PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED

ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2013

Public Service Properties Investments

Contents | **Page**

DIRECTORS

Patrick Hall (Chairman)
Richard Barnes
Christopher Lovell
Jonas Rydell
Neel Sahai

SECRETARY

Fides Corporate Services Limited

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Tortola
British Virgin Islands

BVI REGISTERED NUMBER

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AUDITORS

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CHAIRMAN'S STATEMENT FOR THE YEAR TO 31 DECEMBER 2013

I am pleased to report the Group's audited consolidated financial results for the year ended 31 December 2013.

Update on strategic review

Following the significant progress made in disposing of non-core assets and those that were either trading or likely to trade with negative cash flows or where the outlook for revenue and capital values was increasingly negative in 2012, the Company was focused on completing the refinancing of debt facilities as they fell due during 2013 and has been successful in extending maturities and reducing amortisation profiles. These measures have enabled the Board, assisted by its advisers, to protect the equity in the Group's retained assets whilst continuing to cautiously test the market for those assets in what remain very challenging debt and healthcare markets.

The debt maturity profile of the Group has been addressed with the announcement in December 2012 of the refinancing of €17.5 million of borrowings in Germany for a seven year term maturing on 31 March 2020 secured against six properties leased to subsidiaries of Marseille Kliniken AG. The Group also completed two refinancings in the UK in April and December 2013, which reduced the UK debt outstanding at the end of 2013 to £17.2 million with a combined maturity date on 12 April 2016. These debt facilities are secured against ten properties leased to subsidiaries of the European Care Group.

Following the Company's recent Board meeting, Richard Barnes and I have resigned our positions as directors of companies in the European Care Group with effect from the close of business on 21 March 2014.

Current operations

The Group owns portfolios of properties in the UK and Germany which generated gross rental income of £7.0 million[1] and finance lease income of £0.9 million for the year ended 31 December 2013. The retained investment properties have been independently valued at 31 December 2013 at an aggregate value of £72.1 million[2], excluding the finance lease asset, with debt, net of amortised financing costs, totalling £31.7 million, following the refinancings in the UK. The Group's weighted average interest rate is currently 4.9% per annum, and the debt will be amortised at the rate of £1.4 million per annum. The Asset Manager's Review below describes the financial position in more detail.

Other matters

Recurring management fees will be reduced in line with the reduction of reported net asset value and non-recurring professional fees are expected to be lower in 2014 than in 2013.

Pending the outcome of the matters referred to above, the Board will continue to keep its dividend policy under review.

Patrick Hall
Chairman
21 March 2014

[1] Figures in Euros for current income are reflected at an exchange rate of €1.19:£1
[2] Figures in Euros at 31 December 2013 are reflected at an exchange rate of €1.1979:£1

ASSET MANAGER'S REVIEW

Business Outlook

The Company owned property portfolios located in the UK and Germany during 2013. All of the assets in the UK are leased and licensed to the European Care Group ("EC") which is owned by Esquire Group ("Esquire"). Approximately 75% of the rental income from assets in Germany is derived from properties leased to Marseille Kliniken AG ("MK"), a listed operator of healthcare assets in Germany.

The Company has focused on refinancing its debt obligations to reduce overall levels of debt and to extend maturities. In December 2012 the Group refinanced €17.5 million of debt, secured against the assets leased to MK, from Coreal Bank AG, the existing lender, with a final maturity date in March 2020. In April 2013 the Group completed an £8.5 million three-year refinancing of a part of the UK assets and businesses with the Bank of London and The Middle East PLC ("BLME") with a final maturity in April 2016. In December 2013, the Company also refinanced £9.0 million of debt through BLME, secured against the rest of the UK assets, also with a final maturity date in April 2016. The Group's only other debt of €1.1 million matures in May 2014. The Company intends to repay this debt from existing cash resources.

The difficulties facing UK Government finances is expected to continue to provide challenging market conditions for operators in the care home sector with occupancy and fee rate increases under continued pressure. The German care home market has generally been more stable; however there are regulatory changes being planned in parts of Germany which may make conditions more difficult for some operating units in the years ahead.

UK

The Group owns nine cares homes for 432 residents, a school and resource centre catering for 30 children and 70 adults with learning difficulties and a domiciliary care business providing care to individuals in their own residence. Rental income for the UK portfolio is adjusted annually at the rate of increases in the Retail Price Index ("RPI"), subject to a cap of 5% per annum. The Group's cash income from these assets and businesses increased by 3.3% from 19 February 2013 to £4.9 million per annum, including £0.9 million per annum in respect of finance lease income due in respect of the domiciliary care business. There is a further increase in income from the UK assets by 2.8% per annum from 19 February 2014 when total income has increased to £5.1 million per annum.

Following the restructuring of Esquire in 2012, the management of the European Care business intended to focus on improving operational performance across its many services over the medium term, including operation of the Company's remaining leased assets and licenced businesses in the UK, which represented 11% of EC's Older People business and 19% of EC's Specialist business by number of beds. However, EC reported that the operating results before rent, on assets owned by the Company, had declined by 25% for the year ended 31 December 2013 compared to the equivalent period in 2012. This decline in operating performance contributed to a 20% reduction in the independent valuations of the Company's UK assets as described in more detail below.

Germany

The care home property market in Germany remains comparatively more stable than in the UK, although access to debt financing is also challenging in current market conditions. The Group owns six properties catering for 563 residents in care homes and 154 assisted living flats. The Group uses three different operators in Germany with current gross rental income of €3.6 million. The rents for the German portfolio increase every three or four years by a proportion of the increase in the German Consumer Price Index.

Rental income from the MK group totals €2.7 million or approximately 75% of the German rental income. MK reported on its consolidated results for the year ended 31 December 2013 as follows:

ASSET MANAGER'S REVIEW (CONTINUED)

- *Revenue for the year ended 30 June 2013 of €200.1 million (2012 - €195.1 million).*
- *EBITDAR for 2013 of €55.2 million (2012 - €56.4 million)*
- *Net income for 2013 of €6.7 million (2012 - €7.8 million)*
- *The number of employees at 30 June 2013 was 4,850 (2012 – 4,718)*
- *Occupancy rates at 30 June 3013 of 90.1% (2012 – 88.9%)*

Source: Marseille Kliniken AG

Financial Review

The Group's income statement from continuing operations for the year ended 31 December 2013 includes the results from the UK and German assets owned throughout the period. In the prior year the income statement from continuing operations also included the results of part of the UK and German portfolios which were disposed of during 2012. The table below removes the impact of these disposals in order to show the like for like performance of the assets retained for the whole of 2013.

	Retained assets		**Disposed of assets**		
	2013	**2012**	**UK**	**German**	**2012**
	£m	**£m**	**£m**	**£m**	**£m**
Revenue	6.9	6.4	4.7	0.8	11.9
Impairment of Goodwill	-	-	(1.0)	-	(1.0)
Gain/(loss) on disposal	0.1	-	(15.7)	-	(15.7)
Admin Expenses	(2.3)	(2.6)	(0.2)	(0.1)	(2.9)
Finance Income	1.6	1.3	1.7	-	3.0
Operating profit / (loss)	**6.3**	**5.1**	**(10.5)**	**0.7**	**(4.7)**
Finance Costs	(2.6)	(2.7)	(2.2)	(0.1)	(5.0)
Profit / (loss) before Tax and fair value adjustments	**3.7**	**2.4**	**(12.7)**	**0.6**	**(9.7)**
Taxation	2.2	0.3	0.5	-	0.8
Net Loss on fair value movements	(12.8)	(18.2)	(19.9)	(1.3)	(39.4)
Impairment of loan	(1.7)	-	-	-	-
Reported loss After Tax before discontinued operations	**(8.6)**	**(15.5)**	**(32.1)**	**(0.7)**	**(48.3)**

The increase in the Group's revenues from continuing operations was largely attributable to RPI increases of 3.3% for the UK portfolio effective from February 2013 and the full year impact of the rental increases for six properties leased to MK of 3.4% per annum in July 2012. Rental income and business licence fees will increase from 19 February 2014 by 2.8% in line with the annual increase in RPI for the current year.

The level of administration costs were £2.3 million for the year ended 31 December 2013 compared to £2.9 million for the same period in 2012. The main contributing factor for this decrease was management fees payable which reduced in line with the reduction in net assets in the prior year and will reduce further in 2014 in accordance with the revised asset management agreement effective as of February 2014.

ASSET MANAGER'S REVIEW (CONTINUED)

Based on the net asset position at 31 December 2013, and assuming no change in the net asset position, this would equate to annual savings of £0.3 million in 2014 compared to 2013. Professional fees connected with the on-going strategic review, not directly attributable to the specific disposals will continue in 2014 at the rate of approximately £0.3 million. The level of other general professional fees and administrative costs will vary dependent on the timing of transactional activity.

Independent valuations of the PSPI Group's investment property assets at 31 December 2013 were undertaken by Colliers International for the UK and Germany. Between 31 December 2012 and 31 December 2013, the aggregate capital value of the investment properties decreased by 14.2%. The UK portfolio, which represented 52.3% of the Group's total investment property portfolio as at 31 December 2013, decreased by £9.6 million or 20.3%. This reflected an increase in the average Capitalisation Rate[2] from 8.27% at 31 December 2012 to 10.63% at 31 December 2013. Individual capitalisation rates varied between 7.0% and 22.5%.

The Group's UK tenant, European Care Group ("ECG") saw average occupancy of the Group's UK investment properties decline from 89.8% of available beds at 31 December 2012 to 82.5% at 31 December 2013. As a result, ECG reported a decline of approximately 25% in the operating profit, before rent, across the Group's portfolio for the year compared to the preceding year. Colliers has indicated that further declines in valuation may be necessary if improvements in ECG's operational performance of the Group's UK investment properties are not evidenced during the first six months of 2014. Part of the decline in valuation related to properties where the tenant is in the process of resolving operational issues and ECG has stated that it is optimistic that overall performance of these properties will improve. ECG has informed the Company that regulatory issues have been resolved at two properties since the start of 2014 and it expects that the remaining regulatory issues at two other properties will be resolved in the near future. These developments should allow ECG to start improving occupancy at these four homes in the months ahead.

