



**SECURE PROPERTY  
DEVELOPMENT & INVESTMENT PLC**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
For the six months ended 30 June 2013**

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

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## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six months ended 30 June 2013

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# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

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## BOARD OF DIRECTORS AND OTHER OFFICERS

### Board of Directors

Antonios Achilleoudis  
Lambros Anagnostopoulos  
Ian Domaillie  
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

Liberum Capital Limited  
25 Ropemaker Street  
London EC2Y 9LY

### Registrars

Computershare Investor Services PLC  
The Pavillions  
Bridgwater 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

Bank of Cyprus Public Company Ltd  
P.O. Box 24884  
1398 Nicosia, Cyprus

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

PJSC Erste Bank  
6 Prorizna Street  
Kiev 01034  
Ukraine

Alpha Bank Bulgaria  
99, Tsarigradsko Shosse Blvd.  
1113 Sofia, Bulgaria

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

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

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

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

### Auditors








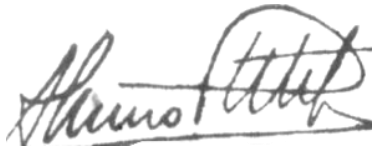

Baker Tilly Klitou and Partners Limited  
Corner C. Hatzopoulou & 30 Griva Digheni Avenue  
1066 Nicosia, Cyprus

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## 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 interim consolidated financial statements of SECURE PROPERTY DEVELOPMENT AND INVESTMENT PLC (the "Company") and its subsidiaries (the "Group") for the 6 months ended on 30 June 2013, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the interim consolidated financial statements are true and complete.

Board of Directors members:

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

Person responsible for the preparation of the consolidated financial statements for the 6 months ended on 30 June 2013:

<b>Constantinos Bitros</b>	
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The notes on pages 9 to 26 form an integral part of these consolidated financial statements

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Note	Six month ended	
		30 June 2013 US\$	30 June 2012 US\$
Operational income	7	1,784,299	757,502
Administration expenses	8	(1,393,092)	(2,134,528)
Investment property operating expenses	9	(378,927)	(254,716)
Other operating income, net	10	226,850	47,264
<b>Operating profit/(loss)</b>		<b>239,130</b>	<b>(1,584,478)</b>
Finance costs, net	11	(809,109)	(647,381)
<b>Loss before tax</b>		<b>(569,979)</b>	<b>(2,231,859)</b>
Income tax expense	12	-	-
<b>Loss for the period</b>		<b>(569,979)</b>	<b>(2,231,859)</b>
<b>Other comprehensive income</b>			
Exchange difference on translation of foreign operations	17	43,777	1,491
<b>Total comprehensive loss for the period</b>		<b>(526,202)</b>	<b>(2,230,368)</b>
<b>Loss attributable to:</b>			
Owners of the parent		(565,692)	(2,225,695)
Non-controlling interests		(4,287)	(6,164)
		<b>(569,979)</b>	<b>(2,231,859)</b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the parent		(521,915)	(2,226,841)
Non-controlling interests		(4,287)	(3,527)
		<b>(526,202)</b>	<b>(2,230,368)</b>
<b>Losses per share (\$USD per share):</b>	6		
Basic loss for the period attributable to ordinary equity owners of the parent		(0,02)	(0,23)
Diluted loss for the period attributable to ordinary equity owners of the parent		(0,02)	(0,23)

The notes on pages 9 to 26 form an integral part of these consolidated financial statements

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	30 June 2013 US\$	31 December 2012 US\$	30 June 2012 US\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment property	13b	39,270,576	39,230,000	35,987,103
Investment property under construction	13a	8,353,161	8,353,161	8,130,029
Advances for investments	13c	5,000,000	5,000,000	5,000,000
Property, plant and equipment		163,577	96,331	14,867
		<b>52,787,314</b>	<b>52,679,492</b>	<b>49,132,000</b>
<b>Current assets</b>				
Prepayments and other current assets	14	5,035,303	5,448,173	4,589,394
Cash and cash equivalents	15	14,463,850	256,447	154,672
		<b>19,499,153</b>	<b>5,704,620</b>	<b>4,744,066</b>
<b>Total assets</b>		<b>72,286,467</b>	<b>58,384,112</b>	<b>53,876,066</b>
<b>EQUITY AND LIABILITIES</b>				
Issued share capital	16	5,728,918	5,531,191	5,518,970
Share premium		121,388,224	104,779,503	103,788,196
Reserve -Shareholder's Advances	16	-	-	130,000
Translation difference reserve	17	(1,205,749)	(1,249,526)	(1,238,870)
Accumulated losses		(75,735,952)	(75,170,260)	(77,527,690)
Equity attributable to equity holders of the parent		50,175,441	33,890,908	30,670,606
Non-controlling interests	18	1,034,508	1,038,795	1,086,925
<b>Total equity</b>		<b>51,209,949</b>	<b>34,929,703</b>	<b>31,757,531</b>
<b>Non-current liabilities</b>				
Interest bearing borrowings	19	1,872,630	1,777,680	-
Finance lease liabilities	23	526,169	565,973	637,877
Trade and other payables	20	671,004	664,899	496,892
Deposits from tenants	21	427,918	427,918	78,662
		<b>3,497,721</b>	<b>3,436,470</b>	<b>1,213,431</b>
<b>Current liabilities</b>				
Interest bearing borrowings	19	15,302,805	16,563,976	15,813,857
Trade and other payables	20	1,371,500	2,561,736	3,893,586
Taxes payable	22	460,197	529,827	818,493
Provisions for taxes	22	416,641	334,552	348,734
Finance lease liabilities	23	27,654	27,848	30,434
		<b>17,578,797</b>	<b>20,017,939</b>	<b>20,905,104</b>
<b>Total liabilities</b>		<b>21,076,518</b>	<b>23,454,409</b>	<b>22,118,535</b>
<b>Total equity and liabilities</b>		<b>72,286,467</b>	<b>58,384,112</b>	<b>53,876,066</b>

