RAVEN RUSSIA LIMITED

Annual Report and Financial Statements
for the year ended 31 December 2008

Contents

Istra

Highlights

- 364,000 square metres ("sq.m.") of warehouse space completed since 1 January 2008
- 319,000sq.m. of space let in the same period
- 26,000sq.m. included above let in the first 2 months of 2009
- $51.9 million of annualised NOI at 31 December 2008
- A further $24.9 million pre lease agreements in place
- Generated operating profit before capital items and goodwill impairment of $5 million, operating loss after such items of $163 million
- Operating cash inflow of $18 million
- Acquisition of the Property Advisor during the year
- Preference share issue since the year end raises £76 million
- NAV per share of 98 pence, adjusted NAV per share of 101 pence
- Fully diluted NAV per share post preference share issue of 90 pence, adjusted fully diluted NAV per share post preference share of 92 pence
- IFRS loss before tax of $189 million for the year includes:
  - Revaluation deficit, impairment of development assets and related foreign exchange of $108 million; and
  - Write off of intangibles on acquisition of $60 million

Istra - Winner, Best Warehouse 2009,
CRE Awards Moscow

Company Summary

The Company	The Company is a Guernsey investment company and its shares are listed on AIM. It was incorporated on 4 July 2005 and dealings on AIM commenced 29 July 2005.
Investment Strategy	The Company's strategy is to invest for the long term, in freehold and leasehold property in Russia which offer the prospect of attractive returns to its investors.
Property Adviser	The Company originally appointed Raven Russia Property Management Limited to provide property advisory, management and development monitoring services. On 26 November 2008, the Company completed the internalisation of its Property Adviser, following which the Group is no longer subject to the restrictions of its formal investment strategy.
Fundraising	Following the initial fundraising on 29 July 2005, the Company had a capital structure of 153,000,000 ordinary shares of 1p each which were subscribed for at 100 pence per ordinary share. On 31 March 2006 the Company announced a secondary fundraising to raise £310 million (before expenses) through the issue of 269,565,210 shares at 115 pence per share. The shares were fully subscribed and admitted to AIM on the 27 April 2006. On 25 March 2009 the Company raised a further £76 million (before expenses) through the placing of units of £1, each unit comprising 1 preference share and 1 warrant to acquire ordinary shares in the Company.

For further information please visit the Raven Russia Limited website, www.ravenrussia.com

Chairman's Statement

The Board of Raven Russia Limited ("Raven Russia") announces the Group's results for the year ended 31 December 2008.

In difficult circumstances the Raven Russia team has continued to deliver its construction targets and generate increasing rental income.

Since 1 January 2008 we have completed 364,000sq.m. of warehouse space and let 319,000sq.m., 26,000sq.m. of which since the year end. At the year end our annualised net operating income ("NOI") stood at $51.9 million per annum increasing to $76.8 million, including pre- lets and joint ventures, at the current date.

By summer 2009, we will have a completed portfolio of warehouses comprising of 1,046,000sq.m. of the highest quality and although demand has been affected by global factors we are still letting satisfactorily.

In June 2008 we announced the intended internalisation of the Property Advisor and completed the transaction in November 2008. This results in a Group with 59 employees at 31 December 2008 operating from three separate jurisdictions. Anton Bilton and Glyn Hirsch joined the Board of Raven Russia at the time of internalisation and we can now say that we have truly aligned the objectives of the key Raven Russia team with delivering shareholder value.

As a backdrop to these positive developments, the global crisis arrived in Russia in the second half of the year and by 31 December had manifested itself in three ways for Raven Russia:

- a weakening of the Rouble and Sterling relative to the US Dollar;
- downward valuations of completed assets and impairment of assets under construction; and
- the withdrawal of bank finance from the market.

The weakening Rouble and downward valuation of property carrying values had a detrimental impact on the Group's Net Asset Value (NAV), with adjusted NAV per share at the year end of $1.47 (2007: $2.32). However the weakening of Sterling gives a compensatory cushion on the Sterling equivalent adjusted NAV per share of 101p at today's exchange rate (recorded NAV per share in the 2007 accounts of 115p).

This downward adjustment of NAV was predominantly a non cash movement related to the carrying values of both completed and development assets, the majority of foreign exchange movements relating to a reduction in the carrying value of the latter. Once assets are completed and revalued in US Dollars, the exposure to foreign exchange movements is significantly reduced as the majority of our rental income is US Dollar pegged, the majority of our debt is US Dollar denominated and the transaction currency for completed assets is US Dollars.

Novosibirsk

Chairman’s Statement – *continued*

These various provisions against our property assets, returns initial yield valuations to 2005 levels of between 12% and 12.5% in Moscow and 13% to 13.5% in other cities including St Petersburg.

With the prevailing global uncertainty on the availability of finance and with a large proportion of the Group’s portfolio completing in the first half of 2009, the Board took pre emptive action to ensure the security of the business during the current letting phase of the portfolio development. Since the year end we have announced the raising of £76.2 million through a placing of preference shares and warrants as well as the offer for Raven Mount Group plc, previously the owner of the Property Advisor, which will further strengthen the Group’s balance sheet. At today’s share price the warrant issue is not dilutive, however were the warrants to be exercised in full it would result in an adjusted NAV per share of 92 pence.

As previously reported, the Company intends to move to the Official List over the next 12 months, subject to meeting the Official List eligibility requirements, which the Company will endeavour to do.

With a high quality portfolio, a strong balance sheet and excellent management, we are therefore well placed in this difficult world.

Richard Jewson
Chairman

Noginsk

Property Review

The focus of the business in the past 12 months has been the construction of our development portfolio and the leasing of the Grade A space we have built. During the year we leased or signed pre lets on 293,063sq.m. of space with a value of $37.5 million per annum. We also completed the construction of 162,289sq.m.

Investment Portfolio

The Company's completed investment portfolio now comprises 390,500sq.m. at different sites in Moscow and St Petersburg. These properties produce a yield on cost on an ungeared basis of 13.9%. Our rent roll at the year end stood at $51.9 million.

Contracted rent on all of the Company's properties is $76.8 million per annum, represented by $51.9 million from the investment portfolio and $24.9 million per annum due under pre lettings, including Megalogix.

The weighted average unexpired lease term on the investment portfolio is 5.73 years and the vacancy rate is 5%, including 17,500sq.m. at Istra that has recently been completed.

The investment properties were valued at the period end by Jones Lang LaSalle ("JLL") in accordance with the RICS Valuation and Appraisal guidelines at an aggregate value of $453.8 million, a decrease of $39 million compared to values at 31 December 2007 or date of completion if later. This reflects the change in market conditions not only in Russia but also globally. The Company continues to hold its development stock at cost less any provision for impairment until each building is complete and ready for occupation.

Property	Land plot, ha	GLA, sq.m.	Total Development Cost	Rental Status	Net Operating Income (1)	Interest (2)
Baltia	5.1	28,000	$29,000,000	Fully let	$3,500,000	100%
Southern	1.7	14,000	$15,300,000	Fully let	$2,100,000	100%
Krekshino	22.2	118,000	$113,000,000	Fully let	$13,800,000	100%
Constanta	0.5	16,000	$57,000,000	Fully let	$9,400,000	100%
Istra phases 1-5	33.3	199,000	$171,000,000	77% Let/Pre-Let	$19,500,000	100%
Shushary 1-3	26.0	142,000	$144,500,000	42% Let/Pre-Let	$7,100,000	100%
Noginsk I	21.8	123,000	$117,000,000	Under construction	$ -	100%
Pulkovo	5.1	36,000	$40,700,000	Under construction	$ -	100%
EG	10.0	53,000	$59,100,000	100% Pre-Let	$6,900,000	100%
Klimovsk I	9.0	54,000	$63,000,000	34% Pre-Let	$2,800,000	100%
AKM I	12.3	63,000	$75,100,000	10% Pre-Let	$900,000	100%
Rostov on Don I	18.6	100,000	$123,900,000	58% Pre-Let	$6,400,000	50%
Novosibirsk	17.8	120,000	$127,200,000	27.5% Pre-Let	$4,400,000	50%
Total	183.4	1,066,000	$1,135,800,000		$76,800,000	

(1) Net Operating Income: net operating income for income producing assets represents the annualised, actual rental income at 31 December 2008. For properties under development net operating income represents the anticipated annual income under signed preliminary lease agreements.

(2) The interest in the project reflects the proportion of the project accounted for in the consolidated financial statements.

Development Portfolio

Construction of the active projects in the development portfolio is almost complete. During the year 162,289sq.m. of new space was delivered for tenants to occupy, all of it pre-let. Of the balance, 201,225sq.m. is already construction complete and we are in the process of obtaining the requisite permits to permit operation and use. 454,308sq.m. remains in the final phase of construction and we expect this to be completed by the summer. Construction of all projects was slowed by a month or two during the autumn as the impact of the global crisis impacted contractors and sub-contractors who had their credit lines restricted by their own suppliers.

The current investment portfolio is yielding 13.8% on cost. We anticipate the remaining development properties will deliver a yield on cost of 11.9%, based on the estimates of costs to completion and anticipated rents. Overall the Group portfolio of investment and development assets is expected to deliver an ungeared yield on cost of 12.9%.

Development in Russia is a demanding process. Not only does the design have to reflect the extremes of a continental climate, the budget allows for the added steel to withstand the snow load in winter, but the buildings actually get built through those extremes. A recent visit by one of our banking partners to our Novosibirsk project when the temperature was -35˚C, is a reminder of the physical challenges we have faced on site, when even the simplest of tasks becomes incredibly arduous.

Moscow

At Istra, both the 2nd and 3rd phases, comprising 102,123sq.m. are now complete and the 4th phase of 29,580sq.m. will be finished next month. Phase 2 is let to DSV for a term of 10 years. Seacon have taken 25,847sq.m. in Phase 3 for 7 years and DSV have also committed to 8,824sq.m. for 10 years. 17,502sq.m. remains unlet although we are in discussion with a number of potential tenants.

Phase 5 of 18,140sq.m. has also been pre-let to an international tenant for a term of 10 years. We are in discussions with the tenant to offer them space in an earlier unlet phase of Istra in lieu of Phase 5.

At Noginsk the first phase of 123,000sq.m. will be ready very shortly. Despite being in detailed negotiations with a number of tenants none has yet to commit, although we are hopeful of signing up a number of occupiers soon.

At Klimovsk, the first building of 18,124sq.m. has been delivered and pre-let to Gradient, a local manufacturer and distributor of household cleaning materials, on a 7 year term. The remaining 35,876sq.m. will be ready for occupation by the summer.

Our EG project has continued to suffer delays, and we have taken action to replace elements of the partners on-site team. The project should have completed in Q4 2008 but now the first 40,700sq.m. out of 53,000sq.m. will be ready in May. The remaining space will be delivered by August 2009. This project is 100% pre-let.

St Petersburg

In July we announced the AKM transaction in St Petersburg where we have now completed the construction of the first phase of 63,000sq.m. Prior to the year end we signed a letting on 5,990sq.m. with Krupskaya for a term of 7 years.

At our Shushary project the second phase of 45,000sq.m. is now completed and ready for tenants. We have delayed completion of Phase 3 until such time as tenant demand improves. 70% of the construction of this building is complete and the building is now wind and watertight.

At Pulkovo 1 the building will be finished next month and will provide 36,000sq.m. We are in discussions with a number of tenants.

Megalogix

In Novosibirsk we have construction completed the project and delivered 120,000sq.m. of Grade A space; the first high quality warehouse development in the largest city in Siberia with a population of 1.5 million. The project was officially opened with the local administration on 25 February and we expect operation and use permits very shortly. Avalon Logistics has taken 32,932sq.m. on a 10 year lease and we are in discussions with a number of other prospective tenants.

