SECURE PROPERTY
DEVELOPMENT & INVESTMENT

ANNUAL REPORT
2012

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SECURE PROPERTY DEVELOPMENT AND INVESTMENT PLC
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SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC

Key Facts	31 Dec 2011	31 Dec 2012
Total Assets Under Management ($million):	55	58
Number of Assets:	5	5
Bank Debt($million):	15.8	16.4
Current Leverage:	0.50x	0.54x
NAV per share($):	3.39	3.05
EBITDA($million):	0.8	2.3
Net Equity*($ million):	31.4	33.9
Issued Shares:	9,277,727	11,111,975

*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

20th March 2013

Dear shareholder,

2012 could be remembered in the future as the year when Europe began to finally act towards overcoming the troubles it has been battling since the onset of the financial crisis at the end of 2007. A combination of election results and institutional (ECB, Eurogroup, etc) decisions brought a turnaround in the sentiment and signalled hope for the continent's economics and currency. Unfortunately the positive sentiments were shortlived and events in March of 2013 signalled, yet again, increased uncertainty and doubt on the future of the European experiment. For our Company, 2012 was the year of its re-birth. We completed the turnaround that had started a year earlier and, perhaps more importantly, we commenced the implementation of our growth strategy. As a result, the Company is now well positioned and looks forward to a brighter future.

The **turnaround** effort assumed by the new management in August 2011 was effectively completed by mid-2012. More specifically, during this period the Company's annual revenues increased by a factor of 4, while its annual operating costs decreased by over 50%. The liabilities / payables of the Company were reduced by a factor of 7 and as a result of all this the Company's net equity increased by a factor of 4 (compared to August 2011).

As a result of the improvements detailed above, we are very pleased to be able to report an increase in operating profit of almost 200% to $2.3m (2011: $0.8m) and a return to profitability for the first time in years with profits before tax of $145,000 compared to a loss of $843,999 in 2011.

As difficult it is to achieve such immense transformation by itself, our Company effected this turnaround while in a mode of intensive cost minimisation and liquidity constraints highlighted and anchored by the management and board members decision to defer their salaries until such transformation is completed. Furthermore, as the liquidity needs of the Company grew, reflecting increasing past liabilities, more capital became available both through Narrowpeak, the key turnaround investor, as well as from other existing and new shareholders, contributing a total of $4m during the year (both in equity and debt), as per the original 2011 plan.

The end of the turnaround process was signalled by the change of the Company's name to SECURE Property Development and Investment, borrowing the name and logo from SECURE Management, Narrowpeak's property operational affiliate with extensive track record and goodwill in the region.

On the **asset management** front, the Company's key income producing asset, Terminal Brovary, started the year with half occupancy, and a new commercial manager. Throughout the year, intensive asset management efforts brought success in leasing all the warehouse area of Brovary (90% of total Gross Leasable Area) at rates 20% higher than the existing average rent at last year's end and 40% higher than the average rent of the pre-restructuring era. By attracting internationally renowned tenants such as Amway, Rhenus, FM Logistics, Sigma Bleyzer, Pernod Ricard and Billa and by increasing annual cashflow from the property to $3.5m we have been able to create an institutional quality logistics asset.

Having successfully executed the turnaround plan and completed its task of leasing Brovary so that it provides a healthy level of recurring and visible revenue, the management of the Company put in place the first stage of its Growth Plan. This strategy involves expanding and diversifying into other South East European countries, and particularly Romania and Bulgaria, by acquiring high value and/or high value added property assets with considerable upside potential.

The **South East European region** has witnessed a substantial economic slow-down during the last four years, mostly as a collateral damage of the Euro and Greek crisis. It is noteworthy that a large percentage of both Romania's and Bulgaria's banking systems are owned by Greek and Austrian banks, which, despite being healthy enough themselves, suffered from the deleveraging imposed on them and necessitated by their international parent banks. This slow down caused a shock in the regional property markets creating a step down in demand, a liquidity crunch, leverage unavailability and a consequent collapse in property prices. In turn, this has generated a substantial number of distressed projects and property owners.

Despite these factors, the economies in the region still grew at a higher rate than the European average, and they command better fundamentals than their peers in the Eurozone's periphery. With low unemployment, minimal private and low government debt (as a percentage of GDP), a very well educated workforce and (for Romania) a strong industrial base, these economies are poised to continue to outperform as the market improves.

The property markets of the South East European countries opened up to foreign funded development and investment later than any in East Europe, with mass FDI influx being seen as late as 2005. Consequently, not much new property stock had time to be built before the global financial crisis impacted the region (late 2008). Consequently, the needs of the market (ie demand) are substantially greater than both current, and, more importantly, potential near term supply. As such the region combines good economic and excellent property market fundamentals, a rare combination which is difficult to find anywhere in the world without a consequential over-inflation of pricing attached to it.

The Company's strategy is to expand in the region now that prices are still reeling from the crisis shock and take advantage of underpriced assets or distress opportunities similar to the turnaround of the Company itself effected in the last 16 months in order to create value through its own asset management and take advantage of any improvement in market sentiment.

In the last quarter of 2012 the Company embarked on a **fundraising** effort to attract new investors that share its strategic view of the market opportunity and, in February 2013, the Company announced that it had raised $17m of fresh capital from a number of well respected individual and institutional shareholders. We have begun the process of putting these proceeds to work having already agreed heads of terms for the acquisition of an income producing commercial asset in Bucharest. This, along with the other opportunities we are assessing, will help further strengthen the Company's ability to generate recurring income and offer the potential for value enhancement through capital appreciation. The fundraising effort will continue as and when new interesting opportunities for acquisition are identified.

The Company now scarcely resembles the troubled entity it was only 18 months ago. With a new name and vision, a new strategy focussed on growth and a committed management team, SECURE Property and its shareholders have every right to raise their expectations. As the management who have spearheaded this turnaround and are directing SECURE Property's future course, we can assure both the old investors, who have endured the difficult times and kept faith, as well as the new investors, who share our dream and vision, that we will do everything it takes to maintain the positive momentum already achieved and attain an even brighter future for our Company.

Best regards,

Lambros G. Anagnostopoulos
Chief Executive Officer

2. Management Report

2.1. Corporate Overview & Financial Performance

In a nutshell

The Company's management spent the better part of 2012 completing its turnaround both by continuing to reduce and control costs, and also putting heavy emphasis on increasing revenue generation by substantially improving occupancy at Terminal Brovary. At the same time we addressed and settled most of the pre-August 2011 liabilities both in a friendly basis, through out of court settlements as well as through the court system.

Most notably, in July 2012 the Company reached an out of court settlement with UVK, previously a potential Brovary tenant, over a $1.5m claim which had been ongoing for more than three years and was settled, after a series of court hearings, at a significant discount to the nominal amount of the claim.

While dealing with those financial and legal liabilities, the management took substantial care in managing the liquidity of the Company, given the limited resources available to it. In addition, the Company succeeded in attracting over $4m of fresh capital with $2.3 million being raised through the issue of new ordinary shares during the first half of the year and, in October, raising $1.7m in debt. This was paramount in ensuring that liquidity did not hold the company back from achieving its ambitions.

By the end of the year, the Company was much leaner both in terms of administrative expenses, (reduced from $5.5m in 2011 to $3.2m in 2012) and in terms of human resources (reduced by 46% over the previous year).

This progress was then built on when, in February 2013, the Company raised a further $17m from the issue of new ordinary shares, securing sufficient funds to provide medium term liquidity and to start investing for growth.

With the past liabilities being addressed, management has gradually shifted more of its efforts to identifying growth opportunities and to try raising capital in order to take advantage of them. Indeed, and as a means to diversify risk various income producing properties have been identified and contracted for acquisition via Head of Terms expected to materialize during 2013.

Corporate Governance

In its push to further improve Corporate Governance, SECURE Property attracted two new heavyweight non-executive directors during the first half of the year. Harin Thaker, the former Head of Real Estate Finance International at PBB Deutsche Pfandbriefbank AG, a specialist lender in real estate finance and public sector finance, and Alvaro Portela, the previous Executive President and Chief Executive Officer of Sonnae Sierra, a global leader in retail property development and management, leading global retail property company, joined the Board bringing vast expertise and knowledge of both the region and the subject matter.

Audit Committee

As mandated by the Board in early 2012, the Audit Committee introduced new audit procedures to enhance the Board's supervisory and controlling capabilities. To that effect the Audit Committee has also been in contact with the Auditor of the Company both to verify the working of the 2011 audit as well as for the timely preparation of the 2012 audit.

Remuneration Committee

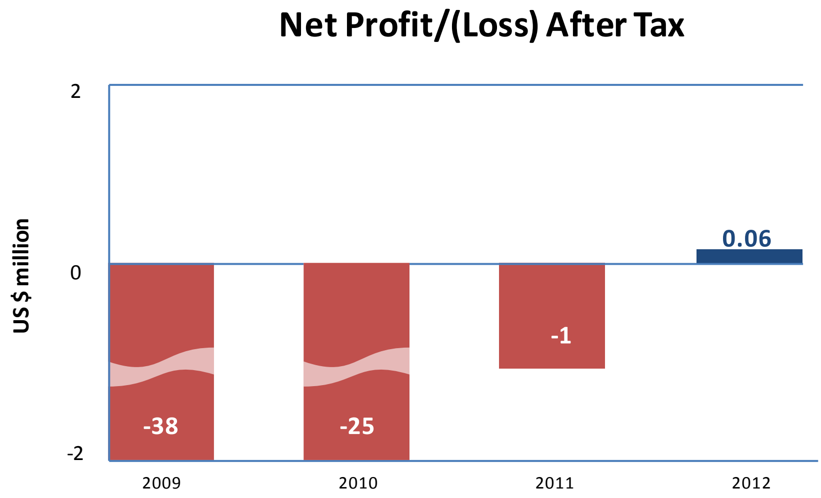
The Board's Remuneration Committee prepared the outline of a new incentive and compensation scheme that will be offered to the Company's management executives and directors and will help align interests, while rewarding for high performance and creation of shareholder value.

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 turnaround is most clearly demonstrated by its financial performance for the year in comparison with the previous one. Income increased by 400% to $2.1 million, while operating expenses decreased by 40% to $3.2m. This resulted in an EBITDA improvement of 290% to $2.3m and a NPAT of $60,000 (2011: Loss of $1.1m).



2.2. Property Holdings

Property Assets

The Company's portfolio, currently entirely focused on Ukraine, comprises 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 sqm Class A warehouse and associated office space, situated on the junction of the main Kyiv – 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 84% leased.

Bela Logistic Centre is a 22.4 ha plot in Odessa situated on the main highway to Kyiv. Following the issuance of permits in 2008, below ground construction for the development of a 103,000 sqm GBA logistic centre commenced. Construction was put on hold in 2009 due to the global economic crisis. During 2012 we have held negotiations with a number of interested parties with regard to a possible sale of this asset.

Kiyanovsky 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. Michaels's Spires and historic Podil neighborhood.

Tsymlyanski Lane is a 0.36 ha plot of land located in the historic Podil District of Kyiv 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.