The decline in the value of the German investment portfolio reflected an increase in the average Capitalisation Rate[2] from 7.8% at 31 December 2012 to 8.5% at 31 December 2013. Individual capitalisation rates varied between 7.3% and 12.2% at 31 December 2013. Average occupancy across the portfolio was stable at approximately 83% of available beds up to the end of the third quarter of 2013 and is expected to have been maintained in the last quarter. Colliers reduced the valuation on one home that has experienced operational difficulties and three further homes located in North Rhine Westphalia ("NRW") where regulatory changes due to be introduced in 2018 would, as currently drafted, result in a reduction of permitted dual occupancy rooms, leading to a reduction in available beds without further investment to re-configure or extend the properties. PSPI's local adviser in Germany believes that the planned provisions are likely to be amended, in favour of care home operators, due to the overall impact of the changes in NRW.

The table below reflects the key movements in investment properties from retained assets since 31 December 2012 and at 31 December 2013 by jurisdiction.

	UK retained assets £ million	**Germany £ million**	**Total £ million**
Investment property at 31 December 2012	47.3	36.7	84.0
Fair value movement	(9.6)	(3.2)	(12.8)
Fair value exchange rate	-	0.9	0.9
Capital expenditure / interest	-	-	-
Disposals	-	-	-
Investment Property at 31 December 2013[1]	37.7	34.4	72.1

ASSET MANAGER'S REVIEW (CONTINUED)

The Group's short and long term borrowings from continuing operations, net of amortised finance costs, at 31 December 2013 were £2.3 million and £29.4 million, respectively, compared to £12.3 million and £20.6 million at 31 December 2012. The overall decrease was as a result of repayment of debt at the time of the refinancings concluded in 2013 and normal amortisation.

In December 2012, the Group signed a refinancing agreement with an existing lender in relation to loans totalling £14.1 million (€17.2 million) secured on six properties in Germany that were formerly due to be repaid in March 2013. The refinancing comprised two new loans each maturing on 31 March 2020 for an aggregate of £14.3 million (€17.5 million). An additional facility of €1.1 million is due for repayment in May 2014. The Company intends to repay this facility from existing available cash.

In April and December 2013, the Group completed a three-year refinancing of existing debt facilities due to be repaid in February 2014 and December 2013 respectively totalling £17.2 million, secured against a part of the UK portfolio.

The table below summarises the Group's debt by jurisdiction following the refinancing noted above.

	UK £ million	**Germany £ million**	**Total £ million**
Debt, excluding amortised costs	17.2	15.3	32.5
Interest rate per annum	5.6%	4.1%	4.9%
Amortisation per annum	1.2	0.2	1.4
Debt maturity	April 2016	May 2014 & March 2020	

The Company has guaranteed the debt secured against the UK assets and liabilities and has a contingent liability to fund up to €1.5 million should one of the properties in Germany require redevelopment. There are currently no plans to commence a redevelopment at this property.

Deferred taxation on fair value gains and business combinations decreased from £4.3 million at 31 December 2012 to £2.1 million at 31 December 2013, primarily as a result of the net fair value reduction in asset values during the period.

Total equity decreased from £57.8 million at 31 December 2012 to £51.8 million at 31 December 2013 reflecting the impact of fair value losses offset by other operating profits. The Net Asset Value per share[3] ("NAV") is 49.2 pence per share and the Adjusted NAV, excluding deferred taxation liabilities, was 51.2 pence per share.

RP&C International
21 March 2014

Notes:
[1] The valuations are stated gross of certain costs of up to 7% that a purchaser may incur if the assets were sold.
[2] Capitalisation Rate is represented by the net rental income receivable divided by the market value of the properties from which the rental income is derived
[3] Total equity divided by the number of ordinary shares in issue at 31 December 2013.

pwc

Independent Group Auditor's Report to the Shareholders of
Public Service Properties Investments Limited
British Virgin Islands

Report of the independent group auditor on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Public Service Properties Investments Limited, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and notes to the consolidated financial statements (pages 8 to 50), for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 plan and perform the audit to obtain reasonable assurance 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 the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 for the year ended 31 December 2013 give a true and fair view of the results of operations, the financial position and the cash flows in accordance with the International Financial Reporting Standards (IFRS).

PricewaterhouseCoopers AG

Roger Kunz
Auditor in charge

Michael Ruble

Zurich, 21 March 2014

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PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
Continuing Operations		**£**	**£**
Revenue	6	6,874,478	11,869,125
Net loss from fair value adjustments on investment properties	11	(12,773,056)	(39,443,658)
Impairment of loan	15	(1,749,000)	-
Impairment of goodwill	16	-	(959,058)
Gain/(loss) on disposal of subsidiaries	18	137,590	(15,739,324)
Administrative expenses	7	(2,316,623)	(2,935,741)
Finance income	8 (a)	1,637,544	3,014,250
Operating loss		(8,189,067)	(44,194,406)
Finance costs	8 (b)	(2,562,590)	(4,989,653)
Loss before income tax expense		(10,751,657)	(49,184,059)
Income tax expense	24	2,165,824	832,650
Loss for the year from continuing operations		(8,585,833)	(48,351,409)
Discontinued Operations			
Gain/(loss) for the year from discontinued operations	18	2,235,364	(5,870,918)
Loss for the year		(6,350,469)	(54,222,327)
Basic and diluted loss per share (in pence)			
From continuing operations	9	(8.15)	(45.89)
From discontinued operations	9	2.12	(5.57)
From loss for the year		(6.03)	(51.46)

The notes on pages 13 to 50 form part of these financial statements.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		£	**£**
Loss for the year		(6,350,469)	(54,222,327)
Other comprehensive income			
Items that may be subsequently transferred to the income statement			
Cash flow hedges		338,715	(1,233,295)
Recycling of translation reserve		-	(611,663)
Currency translation differences		6,362	(169,299)
Other comprehensive income/(loss) for the year		**345,077**	**(2,014,257)**
Total comprehensive loss for the year		**(6,005,392)**	**(56,236,584)**

The notes on pages 13 to 50 form part of these financial statements.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		£	£
ASSETS			
Non current assets			
Investment property	11	72,092,779	84,017,922
Investments	12	1,000	1,000
Receivable from finance lease	14	9,492,854	9,299,417
Loans	15	2,000	1,751,000
		81,588,633	95,069,339
Current assets			
Receivables and prepayments	20	478,947	664,912
Restricted cash	20	1,209,828	836,472
Cash and cash equivalents		4,001,022	2,869,610
		5,689,797	4,370,994
Assets of disposal group classified as held for sale	18	-	22,786,378
		5,689,797	27,157,372
Total assets		87,278,430	122,226,711
EQUITY			
Capital and reserves			
Share capital	21	605,722	605,722
Share premium	21	89,736,103	89,736,103
Cashflow hedging reserve		(137,944)	(476,659)
Translation reserve		1,033,796	1,027,434
Retained earnings		(39,427,953)	(33,077,484)
Total equity		51,809,724	57,815,116
LIABILITIES			
Non current liabilities			
Borrowings	22	29,418,283	20,610,889
Derivative financial instruments	19	137,944	416,301
Deferred income tax liability	23	2,127,287	4,311,793
		31,683,514	25,338,983
Current liabilities			
Borrowings	22	2,323,921	12,325,960
Derivative financial instruments	19	-	60,358
Trade and other payables	25	279,731	2,018,570
Current income tax liabilities		448,565	903,936
Accruals	26	732,975	3,214,405
		3,785,192	18,523,229
Liabilities of disposal group classified as held for sale	18	-	20,549,383
		3,785,192	39,072,612
Total liabilities		35,468,706	64,411,595
Total equity and liabilities		87,278,430	122,226,711

The consolidated financial statements on pages 8 to 50 were approved by the board of directors on 21March 2014 and were signed on its behalf by:

Patrick Hall
Director
21 March 2014

Neel Sahai
Director
21 March 2014

The notes on pages 13 to 50 form part of these financial statements.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		£	£
Loss for the year:		(6,350,469)	(54,222,327)
Adjustments for non-cash items:			
-Interest expense		2,101,431	5,824,101
-Net foreign exchange gains	8a	(328,422)	(1,131,312)
-Interest income		(1,309,052)	(2,420,393)
-Income tax expense	24	(2,168,132)	(1,446,525)
-Impairment of goodwill		-	959,058
-Impairment of receivables		-	305,226
-Waived receivables		192,086	-
-Impairment of loan	15	1,749,000	-
-Ineffective element of cashflow hedge	8a	-	(133,507)
-Proceeds from finance lease		907,025	879,004
-Loss on disposal of subsidiary		-	12,109,300
-Amortisation of debt issue costs		561,106	574,541
-Changes in fair value of investment property	11	12,773,056	43,165,914
Changes in working capital			
-Changes in receivables and prepayments		432,688	(2,444,103)
-Changes in trade and other payables		(1,892,605)	1,987,122
-Changes in accruals		(4,370,526)	5,569,025
Cash generated from operations		2,297,186	9,575,124
Cash flow from operating activities			
Interest paid		(2,354,645)	(5,551,025)
Income tax paid		(484,641)	(4,873)
Net cash (used)/generated from operating activities		(542,100)	4,019,226
Cash flow from investing activities			
Capital expenditure	11	-	(2,261,977)
Change in restricted cash	20	(357,805)	231,728
Proceeds from sale of subsidiary		1,190,805	-
Proceeds from sale of investment property	18	7,895,230	8,073,197
Interest received		3,169	322,229
Net cash generated from investing activities		8,731,399	6,365,177
Cash flow from financing activities			
Proceeds from borrowings		7,738,142	-
Repayments of borrowings		(14,827,134)	(10,565,164)
Cost of capital raise	21	-	(50,000)
Net cash used by financing activities		(7,088,992)	(10,615,164)
Net increase / (decrease) increase in cash and cash equivalents		1,100,307	(230,761)
Movement in cash and cash equivalents			
At start of year		2,869,610	3,116,828
Net increase / (decrease) in cash and cash equivalents		1,100,307	(230,761)
Foreign currency translation adjustments		31,105	(16,457)
At end of year		4,001,022	2,869,610