### US\$ Net Asset Value (NAV) per share:

	6			
Basic NAV attributable to equity holders of the parent		1,95	3,05	3,01
Diluted NAV attributable to equity holders of the parent		1,71	2,67	2,60

On 10<sup>th</sup> September 2013 the Board of Directors of SECURE PROPERTY DEVELOPMENT AND INVESTMENT PLC authorised these financial statements for issue.



Paul Ensor  
Director & Chairman of the Board



Lambros Anagnostopoulos  
Director & Chief Executive Officer



Constantinos Bitros  
Chief Financial Officer

The notes on pages 9 to 26 form an integral part of these consolidated financial statements

## SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

### INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to equity holders of the Parent					<b>Total</b>	Non-controlling interests	<b>Total</b>
	Share capital	Share premium, net	Accumulated losses, net of non-controlling interest	Reserve-Shareholder's advances	Foreign currency translation reserve			
	US\$	US\$	US\$	US\$	US\$			
<b>Balance - 31 December 2011</b>	<b>5,507,276</b>	<b>102,447,925</b>	<b>(75,301,995)</b>	-	<b>(1,230,671)</b>	<b>31,422,535</b>	<b>1,083,398</b>	<b>32,505,933</b>
Profit/(Loss) for the period	-	-	(2,225,695)	-	-	<b>(2,225,695)</b>	(6,164)	<b>(2,231,859)</b>
Issue of share capital	11,694	1,340,271	-	-	-	<b>1,351,965</b>	-	<b>1,351,965</b>
Reserve-Shareholder's advances	-	-	-	130,000	-	<b>130,000</b>	-	<b>130,000</b>
Foreign currency translation reserve	-	-	-	-	(8,200)	<b>(8,200)</b>	9,691	<b>1,491</b>
<b>Balance - 30 June 2012</b>	<b>5,518,970</b>	<b>103,788,196</b>	<b>(77,527,690)</b>	<b>130,000</b>	<b>(1,238,870)</b>	<b>30,670,606</b>	<b>1,086,925</b>	<b>31,757,531</b>
Profit/(Loss) for the period	-	-	2,357,430	-	-	<b>2,357,430</b>	(64,021)	<b>(2,293,409)</b>
Issue of share capital	12,221	991,307	-	-	-	<b>1,003,528</b>	-	<b>1,003,528</b>
Reserve-Shareholder's advances	-	-	-	(130,000)	-	<b>(130,000)</b>	-	<b>(130,000)</b>
Foreign currency translation reserve	-	-	-	-	(10,656)	<b>(10,656)</b>	15,891	<b>5,235</b>
<b>Balance - 31 December 2012</b>	<b>5,531,191</b>	<b>104,779,503</b>	<b>(75,170,260)</b>	-	<b>(1,249,526)</b>	<b>33,890,908</b>	<b>1,038,795</b>	<b>34,929,703</b>
Profit/(Loss) for the period	-	-	(565,692)	-	-	<b>(565,692)</b>	(4,287)	<b>(569,979)</b>
Issue of share capital, net (note 16)	197,727	16,608,721	-	-	-	<b>16,806,448</b>	-	<b>16,806,448</b>
Foreign currency translation reserve	-	-	-	-	43,777	<b>43,777</b>	-	<b>43,777</b>
<b>Balance - 30 June 2013</b>	<b>5,728,918</b>	<b>121,388,224</b>	<b>(75,735,952)</b>	-	<b>(1,205,749)</b>	<b>50,175,441</b>	<b>1,034,508</b>	<b>51,209,949</b>

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 9 to 26 form an integral part of these consolidated financial statements