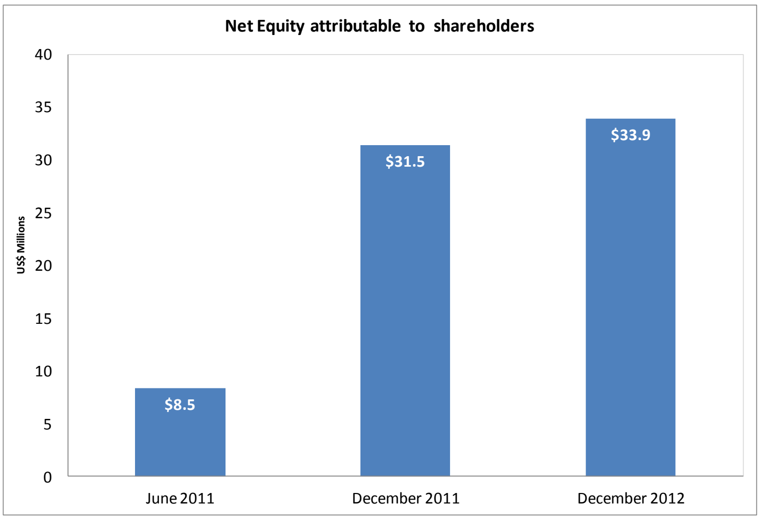
Property Asset Valuations

In 2012, the Company re-appointed BNP Paribas 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") Appraisal and Valuation Standards, 7th Edition (the "Red Book").

At the year-end, the Company's property assets held a value of $47.6m, an increase of 8.2% from the December 2011 valuation. This increase can be attributed mostly to the doubling of occupancy, as well as to an increase of the average unit rental revenue of the Brovary Logistics Center.

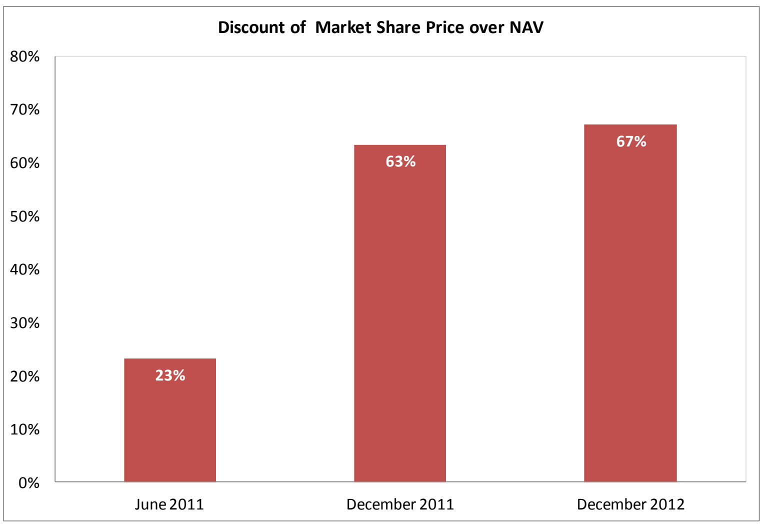
Net Equity

The Net Equity attributable to the shareholders as at 31 December 2012 stood at $33.9m representing a ~400% increase over the June 2011 ($8.5m) figure.



Net Asset Value

The NAV per share as at 31 December 2012 stood at $3.05 ($2.67 fully diluted).



2.3. Financial and Risk Management

Leverage-Interest Rate Risk

The Group's overall debt exposure at the reporting date comprises of a $15.5m net construction loan to Aisi Brovary from EBRD, which was originally restructured in June 2011, and a $1.7m loan from a related party. In June 2012 the Company engaged in discussions with EBRD in order to match cash inflows from the asset with the debt amortization plan. Overall the Group's gearing ratio (debt/equity) stands at 0.54x.

Liquidity Management-Cash Flow Risk

Throughout 2012 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 preparing its growth strategy.

2.4. 2013 and beyond

Real Estate Market

At the end of 2012 and into 2013 the real estate market has started to show signs of recovery. The Euro collapse having been averted last year, the European banks are pushing forward with their deleveraging plans, raising hopes that some forms of leverage will become increasingly available this year. The Greek banks (owners of a large number of banking institutions in both Ukraine and other countries of South East Europe) have also been saved by the European bailout mechanism and are in the process of being recapitalized, signaling a turn towards business as usual in the not too distant future. Conclusive elections in both Ukraine and Romania in the last quarter of the year offer further political stability, a necessary base for any property market upswing.

The Company

2013 will be the first year in many that the Company follows a growth path. Having raised fresh capital in February , the Company is planning to expand regionally by acquiring good underpriced income producing assets, as well as exploiting other high upside potential opportunities, in a distressed market environment. In line with its policy of pursuing best practice and robust corporate governance, the Company will keep its cost minimization policies and risk control practices, ensuring both its financial health and its successful contribution to its social and physical environment.

3. Regional Economic Developments [1]

Ukraine

The Ukrainian economy recorded in the third quarter of 2012 negative growth for the first time since Q4 2009. The annual GDP growth declined by 1.3% in Q3 mainly reflecting the impact of the summer drought on agricultural output. Overall GDP growth for 2012 is expected at 0.4%. The negative signs can be attributed more to external (global) demand factors.

The Current Account Deficit ("CAD") widened further in November, bringing the 12-month rolling CAD at 8.3% of GDP compared with 6.2% at the end of 2011 due to a sharp deterioration in the terms of trade driven by weaker trade activity with Russia and EU (representing 50% of exports, weaker commodity prices (steel price fell by 25%, which represents 30% of exports) and eroding competitiveness. Private consumption remained in positive territory, posting a growth of 12% yoy in Q3 supported by the initiation of populist measures by the government in May, ahead of the Q4 2012 parliamentary elections with real wages posting a double-digit growth rate of 14% yoy in Q3 2012. On the other end of the spectrum, private investment growth turned negative in Q3 2012 (-2.9% y-o-y, following eight successive quarters of strong growth), reflecting the completion of the Euro-2012 construction projects.

In November's parliamentary elections, President Yanukovich's Party of Regions did not perform as well as was widely expected, even though it is still holding a majority with the help of the Communist Party. However, this moderate outcome influences the authorities' willingness to address a hefty twin deficits problem, scheduled IMF repayments and declining FX reserves (putting UAH under pressure despite the Ukrainian authorities effort of buying time throughout 2012 by rolling over loans to Russia, limiting gas imports and issuing debt in USD).

Even in the case that Ukraine makes a new agreement with the IMF, most of the IMF funding will be used for the rollover of the current outstanding payments, making it imperative for Ukraine to be able to access the markets. Another option for funding is Russia, but this will mean a step further away from the EU.

Macroeconomic data and forecasts					
	2010	**2011**	**2012e**	**2013f**	**2014f**
GDP (EUR bn)	102,6	118,4	126,7	126,4	128,6
Population (mn)	45,8	45,5	45,3	45,1	44,9
GDP (constant prices y-o-y %)	4,1	5,2	0,4	1,0	2,9
CPI (average, y-o-y %)	9,4	8,0	0,8	7,4	9,3
Unemployment rate (%)	8,4	8,2	8,0	8,3	8,3
Net FDI (EUR bn)	4,3	5,4	4,7	5,0	5,0
FDI % GDP	4,2	4,5	3,7	3,9	3,9

Sources : Unicredit Bank, Eurobank EFG, NBG

Romania

The election victory of the Social Liberal Union (USL) was affirmed through a vote of confidence in late-December. Immediately afterwards the IMF mission returned to Bucharest for the conclusion of the seventh and eighth reviews of Romania's precautionary agreement, mainly focused on the preparation of 2013 budget and identification of the measures required to reduce the fiscal deficit to 1.8% of GDP as well as the implementation of the substantially delayed structural reforms (especially in state-owned enterprises).

The Romanian economy contracted by 0.6% yoy (down 0.5% q-o-q) in Q3 2012, following six consecutive quarters of positive annual growth, having been mainly affected by the lower agricultural output due to summer drought as well as the political uncertainty before the 2012 elections. Overall, Romania's economy growth for 2012 is estimated at circa 0.2%.

[1] Sources : UniCredit Group – research Division, Eurobank Research, NBG Strategy and Economic Research Division, National Institute of Statistics- Romania, National Statistical Institute –Republic of Bulgaria.

In terms of the main GDP components, private consumption contracted by 1.5%yoy in Q3 (down from +1.8%yoy in Q2) influenced by lower real wages (despite public wages hikes) and higher food and energy prices. In the same vein, exports and imports contracted by 4.2% yoy and 1.9% yoy in Q3 compared to +0.7% yoy and +0.2% yoy in Q2 respectively. In addition, investments decelerated to +9.9% yoy, down from +15.2% yoy in Q2, backed by the decline of public investment in the construction sector due to the underperformance in EU funds absorption. The EU funds absorption rate has reached a mere 8% against an ambitious government target of 19%. Funds earmarked for investments in the budget were cut in order to finance the public wages hikes as part of the budget revision in 2012.

In December 2012, headline inflation rose to 5% yoy from 4.6% in November, above National Bank of Romania's (NBR) target range of 3+1%, influenced by the hike in regulated electricity price and higher food prices. The depreciation of the RON against EUR by 5% in 2012 (adjusting for the latter, end-year inflation is estimated at 3.5%) is also having a negative effect on the economic climate although at year end the trend has partially reversed. Despite the high headline inflation, the NBR Board left the monetary policy rate unchanged at a record low of 5.25% for a ninth consecutive month, at its first meeting in 2013, due to weak economic activity.

The positive news came from international debt markets where Romania over performed by selling EUR 2.25bn and $2.25bn of debt in 2012. In addition, in local markets, following the well received election result, interest for two post-election debt issuances was significantly higher, leading to a slight decrease in yields at an average yield of 6.57% from 6.66% and an oversubscription of both.

Macroeconomic data and forecasts					
	2010	**2011**	**2012e**	**2013f**	**2014f**
GDP (EUR bn)	124,1	136,5	135,9	140,1	144,4
Population (mn)	21,5	21,4	21,4	21,4	21,4
GDP (constant prices y-o-y %)	-1,7	2,5	0,2	1,3	1,8
CPI (average, y-o-y %)	6,1	5,8	3,3	4,0	3,5
Unemployment rate (%)	7,3	7,4	7,3	7,2	7,0
Net FDI (EUR bn)	2,2	1,8	1,5	2,0	2,6
FDI % GDP	1,8	1,3	1,1	1,4	1,8

Sources : Unicredit Bank, Eurobank EFG, NBG

Bulgaria

The Bulgarian economy grew at a steady pace in Q3-2012, at 0.5% yoy, the same as in Q2 2012, indicating overall GDP growth for 2012 at 0.6%. On the positive side, several important indicators outperformed during Q3 showing encouraging signs for the Bulgarian economy. But the economy faces greater risk in 2013, following the resignation of the government in February and the fact that elections are ahead.

Consumption has exceeded expectations for the second consecutive quarter, staying at +3% yoy in Q3 (+3.2% yoy in Q2), driven by relatively high real wages (+5.7% yoy in Q3) and the seasonal improvement in labour market conditions (unemployment improved to 11.5% in Q3, down from 12.3% in Q2 and a peak of 12.9% in Q1, the highest level in 2009-2012).