At Rostov on our 45ha land plot we have virtually construction completed the first phase of 100,000sq.m. Once again this is the first Grade A warehouse project in the Rostov region where there are around 4.5 million people. Pre-lets have been signed with Avalon Logistics for 31,614sq.m, Auchan for 15,678sq.m. and X5 for 10,510sq.m. for 10 years, 7 years and 7 years respectively. The project is now 58% pre-let.

Land Bank

The Company holds an additional 463.5ha of land in Kiev and regional cities of Russia that has longer term potential. At the current time we do not envisage any speculative development on these sites. Instead we are focusing on securing all the necessary construction permits to add value to the land and offer selective Build to Suit opportunities for high class tenants where possible.

The Market

The Russian warehouse sector remains an attractive asset class, offering investors high income returns and the potential for capital growth. Compared to other European countries Russia still has a deficit of supply on a per capita basis. This and the difficulty in securing and developing large scale land plots in and around the major Russian cities is likely to limit supply in the future. Very little new development is planned to start this year improving the prospects for a stable market during the end of 2009 and into 2010.

During 2008 only 463,000sq.m. was delivered to the market in Moscow against an estimate of 1.3 million sq.m. at the start of 2008. Take up during 2008 was 528,000sq.m. For 2009 Knight Frank estimate 550,000sq.m will be delivered and demand is predicted to be 1.0 million sq.m. although actual take up is likely to be reduced because of market conditions.

During the first 9 months of the year occupier demand held up and rental levels remained strong in Moscow. But, with the weakening of the Rouble and global confidence a number of tenants postponed or cancelled decisions to lease space. The start of 2009 has seen tenants remaining cautious, although it is difficult to understand whether requirements for new space have been shelved for good or simply delayed.

Tenant's have continued to commit to new leases in the Company's portfolio over the past 3 months and discussions are on going on all of the developments with potential occupiers, although at a lower level than previously. However, the lack of capital available has created a new type of demand from occupiers who previously wished to construct their own facilities but are now seeking to rent.

Rental levels have decreased by approximately 10% in Moscow, reflecting increased competition for tenants and the Rouble devaluation against the US Dollar, in which rents are denominated.

Over the next year rents may well soften further if tenant demand weakens further and the Rouble continues to fall against the US Dollar. Leases are also likely to shorten as tenants look for shorter commitments and landlords push back against signing long term leases at lower rents. With debt finance remaining scarce creating long term leases is less essential for a landlord than cash flow so we are likely to enter into a number of shorter term agreements.

The property investment market has been extremely quiet in the last 6 months although those assets that have been sold have been from distressed sellers at depressed prices and probably do not represent the long term value of the real estate simply a need to monetise assets. There have not been any sales of completed warehouses in the last 6 months, although JLL have marked down their valuations by approximately 20% to reflect their opinion of the change in the market.

Outlook

Russia remains a country with huge natural resources, a relatively unleveraged population and an under supply of warehousing per capita. Even in difficult economic times goods need to be moved, stored, repacked and sent to market for sale. Office demand can evaporate as companies relocate workers to call centres around the globe or working from home increases. Warehousing and distribution is more fundamental and defensive.

The next 12 months is about maintaining cash flow from our investment properties and creating cash flow from our development portfolio. In the short term leases may be shorter, rents may be lower, but with virtually no new space set to start on site in Moscow in the next few months the potential exists for a positive end to the year if tenant demand holds up.

Glyn Hirsch
Chief Executive Officer
29 March 2009

Financial Review

The Group generated NOI of $43 million (2007: $26 million) in the year and an ongoing operating profit before impairment of goodwill of $5 million (2007: $8 million) after recording a share of losses of the joint venture logistics operator, Avalon Logistics, of $6 million (2007: nil) and abortive project costs of $4 million (2007: $2 million), the latter a factor of the current climate. Avalon Logistics remains in an early stage of growth and we expect this to break even in 2010/11 with minimal additional capital investment required.

The Group is also in a period of internalising all outsourced administrative functions. As well as the Property Advisor, it has now brought administration of its Cypriot operations in house and is in the process of doing the same with its Guernsey head office function. This does involve a duplication of costs in the transition period but will deliver both cost benefits and significant operational efficiencies going forward.

At 31 December 2008, the Group had 8 completed assets, including 3 phases of the Istra project, the 3rd phase of which received its ownership certificate on 26 December 2008. This phase was 66.5% pre-let at the year end and we expect to let the remaining space shortly. All other completed assets were fully let. These assets generate an annualised income of $51.9 million on current lettings and $54.1 million when fully let.

An independent valuation of the completed assets at 31 December 2008 by JLL gives a combined valuation of $454 million, an uplift of $52 million on cost of $402 million and a loss on revaluation of $39 million compared to values at 31 December 2007. These year end valuations imply an ungeared initial yield on a well let rack rented warehouse property of 12% to 12.5% in the Moscow region and 13% to 13.5% in St Petersburg and other regional cities.

The shift in valuation yield has prompted us to carry out an impairment review of our assets under construction and regional land bank, which are carried at cost. This review has resulted in a provision for impairment on our St Petersburg and regional assets of $39 million, reducing these assets to a carrying value of $265 million. There is no impairment of our Moscow assets under construction and these are carried at a cost of $179 million at the year end.

Acquisition of Property Advisor

The Property Advisor was acquired in November 2008 for consideration of 80 million Raven Russia shares and £15 million cash. In accounting terms, this was effectively a payment for release from the property advisory contract and therefore the value of the consideration has been expensed in the income statement with no residual assets or liabilities carried on balance sheet. An independent valuation of the contract was completed and this results in a charge to the income statement and a release of negative goodwill of $67 million and $7 million, respectively.

Foreign Exchange

The Group's principal transaction currency on completed assets remains US Dollars. During the development phase however, the assets accrue a cost in Roubles. As the Group's Russian subsidiaries have a Rouble functional currency, this has accounting implications as changes in the US Dollar/Rouble exchange rate will result in a change in carrying cost when the assets are presented in US Dollars in the consolidated financial statements. The Rouble depreciation in the second half of the year resulted in a loss of $34 million in the income statement (2007: profit of $0.3 million) and a decrease in the net investment in subsidiaries of $54 million (2007: $5 million) through the translation reserve within equity.

On completed assets, where the Group's assets have income, debt and a capital transaction currency of US Dollars any movement in the Rouble exchange rate is NAV neutral.

Finance Income and Expense

Income generated from cash holdings reduced significantly in the year to $1.3 million from $24.4 million in 2007. Net interest receivable from joint venture operations was $10.4 million (2007: $2.6 million).

As financing facilities on completed assets were drawn in the year, finance service costs increased from $1.8 million in 2007 to $13.5 million.

Where the Group transacts in currencies other than US Dollars it seeks to hedge its cash flow exposure where practical, either by holding cash balances in the alternative currency to cover expected liabilities or hedging future cash flows with derivative instruments. The principal exposure in 2008 was to construction cash flows where underlying contracts were Russian Rouble denominated and funding was in US Dollars. Non Deliverable Forward instruments (NDF's) were entered into earlier in 2008 to give cash flow certainty on the forecast construction cash flows in the year. This fixed our exchange rate at an average rate of 23.66 Roubles over the year. Whilst the depreciating Rouble had a positive impact on construction cash flows towards the end of the period, the losses realised on the unwinding of the NDF's offset this. As the hedging policy does not meet the strict definition of a hedge under IFRS, the loss on the NDF instruments is taken to the income statement as a finance expense. This totalled $14.7 million in the year, (2007: gain of $1.8 million).

The Group also hedges its interest rate exposure with the use of interest rate swaps and caps. These instruments have to be marked to market for accounting purposes and the movement for the year resulted in a loss of $7.6 million (2007: nil) a result of the global reduction in interest rates at the year end.

Together the various items above result in a loss before tax for the year of $189 million (2007: profit of $115 million) of which $185 million results from unrealised movements on property carrying values, the write off of intangible assets, unrealised foreign exchange movements and movements on hedging instruments.

Balance Sheet

As explained above, completed property assets are carried at a value of $454 million (2007: $346 million) and assets under construction at $444 million (2007: $252 million) after an impairment provision of $39 million (2007: nil).

Financing

At 31 December 2008, the Group had financed these assets with $426 million of interest bearing debt. Including its joint ventures, but excluding the Group's Kiev project, bank financing raised for its projects totalled $475 million (2007: $89 million) of which $263 million related to refinancing of completed investment properties (2007: $89 million) and $212 million to construction projects (2007: nil).

The investment debt represents a loan to value ratio on 31 December 2008 values of 62% (2007: 64%).

The weighted average cost of debt to the Group is 8.3% (2007: 6.8%).

No financing covenants have been breached and at 31 December 2008 $27 million was undrawn on a construction facility of $69 million. The Group also had an undrawn construction facility of $53 million on its Kiev project but this project has been postponed due to the current climate and has not been included in the figures above. The facility remains in place until 30 June 2009.

Since the year end, the Group's regional joint venture, Megalogix Limited, has had an additional facility with the European Bank of Reconstruction and Development ("EBRD"), credit and Board approved. The facility is for $40 million and is initially a construction facility, switching to a term loan on completion of the related asset. The term of the loan is 8 years with a margin, on project completion, over US Libor of 6.25%. The first $20 million of the facility is expected to be drawn in May 2009.

Cash Flow

The cash flows for the year give a good representation of the business in 2008. As assets were completed and let the Group increased its positive operating cash flow, generating $18 million (2007: $9 million).

Investing activities represented cash outflow for development projects, totalling $670 million in the year (2007: $364 million) and this was part financed by new bank borrowings of $344 million (2007: $96 million) including our share of joint venture facilities.

Net Asset Value and Dividends

The Group's adjusted NAV at 31 December 2008 is $752.7 million (2007: $995.8 million) giving an adjusted NAV per share of $1.47 (2007: $2.32) converting to 101p (2007: 117p) at the 31 December exchange rate.

The financial statements show a dividend of 7p was paid in the year to 31 December 2008. Given the current climate of uncertainty, it is the intention of the Board to pay a 1p dividend in 2009 and then review the dividend policy once the results of the current letting programme can be ascertained. It is the intention of the Board to return to a higher dividend return to shareholders as soon as practicably possible.

Mark Sinclair
Chief Financial Officer
29 March 2009

Directors

Richard Jewson **(aged 64)**

Non-executive Chairman

Richard Jewson joined Jewson, the timber and building merchant, in 1965 becoming the Managing Director, then Chairman of its holding group, Meyer International plc from which he retired in 1993. He is currently Chairman of Archant Ltd, and a non-executive director of Temple Bar Investment Trust plc, Grafton Group plc and Clean Energy Brazil plc and other unquoted companies. He retired in 2004 from 10 years as Chairman of Savills plc and in 2005 from 14 years as a non-executive Director and deputy Chairman of Anglian Water plc.

Richard is a member of the Audit Committee and Remuneration Committee and is Chairman of the Nominations Committee.

Anton Bilton **(aged 44)**

Executive Deputy Chairman

Anton Bilton is an economics graduate from City University in London. Anton is Executive Deputy Chairman of the Company and executive Chairman of Raven Mount Group plc. He has also been a founder and director of three companies that have floated on AIM (Internet Technology Group plc, Keystone Solutions plc, and E-Capital Investments plc, now called Avanti Capital plc). Anton has also been a director of four public property companies established under the Business Expansion Scheme.

Anton is a member of the Nominations Committee.

Glyn Hirsch **(aged 48)**

Chief Executive Officer

Glyn Hirsch qualified as a Chartered Accountant with Peat, Marwick Mitchell & Co in 1985. Until 1995, he worked in the corporate finance department of UBS (formerly Phillips & Drew) latterly as an Executive Director specialising in UK smaller companies. From 1995 until 2001, he was Chief Executive of CLS Holdings plc, the listed property investment company, a former Director of Citadel Holdings plc, the specialist French property investor and former Chairman of Property Fund Management plc, the listed property fund management business. Glyn is also a non-executive director of a number of public and private companies including Liontrust Asset Management plc. Glyn is also a director of Raven Mount Group plc.