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Note	30 June 2013 US\$	30 June 2012 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Loss before tax and non-controlling interest</b>		<b>(569.979)</b>	<b>(2.231.859)</b>
Adjustments for:			
Impairment loss/(reversal) of prepayments and current assets	10	8.161	(54.881)
Accounts payable written off	10	(339.207)	-
Depreciation of property, plant and equipment		5.795	8.125
Other expenses/(income)		82.089	(48.200)
Interest expense	11	674.372	569.796
Interest income	11	(46.630)	(767)
Effect of foreign exchange difference	11	25.399	12.709
<b>Cash flows used in operations before working capital changes</b>		<b>(160.000)</b>	<b>(1.745.077)</b>
(Increase)/Decrease in prepayments and other current assets	14	(157.191)	329.767
Decrease in VAT recoverable	14	289.589	141.622
Increase/(Decrease) in trade and other payables	20	(577.775)	136.557
Change in other taxes and duties		(3.545)	3.416
Increase in deposit from tenants		-	14.855
Income tax paid		(66.085)	-
<b>Net Working Capital Changes</b>		<b>(515.007)</b>	<b>626.217</b>
<b>Net cash flows used in operating activities</b>		<b>(675.007)</b>	<b>(1.118.860)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in payables for construction	20	(218.007)	(300.384)
Capital expenditures on investment property	13	(40.576)	(80.133)
Decrease in financial lease liabilities	23	(39.998)	(11.594)
Changes of property, plant and equipment		(73.041)	(1.204)
Interest received		46.630	767
<b>Net cash flows used in investing activities</b>		<b>(324.992)</b>	<b>(392.548)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital / shareholders advances, gross	16	17.045.000	1.481.965
Repayment of borrowings		(1.216.177)	-
Interest and financial charges paid		(603.342)	(570.481)
<b>Net cash flow from financing activities</b>		<b>15.225.481</b>	<b>911.484</b>
Effect of foreign exchange rates on cash		(18.079)	(44)
<b>Net increase/(decrease) in cash at banks</b>	15	<b>14.207.403</b>	<b>(599.968)</b>
Cash:			
At beginning of the period		256.447	754.640
<b>At end of the period</b>		<b>14.463.850</b>	<b>154.672</b>

The notes on pages 9 to 26 form an integral part of these consolidated financial statements



# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 1. General Information

#### Country of incorporation

SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC (the "Company", formerly AISI REALTY PUBLIC LTD) 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, 10<sup>th</sup> floor, Agioi Omologites, 1082 Nicosia, Cyprus.

#### Principal activities

The principal activities of the Group, which are unchanged, 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 centres 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 12 Full Time Equivalent (FTEs) employed persons, including the CEO and the CFO (December 2012 → 13, June 2012 → 16, December 2011 → 19, December 2010 → 28).

### 2. Adoption of new and revised Standards and Interpretations

The accounting policies adopted for the preparation of these interim condensed consolidated financial statements for the six months ended 30 June 2013 are consistent with those followed for the preparation of the annual financial statements for the year ended 31 December 2012.

### 3. Significant accounting policies

#### Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") have been condensed or omitted. However, such information reflects all adjustments (consisting of normal recurring adjustments), which are, in the opinion of the Group's Management, necessary to fairly state the results of interim periods.

Interim results are not necessarily indicative of the results to be expected for the full year.

The 31 December 2012 statement of financial position was derived from the audited consolidated financial statements.

#### Basis of consolidation

The interim condensed consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries).

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

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## 3. Significant accounting policies (continued)

Name	Country of incorporation	Related Asset	Holding %	
			as at 30.06.2013	as at 30.06.2012
SECURE Capital Limited (ex AISI CAPITAL)	Cyprus		100	100
SECURE Logistics Limited (ex AISI LOGISTICS)	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-pres-Ukrayina	Ukraine	Tsymlianskiy Residence	55	55
LLC Aisi Bela	Ukraine	Bela Logistic Park	100	100
LLC Mirelium Investments	Ukraine	Zaporozhya Retail Center	100	100
LLC Interterminal	Ukraine	Zaporozhya 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

As of the reporting date the subsidiaries as LLC Mirelium 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 H2 2013.

### Functional and presentation currencies

The Management believes that the US Dollar reporting reflects better 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.

The interim condensed consolidated financial statements are presented in US Dollar, which is the Group's presentation currency.

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.

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## 3. Significant accounting policies (continued)

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 for the first 6 months ended		30 June	
Currency	2013	2012	2013	2012
US\$	7,993	7,9891	7,993	7,9925

## 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 remain consistent with those used and described in the Group's annual financial statements for the year ended 31 December 2012. Financial Risk Management is also described in note 27 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 characterised 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.

The implementation of reforms has been partially impeded by lack of political consensus, controversies over privatisation, 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 has made significant progress in increasing its gross domestic product, decreasing inflation, stabilising its currency, increasing real wages and improving its trade balance, these gains may not be sustainable over the longer term and may be reversed unless Ukraine undertakes certain important structural reforms in the near future while continuing to exercise restrictive monetary policies.

Ukraine's internal debt market remains illiquid and underdeveloped as compared to markets in most western countries. Unless the international capital markets or syndicated loan markets open up to Ukraine, the Government will have to continue to rely to a significant extent on official or multilateral borrowings to finance part of the budget deficit, fund its payment obligations under domestic and international borrowings and support foreign exchange reserves. These borrowings may be conditioned on Ukraine satisfying certain requirements, which may include, among other things, implementation of strategic, institutional and structural reforms; reduction of overdue tax arrears; absence of increase of budgetary arrears; improvement of sovereign debt credit ratings; and reduction of overdue indebtedness for electricity and gas. Negative developments on these may result in Ukraine not finding adequate financing which could, in its turn put pressure on Ukraine's budget and foreign exchange reserves and have a material adverse effect on the Ukrainian economy as a whole, and thus, on the Group's business prospects.