Investments moved into positive territory for the first time since Q4-2008, rising by 1% yoy in Q3 compared to a contraction of 2.1% yoy in Q2, 5.4% yoy in Q1 and 10.4% yoy in Q4 2011. Investment's share to GDP had dropped to 23% in 2011 against a record high at 37% in 2008. The main driver behind investment growth was the higher absorption rate of EU funds while the post-crisis drop in investments is largely explained by the decline of FDI inflows (from €9 bn in 2007 to €1.4bn in 2011).

After reducing the budget deficit down to 2.1% of GDP in 2011, Bulgaria was the first country to exit the excessive deficit process. Fiscal metrics have continued to improve in 2012 and the fiscal deficit is currently on track to narrow to 0.9% of GDP. This would be better than the government had planned (2012 deficit target was set at 1.3% of GDP) and would imply a sizeable underlying fiscal tightening of ~1.2% of GDP. For 2013, the government plans to pause its fiscal consolidation efforts (budget will target a deficit of 1.35% of the GDP).

Current Account reversed to a deficit of 0.1% of GDP in January-October 2012 against a 1.9% surplus in January-October 2011 mainly due to the deterioration in the trade deficit. The trade deficit doubled, from 3.8% of GDP in January-October 2011, to 7.8% of GDP in January-October 2012. On the other hand, the surplus of services improved marginally to 6.1% of GDP in January-October 2012 against 5.8% in January-October 2011, current transfers improved to 4.1% of GDP January-October 2012, compared to 3.7% a year ago and the income deficit improved to 2.5% of GDP in January-October 2012 against 3.7% at the same period a year ago, however without being enough to counterbalance the deterioration of the trade balance. Headline inflation has resumed its upward trend, reaching 4.2% yoy in December against 3.9% in November mainly due to a surge in food and electricity prices.

Macroeconomic data and forecasts

	2010	2011	2012e	2013f	2014f
GDP (EUR bn)	36,1	38,4	39,9	41,6	43,9
Population (mn)	7,5	7,3	7,3	7,2	7,2
GDP (constant prices y-o-y %)	0,4	1,7	0,6	1,7	3,8
CPI (average, y-o-y %)	2,4	4,2	2,9	2,6	2,9
Unemployment rate (%)	11,3	11,8	12,7	12,5	11,7
Net FDI (EUR bn)	0,7	1,4	1,5	1,7	1,9
FDI % GDP	1,8	3,5	3,7	4,1	4,4

Sources : Unicredit Bank, Eurobank EFG, NBG

4. Real Estate Market Developments [2]

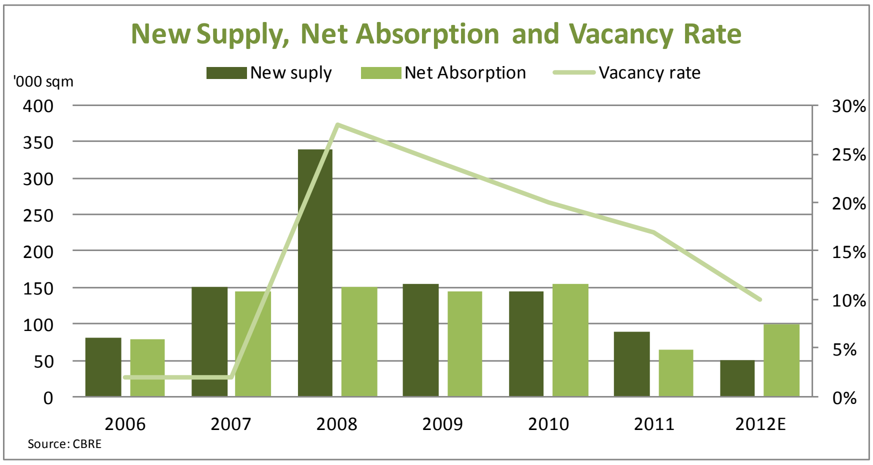
4.1. Ukraine

General

During 2012, prime yields in Ukraine remained high compared to other European countries even though a slight compression was recorded, especially in the first semester of the year.

Logistics Market

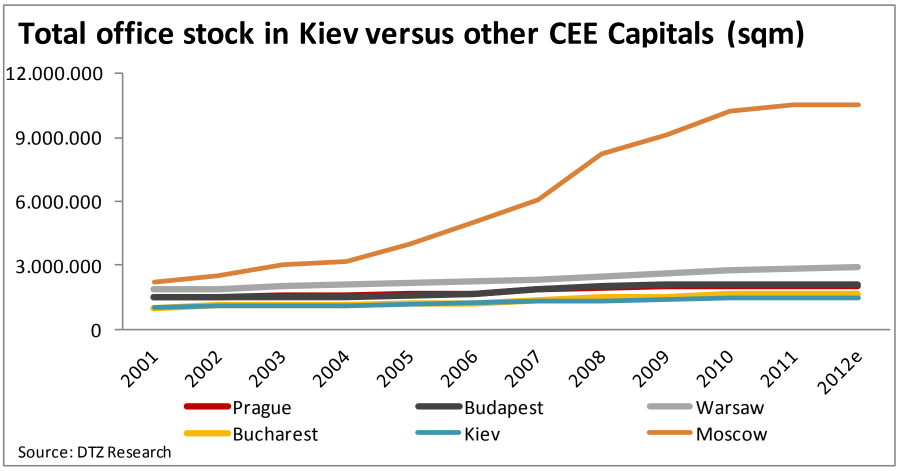
At the end of 2012, rents for prime warehouse space in the Greater Kyiv area stood at $5.5-6.5/sqm/month (net of VAT and operating expenses) topped by $0.5-1/sq m/month of expenses. In addition, vacancy rates for prime warehouse space decreased further to below 8% due to limited new supply and steady demand. The healthy leasing activity of retail operators combined with the positive indicators of the logistics market present the first signs of market recovery.



Office Market

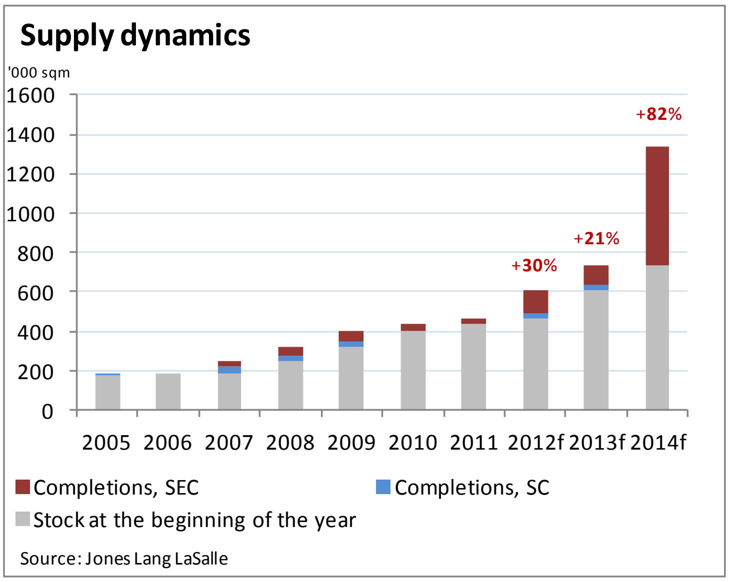
Activity in the office market during 2012 was mainly based on relocations to larger premises or better located and/or higher quality buildings. The main source of demand was from manufacturing, IT and business services companies. Due to gradually picking up of new office supply, occupancy rate decreased by around 2% during the year. Despite the increasing new supply, Kyiv office market remains undersupplied compared to the markets in other CEE capitals.

[2] Sources : Jones Lang LaSalle, DTZ Research, CBRE Research, Colliers International, Forton International, MBL Research.



Retail Market

Local anchors continued to lead the Ukrainian retail market while new international retailers continued to enter the market primarily at major new schemes such as "Ocean Plaza", the first superregional shopping center. The strengthening confidence of developers and investors in the market has the potential lead to a significant increase in new delivery in the sector, which remains fundamentally undersupplied, with the vacancy rate for quality retail spaces below 2.5%.



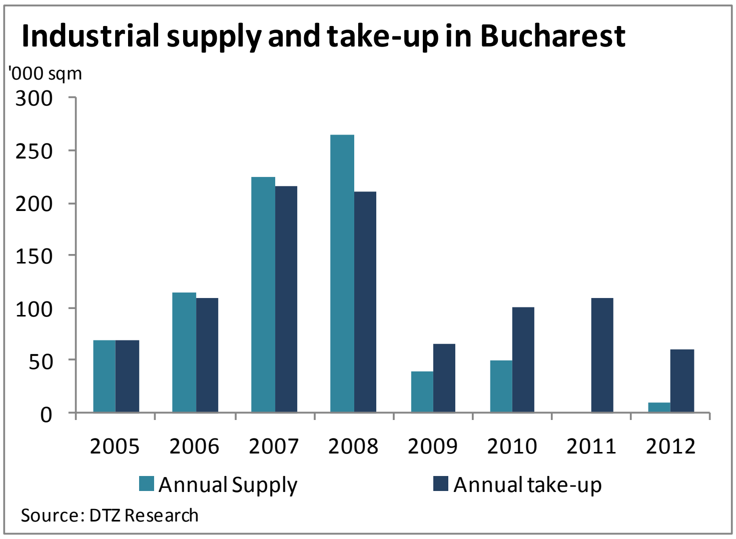
4.2. Romania

General

The overall investment volume in 2012 was limited as both the local and international political and economical uncertainties made most potential investors adopt a wait and see approach. However, there are a number of medium size investors active in the market and looking to take advantage of the opportunistic nature of the market. In Q3 2012 the total investment volume transacted was €140.2m, representing a 183% increase against the same period of previous year.

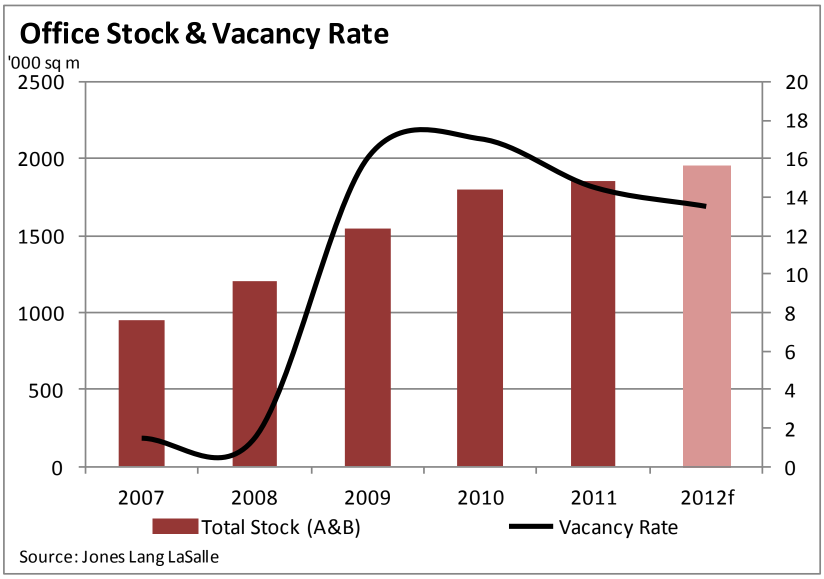
Logistics Market

The main driver of Romanian logistics market remained the build-to-suit schemes with other types of development being really scarce. Despite the fact that take-up dropped in 2012 compared with 2011, when it reached the highest level tracked since 2008, it still outweighs the new supply resulting in rental and vacancy rates being maintained at the same levels of $4-5/sqm/month and 10% respectively.