The notes on pages 13 to 50 form part of these financial statements.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Attributable to equity holders of the Company					
		Share Capital	**Share Premium**	**Cashflow Hedging Reserve**	**Translation Reserve**	**Retained Earnings**	**Total Equity**
		£	**£**	**£**	**£**	**£**	**£**
Balance as of 1 January 2012		605,722	89,786,103	756,636	1,808,396	21,144,843	114,101,700
Comprehensive income							
Loss for the year		-	-	-	-	(54,222,327)	(54,222,327)
Other comprehensive income							
Cash flow hedges – net of tax		-	-	(1,233,295)	-	-	(1,233,295)
Foreign currency translation		-	-	-	(780,962)	-	(780,962)
Total comprehensive income		-	-	(1,233,295)	(780,962)	(54,222,327)	(56,236,584)
Transactions with owners							
Costs of share issue	21	-	(50,000)	-	-	-	(50,000)
Balance as of 31 December 2012		**605,722**	**89,736,103**	**(476,659)**	**1,027,434**	**(33,077,484)**	**57,815,116**
Balance as of 1 January 2013		605,722	89,736,103	(476,659)	1,027,434	(33,077,484)	57,815,116
Comprehensive income							
Loss for the year		-	-	-	-	(6,350,469)	(6,350,469)
Other comprehensive income							
Cash flow hedges – net of tax		-	-	338,715	-	-	338,715
Foreign currency translation		-	-	-	6,362	-	6,362
Total comprehensive income		-	-	338,715	6,362	(6,350,469)	(6,005,392)
Balance as of 31 December 2013		**605,722**	**89,736,103**	**(137,944)**	**1,033,796**	**(39,427,953)**	**51,809,724**

The notes on pages 13 to 50 form part of these consolidated financial statements.

1. GENERAL INFORMATION

Public Service Properties Investments Limited was incorporated in 2001 and is domiciled in the British Virgin Islands (registered office at Nerine Chambers, Road Town, Tortola, British Virgin Islands) and is the parent company of the PSPI Group. Public Service Properties Investments Limited and its subsidiaries (together "the Group" or "the Company"), is an investment property Group with a portfolio in the UK, Continental Europe and the USA. It is principally involved in leasing real estate where the rental income is primarily generated directly or indirectly from governmental sources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB). The consolidated financial statements are reported in Pounds Sterling unless otherwise stated and are based on the annual accounts of the individual subsidiaries at 31 December 2013, which have been drawn up according to uniform Group accounting principles.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties, other financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires management to make estimates and 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 revenue and expenses during the reporting period. Actual results can differ from those estimates.

Comparative information in the consolidated income statement and consolidated statement of comprehensive income have been restated in order to be consistent with the presentation of certain items as discontinued operations in 2012 as detailed in Note 18.

The Group has adopted the following new standards, amendments to standards and interpretations for the financial year ended 31 December 2013.

Amendments to IAS 1 'Presentation of items of other comprehensive income', (effective for annual periods beginning on or after 1 July 2012, retrospective application). The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on PP&E or re-measurements of net pension assets or liabilities will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment did not have a material impact on the financial statements, and the indication was made on the statement of OCI.

IFRS 10, 'Consolidated financial statements', (effective for annual periods beginning on or after 1 January 2013, retrospective application, earlier application permitted if together with IFRS 11, IFRS 12, IAS 27R and IAS 28R). IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 and SIC-12. IAS 27 is renamed and continues to be a standard dealing solely with separate financial statements. The amendment did not have a material impact on the financial statements.

IFRS 11, 'Joint arrangements', (effective for annual periods beginning on or after 1 January 2013, earlier application permitted if together with IFRS 10, IFRS 12, IAS 27R and IAS 28R). The amendment did not have a material impact on the financial statements.

IFRS 12, 'Disclosure of interests in other entities', (effective for annual periods beginning on or after 1 January 2013, earlier application permitted). The amendment did not have a material impact on the financial statements.

2.1 Basis of preparation (Continued)

Amendments to IFRS 10, 12 and IAS 27 – 'Investment entities' (effective for annual periods beginning on or after 1 January 2013). The amendments did not have a material impact on the financial statements.

Amendments to IFRS 10, 11 and 12 (effective for annual periods beginning on or after 1 January 2013) – 'consolidated financial statements, Joint arrangements and Disclosure of interest in other entities: Transition Guidance'. The amendments did not have a material impact on the financial statements.

IFRS 13, 'Fair value measurement', (effective prospective for annual periods beginning on or after 1 January 2013, earlier application permitted). The amendment did not have a material impact on the financial statements.

IAS 28 (revised) 'Investments in associates and joint ventures', (effective for annual periods beginning on or after 1 January 2013). The amendment did not have a material impact on the financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year ended 31 December 2013 and have not been early adopted:

IFRS 9 'Financial Instruments' - classification and measurement (no effective date, available for application, retrospective application). IFRS 9 comprises two measurement categories for financial assets; amortised cost and fair value. All equity instruments are measured at fair value. However, management has an option to present in other comprehensive income unrealised and realised fair value gains and losses on equity investments that are not held for trading. A debt instrument is recognised at amortised cost only if it is the entity's business model to hold the financial asset to collect contractual cash flows and the cash flows solely represent principal and interest. It will otherwise need to be considered at fair value through profit or loss. The amendment is not expected to have a material impact on the financial statements.

Amendments to IFRS 9 'Financial instruments' (no effective date, available for application, restrospective application). The amendment includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognizing financial instruments has been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit or loss. Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity. The amendment is not expected to have a material impact on the financial statements.

Amendments to IFRS 9 'Financial instruments - Hedge Accounting (no effective date, available for application, prospective application). The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. Under IAS 39 today, the hedge must both be expected to be highly effective (prospective test) and have been highly effective (retrospective test) with 'highly effective' defined as a 'bright line' quantitative test of 80-125%. The amendment replaces this with a requirement for the hedge to be designated, documented and in line with the entity's risk management objective. However, effectiveness of the hedging item must still be measured and arising ineffectiveness must be booked through profit or loss.

The risk components can now be designated for non-financial hedged items provided the risk component is separately identifiable and measurable. In addition, the amendment makes the hedging of groups of items more flexible. It also relaxes the rules on using purchased options and non-derivative financial instruments as hedging instruments. The Board decided to retain in IFRS 9 the current fair value hedge accounting mechanisms from IAS 39.
Companies may choose to continue hedge accounting under IAS 39 or change to the provisions of IFRS 9.

Additionally, the amendment allows to account for the own credit risk on financial liabilities through other comprehensive income. This accounting treatment can be adopted in isolation without adopting any other part of IFRS 9. The amendment is not expected to have a material impact on the financial statements.

2.2 Principles of consolidation

2.2.1 Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold properties but do not constitute a business. These transactions are therefore treated as asset acquisitions rather than business combinations.

For acquisitions meeting the definition of a business combination, the acquisition method of accounting is used. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All the Group companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.3 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. If the ownership interest in an associate or significant influence is lost, the associate is derecognised and recognised as an investments measured at fair value. Any difference between the carrying value at the date of derecognised and fair value is recorded in the income statement.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.3 Segmental Reporting

Segmental reporting has been prepared in accordance with IFRS 8 (Segment Reporting).

The chief operating decision maker has been identified as the board of directors, who review the Group's internal reporting and management information in order to assess performance and allocate resources.

It has been determined that the board of directors reviews management information, considers the business and makes decisions from a geographic perspective. As such, the Group has been organised into the following segments:

- Activities in the United Kingdom
- Activities in Germany
- Activities in Switzerland (discontinued in 2012)
- Activities in the United States of America (discontinued in 2012)

A geographical segment is one that is engaged in providing products or services within a particular economic area which are subject to risks and returns that are different from those of segments operating in other economic areas. Revenues are wholly derived from operating leases and finance leases.

The board of directors assess the performance of the business using a number of measures; however particular emphasis is placed on “adjusted net earnings” (as shown in Note 9). This excludes the effects of any non-cash and exceptional one-off non-recurring income and expenses to give an indication of the Groups’ underlying business performance.

Total segment assets and liabilities excludes certain assets and liabilities which are managed on a central basis, these form the reconciliation to total balance sheet assets.

2.4 Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Pounds Sterling, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of each transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance costs and finance income respectively, unless they are capitalised. All other foreign exchange gains and losses are presented net in the statement of comprehensive income.

Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet are translated at the closing rate at the date of the balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the rates on those dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to comprehensive income. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

On the disposal of a foreign operation (that is, a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Group are reclassified to profit or loss.

The translation rates used are disclosed in Note 5 to the consolidated financial statements.

2.5 Investment property

Property not occupied by the Group but held for long-term rental yields, for capital appreciation or both is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises freehold land and buildings and is initially recognised at historic cost, including related transaction costs and borrowing costs. After initial recognition investment property is held at fair value which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with guidance issued by the International Valuation Standard Committee and are prepared annually by independent external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects any cash outflows that could be expected in respect of the property.

Land held under operating leases is classified and accounted for by the Group as investment property when the definition of investment property would otherwise be met. The operating lease is accounted for as if it were a finance lease.

Subsequent expenditure is charged to the asset’s 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. In accordance with IAS 40, these items are capitalised at cost as the fair value of the expenditure is not reasonably determinable. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the income statement. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement where necessary.

2.6 Leases

Finance lease:
When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

The Group has leased out a business under a licence agreement. The business is in respect of the provision of domiciliary care to clients in their own properties which has been licensed to an independent third party for 35 years with annual increases in line with the Retail Price Index, subject to a maximum increase of 5%. The operator maintains the right to run the Business and receive any benefits/losses derived from running the business.

Operating lease:
The Group currently treats all of its investment property leases as operating leases, however this classification is considered by the directors for each property on acquisition. An operating lease is a lease in which substantially all the risks and rewards of the asset (investment property) remain with the lessor and as such these assets remain in the Group's balance sheet. Lease payments from the lessee are recognised as rental income and as such disclosed in the income statement on a straight-line basis over the period of the lease.

Lease classification:
The Group determines the classification of leases on each asset having regard to whether substantially all risks and rewards incidental to ownership of the asset are transferred to the lessee.

