435.250	427.918
Total	**435.250**	**427.918**

Deposits from tenants appearing under non-current liabilities include the amounts received from the tenants of LLC Terminal Brovary as advances guarantees and are to be reimbursed to these clients at the expiration of the leases agreements.

22. Taxes payable

	31/12/2013	31/12/2012
	US$	US$
Corporate income tax	580.058	519.639
Other taxes	4.044	10.188
Provision	164.144	334.552
Total Tax Liability	**748.246**	**864.379**

Income tax represents taxes payable in Cyprus for 2009-2011. Other taxes represent taxes payable in Ukraine.

Provision represents a Management estimate on potential tax payable for Bella LLC (note 25).

23. Finance lease liabilities

	Minimum lease payments	Interest	Principal
	2013	2013	2013
	US$	US$	US$
Less than one year	104.404	94.458	9.946
Between two and five years	443.054	293.852	149.202
More than five years	1.777.789	1.522.296	255.493
	2.325.247	**1.910.606**	**414.641**

	Minimum lease payments	Interest	Principal
	2012	2012	2012
	US$	US$	US$
Less than one year	104.404	100.862	3.542
Between two and five years	488.178	336.804	151.374
More than five years	1.837.069	1.573.801	263.268
	2.429.651	**2.011.467**	**418.184**

The Group rents land plots classified as finance lease. Lease obligations are denominated in UAH. The fair value of lease obligations approximate to their carrying amounts as presented above. Following the appropriate discounting finance lease liabilities are carried at US$566.011 under current and non-current portion. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

24. Related Party Transactions

The following transactions were carried out with related parties:

24.1 Expenses

	2013	2012
	US$	US$
Board of Directors & Committees	223.882	194.203
Management Remuneration	451.824	651.165
Back office - SECURE Management Ltd	189.361	287.893
Narrowpeak Consultants Ltd	160.697	51.227
Aisi Realty Capital LLC-Reimbursable expenses	-	100.000
Total	**1.025.764**	**1.284.488**

Board of Directors expense represents the annual remuneration for 2013 of all the non-executive members of the board pursuant to the decision of the Remuneration Committee. US$63.825 have been paid in cash and the remaining amount is carried as a payable as of the reporting date, to be paid in shares in 2014.

Management remuneration represents the annual remuneration for 2013 of the CEO and the CFO pursuant to the decision of the Remuneration Committee. Management remuneration for 2012 included also remuneration of the Managing Director of Ukraine until his resignation in April 2012 as well as the payables for the early termination of his employment agreement.

Back office expenses represent expenses incurred by the Group for part time expert personnel of SECURE Management Ltd, a real estate Project and Asset Management Company, seconded to the Company to cover various non-permanent positions, variations of the work flow in finance and administration functions and/or specialized advisory and consultancy needs.

Interest expense represents the interest from the loan granted on 21st September 2012 from Narrowpeak Consultants Ltd and other parties, in order to facilitate the Group's cash flow. The loan to the Company is of up to US$2.500.000 bearing interest at 12% per annum and was repayable on 31st December 2014. Within the reporting period the loan amount totaling to US$1.700.000 was converted into equity and the lenders received 2.310.190 shares (note 16).

24. Related Party Transactions (continued)

24.2 Payables to related parties

	31/12/2013	31/12/2012
	US$	US$
Board of Directors & Committees	159.514	291.050
Grafton Properties	150.000	150.000
Secure Management Ltd	-	30.000
Management Remuneration	483.766	586.933
Total	**793.280**	**1.057.983**

24.2.1 Board of Directors

The amount payable represents remuneration payable to non-Executive Directors as well as to the Remuneration and Audit Committee members for 2013.

24.2.2 Loan payable to Grafton Properties

Under the Settlement Agreement of July 2011, the Company undertook the obligation to repay to certain lenders who had contributed certain funds for the operating needs of the Company between 2009-2011, by lending to AISI Realty Capital LLC the total amount of US$450.000. As of the reporting date the liability towards Grafton Properties, representing the Lenders, was US$150.000, which is contingent to the Company raising US$50m of capital in the markets.