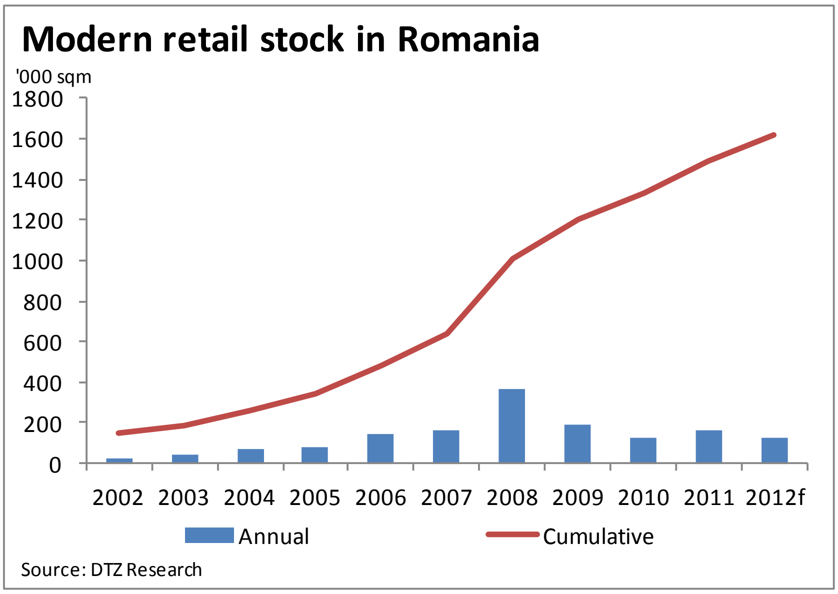
Office Market

The volume of net transactional activity remained at the same level as in 2011, at 180,000 sqm dominated by the Technology & Communication sector (56% of net take-up volume). The prime rent remains unchanged from the previous quarter, situated at EUR 18.5-19/sqm/month for CBD buildings. Meanwhile, the average vacancy in Bucharest is at 14.5-15.5%, registering a slight increase from last year mainly driven by the addition of new supply to the total existing stock of office space in Bucharest.



Retail Market

The increased interest of international retailers to enter or expand their share in the Romanian retail market continued in the last quarter of 2012. As the supply of new shopping centers was limited, the increased demand is mainly absorbed by existing centers, which offered important incentives in order to renew their tenant mix, with well known international brands as H&M, C&A, Deichman, New Yorker, Inditex group, in an effort to improve their results. Prime rent and vacancy rate remained stable at EUR 60-70/sqm/month and 9-10% respectively.



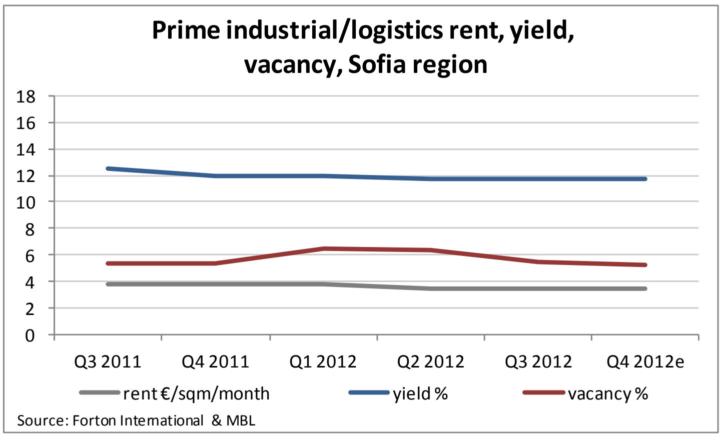
4.3. Bulgaria

General

The level of activity in the Bulgarian property market remained sluggish during the 2012 with no significant investment deals. The main reasons for this were the lack of financing and liquidity, as well as the general economic and political problems in the eurozone.

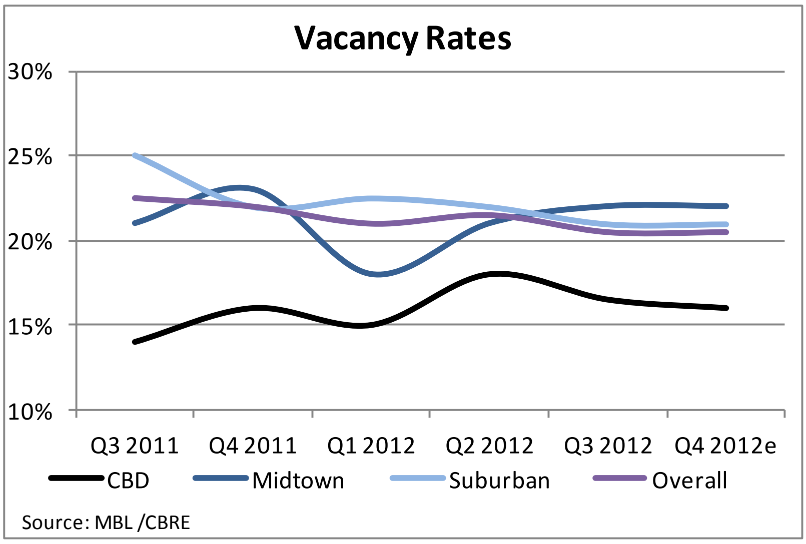
Logistics Market

As in Romania, the new supply in the logistics market in Bulgaria was dominated by owner-occupied and built-to-suit schemes. Notably though the limited new supply in combination with the shortage of available modern logistics space lead to a further decrease of vacancy rate to 5.2% compared to 5.5% in Q3 and 6.4% in Q2, as demand picked up supported by automotive and electronics supply chains, which move to the Eastern Europe in search of cost savings and operational flexibility.



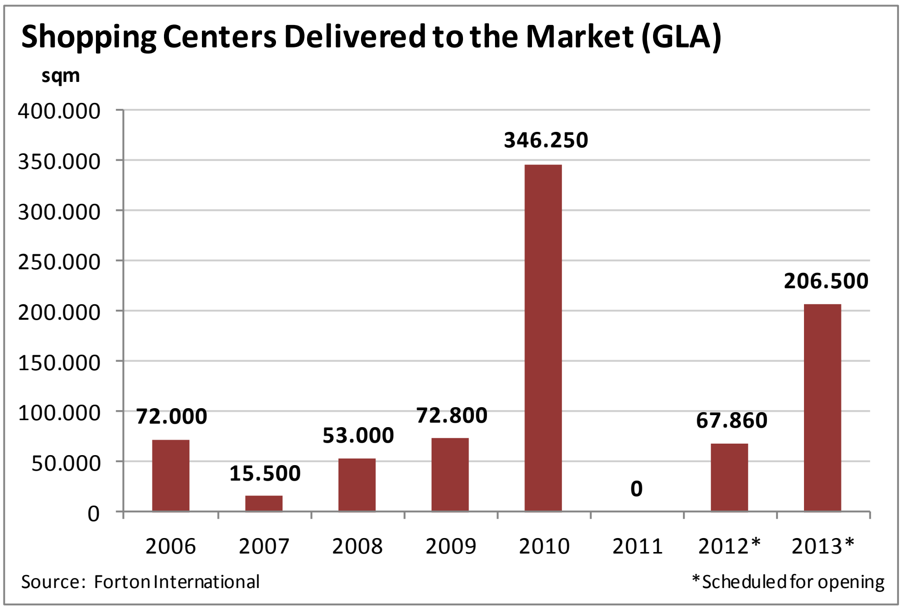
Office Market

The activity in the Bulgarian office market continued to increase, however the volume of absorbed office space matches the new office supply. In that vein, prime office rents remained stable with only the annual indexation influencing their levels, while prime quality office buildings gradually increased their occupancy level. The top 10 grade A office projects on the market recorded over 82% occupancy.



Retail Market

During the last quarter of the year no major new retail projects were put into operation despite the fact that a substantial volume was scheduled to do so, bringing the stock ratio to only 90 sq m per 1,000 people putting Bulgaria at 31st place among 35 European countries, where the average figure is 250 sqm GLA per 1,000 residents. The total shopping mall space under construction for 2013 is 206,500 sqm of GLA.



5. Property Assets

5.1. Aisi Brovary – Terminal Brovary Logistic Park (Kyiv)

Project description

The Brovary Logistic Park consists of a 49,180 sqm 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 Boryspil ring road. It is located 10 km from Kyiv 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 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.

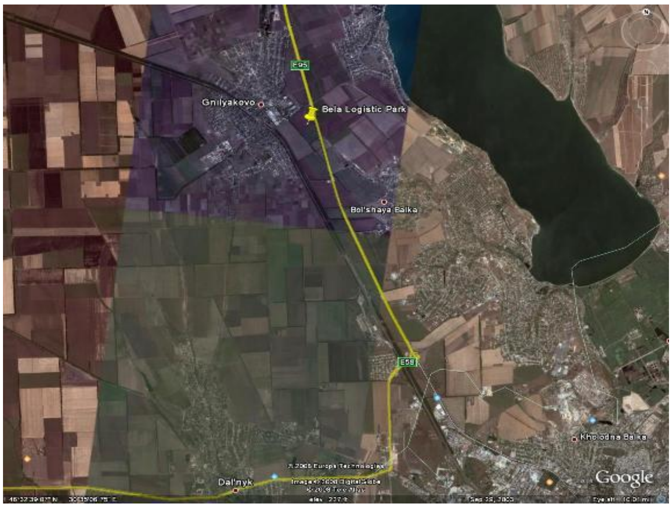
Current status

As of the end of 2012, the building is 84% leased, reflecting a 91% lease of its warehouse capacity. The majority of the leases, which have been entered into with large, multinational corporate tenants, have a three to five year duration.

5.2. Aisi Bela – Bela Logistic Center (Odessa)

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 Kyiv – 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 sqm being completed in 2009. Development was then put on hold due to lack of funding and deteriorating market conditions. During 2012 discussions were held with a potential buyer who wanted to acquire the site and continue the development. Such negotiations which continued for a few months broke down after the summer when the election period started.

5.3. Kiyanovsky Lane – Land for Residential Complex

Project description

The project consists of 0.55 ha of land located at Kiyanovsky Lane, near Kyiv 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.

Current status

The concept design of the project is under review with proposed development to include circa 100 residential apartments with office and retail space on the lower floors (GBA of circa 21,000 sqm) and 100 parking spaces across two levels of basement.

5.4. Tsymlyanski Lane – Land for Residential Complex

Project description

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

Current status

In 2009, all necessary documents were submitted to relevant authorities for approval and the 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. The Company is evaluating the options of going forward, which include inter alia an outright sale as well as a contribution in kind to a larger development.

5.5. Balabino-Land for Retail/Entertainment Development

Project description

The site, consisting of 26.38 ha land is situated on the south entrance of the 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.

UKRAINE


SATELITE MAP OF ZAPOROZHY

Current status

The site is zoned for retail and entertainment and various development options are being evaluated as per the market's needs. During 2012 the Company has been in discussions to sell part of the plot (circa 1 ha) to third parties but such sale has been postponed following a request of the prospective buyers.