Colin Smith **(aged 39)**

Chief Operating Officer

Colin Smith, a Guernsey resident, who has been a senior executive of the company for a year, was appointed to the Board on 14 November 2008. He has acted as a key liaison between the company's non-executive board of directors and its service providers, including the Property Adviser and administrators in Guernsey and Cyprus. Prior to joining the company, he was a director in the audit and assurance division of the chartered accountant practice of BDO in Guernsey. He was with BDO in Guernsey since 1994, having qualified as a Chartered Accountant with Stoy Hayward. He is also a non-executive director and chairman of the audit committee of Tethys Petroleum Limited.

Mark Sinclair **(aged 43)**

Chief Financial Officer

Mark Sinclair, a Guernsey resident, is a chartered accountant, and spent 18 years at BDO Stoy Hayward, a leading professional services firm in the UK. He was a partner in the London real estate group responsible for a portfolio of large property companies, both listed and private. He joined Raven Mount in June 2006 as Finance Director of Raven Russia Property Management Ltd, the Property Adviser to the Company. He has significant experience in all financial aspects of property transactions and company reporting. Mark was appointed to the Board on 23 March 2009.

Directors – *continued*

Stephen Coe **(aged 43)**

Non-executive Director

Stephen Coe BSc, FCA, a resident of France, is self employed providing executive and non-executive services to public and private clients. His current public directorships include Matrix European Real Estate Investment Trust Ltd and ACP Capital Ltd, where he acts as a non-executive director; he is also chairman of the audit committee for the two entities. Private clients include investment funds, management companies and a captive insurer. From 2003 to 2006, he was Managing Director of Investec Trust (Guernsey) Ltd and Investec Administration Services Ltd, responsible for private client and institutional structures. Between 1997 and 2003 he was a director of Bachmann Trust Company Ltd and previously he worked with Price Waterhouse specialising in financial services.

Stephen is Chairman of the Audit Committee and a member of the Remuneration Committee.

David Moore **(aged 48)**

Non-executive Director

David Moore is a resident of Guernsey. He is an advocate of the Royal Court of Guernsey and is a partner with Ozannes, the Company's lawyers in Guernsey. He has been with Ozannes since 1993 and before that spent 10 years practising in the City of London, predominantly with Ashurst Morris Crisp. He specialises in corporate and financial matters and is a non-executive director of a number of investment and insurance management companies, investment and insurance companies including Standard Life Investments Property Income Trust Ltd of which he is non-executive chairman.

David is a member of the Audit Committee.

Christopher Sherwell **(aged 61)**

Non-executive Director

Christopher Sherwell is a Guernsey resident and a former managing director of Schroders in the Channel Islands. Before joining Schroders, he was Far East Regional Strategist in London and Hong Kong for Smith New Court Securities and prior to that spent 15 years as a journalist much of them as a foreign correspondent for the Financial Times. He has considerable public company experience and acts as a non executive director on a number of publicly listed investment companies including Hermes Absolute Return Fund Ltd and Hermes Commodities Umbrella Fund Ltd, both of which he is chairman, IRP Property Investments Ltd and Rutley European Property Ltd. Christopher Sherwell is on the Audit Committee.

Christopher is Chairman of the Remuneration Committee and a member of the Audit Committee and Nominations Committee.

The Directors present their report and the financial statements of the Group for the year ended 31 December 2008.

Principal Activities

The Company is a Guernsey registered investment company and during the year carried on business as a property investment company.

Business Review

A review of the business during the year is contained in the Chairman's Statement.

Results and Dividends

The results for the year are set out in the attached financial statements.

The Company paid an interim dividend of 3p per ordinary share during the year and is not proposing to pay a final dividend.

Directors

The Directors, who served throughout the year, and subsequently, were as follows:

Richard Jewson (Non-executive Chairman)
Anton Bilton (Executive Deputy Chairman)
(Appointed 27 November 2008)
Glyn Hirsch (Chief Executive Officer)
(Appointed 27 November 2008)
Colin Smith (Chief Operating Officer)
(Appointed 14 November 2008)
Mark Sinclair (Chief Financial Officer)
(Appointed 23 March 2009)
Stephen Coe (Non-executive Director)
David Moore (Non-executive Director)
John Peters (Non-executive Director) (Retired 30 April 2008)
Christopher Sherwell (Non-executive Director)
Appointed 1 April 2008)

At each annual general meeting of the Company, one third of the Directors shall retire from office. In addition, each Director shall retire from office at the third annual general meeting after he was appointed or reappointed, if he would not otherwise fall within the Directors to retire by rotation. A retiring Director shall be eligible for re-appointment.

Directors' Interests

Directors who held office at the year end and their interests in the shares of the Company as at 31 December 2008 were:

	Number of Ordinary Shares	Percentage of issued share
Richard Jewson	154,229	0.0301%
Anton Bilton *	48,866,160	9.5441%
Glyn Hirsch *	30,632,563	5.9866%
Colin Smith	11,569	0.0023%
Stephen Coe	63,000	0.0123%
David Moore	89,564	0.0175%
Christopher Sherwell	29,000	0.0057%

* Includes 29,163,447 ordinary shares held by Raven Mount Group plc and 1,329,253 ordinary shares held by the Raven Mount Group plc Employment Benefit Trust. Anton Bilton and Glyn Hirsch are potential beneficiaries of the Raven Mount Group plc Employment Benefit Trust. They are also both directors of, and in the case of Anton Bilton a substantial shareholder in, Raven Mount Group plc.

Directors' share options and remuneration

As approved at an extraordinary general meeting of the Company on 28 August 2008 the Company has established the Raven Russia Limited Employee Benefit Trust ("the EBT") and has transferred to it 5 million ordinary shares. The EBT will use such shares to retain and incentivise key senior employees dependent upon their continued employment with the Group. Colin Smith and Mark Sinclair are amongst the potential beneficiaries of the EBT.

The objective of the Group's remuneration policy is to pay salaries and benefits in line with other companies of a similar size and complexity so as to attract, retain and incentivise high calibre staff. Consistent with this policy, benefit packages awarded to Directors are intended to be competitive and comprise a mix of performance-related and non-performance-related remuneration. Remuneration for the executive directors comprises annual salaries, bonuses, benefits, including pension contributions, and in due course share options.

During the year the Directors received the following remuneration:

	Salary and fees	Benefits (i)	Bonuses	Pension	Total
	£'000	£'000	£'000	£'000	£'000
Executive					
A J G Bilton (ii)	29	1	-	3	33
G V Hirsch (ii)	44	1	-	4	49
C A Smith (ii)	20	1	-	2	23
Non-executive					
R W Jewson	80	-	-	-	80
S C Coe	40	-	-	-	40
D C Moore	40	-	-	-	40
J Peters	13	-	-	-	13
C W Sherwell (ii)	30	-	-	-	30
	296	3	-	9	308

(i) Benefits include provision of life insurance and private health insurance
(ii) C W Sherwell was appointed a director on 1 April 2008, C A Smith on 14 November 2008 and A J G Bilton and G V Hirsch both on 27 November 2008. In each case their remuneration is shown from their respective appointment dates.

Substantial Shareholdings

The Company has been notified of shareholders, other than directors, holding 3% or more of the ordinary shares as follows:

Ordinary Shares of £0.01

Name of holder	Number held
Invesco Perpetual	99,330,832
Lansdowne Partners	36,745,161
Schroder Investment Management	34,304,409
F&C Asset Management Limited	33,671,700
Laxey Partners	31,043,025
Mackenzie Financial Corp	29,600,000
Raven Mount Group plc	29,163,447
Credit Suisse	19,457,245
Deutsche Bank	17,160,954
Aviva Investors Global Services Limited	15,993,440
Lazard Asset Management Limited	15,813,120

Substantial shareholders are stated as at 25 February 2009.

Directors' Responsibility Statement

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group at the end of the year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 and IFRS as adopted by the EU. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware and each has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

BDO Stoy Hayward LLP and BDO Novus Limited resigned as joint auditors on 2 December 2008 and Ernst & Young LLP were appointed in their stead. Ernst & Young LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board,

Colin Smith David Moore
29 March 2009

Combined Code

As an AIM Company incorporated in Guernsey, there is no requirement for the Company to comply with the Combined Code on Corporate Governance (the "Combined Code"), issued by the Financial Reporting Council. However, the Board has determined that it should be the Company's policy to ensure that the Company complies with the Combined Code to the extent appropriate, taking into account the size and nature of its business. The Company has complied with the provisions set out in the Combined Code, to the extent considered appropriate by the Board.

The Board and Board Committees

The Chairman is Richard Jewson.

The Board considers the Non-executive Directors (including the Chairman) to be independent for the purposes of the Combined Code.

John Peters retired on 30 April 2008.

Stephen Coe was formerly a director of Investec Administration Services Limited which acted as the Company's administrator until 15 November 2007. The Board considers Mr Coe to be independent for the purposes of the Combined Code as from the date of termination of the appointment of Investec Administration Services Limited.

David Moore is a partner in Ozannes, Advocates and Notaries Public. Ozannes provide independent Guernsey legal advice to the Group. Total legal fees paid to Ozannes in the year ended 31 December 2008 amounted to £283,394 (2007: £128,754). Mr Moore refrains from participation in and voting on any board resolutions concerning the appointment or remuneration of Ozannes. The other members of the Board consider that Mr Moore has conducted himself and carried out his duties in relation to the Company in a manner consistent with, and demonstrative of, his independence. The Board considers, therefore, Mr Moore to be independent for the purposes of the Combined Code.

The full Board meets four times a year to consider general matters affecting the Company and otherwise as required. Committee meetings comprising any two or more Directors (not for the time being situated in the UK) meet on an ad hoc basis to consider transactional and related matters concerning the Company's business.

The Board has appointed an Audit Committee which is responsible for ensuring that the financial performance of the Group is properly reported on and monitored. The Audit Committee reviews the annual and interim accounts, results, announcements, internal control systems and procedures, accounting policies of the Group and the continuing appointment of the auditors. The Audit Committee comprises Richard Jewson, David Moore, Christopher Sherwell and Stephen Coe, who is Chairman. The Audit Committee meets at least four times a year.

The Board has appointed a Nominations Committee comprising Anton Bilton, Christopher Sherwell and Richard Jewson, who is Chairman. Changes in the membership of the Board are considered by the Nominations Committee prior to making recommendations to the full Board.

The Board has recently appointed a Remuneration Committee comprising Stephen Coe, Richard Jewson and Christopher Sherwell, who is Chairman. The Remuneration Committee will meet at least twice a year to review the performance of executive directors, to recommend their remuneration and other benefit packages. The fees of the Non-executive directors are determined by the executive directors.

The number of meetings of the full Board and the Audit Committee attended by each Director during 2008 is set out below:

		Full Board	**Audit Committee**
		Held Attended	**Held Attended**
R W Jewson	Held	9	4
	Attended	9	4
S C Coe	Held	9	4
	Attended	9	4
D M Moore	Held	9	4
	Attended	9	4
C W Sherwell	Held	7	2
	Attended	7	2
J Peters	Held	2	2
	Attended	2	2

There were no meetings of the Full Board from the dates of the appointment of C A Smith, A J G Bilton and G V Hirsch until 31 December 2008.

All the Directors are entitled to have access to independent professional advice at the Company's expense where they deem it necessary to discharge their responsibilities as Directors.

The Directors receive advice from the Company's financial and other professional advisers on appointment as to the affairs of the Company and their responsibilities and will receive such other training as may from time to time be appropriate.

Since the internalisation of the Property Adviser and the expansion of the Company's Board, the Board has been developing and implementing appropriate protocols to ensure appropriate principles of corporate governance continue to be maintained and to allow the Company to achieve its aim of moving to the Official List.

Performance of the Board

The performance of each Director will be appraised by the Board, led by the Chairman, prior to the holding of the Annual General Meeting for each year. The performance of the Chairman will be appraised by his fellow Directors led by the chairman of the Audit Committee.