2.7 Loans and receivables

Loans are classified as non-current assets unless management has the express intention of holding the loans for less than 12 months from the balance sheet date, in which case they are included in current assets. The directors determine the classification of the loans at initial recognition and re-evaluate the designation at every reporting date.

Purchases and sales of loans are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Loans are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of loans. In the case of loans, the financial position of the underlying companies and their ability to repay the preference share capital is considered in determining whether the loans are impaired.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. Loans are derecognised when the rights to receive cash flows from the loans have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. When investments are sold the resulting gains and losses are included in the income statement as gains and losses from loans.

2.8 Impairment of assets for non-financial assets

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

2.9 Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges:
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recognised in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, if the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the costs of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. In accordance with the Group's policy, a provision of 50% and 100% would be made against any trade receivables outstanding for more than six and twelve months, respectively. The provision is based on historical experience of the Group. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the trade receivables. The amount of the provision is recognised in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand; deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities.

2.12 Share capital

Ordinary shares are classified as equity. Any transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

2.13 Trade payables and other payables

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

2.14 Dividends

Dividends are recorded as a liability in the Group's financial statements in the period in which they are approved by the Group's shareholders.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred income 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Due to the tax jurisdictions of the Group companies no tax impact is anticipated.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue consists of minimum lease rentals payable over the terms of the operating leases, recognised on a straight line basis, and incremental lease rentals payable under rent escalation clauses in the leases recognised as they arise. Every investment property is accounted for individually. Operating lease agreements are based on long-term leasing contracts of 35 years.

2.20 Borrowing costs

General and specific 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. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. The Group has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.

2.21 Finance income and expense

Interest income and expense are recognised within ‘finance income’ and ‘finance costs’ in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. ‘Finance income’ is presented before operating profit and ‘Finance costs’ are presented after operating profit.

2.22 Earnings per share

The Group has chosen to disclose an adjusted earnings per share figure. This provides an indication of the Group’s underlying business performance and excludes significant “non cash” items such as fair value movements on investment properties, the recognition of accrued income, foreign exchange movements and movements in the value of derivative financial instruments charged to the income statement.

3. FINANCIAL AND OTHER RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency and price risk), cash flow and fair value interest rate risk, credit risk and liquidity rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the senior management of the asset manager under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Euros and the Swiss Franc. Limited foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. However, most operating entities have limited exposure to exchange risk outside their functional currencies.

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations in the US and Continental Europe are managed primarily through borrowings denominated in the relevant foreign currencies, although the directors monitor and permit currency exposure in this regard as an element of its financing strategy.

Historically the Group has not entered into any hedging transactions in respect of the net assets of subsidiaries denominated in currencies other than Pounds Sterling. The Group will review this policy from time to time.

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from long-term borrowings, derivative financial instruments and to a limited extent, from cash and cash equivalents. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates and derivative financial instruments expose the Group to fair value interest-rate risk. Group policy is to maintain a significant percentage of its borrowings in fixed rate instruments. The board of directors regularly meet to review levels of fixed and variable borrowings and takes appropriate action as required.

The table below shows the sensitivity of profit and equity to movements in market interest rates. The impacts are disaggregated into the currencies in which the debt is held:

		2013	**2012**	**2013**	**2012**	**2013**	**2012**
		£	**£**	**$**	**$**	**€**	**€**
Shift in basis points							
Profit impact of increase	50	(70,151)	(113,886)	-	(61,572)	(77,786)	(138,472)
Profit impact of decrease	50	70,151	113,886	-	61,572	77,786	138,472
Equity impact of increase	50	71,826	191,580				
Equity impact of decrease	50	(71,826)	(191,580)				

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to rental customers, including outstanding receivables.

The table below shows the credit rating and balance of the three major bank counterparties at the balance sheet date.

Counterparty	31 December 2013 Rating	31 December 2012 Rating	31 December 2013 Balance	31 December 2012 Balance
Bank A	BB	BBB-	997,549	398,304
Bank B	Not Rated	Not Rated	1,279,613	336,142
Bank C	A-	A-	1,648,641	1,300,066

Bank A is Allied Irish Bank (UK) plc which is a wholly owned subsidiary of Allied Irish Banks plc (“AIB”). In October 2010, Standard and Poor’s downgraded AIB. In December 2010, AIB was effectively nationalised by the Irish Government. Bank B is the Bank of London and the Middle East which is not rated.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Group’s liquidity reserve on the basis of expected cash flow.

The table below analyses the Group’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the continuing contractual undiscounted cash flows.

At 31 December 2013	Note	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years
		£	**£**	**£**	**£**
Borrowings		3,898,826	2,889,964	18,690,758	13,977,393
Trade and other payables	25	279,731	-	-	-
Derivative financial instruments	19	-	-	-	137,944
Total		**4,178,557**	**2,889,964**	**18,690,758**	**14,115,337**
At 31 December 2012	**Note**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 Years**
Borrowings		13,917,227	6,629,951	2,176,515	14,996,974
Trade and other payables	25	2,018,570	-	-	-
Derivative financial instruments	19	60,358	-	-	416,301
Total		**15,996,155**	**6,629,951**	**2,176,515**	**15,413,275**

Borrowings in the table above include future interest payable.

Where an interest rate swap is in place, the fixed rate implicit in the agreement has been used to calculate future payments, consequently the position is shown after any cash flows arising from interest rate swaps.

3.1 Financial risk factors (Continued)

During 2013, the refinancing of debt (see Note 22) has significantly altered the maturity profile of total borrowings such that £2.3m (approximately 7%) of the total borrowings are scheduled to be repaid during 2014. The Group anticipates that this can be funded through existing cash balances.

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders (if free cash is available for dividend declaration), return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the loan to value ratio. This ratio is calculated as total debt divided by total non-current assets less goodwill and loans. Debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet).

The Group's intention is to maintain the loan to value ratio below 70%. The loan to value ratios at 31 December 2013 and 2012 were as follows:

	Note	2013 £	2012 £
Total borrowings	22	31,742,204	32,936,849
Total non-current assets		81,588,633	95,069,339
Less: Loans and receivables	15	(2,000)	(1,751,000)
Adjusted non-current assets		81,586,633	93,318,339
Loan to value ratio		38.91%	35.30%

3.2 Fair value estimation

The table below provides disclosure of fair value measurements as at 31 December by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3.2 Fair value estimation (Continued)

2013	Level 1	Level 2	Level 3	Total balance
	£	£	£	£
Assets				
Investments	-	-	1,000	1,000
Total assets	-	-	1,000	1,000
Liabilities				
Derivatives used for hedging	-	137,944	-	137,944
Total liabilities	-	137,944	-	137,944

2012	Level 1	Level 2	Level 3	Total balance
Liabilities				
Derivatives used for hedging	-	476,659	-	476,659
Total liabilities	-	476,659	-	476,659

As detailed in Note 12, during 2013 the Group reclassified its ownership in certain investments from equity accounting under IAS 28 to fair value accounting under IAS 39.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting values discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3.3 Other risk factors

The Group is exposed to property price and market rental risks. Wherever possible the Group builds into the terms of its leases indexation linked to consumer price indices, in order to manage its market rental risk.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstance. The Group makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates may not equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are described below.

(a) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making this judgement, the Group considers information from a variety of sources including:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

(b) Principal assumptions for management's estimations of fair value

If information on current or recent prices or assumptions underlying the discounted cash flow approach investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market.

The Group relies on valuations prepared by qualified independent valuation companies. Were the capitalisation rates used in preparing the independent valuation reports to differ by 5% to the rate used by the independent valuer, the net effect of the carrying amount of investment properties after deferred taxation would be an estimated £3.1 million higher (2012 – £4.2 million) or £2.8 million lower (2012 – £3.8 million).

The expected future market rentals are determined based on the specific terms of the rental contracts.

(c) Lease classification

The Group has determined that all of its leases are operating leases except for a business under licence agreement (see Note 2.6). The key factor in making the classification between finance leases and operating leases is the estimated life of the properties. The Group estimated the life of the buildings between 70 years and 75 years. The lease periods are 35 years, with approximately 25 years remaining.

(d) Impairment of investments and loans

In the process of its impairment assessment, the Group makes certain assumptions regarding the recoverable amount of investments. These assumptions include recoverability of the assets and liabilities not held at fair value, such as deferred tax. Based on the underlying net assets of the investment, the Group has determined the investment value is £1,000. In addition the subordinated secured loan note and preference shares referred to in Note 15 have been valued at £1,000 each.

5. FOREIGN EXCHANGE RATES

	Balance Sheet		**Income Statement and Cash Flow Statement**	
			average	**average**
	As at 31 December 2013	**As at 31 December 2012**	**2013**	**2012**
	£	**£**	**£**	**£**
CHF 1.00	1.46840	1.47680	1.45000	1.48647
USD 1.00	1.64910	1.61680	1.56483	1.58513
EUR 1.00	1.19790	1.22340	1.17820	1.23328

6. REVENUE

	2013 £	2012 £
Rental income	6,874,478	11,869,125

Rental income is stated after reallocation of £205,491 (2012 – £437,691) to interest income as referred to in Note 15.

The future continuing aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	As at 31 December 2013 £	As at 31 December 2012 £
Less than 1 year	7,047,672	6,769,745
More than 1 year and less than 5 years	21,143,017	19,482,728
More than 5 years	121,766,374	117,852,334
	149,957,063	144,104,807

The investment properties in the UK are leased for an initial period of 35 years. The leases terminate in 2039, although the lessee has the right to renew the leases two years before their expiry, for a further period of 35 years subject to agreement on the revised rent. Each lease is subject to an upward only market rent review every five years from the start of the lease. In the event that a UK property is damaged or destroyed by any insured risk and is not reinstated by the Group within a period of 3 years, the lessee has the right to terminate the lease in respect of that UK property. The lessor may terminate each lease, subject to the senior lender's consent, for various reasons including the breach of material clauses of the lease. In July 2012, the Group disposed of most of its UK property portfolio (see Note 18).

The majority of investment properties in Germany are leased for an initial period of 20 years; however the lessee has the right to renew the leases for a further period of 5 or 10 years, subject to the agreement of the revised rent. The rent on the majority of leases is changed every four years from the anniversary of inception, with reference to the German Consumer Price Index.