6. Board of Directors and Other Officers

Board of Directors

Antonios Achilleoudis
Lambros Anagnostopoulos
Ian Domaille
Franz Hoerhager
Alvaro Portela
Paul Ensor
Antonios Kaffas
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

PJSC Erste Bank
6 Prorizna Street
Kiev 01034
Ukraine

Cyprus Popular Bank Public Co. Ltd
P.O. Box 22032
1598 Nicosia, Cyprus

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

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 2012.

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 centres in the Region.

Name Change

Following a decision by the Annual Shareholders' Meeting held on 26th of November 2012 AISI Realty Public Ltd has been renamed to SPDI SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC.

Review of current position, future developments and significant risks

Throughout the year management has worked towards settling all past liabilities while increasing the letting of Terminal Brovary warehouse, the only income producing asset of the Group. Having achieved a letting rate of 84% at the end of the year, and by having cut operating costs by more than 50% it is essentially expected that the Group will turn to be cash flow positive in 2013. Furthermore the Board of Directors expects that the proceeds of the capital increase received at the beginning of 2013 as a result of implementing the strategic plan for growth will enable the Group to acquire income yielding properties in the Region and 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 29. The Board of Directors does not recommend the 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 2012.

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 and 4.142.727 deferred shares of €0,99 nominal value and 1 (old) ordinary share of €0,92 nominal value.

Issued share capital

As of 31 December 2011 the total amount of outstanding ordinary shares was 9.277.727 shares.

Within the reporting year the Company has effected:

a) on 30rd March 2012, a share capital increase of US$852.000, issuing 562.248 ordinary shares of €0,01 nominal value each, at a premium of €683.756,
b) on 23rd May 2012, a share capital increase of US$500.000, issuing 333.000 ordinary shares of €0,01 nominal value each, at a premium of €386.945,
c) on 24th September 2012 a share capital increase of US$1.000.000, issuing 666.000 ordinary shares of €0,01 nominal value each, at a premium of €791.070,
d) on 24th September 2012 the exercise of Class A warrants of US$3.502, issuing 273.000 ordinary shares of €0,01 nominal value each.

As of 31 December 2012 the total amount of outstanding ordinary shares is 11.111.975. At the same time the issued share capital of the Company includes an amount of 4.142.727 deferred shares with no rights and 1 (old) ordinary share of nominal value of €0,92. Both the deferred shares and the (Old) ordinary share of €0,92 will be cancelled at the next Shareholders' meeting.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 21. On 18 April 2012 Mr. Harin Thaker and Mr. Alvaro Portela were appointed to the Board of Directors. On 30 August 2012 Mr. Besik Sikharulidze resigned from the Board of Directors of the Company.

In accordance with the Company's Articles of Association, during the Annual General Meeting held on 26th November 2012, Mr. Franz Hoerhager being eligible, retired by rotation, offered himself for re-election and was re-elected. Mr. Lambros Anagnostopoulos, Mr. Antonios Kaffas, Mr. Robert Sinclair, Mr. Ian Domaille, Mr. Harin Thaker and Mr. Alvaro Portela who were appointed as directors on 8 August 2011 and on 18 April 2012, resigned, offered themselves for re-election and were re-elected.

There were no significant changes in the assignment of responsibilities of the Board of Directors. As far as the Board's remuneration is concerned, the Remuneration Committee presented on 5th April 2012 a new remuneration scheme, which includes an annual remuneration for non-executive Directors amounting to GBP 40.000 per year per director.

Board Committees

The Board has constituted two committees, the audit committee, comprising of Mr. Ian Domaille and Mr. Antonios Kaffas and the remuneration committee comprising of Mr. Antonios Achilleoudis and Mr. Ian Domaille. The membership of both committees remains unchanged since 2011.

Remuneration Policy

The remuneration committee has elaborated on a remuneration policy for the Board (non-executive) members and the senior management of the Company. Such policy includes monetary portion, as well as equity like instruments to further incentivise the recipients and further align their interests with those of the shareholders. Such remuneration policy was facilitated by the use of outside expert advice and is based on comparables in the London AIM market and regional property companies. For the reporting year provisions have been taken based on the proposed monetary remunerations for both Board members and senior management, all of whom have deferred all the payments since August 2011 until the end of the reporting period.

Options currently held by Board Members

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

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

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

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

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
Paul Ensor	Chairman	21.521
Antonios Achilleoudis	Non Executive Director	10.000
Franz Horhager	Non Executive Director	10.000
Lambros Anagnostopoulos	Executive Director and CEO	14.000
Constantinos Bitros	Chief Financial Officer	9.000

Warrants issued and exercised

On 24th September 2012, all Class A warrants have been exercised and AISI Realty Capital LLC, Investment Manager of the Group until 1/7/2011 has received 273.000 shares.

All Class B Warrants are yet to be exercised.

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 2013, 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,

Chanteclair Secretarial Limited
Secretary
Nicosia, 15 April 2013

8. Chairman's Statement

Following the transformation of 2011, 2012 has been a year of consolidation for the Group, which has emerged much stronger, and is poised for further positive changes in 2013. High on the list of achievements in 2012 were the successful leasing of the remainder of Brovary Terminal, which helped to enable the company to achieve a small net profit of $61.550, compared the $1,1m loss of the previous year. The high quality tenants that have signed new leases at Brovary are doing so at rates 20% than the average rent at the end of 2011, a testament both to the capabilities of the new management team and the much better market conditions for logistics operators in Ukraine in 2012, a trend which looks likely to continue due to a lack of new facilities and steady growth in demand. Also encouraging was the raising of new equity in early 2013, which will enable the Group to embark on its growth plan in 2013, which will diversify the Group's exposure with the purchase of Grade A investment properties on low valuations in Romania and Bulgaria, markets that offer stable income flows and considerable upside in the future through yield compression from their current depressed levels. The Group is firmly on track to achieve its goal of being cash flow positive in 2013.

During 2012 the Board was considerably strengthened with the addition of two new members, Harin Thaker and Alvaro Portela, both of whom have had long and highly successful careers in property. I would like to welcome them, and thank the rest of the Board and Management for their tireless dedication in what has remained a very difficult environment in European capital markets, especially for smaller companies like ours.

These achievements were made in what has remained a very difficult environment in European capital markets, especially for smaller companies like ours. I would like to thank the Management and Board for their tireless dedication in overcoming these challenges. The Group is still very much on track to achieve much more in coming years.

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 2012, 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	
Harin Thaker	
Alvaro Portela	
Robert Sinclair	

Person responsible for the preparation of the consolidated financial statements for the year ended 31 December 2012:

Constantinos Bitros	

Baker Tilly Klitou & Partners Ltd
Corner C Hatzopoulou &
30 Griva Digheni Avenue
CY-1066 Nicosia
Mailing address:
P. O. Box 27783
CY-2433 Nicosia - Cyprus
Tel: +357 22 458500
Fax: +357 22 751648
Email: info@bakertillyklitou.com
Website: www.bakertillyklitou.com

10. Independent Auditor's Report

To the Members of SPDI Secure Property Development & Investment PLC (Formerly Aisi Realty Public Limited)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of SPDI Secure Property Development & Investment Plc (formerly Aisi Realty Public Limited) (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, 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 2012, 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:

Associated offices:
Limassol tel: +357 25 591515, Larnaca tel: +357 24 663299, Bulgaria tel: +359 2 9580980, Romania tel: +40 21 3156100, Moldova tel: +373 22 233003

Registered in Cyprus (Reg. No. 156870) List of directors can be found at the Company's registered Office.

(a) Going concern

We have considered the adequacy of the disclosure in Note 3 to the consolidated financial statements concerning the Company's ability to continue as a going concern. As at 31 December 2012 the Group's current liabilities exceed its current assets by US$14.313.319. At that date, the Company was in breach of payment covenants relating to the loan from EBRD of US$16.388.976. Thus this loan was repayable on demand and has been classified in current liabilities creating a material uncertainty and thus doubt about the Company's ability to continue as a going concern.

As of the date of this report the breach has been rectified and the Company is in discussions with EBRD for a potential restructuring of the loan. Moreover, the Company has received in February 2013 the proceeds from a share capital increase amounting to US$17.045.000.

(b) 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, P. Danos & Associates SA in alliance with BNP Paribas Real Estate (BNP) 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 BNP 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, BNP 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 Law of 2009, 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.
- 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 Law of 2009 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, 15 April 2013

11. Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 US$	2011 US$
Valuation gains/(losses) from investment property	7	3.452.294	(628.720)
Operational income	7	2.121.072	526.520
		5.573.366	**(102.200)**
Administration expenses	8	(3.242.494)	(5.445.162)
Investment property operating expenses	9	(554.281)	(172.158)
Other income, net	10	524.112	6.520.512
Operating profit		**2.300.703**	**800.992**
Finance (costs), net	11	(2.155.308)	(1.644.991)
Profit/(loss) before tax		**145.395**	**(843.999)**
Income tax expense	12	(83.845)	(249.715)
Profit/(loss) for the year		**61.550**	**(1.093.714)**
Other comprehensive income/(loss)			
Exchange difference on translation of foreign operations	17	6.727	(100.222)
Total comprehensive income/(loss) for the year		**68.277**	**(1.193.936)**
Profit/(loss) attributable to:			
Owners of the parent		131.735	(1.084.023)
Non-controlling interests		(70.185)	(9.691)
		61.550	**(1.093.714)**
Total comprehensive income attributable to:			
Owners of the parent		112.880	(1.141.331)
Non-controlling interests		(44.603)	(52.605)
		68.277	**(1.193.936)**
Earnings/(losses) per share ($ cent per share):	6		
Basic earnings /(loss) for the year attributable to ordinary equity owners of the parent		0,01	(0,25)
Diluted earnings/ (loss) for the year attributable to ordinary equity owners of the parent		0,01	(0,25)

The notes on pages 33 to 68 form an integral part of these consolidated financial statements

12. Consolidated Statement of Financial Position

For the year ended 31 December 2012

	Note	2012 US$	2011 US$
ASSETS			
Non-current assets			
Investment properties	13b	39.230.000	35.937.000
Investment property under construction	13a	8.353.161	8.100.000
Prepayments made for investments	13c	5.000.000	5.000.000
Property, plant and equipment		96.331	21.788
		52.679.492	**49.058.788**
Current assets			
Prepayments and other current assets	14	5.448.173	5.005.135
Cash and cash equivalents	15	256.447	754.640
		5.704.620	**5.759.775**
Total assets		**58.384.112**	**54.818.563**
EQUITY AND LIABILITIES			
Issued share capital	16	5.531.191	5.507.276
Share premium		104.779.503	102.447.925
Foreign currency translation reserve	17	(1.249.526)	(1.230.671)
Accumulated losses		(75.170.260)	(75.301.995)
Equity attributable to equity holders of the parent		33.890.908	31.422.535
Non-controlling interests	18	1.038.795	1.083.398
Total equity		**34.929.703**	**32.505.933**
Non-current liabilities			
Interest bearing borrowings	19	1.777.680	-
Finance lease liabilities	23	565.973	652.397
Trade and other payables	20	664.899	496.892
Deposits from tenants	21	427.918	63.809
		3.436.470	**1.213.098**
Current liabilities			
Interest bearing borrowings	19	16.563.976	15.813.857
Trade and other payables	20	2.561.736	4.094.357
Taxes payable	22	529.827	815.076
Provisions	22	334.552	348.734
Finance lease liabilities	23	27.848	27.508
		20.017.939	**21.099.532**
Total liabilities		**23.454.409**	**22.312.630**
Total equity and liabilities		**58.384.112**	**54.818.563**
Net Asset Value (NAV) $ per share:	6		
Basic NAV attributable to equity holders of the parent		3,05	3,39
Diluted NAV attributable to equity holders of the parent		2,67	2,88