Remuneration of Board

Details of the remuneration of the Board are set out in the Directors' Report. Details of Directors' service contracts and appointments as at the date of this report are as follows:

Executive (Contracts)	Salary / Fee £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
A J G Bilton	300	27.11.08	Rolling contract	12 months	(Payment of 12 months salary and benefits on termination)
G V Hirsch	450	27.11.08	Rolling contract	12 months	
C A Smith	160	14.11.08	Rolling contract	12 months	
M Sinclair	300	23.03.09	Rolling contract	12 months	

Non-executive (appointment letters)	Salary / Fee £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
R W Jewson	80	29.06.07	Rolling contract	3 months	(No provision for payment of compensation)
S C Coe	40	04.07.05	Rolling contract	3 months	
D C Moore	40	04.07.05	Rolling contract	3 months	
C W Sherwell	40	01.04.08	Rolling contract	3 months	

Going Concern

The financial position of the Group, its cash flows and borrowings are described in the Financial Review and the notes to the accompanying financial statements. In addition in note 29 there is a description of the Group's objectives and policies for managing its capital, its financial instruments and hedging activities and its exposure to credit and liquidity risk.

The Group has substantial cash and short term deposits, which have been supplemented by the recent issue of preference shares and warrants described in note 31, as well as an increasing and profitable rental income stream and as a consequence the Directors believe the Group is well placed to manage its business risks in the current challenging economic environment.

After making enquiries and examining major areas which could give rise to significant financial exposure the Board has a reasonable expectation that the Company and its Group have adequate resources to continue its operations for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparation of these financial statements.

Investor relations

The Board welcomes correspondence from shareholders, addressed to the Company's registered office. All shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The Board hopes that as many shareholders as possible will be able to attend the meeting.

The Board believes that sustainable financial performance and delivering on the objectives of the Company are indispensable measures in order to build trust with the Company's shareholders.

To promote a clear understanding of the Company, its objectives and financial results the Board aims to ensure that information relating to the Company is disclosed in a timely manner and in a format suitable to the shareholders of the Company.

To the members of Raven Russia Limited

We have audited the group financial statements (the "financial statements") of Raven Russia Limited for the year ended 31 December 2008 which comprise the Group Income Statement, Group Balance Sheet, Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the company has not kept proper accounting records, if the company's financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Property Review, the Financial Review, the Directors' Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

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

Ernst & Young LLP
London
29 March 2009

Notes:

1. *The maintenance and integrity of the Raven Russia Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

2. *Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

Group Income Statement

For the year ended 31 December 2008

	Notes	2008 Revenue US$'000	2008 Capital US$'000	2008 Total US$'000	2007 Revenue (Restated) US$'000	2007 Capital (Restated) US$'000	2007 Total (Restated) US$'000
Gross revenue	4	71,311	-	71,311	38,552	-	38,552
Property operating expenses		(28,447)	-	(28,447)	(12,618)	-	(12,618)
Net rental and related income		**42,864**	**-**	**42,864**	**25,934**	**-**	**25,934**
Administrative expenses	5	(28,066)	(5,384)	(33,450)	(18,483)	-	(18,483)
Settlement of advisory contract	12	(67,581)	-	(67,581)	-	-	-
Negative goodwill	12	7,564	-	7,564	-		-
Foreign currency (losses) / gains		(9,656)	(24,273)	(33,929)	325	-	325
Operating expenditure		**(97,739)**	**(29,657)**	**(127,396)**	**(18,158)**	**-**	**(18,158)**
Operating profit/(loss) before gains on investment properties		**(54,875)**	**(29,657)**	**(84,532)**	**7,776**	**-**	**7,776**
Unrealised (loss) / profit on revaluation of investment property	10	-	(39,145)	(39,145)	-	79,659	79,659
Impairment of investment property under construction	11	-	(38,918)	(38,918)	-	-	-
Operating (loss) / profit		**(54,875)**	**(107,720)**	**(162,595)**	**7,776**	**79,659**	**87,435**
Finance income	6	11,613	-	11,613	27,027	2,822	29,849
Finance expense	6	(21,066)	(17,343)	(38,409)	(1,800)	-	(1,800)
(Loss) / profit before tax		**(64,328)**	**(125,063)**	**(189,391)**	**33,003**	**82,481**	**115,484**
Tax	7	7,653	11,449	19,102	90	(18,898)	(18,808)
(Loss) / profit for the year		**(56,675)**	**(113,614)**	**(170,289)**	**33,093**	**63,583**	**96,676**
Earnings per share - basic (cents)	8			(38.77)			22.69
Earnings per share - diluted (cents)	8			(38.77)			22.65

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS as adopted by the EU. The revenue and capital columns are both supplied as supplementary information permitted by IFRS as adopted by the EU. All items in the above statement derive from continuing operations.

Details of the prior period restatement are provided in note 2.

The accompanying notes are an integral part of this statement.

Group Balance Sheet

As at 31 December 2008

	Notes	2008 US$'000	2007 (Restated) US$'000
Non-current assets			
Investment property	10	453,750	346,250
Investment property under construction	11	443,653	251,775
Property, plant and equipment		4,145	915
Intangible assets	12	-	2,265
Other receivables	15	153,092	59,510
Derivative financial instruments	17	64	-
Deferred tax assets	21	34,830	1,875
		1,089,534	662,590
Current assets			
Trade and other receivables	16	82,597	28,017
Derivative financial instruments	17	-	1,030
Cash and short term deposits	18	108,435	480,830
		191,032	509,877
Total assets		**1,280,566**	**1,172,467**
Current liabilities			
Trade and other payables	19	51,511	56,410
Derivative financial instruments	17	1,027	-
Interest bearing loans and borrowings	20	80,042	4,804
		132,580	61,214
Non-current liabilities			
Interest bearing loans and borrowings	20	356,926	98,947
Other payables	22	31,696	12,999
Derivative financial instruments	17	7,904	-
Deferred tax liabilities	21	16,420	25,258
		412,946	137,204
Total liabilities		**545,526**	**198,418**
Net assets		**735,040**	**974,049**
Equity			
Share capital	23	9,921	8,648
Share premium	24	46,791	11,180
Special reserve	24	870,692	870,692
Capital reserve	24	(41,798)	71,816
Translation reserve	24	(71,090)	(17,307)
Retained earnings	24	(79,476)	29,020
Total equity		**735,040**	**974,049**
Net asset value per share (dollars)	25	**1.43**	**2.27**

The financial statements were approved by the Board of Directors on 29 March 2009 and signed on its behalf by

Colin Smith and David Moore

Details of the prior period restatement are provided in note 2.

The accompanying notes are an integral part of this statement.

Group Statement of Changes in Equity

	Notes	Share Capital US$'000	Share Premium US$'000	Special Reserve US$'000	Capital Reserve US$'000	Translation Reserve US$'000	Retained Earnings US$'000	Total US$'000
At 1 January 2007 as previously reported		**8,538**	**-**	**882,942**	**8,233**	**(12,627)**	**23,364**	**910,450**
Prior year adjustment - functional currency	2	-	-	-	-	1,653	488	2,141
At 1 January 2007 as restated		**8,538**	**-**	**882,942**	**8,233**	**(10,974)**	**23,852**	**912,591**
Profit for the year as previously reported		-	-	-	-	-	95,254	95,254
Prior year adjustment - functional currency	2	-	-	-	-	1,022	1,422	2,444
Foreign currency translation		-	-	-	-	(7,355)	-	(7,355)
Total recognised income for the year as restated		**-**	**-**	**-**	**-**	**(6,333)**	**96,676**	**90,343**
Shares issued in respect of Property Advisor's fees		25	2,790	-	-	-	(2,815)	-
Scrip dividend issue of ordinary share capital	9	85	8,390	-	-	-	-	8,475
Dividends paid	9	-	-	-	-	-	(39,556)	(39,556)
Transfer from special reserves to retained earnings		-	-	(12,250)	-	-	12,250	-
Transfer in respect of capital profits		-	-	-	63,583	-	(63,583)	-
Share based payment expense	26(b)	-	-	-	-	-	2,196	2,196
At 31 December 2007 as restated		**8,648**	**11,180**	**870,692**	**71,816**	**(17,307)**	**29,020**	**974,049**
For the year ended 31 December 2008								
Loss for the year		-	-	-	-	-	(170,289)	(170,289)
Foreign currency translation		-	-	-	-	(53,783)	-	(53,783)
Total recognised income for the year		**-**	**-**	**-**	**-**	**(53,783)**	**(170,289)**	**(224,072)**
Scrip dividend issue of ordinary share capital	9	49	4,101	-	-	-	-	4,150
Ordinary shares issued on acquisition of subsidiary undertakings	30	1,224	31,510	-	-	-	-	32,734
Dividends paid	9	-	-	-	-	-	(55,074)	(55,074)
Transfer in respect of capital losses		-	-	-	(113,614)	-	113,614	-
Share based payment expense	26(b)	-	-	-	-	-	3,253	3,253
At 31 December 2008		**9,921**	**46,791**	**870,692**	**(41,798)**	**(71,090)**	**(79,476)**	**735,040**

Details of the prior period restatement are provided in note 2.

The accompanying notes are an integral part of this statement.

Group Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 US$'000	2007 (Restated) US$'000
Cash flows from operating activities			
(Loss) / profit before tax		(189,391)	115,484
Adjustments for:			
Finance income		(11,613)	(29,849)
Finance expense		38,409	1,800
Loss / (profit) on revaluation of investment property		39,145	(79,659)
Foreign exchange loss / (profit) arising from non-operating activities		33,929	(7,706)
Settlement of advisory contract		67,581	-
Negative goodwill		(7,564)	-
Impairment of investment property under construction		38,918	-
Impairment of investment in joint venture		5,384	-
Share based payments	26(b)	2,410	796
		17,208	866
Decrease / (increase) in operating receivables		3,464	(6,018)
Increase in operating payables		1,271	16,869
		21,943	11,717
Tax paid		(3,968)	(2,327)
Net cash generated from operating activities		17,975	9,390
Cash flows from investing activities			
Purchase of investment property		-	(55,853)
Payments for investment property under construction		(461,740)	(261,004)
Increase in VAT recoverable on construction		(58,743)	(24,834)
Capital expenditure		(3,381)	(819)
Acquisitions		(32,976)	(1,825)
Loans advanced		(101,363)	(64,371)
Loans repaid		1,326	15,154
Settlement of maturing forward currency financial instruments		(14,712)	-
Investment income received		1,258	29,849
Net cash used in investing activities		(670,331)	(363,703)
Cash flows from financing activities			
Proceeds from long term bank borrowings		344,301	95,838
Other borrowings		5,029	34,245
Repayment of bank borrowings		(5,167)	(17,216)
Repayment of other borrowings		(2,355)	-
Bank borrowing costs paid		(31,046)	(1,798)
Dividends paid		(50,923)	(31,081)
Net cash from financing activities		259,839	79,988
Net decrease in cash and cash equivalents		(392,517)	(274,325)
Effect of foreign exchange rate changes		20,122	(1,028)
Cash and cash equivalents at 1 January	18	480,830	756,183
Cash and cash equivalents at 31 December	18	108,435	480,830

Details of the prior period restatement are provided in note 2.
The accompanying notes are an integral part of this statement

For the year ended 31 December 2008

1. General information

Raven Russia Limited (the "Company") and its subsidiaries (together the "Group") is a property investment group specialising in commercial real estate in Russia.

The Company is incorporated and domiciled in Guernsey under the provisions of the Companies (Guernsey) Law, 2008. The Company's registered office is Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3ST.

The audited financial statements of the Group for the year ended 31 December 2008 comprise the Company and its subsidiaries and were authorised by the Board for issue on 29 March 2009.

2. Accounting policies

Basis of preparation

The Company has taken advantage of the exemption conferred by the Companies (Guernsey) Law, 2008, section 244, not to prepare company financial statements as consolidated financial statements have been prepared for both current and prior periods. The consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars ($000) except where otherwise indicated.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union ("IFRS"), as issued by the IASB, and the Companies (Guernsey) Law, 2008.