Discontinued operations

The investment property in Switzerland has been included in discontinued operations in 2012 and future minimum annual rentals are therefore not included in the table above (see Note 18). The investment property was leased for a term of 20 years expiring on 30 June 2023. The lessor had the right to terminate the lease prior to the end of the term in accordance with Swiss law and on 3 months written notice in the event of a change in control of the lessee. The lease rental payments were adjusted annually on 1 July of each year, in accordance with movements in the Swiss Index of Consumer Prices.

Investment properties in the United States of America have been included in discontinued operations in 2012 and future minimum annual rentals are therefore not included in the table above (see Note 18). The investment properties were leased to the United States Postal Service under a master lease executed in March 1997 and amended on 29 January 1999. The lease expires on 28 February 2022. The rent under the lease is fixed for the entire period of the lease. The lessee has the right to unilaterally relinquish use of up to 25 of the post office properties provided that the resultant reduction in annual rent payable under the lease does not exceed a maximum of $300,000 (£193,911) per annum or 13% of the annual rental. Management had factored this into their analysis of minimum lease payments, and had no reason to believe that this right will be exercised in the foreseeable future.

7. ADMINISTRATIVE EXPENSES

	2013 £	2012 £
Third party company administration	173,962	151,303
Management fees	858,540	1,446,428
Professional fees	824,007	1,139,865
Audit fees	185,573	188,900
Waived receivables	192,086	-
Insurance and general expenses	82,455	9,245
	2,316,623	2,935,741

8. a) FINANCE INCOME

	2013 £	2012 £
Interest income – finance lease	1,100,462	1,130,451
Interest income – other third party	208,660	1,271,733
Interest rate swaps: ineffective element of cash flow hedges	-	133,507
Net exchange gains	328,422	478,559
	1,637,544	3,014,250

b) FINANCE COSTS

	2013 £	2012 £
Interest on mortgages	2,237,691	4,631,625
Other interest and borrowing expenses	9,001	110,121
Repayment penalties	315,898	247,907
	2,562,590	4,989,653

9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period.

	December 2013 £	December 2012 £
Loss from continuing operations attributable to shareholders	(8,585,833)	(48,351,409)
Profit/(loss) from discontinued operations attributable to shareholders	2,235,364	(5,870,918)
Total	**(6,350,469)**	**(54,222,327)**
Weighted average number of ordinary shares outstanding	105,365,717	105,365,717
Basic and diluted earnings per share – (pence per share) continuing operations	(8.15)	(45.89)
Basic and diluted earnings per share – (pence per share) discontinued operations	2.12	(5.57)
Total	**(6.03)**	**(51.46)**

Adjusted Earnings per Share – Non GAAP

The Directors have chosen to disclose "adjusted earnings per share" in order to provide an indication of the Group's underlying business performance. Accordingly it excludes the effect of items as detailed below.

	Note	December 2013 £	December 2012 £
Loss attributable to shareholder		(6,350,469)	(54,222,327)
Fair value loss on investment properties	11	12,773,056	43,165,914
Impairment of goodwill	16	-	959,058
(Gain)/loss on disposal of subsidiaries		(2,372,954)	18,846,811
Deferred income tax liability movement	23	(2,193,940)	(3,266,425)
Amortisation of debt issue costs		572,547	574,541
Interest rate swap charge to income statement	8b	-	(133,507)
Impairment of loan	15	1,749,000	-
Non recurring transaction fees		207,487	1,421,825
Recycling of translation reserve		-	(611,663)
Deferred income tax asset movement		-	856,557
Repayment penalty on borrowings	8b	315,898	247,907
Waived receivables		192,086	-
Impairment provision of receivable	20	-	296,101
Foreign exchange gains	8a	(328,422)	(519,649)
Current income tax expense	24	28,116	963,554
Total adjusted earnings		4,592,405	8,578,697
Weighted average number of ordinary shares outstanding		105,365,717	105,365,717
Basic adjusted and diluted adjusted earnings per share (pence per share)		**4.36**	**8.14**

10. DIVIDENDS

No interim or final dividend was paid in 2012.

No interim dividend was paid and the Directors do not recommend a final dividend for 2013.

11. INVESTMENT PROPERTY

	2013	2012
	£	£
As at 1 January	84,017,922	256,442,372
Additions resulting from subsequent expenditure	-	3,283,658
Net (loss) on fair value adjustment - continuing	(12,773,056)	(39,443,658)
Net (loss) on fair value adjustment - discontinued	-	(3,722,256)
Disposals	-	(108,616,508)
Transferred to disposal group classified as held for sale	-	(21,767,788)
Net change in fair value due to exchange differences	847,913	(2,157,894)
As at 31 December	72,092,779	84,017,922

Bank borrowings are secured on investment property as outlined in Note 22.

The investment properties were valued as at 31 December 2013 by Colliers International Property Consultants Limited ("Colliers"). The valuation basis is market value and conforms to international valuation standards. Colliers is a qualified independent valuer who holds recognised and relevant professional qualifications and has recent experience in the relevant locations and category of properties being valued. The valuations are presented before estimated purchasers costs; however, sellers' costs are not included.

The valuation of the investment properties in the UK was based on the detailed review of relevant information provided by the Group and the tenant. Colliers concluded that capitalisation rates of between 7.00% and 22.50% (2012 – 6.25% to 20.00%) were appropriate under market conditions prevailing at 31 December 2013, resulting in an average capitalisation rate of 10.63% (2012 – 8.27%). The Company has applied individual capitalisation rates as advised by Colliers to each investment property in preparation of the consolidated financial statements.

The valuation of the investment properties in Germany was based on the duration of the leases, the future cash flows and after due consideration of transaction activity in the market, Colliers concluded that capitalisation rates of between 7.25% and 12.19% (2012: 7.15% to 9.5%) were appropriate under the market conditions prevailing at 31 December 2013, resulting in an average capitalisation rate of 8.47% (2012 – 7.78%). The Company has applied individual capitalisation rates as advised by Colliers to each investment property in preparation of the consolidated financial statements.

Additions resulting from subsequent expenditure consist of £Nil (2012 - £559,793) in relation to capital expenditure on properties in the United Kingdom which has been completed during the year. The balance of £Nil (2012 - £2,723,865) relates to capital expenditure on properties still under construction. This was reflected under Investment Properties in accordance with IAS 40 in the year ended 31 December 2012.

Disposal of investment property

Disposals during the year ended 31 December 2012 relate to the disposal of the majority of the UK property portfolio in July 2012 (see Note 18) totalling £100,543,311 and the disposal of the property in HCP Etzelgut (Switzerland) in December 2012 totalling £8,073,197.

The valuation of the investment properties in the US was conducted in June 2012 by Real Estate Asset Counselling Inc, US, using the direct capitalisation of the NOI (Net Operating Income) approach in their valuation. This valuation was used to estimate the fair value at December 2012. These properties were approved for sale by the Directors in December 2012 and sold in February 2013 and, as such, have been treated as held for sale as at 31 December 2012 for a net cash purchase value of USD 1.65 (GBP 1.0 million)

Two properties in Germany have been treated as held for sale as at 31 December 2012 as the Directors approved their sale in December, these were sold during 2013 for a total sales price of EUR 9.7 million (GBP 6.6 million).

12. INVESTMENTS

	2013 £	2012 £
As at 1 January	1,000	-
Recognition of associate (at 25th July 2012)	-	1,000
Share of profit	-	-
Share of cash flow hedging reserve	-	-
Derecognition upon loss of significant influence	(1,000)	-
Recognition of investment at fair value	1,000	-
As at 31 December	1,000	1,000

On 4th July 2012, the Company announced that it had entered into a conditional agreement to combine the majority of its UK property portfolio (see Note 17 for listing of legal entities and Note 18 for additional information about the transaction) with the assets and business of the European Care Group, the Group’s sole UK tenant in a non-cash transaction. On the 24th July 2012 the shareholders of PSPI approved this transaction with an effective completion date of the 25th July 2012.

Esquire Realty Holdings Limited, a wholly-owned subsidiary of Esquire Group Investment (Holdings) Limited (“Esquire”), the holding company of the European Care Group, acquired certain of the Group’s subsidiary companies in consideration for issuance of 20% of the ordinary share capital of Esquire and the issuance of a subordinated secured loan note instrument in Esquire Consolidated Investment (Holdings) Limited, a wholly owned subsidiary of Esquire, with the principal amount of £2.8 million (see Note 15).

The Board of PSPI initially valued the consideration shares at a nominal value of £1,000 on completion of the transaction in July 2012.

Due to the events at Esquire since the last quarter of 2013 and the resignation of Patrick Hall and Richard Barnes from the board from companies in the Esquire Group, the influence of both the Group and the Group's appointed board members of Esquire has ceased. Based on the former, the Group determined it no longer had significant influence over Esquire. In accordance with IAS 28, the Group derecognised the associate and recognised the investment at fair value in accordance with IAS 39. The initial fair value of the investment was the value of the equity investment at the date of derecognition. There was no income statement impact upon this change and given the insignificant value attributed to the investment upon initial recognition, there was no impact related to the Group's proportional share of OCI items of the associate. However there was an impairment of loan provision as mentioned in Note 15.

13. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Notes	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
31 December 2013		**£**	**£**	**£**	**£**	**£**
Assets as per balance sheet						
Trade receivables - net	20	441,311	-	-	-	441,311
Receivables from finance lease	14	9,492,854	-	-	-	9,492,854
Loans	15	2,000	-	-	-	2,000
Investments	12	-	1,000			1,000
Restricted cash	20	1,209,828	-	-	-	1,209,828
Cash and cash equivalents		4,001,022	-	-	-	4,001,022
Total		15,147,015	1,000	-	-	15,148,015

	Notes	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
		£	**£**	**£**	**£**
Liabilities as per balance sheet					
Borrowings	22	-	-	31,742,204	31,742,204
Derivative financial instruments	19	-	137,944	-	137,944
Trade and other payables	25	-	-	279,731	279,731
Total		-	137,944	32,021,935	32,159,879

13. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The accounting policies for financial instruments have been applied to the line items below:

	Notes	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for sale	Total
31 December 2012		**£**	**£**	**£**	**£**	**£**
Assets as per balance sheet						
Trade receivables - net	20	618,336	-	-	-	618,336
Receivables from finance lease	14	9,299,417	-	-	-	9,299,417
Loans	15	1,751,000	-	-	-	1,751,000
Restricted cash	20	836,472	-	-	-	836,472
Cash and cash equivalents		2,869,610	-	-	-	2,869,610
Total		15,374,835	-	-	-	15,374,835

	Notes	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
		£	**£**	**£**	**£**
Liabilities as per balance sheet					
Borrowings	22	-	-	32,936,849	32,936,849
Derivative financial instruments	19	-	476,659	-	476,659
Trade and other payables	25	-	-	2,018,570	2,018,570
Total		-	476,659	34,955,419	35,432,078

14. RECEIVABLE FROM FINANCE LEASES

	2013	2012
	£	£
Non-current		
Finance leases - gross receivables	27,027,951	27,463,314
Unearned finance income	(17,517,384)	(18,135,875)
	9,510,567	9,327,439
Current		
Finance leases - gross receivables	922,397	892,930
Unearned finance income	(940,110)	(920,952)
	(17,713)	(28,022)
Total receivable from finance leases	9,492,854	9,299,417

	2013	2012
Gross receivables from finance leases:		
- no later than 1 year	922,397	892,930
- later than 1 year and no later than 5 years	3,830,039	3,707,685
- later than 5 years	23,197,913	23,755,629
	27,950,349	28,356,244
Unearned future finance income on finance leases	(18,457,495)	(19,056,827)
Total receivable from finance leases	9,492,854	9,299,417

The net receivable from finance leases may be analysed as follows:

	2013	2012
- no later than 1 year	(17,713)	(28,022)
- later than 1 year and no later than 5 years	64,729	7,267
- later than 5 years	9,445,838	9,320,172
	9,492,854	9,299,417

The Group has leased out a business under a licence agreement. The business is in respect of the provision of domiciliary care to clients in their own properties which has been licensed to an independent third party for 35 years with annual increases in line with the Retail Price Index, subject to a maximum increase of 5%. The operator maintains the right to run the business and receive any benefits/losses derived from running the business. The remaining life of this licence is 25 years.

The Group does not hold any collateral as security, although the Group has the right to terminate the licence if there is an event of default on any other agreement with the lessee's group. All receivables from finance leases are denominated in Pounds Sterling.

None of the receivable from finance leases were past due nor impaired.

15. LOANS

	2013 £	2012 £
As at 1 January	1,751,000	4,351,500
Disposals	-	(2,601,500)
Additions	-	1,000
Impairments	(1,749,000)	-
As at 31 December	2,000	1,751,000

During 2012, the Group was issued a subordinated secured loan note instrument in Esquire Consolidated Investment (Holdings) Limited as partial consideration for the sale of the majority of its UK property portfolio (see Note 18). This loan note has a principal value of £2.8 million with interest at 5% annually; however the Board of PSPI initially valued the note at £1,000 on completion of the transaction in July 2012 reflecting the significant level of post transaction debt of Esquire, which is greater than the independently assessed valuation of Esquire's assets. Interest has not been accrued on this amount as it is not considered to be recoverable.

Loans also consist of issued redeemable preference shares in lessee companies. These companies lease the investment properties and business licence as referred to in Notes 11 and 14. These preference shares are redeemable at any time. During 2012 redeemable preference shares with a value of £2,601,500 were disposed of by the Group as part of the combination of the majority of its UK property portfolio with the parent group of lessee companies.

The Company has determined that, due to the significant deterioration of the tenant's operating performance in respect of the UK portfolio in 2013, the preference shares may not be recoverable and have been impaired to a nominal value of £1,000.

The preference shares are non-voting, not entitled to a dividend, are cancelled on the termination of the leases written with the relevant lessee companies and are repayable at par. Interest income, implicit on the loans is treated as interest income, as referred to in Note 6, on the same basis as specified in the lease agreements. During the year ended 31 December 2013, £205,491 (2012 – £437,691) was deducted from rental income and included in interest income. The various rental contracts are referred to in Note 6.

The fair values of loans are as follows:

	31 December 2013 £	31 December 2012 £
Preference shares	1,000	1,365,249
	1,000	1,365,249

The fair values are based on cash flows discounted using a rate based on the borrowing rate of nil for the preference shares (2012 – 14.83%).

The maximum exposure to credit risk at the reporting date is the fair value of each class of loans mentioned above. The Group does not hold any collateral as security. All loans are denominated in Pounds Sterling.

16. INTANGIBLE ASSETS – GOODWILL

	2013 £	2012 £
As at 1 January	-	2,430,197
Impairment recognised in the year	-	(959,058)
Disposals	-	(1,471,139)
As at 31 December	-	-

Goodwill arose on the acquisition of the issued share capital of Stonelea Healthcare Limited on 4 September 2007 and represents the excess of the total purchase consideration over the fair value of the net assets acquired.

Impairment tests for goodwill

On 25th July 2012, the Group disposed of HCP Stonelea Limited (see Note 18) as a result no impairment test is required.

17. INVESTMENTS IN SUBSIDIARIES

The subsidiaries are:	**Country of Incorporation**	**Ownership Percentage**	
		2013	**2012**
Healthcare Properties UK (Holdings) Limited	BVI	100%	100%
Healthcare Properties (Ashlea) Limited	Guernsey	100%	100%
Healthcare Properties Etzelgut Limited	Guernsey	100%	100%
HCP Wellcare Holdings Limited	Guernsey	100%	100%
Healthcare Properties (Wellcare) Limited	UK	100%	100%
HCP Wellcare Progressive Lifestyles Limited	UK	100%	100%
HCP Community Support Services Limited	UK	100%	100%
Healthcare Properties (I) Limited	UK	100%	100%
PSPI Elliott Celle Limited	BVI	100%	100%
PSPI Germany No 1 Limited	BVI	100%	100%
PSPI Germany No 2 Limited	BVI	100%	100%
PSPI Germany No 3 Limited	BVI	100%	100%
PSPI Elliot Bad Nauheim Limited	BVI	100%	100%
Inactive Companies			
PSPI Elliott Marktredwitz Limited	BVI	100%	100%
PSPI Germany No 4 Limited	BVI	100%	100%
PSPI Germany No 5 Limited	BVI	100%	100%
PSPI Germany No 6 Limited	BVI	100%	100%
PSPI Germany No 7 Limited	BVI	100%	100%
PSPI Germany No 8 Limited	BVI	100%	100%
PSPI Germany No 9 Limited	BVI	100%	100%
HCP Wellcare One Limited	UK	100%	100%
HCP Wellcare Two Limited	UK	100%	100%
HCP Wellcare Three Limited	UK	100%	100%
HCP Wellcare Four Limited	UK	100%	100%
HCP Wellcare Five Limited	UK	100%	100%
HCP Wellcare Six Limited	UK	100%	100%
HCP Wellcare Group Holdings Limited	BVI	100%	100%
Companies which were sold during 2013 (see Note 18).			
United Properties Holdings Incorporation	USA	Nil	100%
United Post Office Investments Incorporation	USA	Nil	100%
United Properties Finance Incorporation	USA	Nil	100%
Companies that were acquired on 25th July 2012 by Esquire Realty Holdings Limited.			
Healthcare Properties UK Limited	Guernsey	Nil	Nil
Healthcare Properties (Oxford) Limited	UK	Nil	Nil
The Manor House Nursing Home Limited	UK	Nil	Nil
Healthcare Properties LDK Limited	Guernsey	Nil	Nil
Hollygarth Care Homes Limited	UK	Nil	Nil
HCP Stonelea Limited	UK	Nil	Nil
Stonelea Healthcare Limited	UK	Nil	Nil
Stonelea Developments Limited	UK	Nil	Nil

All of the above entities were subsidiaries of the Company for the whole of the year unless otherwise stated. Historically, IMMAC has an insignificant ownership interest in the German companies.

18. NON-CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND OTHER TRANSACTIONS

a) Non–current assets held for sale

The assets and liabilities related to two investment properties owned in Germany and the United Properties Holdings Incorporation Group which have been presented as held for sale following the approval of the Directors in December 2012 for their disposal. The completion dates for these transactions were January and February 2013, respectively.

Assets of disposal group classified as held for sale

	2013 £	2012 £
Investment property	-	21,767,788
Receivables and prepayments	-	251,184
Restricted cash	-	767,406
	-	22,786,378

Liabilities of disposal group classified as held for sale

	2013 £	2012 £
Borrowings	-	15,916,052
Deferred income tax	-	1,842,157
Accruals	-	2,686
Provision for loss on subsidiary	-	2,788,488
	-	20,549,383

b) Discontinued operations

The results of HCP Etzelgut and the United Holdings Incorporation Group have been treated as discontinued operations as they represent significant segments of the business. An analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group is as follows:

	2013 £	2012 £
Operating cash flows	101,185	(143,667)
Investing cash flows	1,190,805	8,073,197
Financing cash flows	(22,040)	(8,100,104)
	1,269,950	(170,574)

	2013 £	2012 £
Revenue	244,749	2,265,384
Net loss from fair value adjustments on investment properties	-	(3,722,256)
Gain/(loss) on disposal of subsidiaries	2,332,443	(2,474,617)
Administrative expenses	(232,487)	(1,737,082)
Finance costs - net	(111,649)	(816,240)
Income tax expense	2,308	613,893
Gain/(loss) for the year from discontinued operations	2,235,364	(5,870,918)

18. NON-CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND OTHER TRANSACTIONS (Continued)

c) Other transactions

On 4th July 2012, the Company announced that it had entered into a conditional agreement to combine the majority of its UK property portfolio (see Note 17 for listing of legal entities) with the assets and business of the European Care Group, the Group's sole UK tenant in a non-cash transaction. On the 24th July 2012 the shareholders of PSPI approved this transaction with an effective completion date of the 25th July 2012.