On 15 April 2013 the Board of Directors of SECURE PROPERTY DEVELOPMENT & 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 33 to 68 form an integral part of these consolidated financial statements

13.Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Parent								
	Share capital	Share premium	Accumulated losses, net of non-controlling interest	Other reserves	Advances for issue of shares	Foreign currency translation reserve	Total	Non-controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
Balance – 1 January 2011	**5.431.918**	**94.523.283**	**(74.217.972)**	**68.390**	**223.118**	**(1.068.153)**	**24.960.584**	**1.030.793**	**25.991.377**
Profit /(Loss) for the period	-	-	(1.084.023)	-	-	-	**(1.084.023)**	(9.691)	**(1.093.714)**
Issue of share capital	75.358	7.924.642	-	-	-	-	**8.000.000**	-	**8.000.000**
Return of advances for issues of shares	-	-	-	-	(223.118)	-	**(223.118)**	-	**(223.118)**
Reverse of other reserve	-	-	-	(68.390)	-	-	**(68.390)**	-	**(68.390)**
Foreign currency translation reserve	-	-	-	-	-	(162.518)	**(162.518)**	62.296	**(100.222)**
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 period	-	-	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	**5.531.191**	**104.779.503**	**(75.170.260)**	**-**	**-**	**(1.249.526)**	**33.890.908**	**1.038.795**	**34.929.703**

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 33 to 68 form an integral part of these consolidated financial statements

14. Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 US$	2011 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax and non-controlling interests		**145.395**	**(843.999)**
Adjustments for:			
Profit/(loss) on revaluation of investment property	7	(3.452.294)	628.720
Other non-cash movements		151.978	1.168.306
Prepayments for investments impairment loss	10	-	1.000.000
Impairment loss/(reversal) for VAT recoverable	10	-	417.645
Prepayments and other current assets impairment loss/(reversal)	10	(53.264)	316.592
Trade and other payables written off	10	(614.667)	(8.628.135)
Depreciation of property, plant and equipment		11.590	32.875
Interest income	11	(1.496)	(8.164)
Interest expense	11	1.767.095	1.402.333
Provisions	23	-	273.824
Other reserves		-	(68.390)
Write off advances		-	(223.118)
Effect of foreign exchange difference	11	7.370	117.484
Cash flows used in operations before working capital changes		**(2.038.293)**	**(4.414.027)**
Change in prepayments and other current assets	14	(597.968)	256.371
Change in trade and other payables	20	(465.657)	(251.748)
Change in other taxes and duties	22	(139.766)	73.619
Increase in deposits from tenants	21	364.111	165.963
Income tax paid		(247.180)	(97.162)
		(1.086.460)	**147.043**
Net cash flows used in operating activities		**(3.124.753)**	**(4.266.984)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures on investment property	13	(112.393)	(889.947)
Decrease in payables for construction	20	(463.592)	(573.199)
Change in VAT recoverable		418.724	(714.704)
Increase/(Decrease) in financial lease liabilities	23	(86.084)	43.691
Changes in property, plant and equipment		(86.133)	120
Decrease in prepayments for investments	13	-	-
Interest received	11	1.496	8.164
Net cash flows from / (used in) investing activities		**(327.982)**	**(2.125.875)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital / shareholders advances	16	2.353.864	8.000.000
Interest and financial charges paid		(1.128.532)	(1.142.794)
Proceeds from borrowings	19	1.729.295	-
Net cash flows from / (used in) financing activities		**2.954.627**	**6.857.206**
Effect of foreign exchange rates on cash		(85)	(760)
Net increase/(decrease) in cash at banks	15	**(498.193)**	**463.587**
Cash:			
At beginning of the year		754.640	291.053
At end of the year		**256.447**	**754.640**

The notes on pages 33 to 68 form an integral part of these consolidated financial statements

15. Notes to the Consolidated Financial Statements

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, 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 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 13 Full Time Equivalent (FTEs) employed persons, including the CEO and the CFO (December 2011 → 19, December 2010→ 28).

2. Adoption of new and revised Standards and Interpretations

The Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB, which are relevant to its operations and are effective for accounting periods commencing on 1 January 2012.

The accounting policies adopted for the preparation of the Consolidated Financial Statements are consistent with those followed for the preparation of the annual financial statements for the year ended in December 2011, except for the adoption by the Group of the following standards, amendments and interpretations as of 1 January 2012, which did not have any material impact on the Group's financial statements:

- IAS 24 "Related Party Disclosures", annual periods on or after 1 January 2011. The Standard has been amended in order to simplify the definition of related parties and remove inconsistencies and provides partial exemption for government related entities. The adoption of this amendment did not have any impact on the financial position or performance of the Group
- IFRIC 14 "IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their interaction", annual periods on or after 1 January 2011. November 2009 amendment with respect to voluntary prepaid contributions. The interactions did not have any effect on the financial position or performance of the Group
- IFRS 1 "First time adoption of IFRS's", annual periods on or After 1 January 2011
- IFRS 7 "Financial Instruments: Disclosures", annual periods on or after 1 January 2011
- IAS 1 "Presentation of Financial Statements", annual periods on or after 1 January 2011
- IAS 34 "Interim Financial reporting", Significant events and transactions, annual periods on or after 1 January 2011
- IFRIC 13 "Customer Loyalty programmes", annual periods on or after 1 January 2011

The Group has not adopted any other standard, interpretation or amendment that was issued but is not yet effective.

At the date of approval of these financial statements, standards and interpretations were issued by the IASB which were not yet effective. Some of them were adopted by the European Union and others have not. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the consolidated financial statements of the Group.

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

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

(i) Adopted by the European Union

New Standards

- IFRS 10,"Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11, "Joint Agreements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12, "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13, "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27, "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28, "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after i January 2013).

Amendments

- Amendment to IFRS 7 "Financial Instruments: Disclosures" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).
- Amendment to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- Amendment to IAS 32" Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014),
- Amendment to IFRS 1" Government Loans" (effective for annual periods beginning on or after I January 2013).
- Improvements to IFRSs 2009 - 2011 (issued on 17 May 2012), (effective for annual periods beginning on or after 1 January 2013).

New IFRICs

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

(ii) Not adopted by the European Union

New standards

- IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).

Amendments

- Transition Guidance; Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012), (effective for annual periods beginning on or after 1 January 2013).
- Investment Entities; Amendments to IFRS 10, IFRS 12 and IAS 27 (issued on 31 October 2012), (effective for annual periods 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 Aisi Capital Ltd and Aisi 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 Going Concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business although as at 31 December 2012 the Group's current liabilities exceed its current assets by US$14.313.319. As of the reporting date the Company was in breach of payment covenants relating to the loan from EBRD of US$16.388.976. Thus, this loan was repayable on demand and has been classified in current liabilities creating a material uncertainty and therefore doubt about the Company's ability to continue as a going concern.

The preparation of these consolidated financial statements on the going concern basis is based on the Directors having knowledge of the 1st closing of a capital increase of US$17.045.000, authorized by the Annual General Meeting of the Company held on 26th November 2012 and effected in February 2013 (Note 27C).

3.4 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.

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.

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. Significant accounting policies (continued)

3.4 Basis of consolidation (continued)

3.4.1 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 31.12.2012	as at 31.12.2011
Aisi Capital Limited	Cyprus		100	100
Aisi 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-pres-Ukrayina	Ukraine	Tsymlianskiy Residence	55	55
LLC Aisi Bela	Ukraine	Bela Logistic Park	100	100
LLC Mirelium 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)

3.4 Basis of consolidation (continued)

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 2013.

3.4.2 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	**2012**	**2011**	**2012**	**2011**
US$	7,9911	7,9677	7,993	7,9898

The Group's financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the year ended 31 December 2012.

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.

3.5 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)

3.5 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.

3.6 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. Significant accounting policies (continued)

3.7 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.

3.8 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.

3.9 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:

3.9.1 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.

3.9.2 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).

3.9.3 Interest income

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

3.9.4 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.

3.10 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.

3.11 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. Significant accounting policies (continued)

3.12 Taxation

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

3.12.1 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.

3.12.2 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 utilised.

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.

3.12.3 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 Aisi Capital Limited, Aisi 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 defence 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.

3.13 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:

3. Significant accounting policies (continued)

3.13 Property, plant and equipment (continued)

	%
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.

3.14 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.

3.15 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 below).

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. Significant accounting policies (continued)

3.16 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.

3.17 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, BNP 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.

3. Significant accounting policies (continued)

3.17 Investment properties (continued)

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.

3.17.1 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.

3.17.2 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.

3.17.3 Basis of valuation

The fair values reflect market conditions at the financial position date. These valuations are prepared annually by chartered surveyors (hereafter "appraisers"). All valuations were carried out by P.Danos Associates SA in alliance with BNP Paribas Real Estate (hereafter "appraisers") who remained as appraisers for 2012.

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") Appraisal and Valuation Standards, 7th Edition (the "Red Book").

"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".

3. Significant accounting policies (continued)

3.17 Investment properties (continued)

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 saleability of the properties concerned.

The valuation is exclusive of VAT and no allowances have been made for any expenses of realisation 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.

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.

3. Significant accounting policies (continued)

3.17 Investment properties (continued)

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.

3.18 Non-current liabilities

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

3.19 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.

3.20 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) 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.

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).

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. Significant accounting policies (continued)

3.21 Financial liabilities and equity instruments

3.21.1 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.

3.21.2 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.

3.21.3 Financial liabilities

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

3.21.3.1 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 remeasurement 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. Fair value is determined in the manner described in section 2.20.8.

3.21.3.2 Other financial liabilities

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

The effective interest method is a method of calculating the amortised 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.

3.21.3.3 De-recognition of financial liabilities

The Group derecognises 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)

3.22 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.
- 17% 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.

3.23 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 realise 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.

3.24 Earnings and Net Assets value per share

Basic EPS amounts are calculated by dividing net profit 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 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.

3.25 Comparative amounts

Where necessary, comparative amounts have been reclassified to conform to changes in presentation adopted in the current year.

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 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:
(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.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

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.

Pursuant to the resent elections many of the imbalances mentioned above need to be addressed in the course of the next few years should the 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 distabilizing effect on the operations of the Company at the corporate level.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

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 BoD 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. Moreover, the Group has moved outside Cyprus its liquidity that is not required for operational purposes.

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 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 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.

4.1.10 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 judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement 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 irrecoverability 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.

- **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 judgement 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.