24.2.3 Payable to Secure Management

Payable to Secure Management represent payable for expert personnel of SECURE Management Ltd (note 24.1). As of the end of the reporting period the balance was zero.

24.2.4 Management Remuneration

Management Remuneration represents deferred amounts payable to the CEO and CFO of the Company at the end of the reporting period, based on their remuneration scheme as approved by the Company.

24.3 Borrowings from related parties

	31/12/2013	31/12/2012
	US$	US$
Narrowpeak Consultants Ltd	228.377	1.777.680
Total	**228.377**	**1.777.680**

On 21st September 2012, and in order to facilitate the Group's cash flow, Narrowpeak Consultants Ltd and other parties, have provided a loan to the Company of up to US$2.500.000 bearing interest at 12% per annum which was repayable by 31 December 2014. Within the reporting period the loan amount totaling to US$1.700.000 was converted into equity and the lenders received 2.310.190 shares (note 16). The amount payable at the end of the reporting period represents the interest payable from the convertible loan which will be settled within 2014.

24.4 Write offs of payables to related parties

	30/12/ 2013	31/12/2012
	US$	US$
Besik Sikharulidze	-	48.200
Total	**-**	**48.200**

Besik Sikharulidze write off represents director's fee write off pursuant to the Termination Agreement signed and his resignation effected in August 2012.

24.5 Loans from SC Secure Capital Ltd to the Company's subsidiaries

SC Secure Capital Ltd, the finance subsidiary of the Company has proceeded to provide capital in the form of loans to the Ukrainian subsidiaries of the Company so as to support the acquisition of assets, development expenses of the projects, as well as various operational costs.

24. Related Party Transactions (continued)

24.5 Loans from SC Secure Capital Ltd to the Company's subsidiaries (continued)

Borrower	Repayment Date	Limit -US$	Principal as of 31/12/2013 US$	Principal as of 31/12/2012 US$
LLC "TERMINAL BROVARY"	19/12/2014	35.000.000	33.482.771	33.282.634
LLC "AISI BROVARY"	09/10/2014	40.000.000	-	4.275.000
LLC "AISI UKRAINE"	18/10/2014	28.000.000	14.903	9.867.859
LLC "ALMAZ PRES UKRAINE"	21/3/2014	10.000.000	170.000	170.000
LLC "AISI OUTDOOR"	21/8/2014	5.000.000	-	2.160.000
LLC "AISI VIDA"	15/10/2014	10.000.000	-	310.000
LLC "AISI VAL"	15/10/2014	7.000.000	-	210.000
LLC "AISI ROSLAV"	15/10/2014	10.000.000	-	310.000
LLC "AISI KONSTA"	15/10/2014	8.000.000	-	610.000
LLC "AISI ILVO"	15/10/2014	10.000.000	-	610.000
LLC "AISI DONETSK"	19/11/2014	40.000.000	-	930.000
LLC "TORGOVI CENTR"	18/10/2014	10.000.000	-	120.000
Total			**33.667.674**	**52.855.493**

During the reporting period the Company has proceeded in share capital increases effected on certain of its Ukrainian subsidiaries which in turn returned the funds back to SC SECURE Capital Limited (ex AISI Capital) in the form of loan repayment (loans have been provided throughout 2007-2012 period). The total loan amount was US$25 million including principal and interest payment. This repayment is expected to have a substantial positive material impact on the tax position of the Company going forward.

25. Contingent liabilities

The Group is involved in various legal proceedings in the ordinary course of its business.

25.1 Tax litigation

The Group performed during the reporting period most of its operations in the Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation, which may be applied retroactively, open to wide interpretation and in some cases, is conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the National Bank of Ukraine and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities, which are enacted by law to impose severe fines and penalties and interest charges.