Esquire Realty Holdings Limited, a wholly-owned subsidiary of Esquire Group Investment (Holdings) Limited ("Esquire"), the holding company of the European Care Group, acquired certain of the Group's subsidiary companies in consideration for issuance of 20% of the ordinary share capital of Esquire and the issuance of a subordinated secured loan note instrument in Esquire Consolidated Investment (Holdings) Limited, a wholly owned subsidiary of Esquire, with the principal amount of £2.8 million (see Note 15).

The Board of PSPI has initially valued the Consideration Shares and the Loan Note at a nominal value of £1,000 each on the completion of the transaction in July 2012, reflecting the significant level of post-transaction debt of Esquire, which will be greater than the independently assessed valuation of Esquire.

The loss recognised on this transaction is calculated as follows:

	Note	£	£
Assets			
Investment Properties	11	100,543,311	
Goodwill	16	1,471,139	
Loans and receivables	15	2,601,500	
Other assets		4,992,855	
Contracted post completion capital expenditure		600,000	
Total assets in disposal group			110,208,805
Liabilities			
Borrowings	22	(81,201,275)	
Derivatives		(4,615,210)	
Deferred tax liability	23	(9,547,310)	
Other liabilities		(691,636)	
Total liabilities in disposal group			(96,055,431)
Release of cashflow hedging reserve on disposal			(1,442,080)
Transaction costs associated with disposal			3,028,030
Loss on disposal			15,739,324

In addition, the Company recognised fair value losses of £19,931,864 included in the Consolidated Statement of Income in respect of the investment properties included in the transaction which completed in July 2012.

Additionally, on 19th December 2012, the Group disposed of its investment property in Switzerland held in HCP Etzelgut Limited. The results of this entity for the year have been included within discontinued operations.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2013		2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	£	**£**	**£**	**£**
Non-Current				
Interest rate swaps – cash flow hedges	-	137,944	-	416,301
Current				
Interest rate swaps – cash flow hedges	-	-	-	60,358

Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2013 were £14.2 million (2012 – £14.2 million). At 31 December 2013, the fixed interest rates, excluding lending margins, was 1.35% (2012 – from 1.35% to 1.88%).

The interest rate swaps in respect of aggregate mortgage borrowings on the UK investment properties were held in companies disposed of by the Group in 2012 ahead of the maturity of the loans to which they relates in 2012. These were valued at £5,236,283 as at 31 December 2011.

During 2010, a swap agreement was taken out in relation to borrowings secured on certain German properties, which matched the interest payment and principal repayment profile of the facility. As at 31 December 2013, this was valued at £Nil (2012 - £60,358), as the swap was settled in March 2013. As a result of the re-financing of the underlying loan in 2012 (See Note 22) a new swap agreement was taken out prior to the year end to match the renegotiated maturity date of March 2020. At December 2013 this was valued at £137,944 (2012 - £416,301).

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate). No exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an on-going basis with reference to the current fair value, a portion of the notional amount of the contracts and the liquidity of the market. The Group assesses counterparties using the same techniques as for its lending activities to control the level of credit risk taken.

The maximum exposure to credit risk at the reporting date is the fair value of each class of derivative financial instruments mentioned above. The Group does not post any collateral as security.

20. RECEIVABLES AND PREPAYMENTS

	2013	2012
	£	**£**
Trade receivables	441,311	618,336
Prepayments	37,636	46,576
Restricted cash	1,209,828	836,472
	1,688,775	1,501,384

Included under restricted cash is an amount of £609,828 (2012 - £536,472) in respect of funds held in a maintenance and liquidity reserve under the terms of a financing agreement taken out in 2010 within the PSPI Elliott Celle Group and an amount of £300,000 (2012 - £300,000) held in a maintenance reserve under the terms of a financing agreement taken out within Healthcare Properties (I) limited in 2011. Also included is an amount of £300,000 (2012 - £nil) held in a maintenance reserve under the terms of a financing agreement taken out within Healthcare Properties (Wellcare) Limited in 2013 (See Note 22).

20. RECEIVABLES AND PREPAYMENTS (Continued)

As at 31 December 2013, trade receivables of £Nil (2012 - £Nil) were past due. The ageing of this receivable is as follows:

	£ 2013	£ 2012
Current	441,311	618,336
3 to 6 months	-	-
Over 6 months	-	-
	441,311	618,336

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable and prepayment mentioned above.

None of the receivables and prepayments are impaired.

21. SHARE CAPITAL

	31 December 2013 £	31 December 2012 £
Authorised:		
Equity interests:		
500,000,000 Ordinary shares of $0.01 each	2,569,974	2,569,974
Allotted, called up and fully paid:		
Equity interests:		
105,365,717 Ordinary shares of $0.01 each	605,722	605,722

	Number of shares	Ordinary shares £	Share premium £	Total £
At 1 January 2012	105,365,717	605,722	89,786,103	90,391,825
Costs of share issue	-	-	(50,000)	(50,000)
At 1 January 2013 and 31 December 2013	105,365,717	605,722	89,736,103	90,341,825

22. BORROWINGS

	2013 £	2012 £
Non-current		
Mortgages	29,418,283	20,610,889
	29,418,283	20,610,889
Current		
Mortgages	2,323,921	12,325,960
	2,323,921	12,325,960
Total borrowings	31,742,204	32,936,849

Total borrowings include secured liabilities (Mortgages, bonds and other borrowings) of £31,742,204 (2012 - £32,936,849). These borrowings are secured by the assets of the Group. There are various pledges and covenants included in the loan agreements of the Group which are regularly reviewed and tested to ensure compliance at least annually. These include various loan-to-value covenants, interest and income cover covenants and a total group IFRS equity covenant of £50 million. Some of the agreements also contain cross default clauses consistent with industry practice.

The maturity of borrowings is as follows:

	2013 £	2012 £
Current borrowings	2,323,921	12,325,960
Between 1 and 2 years	1,425,394	6,241,077
Between 2 and 5 years	14,959,658	725,573
Over 5 years	13,033,231	13,644,239
Non-current borrowings	29,418,283	20,610,889

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2013 £	2012 £	2013 £	2012 £
Mortgages	29,418,283	20,610,889	28,607,688	19,470,027
	29,418,283	20,610,889	28,607,688	19,470,027

The fair values are based on cash flows discounted using a rate based upon a range of borrowings rate between 4.20% and 5.50% (2012 – 4.20% and 6.25%). The carrying amounts of short-term borrowings approximate their fair-value.

22. BORROWINGS (Continued)

In December 2012, the Group signed a refinancing agreement with an existing lender of loans totalling £14.1 million (€17.2 million) secured on six properties in Germany that were formally due to be repaid in March 2013. The refinancing comprises two new loans each maturing on 31 March 2020 for an aggregate of £14.3 million (€17.5 million).

As part of this financing the Group has a contingent liability to contribute €1.5 million in capital expenditure should it be necessary to re-develop the properties. There are currently no plans for such a development.

In April and December 2013, the Group completed three-year and two and a half year refinancings of existing debt facilities due to be repaid in February 2014 and December 2013, respectively totalling £17.2 million, secured against a part of the UK portfolio. The debt facility matures in April 2016.

The carrying amounts of the Group's total borrowings are denominated in the following currencies:

	2013 £	2012 £
Pound sterling	16,683,475	17,602,003
Euro	15,058,729	15,334,845
	31,742,204	32,936,848

23. DEFERRED INCOME TAX

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

	2013 £	2012 £
Deferred tax liabilities to be recovered after more than 12 months	2,127,287	4,311,793
Deferred tax liabilities to be recovered within 12 months	-	-

The gross movement on the deferred income tax liability account is as follows:

	2013 £	2012 £
Beginning of the year	4,311,793	19,096,199
Income statement (credit)	(2,193,940)	(3,266,425)
Disposals	-	(9,547,310)
Net changes due to exchange differences	9,434	(128,514)
Transferred to disposal group classified as held for sale	-	(1,842,157)
End of the year	2,127,287	4,311,793

Deferred income tax liabilities of £2,116,933 (2012: £1,528,692) have not been recognised for the withholding tax and other taxes that would be payable on the un-remitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Un-remitted earnings totalled £10,080,632 at 31 December 2013 (2012: £6,646,486). No deferred income tax liabilities have been recognised for the withholding tax and other taxes concerning un-remitted earnings of subsidiaries as these liabilities will not crystallise due to the tax structure of the Group.

23. DEFERRED INCOME TAX (Continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

Deferred tax liabilities:	**Fair value gains from Business combinations**	**Fair value gains**	**Total**
	£	**£**	**£**
At 31 December 2011	11,057,272	8,038,927	19,096,199
Charged to income statement	(303,994)	(2,962,431)	(3,266,425)
Disposals	(9,354,909)	(192,401)	(9,547,310)
Net changes due to exchange differences	-	(128,514)	(128,514)
Transferred to disposal group classified as held for sale	-	(1,842,157)	(1,842,157)
At 31 December 2012	1,398,369	2,913,424	4,311,793
Charged to the income statement	(759,984)	(1,433,956)	(2,193,940)
Net changes due to exchange differences	-	9,434	9,434
At 31 December 2013	638,385	1,488,902	2,127,287

24. INCOME TAX EXPENSE

	2013	2012
	£	£
Current income tax – continuing operations	28,116	511,260
Deferred income tax - continuing operations	(2,193,940)	(1,343,910)
	(2,165,824)	(832,650)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2013	2012
	£	£
Loss before tax per consolidated income statement	(10,751,657)	(49,184,059)
Income tax calculated at domestic tax rates applicable to profits in the respective countries	(2,467,469)	(12,613,439)
Expenses not deductible for tax purposes	-	245,954
Income not subject to tax	(72,296)	-
Income tax losses for which no deferred tax asset was recognised	1,576,046	11,240,475
Utilisation of previously unrecognised tax losses	(324,621)	-
(Over)/under provision of tax in previous years	8,817	516,230
Re-measurement of deferred taxation	(886,301)	(221,870)
Income tax expense	(2,165,824)	(832,650)

The weighted average applicable tax rate was 22.95% (2012: 25.65%). The increase in the effective tax rate is caused by a change in the profitability of certain of the Group's subsidiaries.