Changes in accounting policies

The accounting policies adopted are consistent with those of previous financial year except as follows:

The Group has adopted the following new IFRIC interpretations as of 1 January 2008:

- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions

The Group has also early adopted the following IFRIC interpretations as of 1 January 2008:

- IFRS 2 Share-based Payment (Revised) effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. The IASB also issued various interpretations that are effective from 1 January 2008, but have no relevance to the activities of the Group. These are IFRIC 12, IFRIC 13 and IFRIC 14.

Certain new standards, amendments and interpretations to existing standards which may be relevant to the Group have been published that are mandatory for later accounting periods and which have not been adopted early. These are:

- IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendment) effective 1 January 2009
- IFRS 3 Business Combinations (Revised) effective 1 July 2009
- IFRS 7 Financial Instruments: Disclosure (Amendment) effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements (Revised) effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 27 Consolidated and Separate Financial Statements (Amendment) effective 1 July 2009
- IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment) effective 1 January 2009
- IAS 39 Eligible Hedged Items (Amendment) effective 1 July 2009
- IFRIC 15 Agreements for the Construction of Real Estate effective 1 January 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009

The Group is currently assessing the impact of these new standards and changes on the financial statements

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group has decided not to adopt early any of these amendments as they are not anticipated to have a significant impact on the reported results of the Group.

Restatement of prior period amounts

(i) Functional currency

During the period certain of the Group's Russian subsidiary and joint venture companies reassessed their functional currencies and concluded that their functional currency was in fact the Russian Rouble rather than the United States Dollar. The companies concerned have restated their financial statements on the basis that their functional currency is the Russian Rouble. This has a consequential effect on these consolidated financial statements, which has been summarised below:

Income statement effect	**US$'000**
Effect on 2007	
Decrease in foreign currency gains	(2,107)
Decrease in tax expense	3,479
Other income statement items	50
Increase in profit	1,422
Effect on periods prior to 2007	
Increase in profit	488
Increase in retained earnings	1,910

	US$'000
Balance sheet effect	
Increase in investment property under construction	5,007
Decrease in interest bearing loans and borrowings	2
Increase in other non-current payables	(569)
Other balance sheet items	145
Increase in net assets	4,585

(ii) Recognition of loans made to joint venture entities

The Group has also reassessed the accounting treatment of loans made to its joint venture entities. Previously the Group adopted presentation on a gross basis, with its balance sheet showing the loan receivable and the Group's share of the loan payable. The Group now considers the net presentation to be fairer, even though there is no right of set off of these assets and liabilities. The effect of this change is summarised below:

	US$'000
Income statement effect	Nil
Balance sheet effect	
Non-current assets	
Decrease in other receivables	(29,307)
Non-current liabilities	
Decrease in interest bearing loans and borrowings	29,307
Net effect on balance sheet	-

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and the special purpose vehicles controlled by the Company, made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities.

Investment properties have been acquired through special purpose vehicles (SPVs). In the opinion of the Directors, these transactions did not meet the definition of a business combination as set out in IFRS 3 "Business Combinations". Accordingly the transactions have not been accounted for as business acquisitions and instead the financial statements reflect the substance of the transactions, which is considered to be the purchases of investment property and investment property under construction.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of entities acquired to bring the accounting policies used into line with those used by the Group.

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

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake economic activity that is subject to joint control. The Group undertakes its joint ventures through jointly controlled entities. The consolidated financial statements include the Group's proportionate share of these entities' assets, liabilities, income and expenses on a line by line basis from the date on which joint control commences to the date on which joint control ceases. Any premium paid for an interest in a jointly controlled entity above the fair value of Group's share of identifiable assets, liabilities and contingent liabilities is accounted for in accordance with the goodwill policy.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Impairment tests on goodwill are undertaken annually at the financial year end. Impairment charges are included in the administrative expenses line item in the Group income statement. An impairment loss recognised for goodwill is not reversed.

Where the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of the combination, the resulting negative goodwill is recognised immediately in the income statement.

Revenue recognition

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. Rent is billed in advance and then allocated to the appropriate period. Therefore, deferred revenue generally represents the proportion of rentals invoiced in advance as at the reporting date and any advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Rental increases calculated with reference to an underlying index and the resulting rental income ("contingent rents") are recognised in income as they are determined.

Logistics revenue, excluding value added tax, is recognised on an accrued basis.

Interest income is accrued on a time basis, by reference to the principal outstanding, at the effective interest rate applicable.

Leasing (as lessor)

Leases where the Group does not transfer substantially all the risks and benefits incidental to ownership of the asset are classified as operating leases. All of the Group's completed properties are leased out under operating leases and are included in investment property in the balance sheet.

Foreign currency translation

a) Functional and presentation currency
Items included in the financial statements of each Group entity are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company, which is also the presentation currency for the Group, is United States Dollars.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of their historical cost in a foreign currency are translated using exchange rates as at the date of the initial transactions.

c) On consolidation
The results and financial position of all the Group entities 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 the average exchange rate prevailing in the period; and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Taxation

The Company is a limited company registered in Guernsey, Channel Islands, which has a standard rate of tax of 0%. The Group is liable to Russian and Cypriot tax arising on the activities of its Russian and Cypriot operations.

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

a) Current Income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

c) Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Investment property

Property held to earn rentals and/or for capital appreciation is classified as investment property. Investment property comprises both freehold and leasehold land and buildings.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. The Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with the appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted basis of valuation. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition. In all other cases the acquisition is accounted for as a business combination, in which case, the assets and liabilities of a subsidiary or joint venture are measured at their estimated fair value at the date of acquisition.

Investment property under construction

Properties in the course of construction for rental purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy. Upon practical completion of the construction of property, the property is transferred to investment property at fair value, with the resulting gain or loss reflected in the income statement.

During the period under review the Group acquired its Property Adviser (note 30) that had been providing development monitoring services to the Group. From the date of acquisition the Group has included within the cost of properties under construction, the costs incurred by these subsidiaries to the extent they are directly related to the construction of the relevant property.

Investment property under construction are subject to impairment test whenever events or changes in circumstances indicate that their carrying amount may not be recoverable in full. When the carrying value of an investment property under construction exceeds its recoverable amount, which is the higher of the value in use and its fair value less costs to sell, the property is written down accordingly.

Borrowing costs

Borrowing costs that are directly attributable to the construction of investment property are capitalised from the date of commencement of the project, until the construction is complete.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending upon the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity or as assets available-for-sale.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

a) Fair value through profit or loss

This category comprises only in-the-money derivatives (see financial liabilities policy for out-of-the-money derivatives), which are carried at fair value with changes in the fair value recognised in the income statement in finance income or finance expense.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In the case of the Group, loans and receivables comprise trade and other receivables, loans and cash and short term deposits.

Loans and receivables are initially recognised at fair value, plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in administrative expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement.

In relation to trade receivables, a provision for impairment is made where there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the lease. The carrying amount of the receivable is reduced through use of an allowance account.

c) Cash and short term deposits

Cash and short term deposits include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

Financial liabilities

The Group classifies its financial liabilities into one of the categories listed below.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

a) Fair value through profit or loss

This category comprises only out-of-the-money derivatives, which are carried at fair value with changes in the fair value recognised in the income statement in finance income or finance expense.

b) Other financial liabilities

Other financial liabilities include interest bearing loans, trade payables (including rent deposits and retentions under construction contracts) and other short-term monetary liabilities. Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Interest bearing loans are initially recorded at fair value net of direct issue costs, and subsequently carried at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Segmental reporting

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Share-based payments

The Company makes equity-settled and cash-settled share-based payments to certain employees and service providers.

The cost of the equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the party is fully entitled to the award. Fair value is determined by an external valuer, using an appropriate pricing model. Vesting conditions associated with the instruments are market related and are accordingly ignored when assessing the number of instruments that will vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and Management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in the cumulative expense over the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

When one equity-settled award is cancelled, it is treated as if had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is recognised in the income statement, with a corresponding entry in equity.

Dividends

Dividends to the Company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at an AGM.

3. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

a) Valuation of investment property

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 its judgement, the Group considers information from a variety of sources and engages external, professional advisers to carry out third party valuations of its properties. These are completed in accordance with the appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted basis of valuation.

In completing these valuations the valuer considers the following:

(i) current prices in an active market for properties of a 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 current 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 the cash flows.

b) Income tax

As part of the process of preparing its financial statements, the Group is required to estimate the provision for income tax in each of the jurisdictions in which it operates. This process involves an estimation of the actual current tax exposure, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet.

Russian tax legislation is subject to varying interpretations and changes, which may occur frequently. The interpretation of legislation which the Group applies to its transactions and activities may be challenged by the relevant regional and federal authorities. Additionally there may be inconsistent interpretation of tax regulations by various authorities, creating uncertainties in the taxation environment in Russia. Fiscal periods remain open to review by the authorities for the three calendar years preceding the years of review and in some circumstances may cover a longer period. Additionally, there have been instances where tax regulations have taken effect retrospectively.

Significant judgement is required in determining the provision for income tax and the recognition of deferred tax assets and liabilities.

c) VAT recoverable

VAT recoverable arises through the payment of value added tax on construction of investment properties which will be recovered through the offset of VAT paid on future revenue receipts or through application to the court. Management estimate using past experience and industry knowledge of the timing of when VAT will be recovered.

d) Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

e) Goodwill and impairment

Goodwill only arises in business combinations. The amount of goodwill recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement.

Goodwill is capitalised as an intangible asset with any impairment in the carrying value being charged to the income statement. The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a future discount rate in order to calculate the present value of future cash flows.

f) Acquisitions

The consideration payable in respect of each acquisition is dependant upon certain future events. In calculating the cost of each acquisition the Group has assessed the most probable outcome as at the balance sheet date. These amounts are reconsidered annually at each year end. The assessments include consideration of the future rental levels and costs of construction of a property as well as the terms of the legal agreements governing each acquisition. Based on these factors the Group will consider whether a liability or a contingent liability should be recognised or disclosed at the balance sheet date. Actual amounts payable may differ significantly from such estimates.

(g) Impairment of investment property under construction

Where an event or change of circumstances gives rise to an indication of impairment of investment property under construction, the Group is required to undertake an impairment test of the relevant property. This involves determining the recoverable amount of the property, which is the higher of its value in use or its fair value less costs to sell. Both of these measures involve the exercise of judgement.

Assessment of the property's value in use involves the estimation of future cash flows from a property that is not yet income generating and the choice of a discount rate in order to calculate the present value of cash flows. In determining the fair value of the property the Group engages an external professional advisor to carry out a valuation of the property in a similar manner to that described in part (a) above.

(h) Classification of a Joint Venture or Subsidiary Undertaking

The Group's investment property under construction are typically held in property specific special purpose vehicles ("SPVs"), which may be legally structured as a joint venture with a development partner, though in substance reflect the Group's investment in a wholly owned subsidiary.

In assessing whether a particular SPV is accounted for as a subsidiary or joint venture, the Group considers all of the contractual terms of the arrangement, including the extent to which the responsibilities and parameters of the development are determined in advance of the joint venture agreement being agreed between the two parties. The Group will then consider whether it has the power to govern the financial and operating policies of the SPV, so as to obtain benefits from its activities, and the existence of any legal disputes or challenges to this control in order to conclude on the classification of the SPV as a joint venture or subsidiary undertaking. The Group considers this position with the evidence available at the time.

4. Gross Revenue

	2008 US$'000	2007 (Restated) US$'000
Rental and related income	62,201	37,327
Logistics	9,110	1,225
	71,311	38,552

The group's leases typically include annual rental increases ("contingent rents") based upon a consumer price index in Russia, Europe and USA, which are recognised in income as they arise. Contingent rents included in rental income for the year amounted to US$746,980 (2007: US$nil).

Details of the Group's contracted future minimum lease receivables are detailed in note 33.