Any tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open for longer. These facts create tax risks which are substantially more significant than those typically found in countries with more developed tax systems. Management believes that it has adequately provided for tax liabilities, based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

At the same time the Group's entities are involved in court proceedings with tax authorities; Management believes that the estimates provided within the financial statements present a reasonable estimate of the outcome of these court cases.

25.2 Construction related litigation

As of the reporting period there are no material claims from constructors other than those appearing and provided for in the financial statements.

25.3 Other Litigation

Following the restructuring of the Group, a former employee of the Company (the previous acting Director for a number of the Ukrainian subsidiaries) has taken the Group to the Ukrainian courts and the some of the legal cases are still on-going. Management does not believe that the result of any legal proceedings will have a material effect on the Group's financial position or the results of its operations other than the one already provided for, within the financial statements.

25.4 Other Contingent Liabilities

The Group had no other contingent liabilities as at 31 December 2013.

26. Financial Risk Management

26.1 Capital Risk Management

The Group manages its capital to ensure that it will be able to implement its stated growth strategy in order to maximize the return to stakeholders through the optimization of the debt-equity structure and value enhancing actions in respect of its portfolio of investments. The capital structure of the Group consists of borrowings (note 19), cash and cash equivalents, prepayments and other current assets (note 14) and equity attributable to ordinary shareholders (issued capital, reserves and retained earnings).

The Group is not subject to any externally imposed capital requirements.

Management reviews the capital structure on an on-going basis. As part of the review Management considers the differential capital costs in the debt and equity markets, the timing at which each investment project requires funding and the operating requirements so as to proactively provide for capital either in the form of equity (issuance of shares to the Group's shareholders) or in the form of debt. Management balances the capital structure of the Group with a view of maximizing the shareholder's Return on Equity (ROE) while adhering to the operational requirements of the property assets and exercising prudent judgment as to the extent of gearing.

26.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liabilities and equity instruments are disclosed in note 3 of the financial statements.

26.3 Categories of Financial Instruments

Financial Assets	**Note**	**31/12/2013**	**31/12/2012**
		US$	**US$**
Cash at Bank	15	13.333.497	256.447
Total		**13.333.497**	**256.447**

Financial Liabilities	**Note**	**31/12/2013**	**31/12/2012**
		US$	**US$**
Interest bearing borrowings	19	15.276.622	18.341.656
Trade and other payables	20	1.737.867	3.226.635
Deposits from tenants	21	435.250	427.918
Finance lease liabilities	23	566.011	593.821
Taxes payable	22	748.246	864.379
Total		**18.763.996**	**23.454.409**

The Group's Treasury function provides services to its various corporate entities, coordinates access to local and international financial markets, monitors and manages the financial risks relating to the operations of the Group, mainly the investing and development functions. Its primary goal is to secure the Group's liquidity and to minimize the effect of the financial asset price variability on the cash flow of the Group. These risks cover market risks including foreign exchange risks and interest rate risk as well as credit risk and liquidity risk.

26.4 Categories of Financial Instruments

The above mentioned risk exposures may be hedged using derivative instruments whenever appropriate. The use of financial derivatives is governed by the Group's approved policies which indicate that the use of derivatives is for hedging purposes only. The Group does not enter into speculative derivative trading positions. The same policies provide for the investment of excess liquidity. As at 31 December 2013, the Group had not entered into any derivative contracts.

Throughout the reporting period, the priority on cash use and management was on maintaining a liquidity to allow for the future development of the Group's strategy while settling the remaining of the past liabilities (eliminating thus the relevant legal and financial risks).

26.5 Economic Market Risk management

The Group operates in the Region. The Group's activities expose it primarily to financial risks of changes in currency exchange rates and interest rates. The exposures and the management of the associated risks are described below. There has been no change to the Group's manner in which it measures and manages risks.

Foreign Exchange Risk
Currency risk arises when commercial transactions and recognized financial assets and liabilities are denominated in a currency that is not the Group's functional currency. Most of the Group's financial assets are denominated in the functional currency. Management is monitoring the net exposures and enacts policies to contain them so that the net effect of devaluation is minimized.
Interest Rate Risk
The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. On December 31st, 2013, cash and cash equivalent financial assets amounted to US$13.333.497 (2012: US$256.447).