Any major adverse changes in Ukraine's relations with Russia, in particular any such changes adversely affecting supplies of energy resources from Russia to Ukraine and/or Ukraine's revenues derived from transit charges for Russian oil and gas, would likely have 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 this 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:

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

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## 4. Financial risk Management (continued)

### 4.1 Financial risk factors (continued)

- (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 organised 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 affects negatively the ability of the Group to recuperate VAT paid and/or to utilize operating losses as a carry forward tax shield.

Emerging economies such as Ukraine's are subject to rapid change and the information set out in these financial statements may become outdated relatively quickly.

Many of the imbalances mentioned above need to be addressed in the course of the next few years should Ukraine want to pursue integration with the EU. Most notably defending the UAH, which has come at an increasingly high cost, needs to be addressed urgently. So far, there has been no sign of a relaxation of the fixed exchange-rate regime, presumably at an increasing cost to reserves and economic growth. However, the government's readiness to assume a more conservative approach to the budget should improve Ukraine's relations with the IMF. In turn, this should allow a resumption in multilateral lending, which was suspended since late 2010 owing to non-compliance with loan conditions.

#### 4.1.1.2 Cyprus

The indebtedness of the Cypriot Republic and its two main banks Bank of Cyprus and Cyprus Popular Bank (Laiki) creates 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. Such plan which has been discussed throughout 2012 may result in a changing economic and financial environment.

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.

During the past 10 years Cyprus has become an established financial center taking advantage of favourable 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.

The Ministry of Finance has estimated that Cyprus could need about €17bn between 2012 and 2016, of which €10bn would be used to shore up the banking sector and the remainder would be used to cover the government's financing needs.

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

On that note, the Company had proactively evaluated the probable effect of the measures in relation to the levy on deposits and the restrictions on capital movement applied to Cyprus based financial institutions. The Company held most of its liquidity with non-Cypriot owned banking institutions, partly in Cyprus and partly outside Cyprus. Liquidity used for operational reasons was held partly in Ukraine, with a non-Cypriot banking institution, and partly in Cyprus, predominately with a Cyprus bank, Laiki Bank (now Bank of Cyprus).

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# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

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## 4. Financial risk Management (continued)

### 4.1 Financial risk factors (continued)

The latter was the only part of the Company's liquidity that, according to the decisions taken by the European and Cypriot authorities, was at any risk. The impact of the measures is estimated at US\$135.000, or less than 1% of the Company's liquidity and appears as receivable within the present financial statements subject to finalisation of Laiki Bank restructuring and the possible receipt of shares in Bank of Cyprus.

#### 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;
- the amount of rent and the terms on which lease renewals and new leases are agreed being less favourable 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
- 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.

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.

In cases that the Board of Directors deemed necessary, it has taken provisions on the assets' valuation in order to ensure that the asset value is presented within the financial statements of the Group in such a way as to take into account various uncertainties. To quantify the value of its assets and/or indicate the possibility of impairment losses, the Company commissioned internationally acclaimed valuers.

#### 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. Analysis for risks related to deposits with Cypriot based banking institutions is presented in note 4.1.1.2.

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# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

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## 4. Financial risk Management (continued)

### 4.1 Financial risk factors (continued)

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) are contemplating deleveraging programmes.

#### 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.

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 and EUR denominated deposit accounts.

#### 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 27 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 27.

#### 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.

#### 4.1.10 Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Group's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Group. Following the Group's restructuring in 2011, the settlement of its liabilities, the letting of the Terminal Brovary warehouse and the first capital raise of the Company post 2010, Management expects the Company to be receiving positive publicity.

### 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.

## 5. Critical accounting estimates and judgments

The accounting estimates and judgments used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

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

### a. Weighted average number of ordinary shares

	H1 2013	H1 2012
Issued ordinary shares capital	25.680.817	10.172.975
Weighted average number of ordinary shares (Basic)	22.770.720	9.621.375
Diluted weighted average number of ordinary shares	26.402.559	11.243.760

### b. Basic diluted and adjusted earnings per share

	30/06/2013	30/06/2012
	US\$	US\$
(Loss) after tax attributable to owners of the parent	(565.692)	(2.225.695)
Basic	(0,02)	(0,23)
Diluted	(0,02)	(0,23)

### c. Net assets per share

	30/06/2013	31/12/2012
	US\$	US\$
Net assets attributable to equity holders of the parent	50.175.441	33.890.908
Number of ordinary shares	25.680.817	11.111.975
Diluted number of ordinary shares	29.349.505	12.699.400
Basic	1,95	3,05
Diluted	1,71	2,67

## 7. Operational income

Operational income represents rental, service charged and utilities income generated during the reporting period by the rental agreements concluded with tenants of the Terminal Brovary Logistics Park. Vacancy rate of the Terminal was 16% as at the reporting date.

## 8. Administration Expenses

	H1 2013	H1 2012
	US\$	US\$
Salaries and Wages	528.421	838.300
Legal fees	206.305	406.901
Travelling expenses	159.853	144.062
Consulting fees	138.751	305.009
Directors' remuneration	105.000	110.000
Audit and accounting fees	63.634	83.612
Public group expenses	56.563	93.480
Office expenses	56.506	66.090
Taxes and duties	21.039	27.228
Security	13.649	26.132
Depreciation	5.795	8.125
Other expenses	37.576	25.589
<b>Total Administration Expenses</b>	<b>1.393.092</b>	<b>2.134.528</b>

Salaries and Wages include personnel remuneration as well as remuneration for the Management of the Company including the CEO, CFO, Commercial Director and VP-Finance Ukraine.