5. Administrative expenses

	2008			2007		
	US$'000 Revenue	US$'000 Capital	US$'000 Total	(Restated) US$'000 Revenue	(Restated) US$'000 Capital	(Restated) US$'000 Total
Property Advisor management fees	6,169	-	6,169	4,832	-	4,832
Equity settled share based payment (note 26)	2,410	-	2,410	796	-	796
External Administrator fees	3,321	-	3,321	2,830	-	2,830
Abortive project costs	3,684	-	3,684	1,977	-	1,977
Legal and professional	1,146	-	1,146	2,632	-	2,632
Impairment of goodwill (note 12)	-	2,265	2,265	-	-	-
Impairment of loans to joint venture (note 28)	-	3,119	3,119	-	-	-
Directors' remuneration	527	-	527	409	-	409
Auditors' remuneration	1,178	-	1,178	84	-	84
Operating expenditure of subsidiary companies	3,361	-	3,361	1,985	-	1,985
Share of operating expenditure of joint ventures	2,947	-	2,947	1,899	-	1,899
Depreciation	750	-	750	53	-	53
Administration, registrar & other operating expenditure	2,573	-	2,573	986	-	986
	28,066	5,384	33,450	18,483	-	18,483

The Property Adviser management fees are project specific and are included in the cost of investment property under construction on consolidation where appropriate. Cumulative fees of US$41.77 million (2007: US$21.084 million) were included in the cost of investment property and property under construction at 31 December 2008. On 26 November 2008 the Group completed the acquisition of the Property Adviser (note 30). Accordingly the management fees above represent fees charged by the Property Adviser in respect of completed assets up to 26 November 2008. Subsequent to that date, the fee is an intra-group charge, which is eliminated on consolidation.

6. Finance income and expense

Finance income	2008 US$'000	2008 US$'000	2007 (Restated) US$'000	2007 (Restated) US$'000
Income from cash and short term deposits	1,260		24,433	
Interest income on loans receivable	10,353		2,594	
Total interest income		11,613		27,027
Net gain on maturing forward currency derivative financial instruments	-		1,792	
Net change in fair value of open forward currency derivative financial instruments	-		1,030	
		-		2,822
Finance income		11,613		29,849
Finance expense				
Interest expense on financial liabilities measured at amortised cost		13,471		1,800
Net loss on maturing forward currency derivative financial instruments		14,712		-
Net change in fair value of open forward currency derivative financial instruments		2,631		-
Net change in fair value of open interest rate derivative financial instruments		7,595		-
Finance expense		38,409		1,800

The above financial income and expense include the following in respect of assets and liabilities not at fair value through profit and loss:

	2008 US$'000	2007 (Restated) US$'000
Total interest income on financial assets	11,613	27,027
Total interest expense on financial liabilities	(13,471)	(1,800)
	(1,858)	25,227

7. Tax

The tax expense for the year comprises:	2008 US$'000	2007 (Restated) US$'000
Current taxation	2,022	-
Increase in deferred tax asset	(13,320)	(934)
(Decrease) / increase in deferred tax liability	(7,804)	19,742
Tax (credit)/ charge	(19,102)	18,808

The (credit) / charge for the year can be reconciled to the (loss) / profit per the consolidated income statement as follows:

	2008 US$'000	2007 (Restated) US$'000
(Loss) / profit before tax	(189,391)	115,484
Tax at the Russian corporate tax rate of 20% (2007: 24%)	(37,878)	27,716
Tax effect of income not subject to tax and non-deductible expenses	32,516	(5,188)
Effect of change of corporation tax rate from 24% to 20%	(3,753)	-
Tax on dividends and other intercompany gains	1,387	594
Tax effect of financing arrangements	(12,665)	(4,088)
Under / (over) provision in prior year	1,291	(226)
Tax (credit)/ charge	(19,102)	18,808

During the year the standard rate of Russian corporate tax reduced from 24% to 20%.

8. Earnings per share

The European Public Real Estate Association ("EPRA") issued Best Practice Policy Recommendations in November 2006, which gives guidelines for the calculation of performance measures. The Group has decided to adopt the EPRA earnings measure, which excludes investment property revaluations, impairments, gains and losses on disposals, intangible asset movements and related taxation.

The calculation of basic and diluted earnings per share is based on the following data:

Earnings	2008 US$'000	2007 (Restated) US$'000
Earnings for the purposes of basic and diluted earnings per share being net (loss) / profit for the year	(170,289)	96,676
Adjustments to arrive at EPRA earnings:		
Unrealised loss / (profit) on revaluation of investment properties	39,145	(79,659)
Settlement of advisory contract	67,581	-
Negative goodwill	(7,564)	-
Impairment of assets under construction	38,918	-
Impairment of investment in joint venture	5,384	-
Net loss / (profit) on maturing foreign currency derivative financial instruments	14,712	(1,792)
Net change in fair value of open forward currency derivative financial instruments	2,631	(1,030)
Net change in fair value of open interest rate derivative financial instruments	7,595	-
Movement on deferred tax thereon	(11,449)	18,898
Adjusted EPRA earnings	(13,336)	33,093

Number of shares	2008 No '000	2007 No '000
Weighted average number of ordinary shares for the purposes of basic EPS and basic EPRA EPS	439,235	426,063
Effect of dilutive potential ordinary shares:		
Options	-	134
Warrants	-	539
Weighted average number of ordinary shares for the purposes of diluted EPS and diluted EPRA EPS	439,235	426,736

EPS basic (cents)	(38.77)	22.69
EPRA EPS basic (cents)	(3.04)	7.77
Diluted EPS (cents)	(38.77)	22.65
EPRA diluted EPS (cents)	(3.04)	7.75

The options and warrants were not dilutive at 31 December 2008 due to the movement in the year of the average price of the Company's ordinary shares.

9. Dividends

Declared and paid during the year on ordinary shares:	2008 US$'000	2007 (Restated) US$'000
Final dividend for 2007 of 4 pence (2006: 2 pence)	34,305	17,531
Interim dividend for 2008 of 3 pence (2007: 2.5 pence)	20,769	22,025
	55,074	39,556

The directors are not proposing to declare or pay a final dividend for 2008.

During the year, scrip dividends of US$4.15 million (2007: US$8.475 million) were taken up by shareholders.

10. Investment property

	2008 US$'000	2007 US$'000
Balance at 1 January	346,250	140,755
Effect of foreign exchange rate changes	-	2,228
Acquisitions in the year	-	55,853
Transfer from investment property under construction (note 11)	146,645	67,755
	492,895	266,591
Unrealised (loss) / profit on revaluation of investment properties	(39,145)	79,659
Balance at 31 December	453,750	346,250

It is the Group's policy to carry investment property at fair value in accordance with IAS 40 "Investment Property". The fair value of the Group's investment property at 31 December 2008 and 31 December 2007 has been arrived at on the basis of market valuations carried out by Jones Lang LaSalle, external valuers to the Group. Jones Lang LaSalle have consented to the use of their name in these financial statements.

The valuations included in the financial statements have been carried out in accordance with The Royal Institution of Chartered Surveyors Valuation Standards, Sixth Edition (the "Red Book") (the valuation as at 31 December 2007 was carried out in accordance with the Fifth Edition). The definition of market value is "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein

the parties had each acted knowledgeably, prudently and without compulsion".
The following assumptions were used in determining the valuations which were specific to the Group:

No allowances have been made for any expenses of realisation or for taxation which might arise in the event of a disposal of a property;

The market values reported are net of purchasers' costs, which would be incurred on the sale of assets including agent's fees of 1.5% and legal fees of 0.5%; and

No account is taken of the future effect of any index based rent uplifts.

The Group has pledged investment property with a value of US$398 million (2007: US$279 million) to secure banking facilities granted to the Group (note 20).

11. Investment property under construction

	2008 US$'000	2007 (Restated) US$'000
Balance at 1 January	251,775	51,941
Costs incurred	406,252	261,002
Impairment	(38,918)	-
Effect of foreign exchange rate changes	(28,811)	6,587
Transfer to investment property (note 10)	(146,645)	(67,755)
Balance at 31 December	443,653	251,775

Borrowing costs capitalised in the year amounted to US$8.10 million (2007: US$ nil).

The Group carried out impairment tests on the investment property under construction in St Petersburg and regional cities in Russia. This involved calculating the value in use of each property by estimating the future cash flows and discounting these to determine their present value. The discount rate applied was 13% and it resulted in a write down of these assets of US$38.918 million.

The Group has pledged investment property under construction with a carrying value of US$246 million (2007: nil) to secure banking facilities granted to the Group (note 20).

12. Intangible assets

	Goodwill US$'000	Negative Goodwill US$'000	Advisory Contract US$'000	Total US$'000
Balance at 1 January 2007	-	-	-	-
Acquired through business combinations	2,265	-	-	2,265
Balance at 31 December 2007	2,265	-	-	2,265
Acquired through business combinations (note 30)	-	(7,564)	67,581	60,017
Impairment (note 5)	(2,265)	-	-	(2,265)
Charge to income statement	-	-	(67,581)	(67,581)
Release to income statement	-	7,564	-	7,564
Balance at 31 December 2008	-	-	-	-

Goodwill impairment is reviewed by management annually. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a future discount rate in order to calculate the present value of future cash flows. The Group has impaired in full the carrying value of goodwill.

The acquisition of the Property Adviser (note 30) gave rise to an intangible asset from the valuation of the property advisory contract, and the underlying management and performance fees. This is considered to be reflective of the fair value of extinguishing the contract and therefore it has been charged to the income statement in full.

13. Investment in subsidiary undertakings

The principal subsidiary undertakings of Raven Russia Limited, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest	
		2008	2007
CJSC Kulon Estate	Russia	100%	100%
CJSC Kulon Development	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
CJSC Kulon Istra	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
Reserv-Invest LLC	Russia	100%	100%
CJSC Noginsk Vostok	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
AKM Logistics LLC	Russia	100%	-
Raven Russia Property Management Limited	England	100%	-
Raven Russia Property Advisors Limited	England	100%	-
Raven Russia (Service Company) Limited	Guernsey	100%	-
Raven Russia (Guernsey) 2 Limited	Guernsey	100%	-

The Group's investment property and investment property under construction are held by its subsidiary undertakings.

14. Investment in joint ventures

The Group has interests in jointly controlled entities as follows:

Name	Country of incorporation	Proportion of ownership interest	
		2008	2007
Megalogix Limited	Cyprus	50%	50%
Roslogistics Holdings (Russia) Limited (trading as Avalon Logistics)	Cyprus	50%	50%
Armbridge Consultancy Limited	Cyprus	50%	50%

The Group's interest in each jointly controlled entity has been accounted for by proportionate consolidation. Each of the above jointly controlled entities' is a joint venture with the same joint venture partner. The aggregate amounts recognised in the consolidated balance sheet and income statement are:

	2008 US$'000	2007 US$'000
Non-current assets	128,891	12,931
Current assets	21,659	19,772
Current liabilities	(14,476)	(2,153)
Non-current liabilities	(163,409)	(31,362)
Net liabilities	(27,335)	(812)
Income	9,110	1,225
Expenditure	(15,459)	(1,750)
Loss after tax	(6,349)	(525)

The Group's share of the jointly controlled entities' contingent liabilities and capital commitments is US$ nil (2007: US$ nil) and US$36 million excluding VAT (2007: US$174 million) respectively.

15. Other receivables

	2008 US$'000	2007 (Restated) US$'000
Loans receivable	136,523	29,607
VAT recoverable	8,626	24,322
Other assets	7,943	5,581
	153,092	59,510

Loans receivable are principally loans to the Group's joint ventures. These loans have increased in the period as a result of capital advances made by the Group to fund the investment property under construction in the Megalogix joint venture and capital investment in the Roslogistics joint venture. During the year, the carrying value of the loan to Roslogistics was impaired by US$3.1 million (2007: nil) to reflect the Group's assessment of the value of the likely future cash flows.