- **Income taxes**

  Significant judgement 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 recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **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 realised 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

	2012		2011
Issued ordinary shares capital	11.111.975		9.277.727
Weighted average number of ordinary shares (Basic)	10.157.531		4.297.480
Diluted weighted average number of ordinary shares	11.724.013		4.297.480

b. Basic diluted and adjusted earnings per share

Earnings per share	**31/12/2012**		**31/12/2011**
	US$		**US$**
Profit/(Loss) after tax attributable to owners of the parent	131.735		(1.084.023)
Basic	0,01		(0,25)
Diluted	0,01		(0,25)

c. Net assets per share

Net assets per share	**31/12/2012**		**31/12/2011**
	US$		**US$**
Net assets attributable to equity holders of the parent	33.890.908		31.422.535
Number of ordinary shares	11.111.975		9.277.727
Diluted weighted number of ordinary shares	12.699.400		10.900.111
Basic	3,05		3,39
Diluted	2,67		2,88

7. Revenues

Operational income in the amount of US$2.121.072 for the year ended 31/12/2012 and US$526.520 for the year ended 31/12/2011 represents rental, service charged and utilities income generated during the reporting periods by the rental agreements concluded with tenants of the Terminal Brovary Logistic Park. Vacancy rate of the Terminal has gone down from 55% as at 31/12/2011 to 16% as at 31/12/2012 (Note 13).

	2012	**2011**
	US$	**US$**
Rental income	1.699.253	409.494
Service charged and utilities income	421.819	117.026
Net finance result	**2.121.072**	**526.520**

Valuation gains/losses from investment property represent the adjustment for the period of the fair value of the Investment Property stemming mainly by the value appreciation of Brovary Logistic Park.

Project Name	**Valuation gains/(losses) 2012**	**Valuation gains/(losses) 2011**
	US$	**US$**
Brovary Logistic Park	4.134.923	3.337.770
Bela Logistic Center	211.354	(2.836.174)
Kiyanovskiy Lane	(576.709)	(905.192)
Tsymlyanskiy Lane	(139.033)	8.817
Balabino	(178.241)	(233.941)
Total	**3.452.294**	**(628.720)**

8. Administration Expenses

	2012	2011
	US$	US$
Management fees	-	1.403.501
Salaries and Wages	1.379.640	950.235
Director remuneration	194.202	143.130
Legal fees	467.641	713.145
Consulting fees	425.605	740.149
Travelling expenses	182.765	111.135
Public group expenses	133.938	207.962
Audit and Accounting expenses	162.878	287.779
Office and Apartment rental expense	93.765	134.188
Marketing fees	48.669	-
Taxes and duties	47.070	480.820
Security	45.859	127.569
Other expenses	48.872	112.674
Depreciation	11.590	32.875
Total Administration Expenses	**3.242.494**	**5.445.162**

The management fee charged by Aisi Realty Capital LLC has been calculated at the rate of 2,5% on the committed capital up to 30/6/2011. Following the Settlement Agreement of July 2011 between the Company and Aisi Realty Capital LLC the relevant management fee charge is no longer applicable.

Salaries and wages include:

a) an amount of US$297.232 paid to Mr. Besik Sikharulidze, Managing Director of Ukraine. The amount incorporates all his remuneration as well as the payables for early termination of his employment agreement

b) the remuneration of the CEO, the CFO and the Managing Director Ukraine

c) the remuneration of personnel employed in Ukraine

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

Public group expenses includes among others fees paid to the AIM: LSE stock exchange and the Nominated Advisor of the Company.

9. Investment property operating expenses

	2012	2011
	US$	US$
Property management Utilities and other costs	554.281	172.158
Total	**554.281**	**172.158**

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 Terminal Brovary complex.

10. Other income/(expenses), net

	2012	2011
	US$	US$
Accounts payable written off	614.667	8.450.252
Provision on advance payments -gain/(loss)	-	(1.000.000)
Provision on prepayments and other current assets impairment loss	26.079	(316.592)
Impairment loss of VAT recoverable	(75.864)	(417.645)
Penalties	(39.070)	(194.379)
Other expenses, net	(1.700)	(1.124)
Total	**524.112**	**6.520.512**

Accounts payable written off represent 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 advance payments reflects an allowance estimate made by the Management. The Group has advanced ~US$12 mil. in 2007 as a loan to a company who would sell its Podol property asset to the Group, taking as collateral an asset of 42ha at Kiev Oblast-Rozny (Kiev Oblast property). As Management estimated already from August 2008 that the deal has limited probability to be effected, it has reduced the amount of the advance throughout the years currently standing at US$5.000.000.

10. Other income/(expenses), net (continued)

Provision for prepayments and other current assets impairment represent 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 2012 represents the non- recoverable VAT in Terminal Brovary LLC. Impairment loss for VAT recoverable in 2011 relates to VAT receivable by Aisi Bela LLC, fully written off as of 31/12/2011 due to loss of corporate tax status of "VAT payer" in July 2011.

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

Other expenses in 2012 mainly consist of agency fees related to the letting of Terminal Brovary.

11. Finance (costs), net

	2012	2011
	US$	US$
Bank interest expenses	(1.180.387)	(1.153.000)
Finance charges and commissions	(433.282)	(133.338)
Loan restructuring cost	(535.765)	(249.333)
Foreign exchange (losses) /gains	(7.370)	(117.484)
Bank interest income	1.496	8.164
Net finance result	**(2.155.308)**	**(1.644.991)**

Bank interest represents interest paid on the borrowings of the Group as described in note 19.1.1.

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

12. Tax

	2012	2011
	US$	US$
Taxes	83.845	249.715
Total Tax	**83.845**	**249.715**

The income tax rate for the Company's Ukrainian subsidiaries is 25% for the year ended 31/12/2012 and for the Company and its Cypriot subsidiaries is 10% for the year ended 31/12/2012 (years ending 31 December 2011 and 2010: 10%).

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

	2012	2011
	US$	US$
Profit / (loss) before tax	145.395	(843.999)
Tax calculated on applicable rates	14.540-	(84.400)
Allowances for tax losses carry forward	-	-
Expenses not recognized for tax purposes	344.238	985.637
Income/ (loss) on revaluation not subject to tax	345.229	62.872
Tax allowances not subject to tax	(620.180)	(734.768)
10% additional tax	18	20.374
Total Tax	**83.845**	**249.715**

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 realised 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 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.

Tsymlyanski 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.

Asset Name	**Description/ Location**	**Principal activities/ Operations**	**Related Companies**	**Carrying amount as at 31/12/2012 US$**	**Carrying amount as at 31/12/2011 US$**
Terminal Brovary Logistic Park	Brovary, Kiev Oblast	Warehouse	TERMINAL BROVARY AISI BROVARY AISI LOGISTICS	25.115.000	20.937.000
Bela Logistic Center	Odessa	Land and Development Works for Warehouse	AISI BELA	8.353.161	8.100.000
Kiyanovskiy Lane	Podil, Kiev City Center	Land for residential development	AISI UKRAINE TORGOVIY CENTR	7.435.000	8.000.000
Tsymlyanskiy Lane	Podil, Kiev City Center	Land for residential development	ALMAZ PRES UKRAINE	2.360.000	2.500.000
Balabino	Zaporozhie	Land for retail development	INTERTERMINAL MERELIUM INVESTMENTS	4.320.000	4.500.000
TOTAL				**47.583.161**	**44.037.000**

Carrying amounts of the properties represent fair value estimates as of 31 December 2012 as provided by P.Danos-BNP Paribas an external valuer, except in the case of Bela Logistic Center (Note 13a).

a. Investment Property Under Construction

	2012	**2011**
	US$	**US$**
At 1 January	**8.100.000**	**10.300.000**
Capital expenditures on investment property	45.050	666.402
Revaluation on investment property	211.354	(2.836.175)
Translation difference	(3.243)	(30.227)
At 31 December	**8.353.161**	**8.100.000**

13. Investment Property (continued)

As at 31 December 2012 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, while earlier in the year the Company had an offer to sell the plot at a slightly higher value.

b. Investment Property

	2012	2011
	US$	US$
At 1 January	**35.937.000**	**33.631.000**
Capital expenditure on investment property	67.343	223.545
Revaluation gain/(loss) on investment property	3.240.843	2.207.455
Translation difference	(15.186)	(125.000)
At 31 December	**39.230.000**	**35.937.000**

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

c. Advances for Investments

	31/12/2012	31/12/2011
	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**

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 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 $12mil. payment.

14. Prepayments and other current assets

	31/12/2012	31/12/2011
	US$	US$
Prepayments and other current assets	709.249	396.555
VAT and other tax receivable	4.256.424	4.675.148
Deferred expenses	495.804	-
Impairment of prepayments and other current assets	(13.304)	(66.568)
Total	**5.448.173**	**5.005.135**

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 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.

16. Share capital

Number of Shares (as at)	31/12/2011	30/3/2012	23/5/2012	24/9/2012	24/9/2012	31/12/2012
		Increase of Share Capital	Increase of Share Capital	Increase of Share Capital	Exercise of warrants	
Authorised						
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	9.277.727	562.248	333.000	666.000	273.000	11.111.975
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	13.420.455	562.248	333.000	666.000	273.000	15.254.703

Value (as at)	31/12/2011	30/3/2012	23/5/2012	24/9/2012	24/9/2012	31/12/2012
		Increase of Share Capital	Increase of Share Capital	Increase of Share Capital	Exercise of warrants	
Authorised (€)						
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	5.507.276	7.478	4.252	8.642	3.543	5.531.191
Ordinary shares of €1 each	-	-	-	-	-	-
Ordinary Shares of €0,92 each	-	-	-	-	-	-
Deferred Shares of €0,99 each	-	-	-	-	-	-
Total	5.507.276	7.478	4.252	8.642	3.543	5.531.191

16. Share capital (continued)

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

Further to the resolutions approved at the EGM of 24 July 2011 the Board has allotted 1.561.248 new ordinary shares at a price of £0,95 per Share raising US$2.352.027 of new equity.

The Board has also allotted 273.000 new ordinary shares at a price of £0,95 per Share following the exercise of Class A warrants in September 2012.

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

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.

16.3 Warrants issued

On 8 August 2011 the Company has issued an amount of 1.587.425 Class B Warrants to Narrowpeak Consultants Ltd , Besik Sikharulidze and Nugzar Kachukhasvili (for an aggregate equivalent to 12,5% of the issued share capital of the Company). Each Class B Warrant entitles the holder to receive one Ordinary Share. 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. Share capital (continued)

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)** 31/12/2012	**(as at)** 31/12/2011
Ordinary shares of €0,01	Listed in AIM	11.111.975	9.277.727
Class A Warrants		-	273.000
Class B Warrants		1.587.425	1.364.000
Total number of Shares	**Non Dilutive Basis**	**11.111.975**	**9.277.727**
Total number of Shares	**Full Dilutive Basis**	**12.699.400**	**10.914.727**
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.

19. Borrowings

	31/12/2012	**31/12/2011**
	US$	**US$**
Principal EBRD loan	15.529.412	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	249.333
Interests accrued on bank loans	74.466	35.112
Interests due to related parties (Note 24)	77.680	-
Total	**18.341.656**	**15.813.857**

	31/12/2012	**31/12/2011**
	US$	**US$**
Current portion	16.563.976	15.813.857
Non - current portion	1.777.680	-
Total	**18.341.656**	**15.813.857**

19.1 Current borrowings

<u>19.1.1 EBRD</u>

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. As at the end of the reporting period and although the interest is paid quarterly the cash generated by the project is not sufficient to cover the principal instalments. Discussions with EBRD, are ongoing. The loan bears interest of 6,75% over LIBOR and is repayable in 33 equal instalments.