Travelling expenses represent mainly expenses incurred in relation to the on going share capital increase of the Company.

Legal and Consulting fees represent expenses of the Company in the various legal and tax cases it has in Ukraine. Management estimates that contrary to what happened in 2012, in 2013 the total annual amount will be weighted toward H2-2013.

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## 9. Investment property operating expenses

On 20 December 2011 the Company entered into a three year Maintenance and Property Management Agreement with DTZ Consulting Limited Liability Company. Operating expenses also include utility expenses, insurance premiums, as well as various other expenses needed for the proper operation of the complex.

## 10. Other operating income/(expenses), net

	H1 2013	H1 2012
	US\$	US\$
Accounts payable written off	339.207	-
Penalties	(16.133)	(1.999)
Other income/(expenses), net	(96.224)	49.263
<b>Total</b>	<b>226.850</b>	<b>47.264</b>

Accounts payable written off mainly represent the amount of Altis Holding's (the general constructor of Terminal Brovary) guarantee reserve payable written off (US\$ 311.390) as a result of negotiations and settlement during the reporting period.

Penalties recognized in the first half of 2013 relate to Terminal Brovary LLC which were accrued by the tax authority on the land leased in Brovary.

Other expenses mainly consist of agency fees related to the letting of Terminal Brovary amounting to US\$ 25.598 and VAT receivable written off amounting to US\$ 38.409.

## 11. Finance costs/ (income), net

	H1 2013	H1 2012
	US\$	US\$
Borrowing interest expenses (notes 19, 24)	780.041	570.563
Finance charges and commissions	50.299	64.876
Foreign exchange losses, net	25.399	12.709
Bank interest income	(46.630)	(767)
<b>Net finance result</b>	<b>809.109</b>	<b>647.381</b>

Borrowing interest represents interest paid on the borrowings of the Group for EBRD facility (note 19) and the interest expense accrued on a related party loan (note 24).

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

## 12. Tax

The corporate income tax rate for the Company's Ukrainian subsidiaries is 19% for the six months ended 30/06/2013. The corporate tax that is applied to the qualifying income of the Company and its Cypriot subsidiaries is 10% for the six months ended 30 June 2013.

## 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 is 84% 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 GBA logistic center commenced. Construction was put on hold in 2009 following adverse macro-economic developments at the time.

**Kiyanovsky 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 neighbourhood.

**Tsymlianskiy 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.

**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.



# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## 13. Investment Property (continued)

<u>Asset Name</u>	<u>Description/ Location</u>	<u>Principal activities/ Operations</u>	<u>Related Companies</u>	<u>Carrying amount as at 30/06/2013 US\$</u>	<u>Carrying amount as at 31/12/2012 US\$</u>
Terminal Brovary Logistics Park	Brovary, Kiev Oblast	Warehouse	TERMINAL BROVARY AISI BROVARY AISI LOGISTICS	25.155.576	25.115.000
Bela Logistic Center	Odessa	Land and Development Works for Warehouse	AISI BELA	8.353.161	8.353.161
Kiyanovskiy Lane	Podil, Kiev City Center	Land for residential development	AISI UKRAINE TORGOVIY CENTR	7.435.000	7.435.000
Tsymlianskiy Lane	Podil, Kiev City Center	Land for residential development	ALMAZ PRES UKRAINE	2.360.000	2.360.000
Balabino	Zaporozhie	Land for retail development	INTERTERMINAL MERELIUM INVESTMENTS	4.320.000	4.320.000
<b>TOTAL</b>				<b>47.623.737</b>	<b>47.583.161</b>

Carrying amounts of the properties stated in these interim condensed consolidated financial statements remain the same as were presented in the Group's audited consolidated financial statements as of 31 December 2012, except for Terminal Brovary for which some expenses have been capitalised, increasing the carrying amount of the property.

### a. Investment Property Under Construction

	<b>H1 2013</b>
	<b>US\$</b>
<b>At 1 January</b>	<b>8.353.161</b>
Capital expenditures on investment property	-
Revaluation on investment property	-
Translation difference	-
<b>At 30 June</b>	<b>8.353.161</b>

As at 30 June 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\$8.500.000 as at 31 December 2012.

### b. Investment Property

	<b>H1 2013</b>
	<b>US\$</b>
<b>At 1 January</b>	<b>39.230.000</b>
Capital expenditure on investment property	40.576
Revaluation gain/(loss) on investment property	-
Translation difference	-
<b>At 30 June</b>	<b>39.270.576</b>

Terminal Brovary, Kiyanovskiy Lane, Tsymlyanskiy Lane and Balabino Village are included in the Investment Property category. Movement within capital expenditure on investment property represents some expenses of Terminal Brovary which have been capitalised.