VAT recoverable arises through the payment of value added tax on construction of investment property, which will be recovered through the offset of VAT paid on future revenue receipts. VAT recoverable has been split between current and non-current assets based on the Group's assessment of when recovery will occur.

The loans receivable are unsecured, with a weighted average loan period of 4 years (2007: 1 year) and a weighted average interest rate of 13.00% (2007: 12.72%).

16. Trade and other receivables

	2008 US$'000	2007 (Restated) US$'000
Trade receivables	3,613	2,315
Prepayments	1,740	11,648
VAT recoverable	66,570	5,580
Loans receivable	1,484	2,413
Other receivables	9,190	6,061
	82,597	28,017

The loans receivable are unsecured, with a weighted average interest rate of 14.00% (2007: 14.00%).

17. Derivative financial instruments

	2008 US$'000	2007 US$'000
Interest rate derivative financial instruments		
Non-current assets	64	-
Non-current liabilities	(7,206)	-
Forward currency derivative financial instruments		
Current assets	-	1,030
Current liabilities	(1,027)	-

The Group has entered into a series of interest rate derivative financial instruments to manage the interest rate and resulting cash flow exposure from the Group's banking facilities. The instruments have a notional value of US$218.1 million (2007: US$51.7 million) and a weighted average fixed or capped rate of 3.5% (2007: 5.5%).

The Group has also entered into a series of forward currency derivative financial instruments to manage its exposure to Russian Rouble construction contracts. At 31 December 2008 there were open contracts to sell US Dollars amounting to US$2.64 million (2007: US$ 21.7 million) and buy Russian Roubles of RUR68.57 million (2007: RUR560.6 million), at an average rate of 26.01 (2007: 25.85).

The Group has also entered into a series of forward currency derivative financial instruments to hedge rentals received under a lease denominated in euros. At 31 December 2008 there were open contracts to sell euros amounting to €11.79 million (2007: nil) and buy US Dollars amounting to US$15.21 million at an average rate of 1.29.

18. Cash and short term deposits

	2008 US$'000	2007 (Restated) US$'000
Cash at bank and on call	63,465	229,501
Short term deposits	44,970	251,329
	108,435	480,830

Included within cash and short term deposits is US$5.80 million (2007: US$6.95 million) which is held as security for the Group's interest rate and foreign currency derivative financial instruments (note 17) and is thus restricted in the use to which it can be put by the Group.

Cash at bank and on call attract variable interest rates, whilst short term deposits attract fixed rates but mature and re-price over a short period of time. The weighted average interest rate at the balance sheet date is 2.32% (2007: 5.46%).

19. Trade and other payables

	2008 US$'000	2007 (Restated) US$'000
Investment property acquisition obligations	6,500	22,350
Trade and other payables	45,011	34,060
	51,511	56,410

Trade and other payables of US$45 million (2007: US$34 million) comprises mainly balances due to contractors for the construction activity in the period.

20. Interest bearing loans and borrowings

(a) Bank loans	2008 US$'000	2007 (Restated) US$'000
Loans due for settlement within 12 months	76,066	2,893
Loans due for settlement after 12 months	349,803	92,942
	425,869	95,835

(b) Other interest-bearing loans	2008 US$'000	2007 (Restated) US$'000
Loans due for settlement within 12 months	3,976	1,911
Loans due for settlement after 12 months	7,123	6,005
	11,099	7,916
Totals		
Loans due for settlement within 12 months	80,042	4,804
Loans due for settlement after 12 months	356,926	98,947
	436,968	103,751
The Group's bank borrowings have the following maturity profile:		
On demand or within one year	76,066	2,893
In the second year	55,233	2,622
In the third to fifth years	276,443	89,274
After five years	18,127	1,046
	425,869	95,835

At 31 December 2008, the Group had drawn US$267 million (2007: US$96 million) of term investment debt secured on completed assets. This investment debt bears a weighted average margin of 3.29% over US LIBOR (2007: 2.8%) and has a weighted average loan term remaining of 4.3 years (2007: 5 years). Including its share of joint venture facilities, it has also drawn US$124 million (2007: nil) of US Dollar denominated construction debt which bears a weighted average margin of 12% over US LIBOR with a weighted average loan term remaining of 4.8 years. There is an additional euro denominated construction facility of US$69 million equivalent (2007: nil) that bears a margin of 4.6% over EURIBOR and that matures in September 2009. US$27 million equivalent of this facility is still to be drawn. In addition the Group has an undrawn facility secured on its Kiev project of US$53 million (2007: nil). This project has been postponed and the facility remains in place until June 2009.

The Group has entered into hedging arrangements in respect of its interest rate exposure (note 17). US$226.3 million (2007: US$48 million) of Group bank borrowings have been fixed with four years remaining (2007: five years) at a weighted average rate of 6.77% (2007: 7.53%) and US$41 million (2007: US$41 million) capped at 5.5% (2007: 5.5%) for four years (2007: five years). This gave a weighted average cost of debt to the Group of 8.3% (2007: 6.8%) at the year end.

Other interest bearing loans are secured and bear a weighted average interest rate of 11.81% (2007: 13.00%) per annum. The weighted average loan period is 2 years (2007: 2 years).

21. Deferred tax

(a) Deferred tax asset	Tax losses US$'000	Other US$'000	Total US$'000
Balance at 1 January 2007 (restated)	978	46	1,024
Credit to income (restated)	886	48	934
Credit to equity (restated)	(83)	-	(83)
Balance at 31 December 2007	1,781	94	1,875
Effect of foreign exchange rate changes	(6,285)	-	(6,285)
Charge to income related to change in corporation tax rate from 24% to 20%	(258)	-	(258)
Credit to income	13,278	300	13,578
Credit to equity	25,920	-	25,920
Balance at 31 December 2008	34,436	394	34,830

Unrecognised deferred tax assets, being 20% of impairment of investment property under construction, amounts to US$7.78 million (2007: nil).

Amounts credited to equity represent balances in respect of loans arising on the translation of the net investment in foreign entities.

(b) Deferred tax liability	Accelerated tax allowances US$'000	Revaluation of investment property US$'000	Total US$'000
Balance at 1 January 2007 (restated)	2,916	2,600	5,516
Charge to income (restated)	624	19,118	19,742
Balance at 31 December 2007	3,540	21,718	25,258
Effect of foreign exchange rate changes	(1,034)	-	(1,034)
Credit to income related to change in corporation tax rate from 24% to 20%	(449)	(3,620)	(4,069)
Credit to income	3,799	(7,534)	(3,735)
Balance at 31 December 2008	5,856	10,564	16,420

22. Other payables

	2008 US$'000	2007 (Restated) US$'000
Investment property acquisition obligations	14,064	-
Rent deposits	6,850	4,207
Deferred revenue	60	100
Retentions under construction contracts	6,687	8,692
Other payables	4,035	-
	31,696	12,999

23. Share capital

Authorised share capital:	2008 US$'000	2007 US$'000
1,000,000,000 ordinary shares of 1p each:	20,105	20,105
Issued share capital:	9,921	8,648

Ordinary shares of 1p each:	2008 No	2007 No
Balance at 1 January	430,040,566	424,663,711
Issued in the year	82,512,349	5,376,855
Balance at 31 December	512,552,915	430,040,566

Included in the issued shares for the year ended 31 December 2007 are 1,222,841 ordinary shares issued to the Property Adviser in settlement of their performance fee. There is no equivalent amount for 2008 and on 26 November 2008 the Group completed the acquisition of the Property Adviser (note 30). Of the authorised share capital at 31 December 2008, 9,629,166 (2007: 34,651,347) are reserved for options and warrants.

24. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	The amount subscribed for share capital at nominal value.
Share premium	The amount subscribed for share capital in excess of the nominal value.
Special reserve	During 2005 and 2006 the Company applied to the Royal Court of Guernsey to reduce its share capital by cancellation of its share premium at that time and creation of a separate special reserve, which is an additional distributable reserve to be used for all purposes permitted under Guernsey Company law, including the buy back of shares and the payment of dividends.
Capital reserve	The amount of any capital profits and losses, including gains and losses on the disposal of investment properties (after taxation), increases and decreases in the fair value of investment properties held at each period end, foreign exchange profits and losses on capital items, profits and losses on forward currency financial instruments and deferred taxation on the increase in fair value of investment properties.
Translation reserve	The amount of any gains or losses arising on the retranslation of net assets of overseas operations into US Dollars.
Retained earnings	The amount of any profit or loss for the year after the payment of dividends, together with the amount of any equity-settled share-based payments, and the transfer of capital items described above.

25. Net asset value per share

	2008 US$'000	2007 (Restated) US$'000
Net asset value	735,040	974,049
Deferred tax on revaluation gains	10,564	21,718
Fair value of interest rate derivative financial instruments	7,142	-
Adjusted net asset value	752,746	995,767
Number of ordinary shares at 31 December	512,552,915	430,040,566
Net asset value per share	1.43	2.27
Adjusted net asset value per share	1.47	2.32

26. Share-based payments

(a) Terms

In 2005, as part consideration for the services offered by Cenkos Securities Limited and Kinmont Limited under the Placing Agreement, options were granted to these companies pursuant to which they have the right to subscribe for 1,530,000 and 382,500 ordinary shares respectively at £1.00 per share. The options are exercisable at any time during the period to 24 July 2010.

In 2005, to incentivise personnel of the Property Adviser involved in providing advice to the Group, the Company granted to the trustee of the Raven Mount Employee Benefit Trust an option to acquire up to 7.5% of its issued ordinary share capital from time to time less up to 100,000 ordinary shares under option to Adrian Collins, the Company's former chairman. The options vested in three tranches and options were exercisable over a period of 4 to 12 years following admission dependent on cumulative performance criteria of between 9% and 12% of total shareholder return having been met.

The first tranche of options held by the trustee and Adrian Collins lapsed as the associated performance criteria were not met. Upon the acquisition of the Property Adviser (see note 30), the remaining options held by the trustee were cancelled and the Company agreed to grant replacement options to certain employees and former employees of the Property Adviser's group. The Company intends to grant these replacement options during 2009.

Also in 2005, the Company issued warrants to the Property Adviser pursuant to which the Property Adviser was granted the right to subscribe for 7,650,000 ordinary shares in the Company at £1 per ordinary share, such warrants to be exercisable at any time during the period of 5 years from the Company's initial admission to AIM. These warrants were transferred by the Property Adviser to its then parent company, Raven Mount Group plc, immediately prior to the Company's acquisition of the Property Adviser.

	No of options	2008 Weighted average exercise price	No of options	2007 Weighted average exercise price
Outstanding at the beginning of the period	34,651,257	103p	34,620,687	101p
Adjustment to equity settled options	-	-	30,570	107p
Lapsed during the year	(3,825,000)	100p	-	-
Cancelled during the year	(21,197,091)	103p	-	-
Outstanding at the end of the period	9,629,166	100p	34,651,257	103p
Exercisable options at the end of the period	1,912,500	100p	1,912,500	100p
Exercisable warrants at the end of the period	7,650,000	100p	7,650,000	100p

The weighted average exercise of outstanding options at 31 December 2008 was 100.1p (2007: 103.3p) with a weighted average remaining contractual life of 1.8 years (2007: 8.4 years).

The weighted average exercise price of outstanding warrants at 31 December 2008 was 100.0p (2007: 100.0p) with a weighted average remaining contractual life of 1.6 years (2007: 2.6 years).

(b) Share based payment charge

The Group recognised a total share-based payment expense of US$3,253,000 (2007: US$2,196,000). Of the share-based payment costs relating to warrants and options US$2,410,000 (2007: US$796,000) was expensed and US$843,000 (2007: US$1,400,000) was included in investment property under construction.

(c) Other equity-settled payments

Prior to its acquisition by the Company, any performance fee payable to the Property Adviser was to be settled as to 30% in cash and as to the balance in ordinary shares allotted by reference to the average closing mid-market price of such shares over the last 20 trading days for the relevant accounting period for which the performance relates. A performance fee was not due for 2008 (2007: nil).