19. Borrowings (continued)

19.1 Current borrowings (continued)

The collaterals accompanying the loan 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 centre.
3. SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC pledged 100% corporate rights in Aisi Logistics Ltd, a Cyprus Holding Company for the Shareholder of LLC Terminal Brovary, LLC Aisi Brovary.
4. Aisi Logistics Ltd pledged 99% corporate rights in LLC Aisi Brovary.
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 Erste Bank, Ukraine.
7. LLC Aisi Brovary entered into a call and put option agreement with EBRD, SECURE PROPERTY DEVELOPMENT & INVESTMENT PLC and LLC Terminal Brovary pursuant to which
    a. Following an Event of Default (as described in the Agreement) EBRD shall have the right (Call option) to purchase at the Call Price from LLC Aisi Brovary, 20% of the Participatory Interest held by LLC Aisi Brovary on the relevant Settlement Date,
    b. EBRD shall have the right (Put Option), exercisable in its sole discretion, to sell to LLC Aisi Brovary all but not less than all of the Participatory Interest 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.

Also the Company issued the corporate guarantee dated 12 January 2009 to guarantee all liabilities and fulfilment of conditions under the loan agreement signed with EBRD. The maturity of the guarantee is equal to the maturity of the loan.

The 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 and after 18th March, 2012 until the end of the Grace Period, the CNRI of more than US$200.000.

<u>19.1.2 Other Borrowings</u>

The amount represents short term borrowing to repay part of the UVK settlement amount (Note 20). Loan has been contracted in December 2012 and has been repaid by end of January 2013 (Note 27B).

20. Trade and other payables

	31/12/2012	31/12/2011
	US$	US$
Payables to related parties (Note 24.2)	1.057.983	925.704
Guarantee reserve on construction works, current	743.018	751.419
Payables for construction, non-current	414.819	364.032
Payables for construction, current	24.826	480.027
Payables for services	351.611	246.531
Provision for reimbursements	300.000	1.550.000
Deferred income from tenants	250.080	132.860
Accruals	84.298	140.676
Total	**3.226.635**	**4.591.249**

	31/12/2012	31/12/2011
	US$	US$
Current portion	2.561.736	4.094.357
Non - current portion	664.899	496.892
Total	**3.226.635**	**4.591.249**

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

Guarantee reserve on construction works, represents the portion of the guaranteed amount payable to the contractor of Brovary Logistic Park upon finalization of the works and of the snagging list.

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 (~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.

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

Provision for reimbursements represents the Group's liability towards UVK, a company that was to become the first tenant of Brovary Logistic Park. Following a settlement with UVK the Group has agreed to pay US$1.000.000, US$ 700.000 of which have been paid during the reporting period.

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

21. Deposits from Tenants

	31/12/2012	31/12/2011
	US$	US$
Deposits from tenants	427.918	63.809
Total	**427.918**	**63.809**

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

	31/12/2012	31/12/2011
	US$	US$
Corporate income tax	519.639	665.123
Other taxes	10.188	149.953
Provision	334.552	348.734
Total Tax Liability	**864.379**	**1.163.810**

22. Taxes payable (continued)

Income tax represents taxes payable in Cyprus.

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
		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**

		Minimum lease payments		Interest		Principal
		2011		**2011**		**2011**
		US$		**US$**		**US$**
Less than one year		115.631		115.631		-
Between two and five years		583.240		419.959		163.281
More than five years		1.942.967		1.633.006		309.961
		2.641.838		**2.168.596**		**473.242**

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$593.821 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

	2012	2011
	US$	**US$**
Board of Directors & Committees	194.203	143.130
Management Remuneration	651.165	247.000
Back office - SECURE Management Ltd	287.893	295.594
Aisi Realty Capital LLC (Note 24.5)	-	1.403.501
Aisi Realty Capital LLC-Reimbursable expenses	100.000	186.066
Grafton Properties (Note 24.2.2)	-	19.388
Axia Ventures	-	168.750
Expenses paid by Aisi Realty Capital LLC (Note 24.5)	-	401.000
Total	**1.233.261**	**2.864.429**

Board of Directors expense represents the annual remuneration for 2012 of all the non-executive members of the board pursuant to the decision of the Remuneration Committee.

Management remuneration represents the annual remuneration for 2012 of the CEO and the CFO pursuant to the decision of the Remuneration Committee. Note that both BoD expenses and Management remuneration have been deferred for payment in 2013 to facilitate the cashflow management of the Company.

Management remuneration also includes the (paid in 2012) 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.

24. Related Party Transactions (continued)

24.1 Expenses (continued)

The management fee charged by Aisi Realty Capital LLC has been calculated at the rate of 2,5% on the committed capital up to 30/6/2011. Following the deal with Narrowpeak, a Settlement Agreement was signed between the Company and Aisi Realty Capital LLC, and the relevant management fee charge is no longer applicable. The Settlement Agreement constitutes a related party transaction under Rule 13 of the AIM Rules for Companies. For further details please revert to the Circular of 1 July 2011 which is accessible at the Company's website. As at the reporting date the Company had no outstanding liability towards Aisi Realty Capital LLC (Note 24.2)

Pursuant to the Settlement agreement, the Company reimbursed to Aisi Realty Capital LLC for the period until 31/5/2011, the amount of US$186.066. During 2012 and in view of termination of the employment agreement of the one principal of Aisi Realty Capital LLC additional amount of US$100.000 was recognized to the ex Manager. As of end of the reporting period there is no outstanding amount to the ex Manager.

24.2 Payables to related parties

	31/12/2012	31/12/2011
	US$	US$
Board of Directors & Committees	291.050	146.172
Grafton Properties	150.000	150.000
Secure Management Ltd	30.000	130.466
Aisi Realty Capital LLC (Note 24.1)	-	141.066
Management Remuneration	586.933	358.000
Total	**1.057.983**	**925.704**

<u>24.2.1 Board of Directors</u>

The amount payable represents mainly fees payable to non Executive Directors since August 2011 pursuant to the remuneration committee proposed scheme and an amount representing remuneration for previous periods, which is being negotiated with one of the old directors.

<u>24.2.2 Loan payable to Grafton Properties</u>

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.

<u>24.2.3 Payable to Secure Management</u>

Payable to Secure Management represent payable for expert personnel of SECURE Management Ltd (Note 24.1).

<u>24.2.4 Management Remuneration</u>

Management Remuneration represents fees payable to the CEO and CFO of the Company since August 2011, pursuant to the remuneration committee decision pending BoD approval.

24.3 Borrowings from related parties

	31/12/2012	31/12/2011
	US$	US$
Narrowpeak Consultants Ltd	1.777.680	-
Total	**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 and is repayable on 31 December 2014. The loan is collaterilized against the Odessa land plot.

24. Related Party Transactions (continued)

24.4 Write offs of payables to related parties

	30/12/ 2012	31/12/2011
	US$	US$
Besik Sikharulidze	48.200	-
AISI Realty Capital LLC	-	7.711.332
Total	**48.200**	**7.711.332**

AISI Realty Capital LLC write off represents a management fee write off pursuant to the Settlement Agreement signed for the restructuring of the Company in July 2011 between the Company and Aisi Realty Capital LLC.

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 Aisi Capital Ltd to the Company's subsidiaries

Aisi 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 31/12/2012 US$
LLC "TERMINAL BROVARY"	19/12/2014	35.000.000	33.282.634
LLC "AISI BROVARY"	09/10/2014	40.000.000	4.275.000
LLC "AISI UKRAINE"	18/10/2014	28.000.000	9.867.859
LLC "ALMAZ PRES UKRAINE"	21/3/2014	10.000.000	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			**52.855.493**

As of the reporting date the Group was in the process of restructuring the capital structure of its Ukrainian subsidiaries aiming to eliminate such loans. Pursuant to this restructuring and by the date of publication of this report the total amount outstanding has been reduced to US$34.577.771(Note 27E).

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, 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.

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

25. Contingent liabilities (continued)

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. 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 2012.

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, 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.

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**	**31/12/2012**	**31/12/2011**
		US$	**US$**
Cash at Bank	15	256.447	754.640
Total		**256.447**	**754.640**
Financial Liabilities	**Note**	**31/12/2012**	**31/12/2011**
		US$	**US$**
Interest bearing borrowings	19	18.341.656	15.813.857
Trade and other payables	20	3.226.635	4.458.389
Deposits from tenants	21	427.918	63.809
Finance lease liabilities	23	593.821	679.905
Taxes payable	22	864.379	1.163.810
Total		**23.454.409**	**22.179.770**

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. Financial Risk Management (continued)

26.3 Categories of Financial Instruments (continued)

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 2012, the Group had not entered into any derivative contracts.

Throughout the reporting period, 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.

26.4 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 December 31st, 2012, cash and cash equivalent financial assets amounted to US$256.447 (2011: US$754.640).

The Group is exposed to interest rate risk in relation to part of its borrowings amounting to US$18.341.656 (2011: US$15.813.857) 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.

26.5 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.

26.6 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 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	-	-

26. Financial Risk Management (continued)

26.6 Liquidity Risk Management (continued)

31 December 2011	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	754.640	**754.640**	754.640	-	-
Financial liabilities					
Interest bearing borrowings	15.813.857	**15.813.857**	15.813.857	-	-
Trade and other payables	4.458.389	**4.458.389**	3.961.497	-	496.892
Deposits from tenants	63.809	**63.809**	-	-	63.809
Finance lease liabilities	679.905	**2.641.839**	115.632	116.648	2.409.559
Taxes payable	1.163.810	**1.163.810**	1.163.810	-	-

27. Events after the end of the reporting period

A. EBRD loan restructuring

In February 2013 and as the negotiations with EBRD were ongoing for the restructuring of the repayment of the loan, the Company repaid the first 2 principal instalments corresponding to September and December 2012 payments.

B. Short term borrowing

Short term borrowing to the amount of US$175.000 contracted in December 2012 in order to partially cover the UVK settlement during December 2012 payment amounting to US$400.000. The facility has been repaid in January 2013.

C. Share Capital Increase

Since the start of 2013 and pursuant to the Annual General Meeting of 26th November 2012, the Company has raised US$17.05 million 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.

D. Cyprus current developments

As the situation stands at the date of issuance of this report, the Cyprus banks bail-in will have no material effect on the Company's business. More specifically, the Company has 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 holds most (98%) of its liquidity with non-Cypriot owned banking institutions, partly in Cyprus and partly outside Cyprus. Liquidity used for operational reasons is held partly in Ukraine, with a non-Cypriot banking institution, and partly in Cyprus, predominately with a Cyprus bank, Laiki Bank. The latter is the only part of the Company's liquidity that, according to the decisions taken by the European and Cypriot authorities to date, is at any risk. The maximum impact of the current measures is US$135.000, or less than 1% of the Company's liquidity.

E. Repayment of intragroup loans (Note 3.4.1)

The Company has proceeded in share capital increase effected on certain of its Ukrainian subsidiaries which in turn returned the funds back to the Cyprus financing SPV (AISI CAPITAL) in the form of loan repayment (loans have been provided throughout 2007-2012 period). The total loan amount repaid as of the issuing date of this report 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.