25. TRADE AND OTHER PAYABLES

	2013	2012
	£	£
Other taxes	121,941	115,859
Professional fees	-	1,852,143
Other payables	157,790	50,568
	279,731	2,018,570

26. ACCRUALS

	2013	2012
	£	£
Interest and other finance costs	194,985	368,224
Amounts owed to related parties	55,496	188,278
Other accrued expenses	482,494	2,657,903
	732,975	3,214,405

27. RELATED PARTY TRANSACTIONS

Until 26 March 2007, USIGH AG was the ultimate controlling party of PSPI. After this date, USIGH AG retained a significant interest in the company with a 20.07% shareholding (2012: 20.07%). David Quint and Dr Doraiswamy Srinivas are both directors of RP&C International Inc (RP&C), USIGH AG and some of its subsidiaries. William Vanderfelt is also a non-executive director of USIGH AG and was a non-executive director of RP&C until 31 December 2012. The RP&C International Group held less than 5% of the issued ordinary share capital of USIGH AG as at 31 December 2013 and 2012.

The Group was charged £658,540 (2012 – £1,022,566) in management fees by RP&C. At 31 December 2013, management and other transactions fees of £55,496 (2012 - £188,278) was owed by the Group (Note 26) to RP&C.

In July 2012, the Company combined the majority of its UK property portfolio with the assets and business of the European Care Group, the Group's sole UK tenant in a non-cash transaction. Esquire Realty Holdings Limited, a wholly-owned subsidiary of Esquire Group Investment (Holdings) Limited ("Esquire"), the holding company of the European Care Group, acquired certain of the Group's subsidiary companies in consideration for issuance of 20% of the ordinary share capital of Esquire and the issuance of a £2.8 million subordinated secured loan note instrument in Esquire Consolidated Investment (Holdings) Limited, a wholly owned subsidiary of Esquire, recorded at a nominal value of £1,000 (Note 12). Patrick Hall became a director of the holding company of the European Care Group on 25 July 2012 for which he receives a director's fee at the rate of £36,000 per annum. On the same date, Richard Barnes became a director of Esquire and certain subsidiary for which he receives no director's fees. Further to a Board meeting held on 20 March 2014, Patrick Hall and Richard Barnes have resigned their positions as directors of companies in the European Care Group on the grounds of potential conflicts of interest in the context of the implementation of any restructuring of the European Care Group's debt and assets.

Esquire Consolidated Limited ("ECL"), one of the shareholders of USIGH AG, has subsidiaries that are customers of the Group. Under various rental contracts total rental income and finance lease income from these contracts for the year ended 31 December 2013 was £3,786,986 (2012 – £8,297,757) and £1,100,462 (2012 - £1,130,451) respectively.

At 31 December 2013, the Group had outstanding loans to subsidiaries of ECL of £1,750,000 (31 December 2012 - £1,750,000). The loan was impaired to £1,000 in 2013. The Group's investment in property comprises the cost of acquisition plus these loans advanced to the operator on which the initial return, inclusive of interest is charged at between 9.5% - 10.5%. The finance lease in Note 14 is also with a subsidiary of ECL.

Doraiswamy Srinivas is a non-executive director of IMMAC Holding AG (the Group's German property advisor), whilst Richard Borg (a director of RP&C International Limited) is also secretary of IMMAC Capital UK Limited.

In December 2012 the Group entered into binding contracts to sell two Investment Properties in Germany for a gross selling price of €9.7m to an entity managed by IMMAC Holding AG, these sales were completed in January 2013. The Directors, having consulted with the Group's nominated advisor, Westhouse Securities Limited, consider that the terms of the transaction are fair and reasonable.

28. DIRECTORS' REMUNERATION

The following directors' fees were recognised in 2013 and 2012:

	2013 £	2012 £
Mr Patrick Hall	45,000	45,000
Mr Richard Barnes	25,000	25,000
Mr Christopher Lovell	25,000	25,000
Mrs Susan McCabe (resigned 31st December 2012)	Nil	25,000
Mr Alan Henderson (resigned 31st December 2012)	Nil	25,000
Mr Jonas Rydell	Nil	Nil
Mr Neel Sahai	25,000	25,000

29. EMPLOYEES

The Company had no employees at 31 December 2013 (2012 – none).

30. ULTIMATE CONTROLLING PARTY

The Company's shares are listed on the London AIM stock market. The Company does not have a controlling party.

31. SEGMENT INFORMATION

Income Statement disclosures	Continuing Operations			Discontinued Operations		
	UK	Germany	Total	US	Switzerland	Total
Year ended 31 December 2013	£	£	£	£	£	£
Revenue (Note 6)	3,786,986	3,087,492	6,874,478	244,749	-	244,749
(Loss)/profit for the year	(7,297,728)	(1,228,105)	(8,585,833)	387,729	1,847,635	2,235,364
Net loss from fair value adjustments on investment property (Note 11)	(9,602,009)	(3,171,047)	(12,773,056)	-	-	-
Adjusted profit after tax (Note 9)	2,369,693	2,034,943	4,404,636	172,465	15,304	187,769
Year ended 31 December 2012	£	£	£	£	£	£
Revenue (Note 6)	8,297,757	3,571,368	11,869,125	1,460,409	804,975	2,265,384
Loss for the year	(46,011,745)	(2,339,664)	(48,351,409)	(2,059,560)	(3,811,358)	(5,870,918)
Net loss from fair value adjustments on investment property (Note 11)	(35,435,230)	(4,008,428)	(39,443,658)	(1,127,668)	(2,594,588)	(3,722,256)
Adjusted profit after tax (Note 9)	6,274,870	1,671,620	7,946,490	46,778	585,429	632,207

31. SEGMENT INFORMATION

	Continuing Operations				Disposal group classified as held for sale		
	UK	**Germany**	**Switzerland**	**Total**	**US**	**Germany**	**Total**
Year ended 31 December 2013	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Assets							
Investment properties (Note 11)	37,673,906	34,418,873	-	72,092,779	-	-	-
Cash	2,355,457	1,645,565	-	4,001,022	-	-	-
Segment assets for reportable segments	**40,029,363**	**36,064,438**	**-**	**76,093,801**	**-**	**-**	**-**
Liabilities							
Total borrowings (Note 22)	16,683,475	15,058,729	-	31,742,204	-	-	-
Segment liabilities for reportable segments	**16,683,475**	**15,058,729**	**-**	**31,742,204**	**-**	**-**	**-**
Year ended 31 December 2012							
Assets							
Investment properties (Note 11) (including capital expenditure)	47,275,914	36,742,008	-	84,017,922	13,839,065	7,928,723	21,767,788
Goodwill (Note 16)	-	-	-	-	-	-	-
Cash	761,135	1,298,470	810,005	2,869,610	-	-	-
Segment assets for reportable segments	**48,037,049**	**38,040,478**	**810,005**	**86,887,532**	**13,839,065**	**7,928,723**	**21,767,788**
Liabilities							
Total borrowings (Note 22)	17,602,003	15,334,846	-	32,936,849	11,417,099	4,498,953	15,916,052
Segment liabilities for reportable segments	**17,602,003**	**15,334,846**	**-**	**32,936,849**	**11,417,099**	**4,498,953**	**15,916,052**

Revenues derived from the UK, US and Swiss segments relate entirely to one external customer per segment. German segment revenues derive from three external customers, one of which represents 34% (2012: 15%) of total Group revenue. Amounts for PSPI Limited, domiciled in the British Virgin Islands are included in the UK Column.

31. SEGMENT INFORMATION (Continued)

A reconciliation of total adjusted profit after tax to profit after tax as per the consolidated income statement is provided as follows:	**31 December 2013 £**	**31 December 2012 £**
Adjusted profit for reportable segments	4,592,405	8,578,697
Fair value movement on investment properties	(12,773,056)	(43,165,914)
Deferred income tax liability on fair value gains	2,193,940	3,266,425
Amortisation of debt issue costs	(572,547)	(574,541)
Interest rate swap charge to income statement	-	133,507
Deferred income tax asset movement	-	(856,557)
Impairment of loan	(1,749,000)	-
Impairment provision for receivables	-	(296,101)
Waived receivables	(192,086)	-
Impairment of goodwill	-	(959,058)
Repayment penalty on borrowings	(315,898)	(247,907)
Loss on disposal of subsidiaries	2,372,954	(18,846,811)
Non-recurring Transaction fees	(207,487)	(1,421,825)
Recycling of translation reserve	-	611,663
Current income taxation	(28,116)	(963,554)
Foreign exchange gains	328,422	519,649
Loss for the year per income statement	(6,350,469)	(54,222,327)

Reportable segments' assets are reconciled to total assets as follows:	**31 December 2013 £**	**31 December 2012 £**
Total reportable continuing segment assets	76,093,801	86,887,532
Receivable from finance lease (Note 14)	9,492,854	9,299,417
Receivables, prepayments and restricted cash (Note 20)	1,688,775	1,501,384
Deferred income tax (Note 23)	-	-
Investments	1,000	1,000
Loans (Note 15)	2,000	1,751,000
Total continuing assets per balance sheet	87,278,430	99,440,333
Assets of disposal group classified as held for sale (Note 18)	-	22,786,378
Total assets per balance sheet	87,278,430	122,226,711

Reportable segments' liabilities are reconciled to total liabilities as follows:	**31 December 2013 £**	**31 December 2012 £**
Total reportable continuing segment liabilities	31,742,204	32,936,849
Deferred income taxation (Note 23)	2,127,287	4,311,793
Current income taxation	448,565	903,936
Derivatives (Note 19)	137,944	476,659
Trade payables and accruals (Note 25 and 26)	1,012,706	5,232,975
Total continuing liabilities per balance sheet	35,468,706	43,862,212
Liabilities of disposal group classified as held for sale (Note 18)	-	20,549,383
Total liabilities per balance sheet	35,468,706	64,411,595

32. SUBSEQUENT EVENTS

Effective 21 March 2014 Patrick Hall and Richard Barnes resigned from their respective directorships of companies in the Esquire Group.

33. BOARD APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements on pages 8 to 50 were approved by the board of directors on 21 March 2014 and were signed on its behalf by:

Patrick Hall	Neel Sahai
Director	Director
Date: 21 March 2014	Date: 21 March 2014