26. Financial Risk Management (continued)

26.5 Economic Market Risk management (continued)

The Group is exposed to interest rate risk in relation to part of its borrowings amounting to US$15.276.622 (2012: US$18.341.656) as they are issued at variable rates tied to the Libor. Management monitors the interest rate fluctuations on a continuous basis and evaluates hedging options to align the Group's strategy with the interest rate view and the defined risk appetite. Although no hedging has been applied for the reporting period, such may take place in the future if deemed necessary in order to protect the cash flow of a property asset through different interest rate cycles.

The Group's exposures to financial risk are discussed also in note 4.

26.6 Credit Risk Management

The Group has no significant credit risk exposure. The credit risk emanating from the liquid funds is limited because the Group's counterparties are banks with high credit-ratings assigned by international credit rating agencies. The Credit risk of receivables is reduced as the majority of the receivables represent VAT to be offset through VAT income in the future.

26.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which applies a framework for the Group's short, medium and long term funding and liquidity management requirements. The Treasury function of the Group manages liquidity risk by preparing and monitoring forecasted cash flow plans and budgets while maintaining adequate reserves. The following table details the Group's contractual maturity of its financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities including interest that will be accrued.

31 December 2013	Carrying amount	**Total**	Less than one year	From one to two years	More than two years
	US$	**US$**	US$	US$	US$
Financial assets					
Cash at Bank	13.333.497	**13.333.497**	13.333.497	-	-
Financial liabilities					
Interest bearing borrowings	15.276.622	**15.276.622**	15.276.622	-	-
Trade and other payables	1.737.867	**1.737.867**	1.075.268	-	662.599
Deposits from tenants	435.250	**435.250**	-	262.546	172.704
Finance lease liabilities	566.011	**2.325.247**	104.404	104.404	2.116.439
Taxes payable	748.246	**748.246**	748.246	-	-

31 December 2012	Carrying amount	**Total**	Less than one year	From one to two years	More than two years
	US$	**US$**	US$	US$	US$
Financial assets					
Cash at Bank	256.447	**256.447**	256.447	-	-
Financial liabilities					
Interest bearing borrowings	18.341.656	**18.341.656**	16.563.976	-	1.777.680
Trade and other payables	3.226.635	**3.226.635**	2.561.736	-	664.899
Deposits from tenants	427.918	**427.918**	-	-	427.918
Finance lease liabilities	593.821	**2.429.651**	104.404	104.404	2.220.843
Taxes payable	864.379	**864.379**	864.379	-	-

27. Events after the end of the reporting period

A. Innovations Acquisition

On May 23, 2014 the Company announced that it has acquired the Innovations Logistics Park in Bucharest, Romania, from Myrian Nes Ltd and Theandrion Estates Ltd. The acquisition is the Group's first outside of Ukraine and marks the commencement of SECURE's stated strategy of both growing and diversifying its portfolio across the economies of South Eastern Europe. Innovations is a fully-let 17,000 sq.m. gross leasable area logistics park located in Clinceni in Bucharest, which benefits from being on the Bucharest ring road, and currently produces €1,3 million of income per annum. The anchor tenant is Nestle which leases more than 60% of the gross leasable area with the remainder let to locally managed Romanian businesses. This acquisition is expected to increase the Company's annual net operating income by over 60%. The acquisition will strengthen SPDI's focus on the logistics industry and increases its regional logistics portfolio, which also includes the fully let Terminal Brovary asset in Kiev, to 67.000 sq.m.

B. Reduction of Capital

On March 20, 2014 following the AGM approval the authorized share capital of the Company was reduced to €9.898.699,35 divided into 989.869.935 ordinary shares of €0,01 each and such reduction was effected by the cancellation of 1 ordinary share of €0,92 and 4.142.727 deferred shares of €0,99 each for the purpose of writing off losses of the Company.