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## 13. Investment Property (continued)

### c. Advances for Investments

	<b>30/6/2013</b>	<b>31/12/2012</b>
	<b>US\$</b>	<b>US\$</b>
Advances for investments	11.840.547	11.840.547
Impairment provision (cumulative as of the reporting period)	(6.840.547)	(6.840.547)
<b>Total</b>	<b>5.000.000</b>	<b>5.000.000</b>

The Group has made an advance payment of ~USD\$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 does not expect such acquisition to proceed while the seller has already defaulted on his credit to the Group.

As a consequence, the Group has commenced legal proceedings for the transfer of the collateral (land plot of 42 ha in Kiev Oblast) in the Group's name as well legal proceeding against the company which collected the original USD\$12mil. payment.

## 14. Prepayments and other current assets

	<b>30/06/2013</b>	<b>31/12/2012</b>
	<b>US\$</b>	<b>US\$</b>
Prepayments and other current assets	636.137	709.249
VAT and other tax receivable	3.966.835	4.256.424
Deferred expenses	453.796	495.804
Impairment of prepayments and other current assets	(21.465)	(13.304)
<b>Total</b>	<b>5.035.303</b>	<b>5.448.173</b>

Prepayments and other current assets mainly include prepayments made for services as well as the amount of ~US\$135.000 which is the blocked amount by Cyprus authorities subject to finalisation of Laiki Bank restructuring and the possible receipt of shares in Bank of Cyprus.

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

As at the reporting date deferred expenses include due diligence expenses related to the possible acquisition of investment properties. The amount of US\$238.552 of deferred expenses actually paid in 2012 and recognized as of 31/12/2012 which were incurred in connection to the share capital increase effected in H1 2013 were deducted from the capital increase proceeds (note 16).

## 15. Cash and cash equivalents

Cash and cash equivalents represent liquidity held at banks.

	<b>30/06/2013</b>	<b>31/12/2012</b>
	<b>US\$</b>	<b>US\$</b>
Cash at banks in USD	9.788.148	32.546
Cash at banks in EUR	4.461.805	9.086
Cash at banks in UAH	213.897	214.815
<b>Total</b>	<b>14.463.850</b>	<b>256.447</b>

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## 16. Share capital

Number of Shares (as at)	31/12/2012	1/2/2013	27/2/2013	30/6/2013
		Increase of Share Capital	Increase of Share Capital	
<b>Authorised</b>				
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
<b>Total</b>	<b>994.012.663</b>	<b>-</b>	<b>-</b>	<b>994.012.663</b>
<b>Issued and fully paid</b>				
Ordinary shares of €0,01 each	11.111.975	14.389.926	178.916	25.680.817
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
<b>Total</b>	<b>15.254.703</b>	<b>14.389.926</b>	<b>178.916</b>	<b>29.823.545</b>

Value (as at)	31/12/2012	1/2/2013	27/2/2013	30/6/2013
		Increase of Share Capital	Increase of Share Capital	
<b>Authorised (€)</b>				
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
<b>Total</b>	<b>14.000.000</b>	<b>-</b>	<b>-</b>	<b>14.000.000</b>
<b>Issued and fully paid (\$)</b>				
Ordinary shares of €0,01 each	5.531.191	195.320	2.407	5.728.918
Ordinary shares of €1 each	-	-	-	-
Ordinary Shares of €0,92 each	-	-	-	-
Deferred Shares of €0,99 each	-	-	-	-
<b>Total</b>	<b>5.531.191</b>	<b>195.320</b>	<b>2.407</b>	<b>5.728.918</b>

As at the end of the reporting period the authorized share capital of the Company is 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.

### 16.1 Issued Share Capital

Since the start of 2013 and pursuant to the Annual General Meeting of 26th November 2012, the Company has raised US\$17.045.000 from placing regular shares with new investors. This capital raise which follows the recapitalisation and restructuring of the Company in August 2011 and the successful completion of various stabilising initiatives during 2012 provides funding for the Company to commence its strategy for growth through the acquisition of income producing assets in Central and South Eastern Europe in order to build a more geographically diverse portfolio of income yielding assets, whilst maintaining its emphasis on efficient asset management to create and enhance value. The Board has allotted 14.568.842 new ordinary shares at a price of £0, 74 per share following the raising of the US\$17.045.000.

During 2012 the Company paid for legal, advisory, consulting and marketing services related to share capital increase an amount of US\$238.552. These expenses were capitalized and recognized as deferred expenses as of 31/12/2012 (note 14). In H1 2013 when the share capital increase was effected, this amount was set off against capital proceeds.

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## 16. Share capital (continued)

### 16.2 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

### 16.3 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 time of the exercise. The Class B Warrants may be exercised at any time until the third anniversary of the issuance date of the Class B Warrant Instrument. 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.

### 16.4 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) 30/06/2013	(as at) 31/12/2012
Ordinary shares of €0,01	Listed in AIM	25.680.817	11.111.975
Class B Warrants		3.668.688	1.587.425
<b>Total number of Shares</b>	<b>Non Dilutive Basis</b>	<b>25.680.817</b>	<b>11.111.975</b>
<b>Total number of Shares</b>	<b>Full Dilutive Basis</b>	<b>29.349.505</b>	<b>12.699.400</b>
Ordinary Share €0,92		1	1
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-pres-Ukraine, which is being held by ERI Trading & Investments Co. Limited.

# SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

## 19. Borrowings

	<b>30/06/2013</b>	<b>31/12/2012</b>
	<b>US\$</b>	<b>US\$</b>
Principal EBRD loan	14.488.235	15.529.412
Principal payable to related parties (note 24)	1.700.000	1.700.000
Other Borrowing	-	175.000
Restructuring fees and interest payable to EBRD	785.098	785.098
Interests payable to related parties (note 24)	172.630	77.680
Interests accrued on bank loans	29.472	74.466
<b>Total</b>	<b>17.175.434</b>	<b>18.341.656</b>

### 19.1 EBRD

Following the restructuring of the EBRD loan for the construction of Terminal Brovary in June 2011 and the lapse of the relevant grace period on the principal repayments in September 2012, the Company commenced discussions with EBRD in an effort to restructure the loan repayment plan so as to match the cash inflows with the principal and interest payments as well as the Company's operational expenses. Discussions with EBRD, on a new restructuring are nearly complete. In view of these discussions the Company repaid USD\$1.041.177 of principal during the six months ended 30 June 2013 representing the first 2 instalments under the existing agreement. The loan bears interest of 6.75% over LIBOR.

### 19.2 Other Borrowings

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

	<b>30/06/2013</b>	<b>31/12/2012</b>
	<b>US\$</b>	<b>US\$</b>
Payables to related parties (note 24)	962.760	1.057.983
Payables for construction, non-current	414.819	414.819
Payables for construction, current	24.826	24.826
Deferred income from tenants	256.185	250.080
Guarantee reserve on construction works, current	213.621	743.018
Payables for services	110.551	351.611
Accruals	59.742	84.298
Provision for reimbursements	-	300.000
<b>Total</b>	<b>2.042.504</b>	<b>3.226.635</b>

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 Bela 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 (~US\$ 700.000) 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.

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

Guarantee reserve on construction works, represents the portion of the performance guarantee amount payable to the contractor of Brovary Logistic Park upon finalization of the works and of the snagging list. In H1 2013 the Management negotiated with Altis Holding to reduce the amount of the guarantee reserve payable by US\$ 311.390 that was recognized as income from payables written off (note 10) and consequently US\$ 218.007 were paid. The remaining amount as at the reporting date was fully repaid in July 2013. At the same time the Company hired a third party to conclude the remaining works and part of the snagging list.

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

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## 21. Deposits from Tenants

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 & Provisions for taxes

	30/06/2013	31/12/2012
	US\$	US\$
Corporate Income tax payable	453.554	519.639
Other taxes payable	6.643	10.188
Provisions for taxes	416.641	334.552
<b>Total Tax Liability</b>	<b>876.838</b>	<b>864.379</b>

Corporate Income tax represents taxes payable in Cyprus.

Other taxes represent local property taxes payable in Ukraine.

Provision represents a Management estimate on potential land tax payable for Bela LLC and land lease payment Terminal Brovary LLC accrued by the Tax Authority (note 25).

## 23. Finance lease liabilities

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. Following the appropriate discounting finance lease liabilities are carried at USD \$553.823 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 represent transactions with related parties:

### 24.1 Expenses

	H1 2013	H1 2012
	US\$	US\$
Management Remuneration	209.600	198.400
Board of Directors & Committees	105.004	110.000
Back office - SECURE Management Ltd	88.953	190.751
Interest expenses to Narrowpeak loan (note 11)	98.105	-
<b>Total</b>	<b>501.662</b>	<b>499.151</b>

Management remuneration represents the H1 2013 remuneration of the CEO and the CFO pursuant to the decision of the Remuneration Committee.

Board of Directors and Committees expense represents the H1 2013 remuneration of all the non-executive members of the board pursuant to the decision of the Remuneration Committee.

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 21<sup>st</sup> 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 is repayable on 31<sup>st</sup> December 2014. The loan is collateralised against the Odessa land plot.

### 24.2 Payables to related parties

	30/06/2013	31/12/2012
	US\$	US\$
Grafton Properties	150.000	150.000
Secure Management Ltd	45.000	30.000
Board of Directors & Committees	329.615	291.050
Management Remuneration	438.145	586.933
<b>Total</b>	<b>962.760</b>	<b>1.057.983</b>

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## 24. Related Party Transactions (continued)

### 24.2 Payables to related parties (continued)

#### 24.2.1 Board of Directors & Committees

The amount payable represents mainly fees payable to non Executive Directors and members of Committees covering a period from August 2011 to June 2013. Pursuant to the AGM approval, the members of the Board of Directors have agreed in order to facilitate the Company's cash flow, to release their fees covering the period from August 2011 to December 2012 in exchange of shares in the Company's capital.

#### 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 represents payable to Secure Management for expert personnel seconded by SECURE Management Ltd, covering unpaid fees for Q2 2013.

#### 24.2.4 Management Remuneration

Management Remuneration represents fees payable a) to the CEO of the Company covering the period from May 2012 to June 2013, which the CEO has willingly agreed not to receive in order to facilitate the Company's cash flow, and b) to the CFO of the Company covering the period from May 2012 to December 2012.

### 24.3 Borrowings from related parties

	30/06/2012	31/12/2012
	US\$	US\$
Narrowpeak Ltd (note 19)	1.872.630	1.777.680
<b>Total</b>	<b>1.872.630</b>	<b>1.777.680</b>

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 and is repayable on 31<sup>st</sup> December 2014. The loan is collateralized against the Odessa land plot.

### 24.4 Loans from AISI Capital Ltd to the Company's subsidiaries

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.

Borrower	Repayment Date	Limit -US\$	Outstanding amount, as of 30/06/2013 - US\$	Outstanding amount, as of 31/12/2012- US\$
LLC "TERMINAL BROVARY"	19/12/2014	35.000.000	34.432.771	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"	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

During the reporting period the Company has proceeded in share capital increase effected on certain of its Ukrainian subsidiaries which in turn returned the funds back to SECURE Capital Limited (ex AISI CAPITAL) in the form of loan repayment (loans have been provided throughout 2007-2012 period). The total loan amount repaid is US\$ 25million 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.

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## 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 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, that are enacted by law to impose severe fines and penalties and interest charges. A 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.

### 25.2 Construction related litigation

There are no material claims from contractors due to the postponement of projects or delayed delivery other than those appearing 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. 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 30 June 2013.

## 26. Commitments

### 26.1 Capital commitments

The Group has two (2) construction agreements:

- a) for the construction of Brovary Logistics Park (note 20)
- b) for the construction of Bela Logistics Center (note 20)

### 26.2 Operational commitments

In December 2011 the Company entered into a three year Property Management and Maintenance Service Agreement with DTZ Consulting Limited Liability Company. The Agreement stipulates a range of services that were outsourced by Terminal Brovary to DTZ (billing, servicing, maintaining) so as to both reduce cost and improve quality. The Company has the right to terminate the Agreement with DTZ unilaterally before its expiration date subject to prior written notice to DTZ for 90 days before the desired date of termination.

## 27. Financial Risk Management

### 27.1 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 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 (note 15), receivables (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.



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## 27. Financial Risk Management (continued)

### 27.1 Capital Risk Management (continued)

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.

### 27.2 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.

### 27.3 Categories of Financial Instruments

<b>Financial Assets</b>	<b>Note</b>	<b>30/06/2013</b>	<b>31/12/2012</b>
		<b>US\$</b>	<b>US\$</b>
Cash at Bank	15	14.463.850	256.447
<b>Total</b>		<b>14.463.850</b>	<b>256.447</b>
<b>Financial Liabilities</b>	<b>Note</b>	<b>30/06/2013</b>	<b>31/12/2012</b>
		<b>US\$</b>	<b>US\$</b>
Interest bearing borrowings	19	17.175.435	18.341.656
Trade and other payables	20	2.042.504	3.226.635
Deposits from tenants	21	427.918	427.918
Finance lease liabilities	23	553.823	593.821
Taxes payable	22	876.838	864.379
<b>Total</b>		<b>21.076.518</b>	<b>23.454.409</b>

### 27.4 Financial Risk Management Objectives

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.

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 30 June 2013, the Group had not entered into any derivative contracts.

Post August 2011, the priority on cash use and management was set on settling all past liabilities (eliminating thus the relevant legal and financial risks) while maintaining a minimum liquidity to allow for the future development of the Group's strategy.

### 27.5 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.

#### 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 June 30th, 2013, cash and cash equivalent financial assets amounted to US\$14.463.850 (31/12/2012:US \$256.447).

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## 27. Financial Risk Management (continued)

### 27.5 Economic Market Risk Management (continued)

The Group is exposed to interest rate risk in relation to its borrowings amounting to US\$14,488,235 (31/12/2012: US\$15,529,412) 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.

### 27.6 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.

### 27.7 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.

<b>30 June 2013</b>	Carrying amount	<b>Total</b>	Less than one year	From one to two years	More than two years
	US\$	<b>US\$</b>	US\$	US\$	US\$
<b>Financial assets</b>					
Cash at Bank	14,463,850	<b>14,463,850</b>	14,463,850	-	-
<b>Financial liabilities</b>					
Interest bearing borrowings	17,175,435	<b>17,175,435</b>	15,302,805	-	1,872,630
Trade and other payables	2,042,504	<b>2,042,504</b>	1,371,500	-	671,004
Deposits from tenants	427,918	<b>427,918</b>	-	-	427,918
Finance lease liabilities	553,823	<b>2,323,558</b>	104,404	104,404	2,114,750
Taxes payable	876,838	<b>876,838</b>	876,838	-	-

<b>31 December 2012</b>	Carrying amount	<b>Total</b>	Less than one year	From one to two years	More than two years
	US\$	<b>US\$</b>	US\$	US\$	US\$
<b>Financial assets</b>					
Cash at Bank	256,447	<b>256,447</b>	256,447	-	-
<b>Financial liabilities</b>					
Interest bearing borrowings	18,341,656	<b>18,341,656</b>	16,563,976	-	1,777,680
Trade and other payables	3,226,635	<b>3,226,635</b>	2,561,736	-	664,899
Deposits from tenants	427,918	<b>427,918</b>	-	-	427,918
Finance lease liabilities	593,821	<b>2,429,651</b>	104,404	104,404	2,220,843
Taxes payable	864,379	<b>864,379</b>	864,379	-	-

## 28. Events after the end of the reporting period

After the end of the reporting period there were no material events.