The Company issued 80 million ordinary shares as part of the consideration paid on the acquisition of the Property Adviser (note 30).

27. Capital commitment

The Group has committed to fund and complete the development programme of the Group and its joint ventures. At 31 December 2008, US$132 million of funding was required (2007: US$768 million), excluding VAT. Due to fluctuations in budgets, exchange rates and development profits payable, the actual commitment may differ from this amount.

28. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Further disclosures concerning transactions with the Company's directors are made in the Directors' Report, Corporate Governance Statement and note 5. There are no loan balances with directors.

Property Adviser / Raven Mount Group plc

Prior to its acquisition by the Company, the Property Adviser and its former parent company, Raven Mount Group plc ("Raven Mount") were considered related parties to the Group. In the period prior to its acquisition the Property Adviser received US$26,854,955 (2007: US$16,474,540) for property advisory and management services provided to the Group.

As further explained in note 30 the Company acquired the Property Adviser, and two related companies, from Raven Mount for consideration of £15 million and the issue of 80 million ordinary shares. As part of this transaction Raven Mount granted the Company a licence to use Raven Mount's office for an annual licence fee of £300,000.

During the year Raven Mount transferred legal ownership to the Company of 50% of Armbridge Consultancy Limited, for the nominal value of the shares, together with repayment of loans to Raven Mount totalling approximately US$3.1 million.

Ozannes

David Moore is a partner in Ozannes, Advocates and Notaries Public. Ozannes provide independent legal advice to the Group. Total legal fees paid to Ozannes during the year amounted to £283,394 (2007: £128,754).

Investec Administration Services Limited

Stephen Coe was formerly a director of Investec Administration Services Limited, which acted as the Group's administrator and company secretary until 15 November 2007. Investec Administration Services Limited received £505,191 in payment for administration services during the period to the date of termination of their appointment.

Joint ventures

The Group has leased investment property to its joint venture, Roslogistics Holdings (Russia) Limited, and provides loan finance to all three of its joint ventures. A summary of the income statement and balance sheet impact of these transactions is as follows:

	2008 US$'000	2007 (Restated) US$'000
Net rental income	2,923	-
Loan interest receivable	10,320	1,754
Trade receivables	-	-
Loan receivable	136,012	29,606
Impairment of loan receivable (note 5)	(3,119)	-

29. Financial instruments - risk management

The Group's activities expose it to a variety of financial risks in relation to the financial instruments it uses: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables, borrowings and derivative financial instruments.

Risk management parameters are established by the Board on a project by project basis and overseen by the Property Adviser and administrator in conjunction with professional advisers. Reports are provided to the Board formally on a quarterly basis and also when authorised changes are required.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from a variety of currency exposures, primarily with respect to US Dollars, Sterling and the Russian Rouble. Foreign exchange risk arises from future commercial transactions (including construction contracts and lease receivables), recognised monetary assets and liabilities and net investments in foreign entities.

The majority of the Group's transactions are denominated in US Dollars. As the Group's capital was raised in Sterling, the decision was taken to convert the majority of the Group's cash and cash equivalents to US Dollars in July 2007. The average exchange rate on conversion was just over US$2 to £1.

In some cases underlying construction contracts on the Group's development projects are denominated in Russian roubles. Non deliverable forward contracts have been taken out to hedge against the US Dollar/ Russian Rouble cash flow exposure, on a project by project basis, where appropriate. Whilst the table below indicates the exposure of the Group to monetary items in foreign currency, the largest foreign currency swings will occur during construction periods where the construction assets are carried at cost and not valuation. The fact that the Group's subsidiaries have a functional currency of Russian Rouble and a presentation currency of US Dollars means that both the balance sheet and income statement are exposed to unrealised exchange movements on translation to presentational currency. When these assets are completed and revalued in US Dollar transaction currency, the impact on net asset value is neutral. During construction periods it is likely that the subsidiary companies will hold larger Rouble denominated cash balances to fund construction contracts which will also increase exposure to fluctuations in currency rates.

At holding company level, the Group's exposure to Sterling is restricted to head office costs and dividend payments.

The table below summarises the Group's currency profile at 31 December.

As at 31 December 2008	US Dollars US$'000	Russian Rouble US$'000	Other US$'000	Total US$'000
Non-current assets				
Loans receivable	136,523	-	-	136,523
Derivative financial instruments	64	-	-	64
Other non-current assets	2,552	4,846	545	7,943
Current assets				
Trade receivables	2,130	1,071	412	3,613
Loans receivable	1,484	-	-	1,484
Other current receivables	239	8,326	625	9,190
Cash and cash equivalents	66,467	25,907	16,061	108,435
	209,459	40,150	17,643	267,252
Non-current liabilities				
Interest bearing loans and borrowings	356,914	12	-	356,926
Derivative financial instruments	7,904	-	-	7,904
Rent deposits	4,263	2,441	146	6,850
Investment property acquisition obligations	4,840	-	9,224	14,064
Retentions under construction contracts	1,202	1,989	3,496	6,687
Other payables	-	3,947	88	4,035
Current liabilities				
Interest bearing loans and borrowings	38,460	398	41,184	80,042
Investment property acquisition obligations	6,500	-	-	6,500
Derivative financial instruments	1,027	-	-	1,027
Other creditors	11,418	26,053	7,540	45,011
	432,528	34,840	61,678	529,046

As at 31 December 2007	US Dollars (Restated) US$'000	Russian Rouble (Restated) US$'000	Other (Restated) US$'000	Total (Restated) US$'000
Non-current assets				
Loans receivable	29,606	1	-	29,607
Other non-current assets	228	4,953	400	5,581
Current assets				
Trade receivables	1,367	832	116	2,315
Loans receivable	-	2,413	-	2,413
Other current receivables	3,314	2,744	3	6,061
Derivative financial instruments	1,030	-	-	1,030
Cash and cash equivalents	396,151	54,868	29,811	480,830
	431,696	65,811	30,330	527,837
Non-current liabilities				
Interest bearing bank loans and borrowings	98,947	-	-	98,947
Rent deposits	3,909	298	-	4,207
Retentions under construction contracts	6,670	2,021	-	8,691
Current liabilities				
Interest bearing bank loans and borrowings	4,804	-	-	4,804
Investment property acquisition obligations	22,350	-	-	22,350
Other creditors	11,593	13,364	9,103	34,060
	148,273	15,683	9,103	173,059

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

The tables above present financial assets and liabilities denominated in foreign currencies held by the Group in 2008 and 2007. If the US Dollar weakened or strengthened by 10% against the Russian Rouble, with all other variables held constant, post tax loss for the year and net asset value on consolidation for the year would move by $500,000. If the US Dollar weakened or strengthened by 10% against Sterling with all other variables held constant, post tax profit for the year and net asset value would move by $500,000. If the US Dollar weakened or strengthened by 10% against the euro with all other variables held constant, post tax profit for the year and net asset value would move by $3.5 million. The sensitivity to the euro is principally a result of the euro construction loan, which is described in note 20. It is the Group's intention to refinance this loan in US Dollars upon completion of construction, which is scheduled for 2009.

Cash flow and fair value interest rate risk

The Group has significant interest-bearing cash resources, the majority of which are held in business accounts with its principal bankers.

The Group's interest rate risk arises from long-term borrowings (note 20). Borrowings issued at variable rates expose the Group to cash flow interest rate risk, whilst borrowings issued at a fixed rate expose the Group to fair value risk. The Group's cash flow and fair value interest rate risk is periodically monitored by the Group's Board of directors and advisers on a project basis. The cash flow and fair value risk policy is approved quarterly by the Board of directors.

The Group analyses its interest rate exposure on a dynamic basis. It takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is run on an ongoing basis to verify that the maximum potential impact is within the parameters expected by management. Formal reporting to the Board on cash flows is made on a quarterly basis. To date the Group has sought to fix its exposure to interest rates on borrowings through the use of a variety of interest rate derivatives. The impact of this was certainty over cash flow but exposure to fair value movements, which amounted to an unrealised loss of US$7.595 million at 31 December 2008 (2007: nil). Sensitivity analysis on the Group's interest rate borrowings indicate that a 1% increase in the relevant underlying interest rate would increase the loss for the year and decrease net assets by US$870,000. There would be a corresponding decrease in the loss and increase in net assets were interest rates to fall by 1%.

b) Credit risk

The Group's principal financial assets are cash and short term deposits, trade and other receivables, loan receivables and derivative financial instruments.

The credit risk on the Group's trade and other receivables is considered low due to the Group having policies in place to ensure that rental contracts are made with tenants meeting appropriate balance sheet covenants, supplemented by rental deposits or bank guarantees from international banks. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables concerned. No amounts have been provided against trade and other receivables at 31 December 2008 (2007: nil).

The credit risk on the Group's loan receivables is considered low due to the Group having joint control over the joint venture which has drawn down the balances. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables concerned. The amounts due at 31 December 2008 represent balances due from a joint venture of US$136 million (2007: US$30 million) which are not past due and are not considered impaired. An amount of US$3.1 million (2007: US$nil) has been provided against loan receivables in respect of amounts due from a joint venture due to the entity being in a start up phase and reliant on the Group for further funding. Accordingly, the Group has concluded that the joint venture is unlikely to be able to repay the loan balance for a number of years and has provided against the balance.

The Group has VAT receivables of US$75 million (2007: US$30 million). The timing of recovery of these balances is subject to future revenue receipts and application to the Russian courts. The Group forecasts the recovery of these balances based upon the timing of future revenue receipts and its experience of successful application to the Russia courts. No balances are considered past due or impaired at 31 December 2008 (2007: US$nil) based upon this assessment of the timing of future cash receipts. The Group believes the maximum exposure is the timing of recovery.

The credit risk on the Group's cash and short term deposits and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Board and its advisers seek to have appropriate credit facilities in place on a project by project basis, either from available internal cash resources or from bank facilities.

Management monitor the Group's liquidity position on a daily basis. Formal liquidity reports are issued from all jurisdictions on a weekly basis and are reviewed quarterly by the Board of directors, along with cash flow forecasts. A summary table with maturity of financial assets and liabilities is presented below.

Group	**2008** **US$'000**	**2007** **(Restated)** **US$'000**
Financial assets - non-current		
Trade and other receivables with no fixed term	153,092	59,510
Derivative financial instruments	64	-
	153,156	59,510
Financial assets - current		
Trade and other receivables - maturity within one year	82,597	28,017
Forward currency derivative contracts - maturing within one year	-	1,030
Cash and short term deposits - maturity within one year	108,435	480,830
	191,032	509,877
Financial liabilities - non-current		
Interest bearing loans and borrowings - maturing		
- between one and two years	62,356	8,627
- between two and five years	276,443	89,274
- after more than five years	18,127	1,046
Derivative financial instruments	7,904	-
	364,830	98,947
Financial liabilities - current		
Derivative financial instruments	1,027	-
Trade and other payable - maturity within one year	51,511	56,410
Interest bearing loans and borrowings - maturity within one year	80,042	4,804
	132,580	61,214

In addition to the above balance sheet liabilities the Group has commitments in respect of its construction programme (note 27), which are anticipated to crystallise during the course of 2009 and 2010. Details of the interest rates applicable to the Group's long term borrowings are given in note 20.

The Group monitors its risk to a shortage of funds by forecasting cash flow requirements for future years. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and equity fund raisings. Since the balance sheet date the Group has raised £76.2 million through the issue of 76.2 million preference shares and 76.2 million warrants, to assist the Group in meeting its liquidity requirements for the foreseeable future.

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments in the financial statements.

	2008		2007	
	Carrying value	Fair value	Carrying value (Restated)	Fair value (Restated)
	US$'000	US$'000	US$'000	US$'000
Non current assets				
Loans receivable	136,523	83,732	29,607	26,201
Derivative financial instruments	64	64	-	-
Other non current assets	7,943	7,943	5,581	5,581
Current assets				
Trade receivables	3,613	3,613	2,315	2,315
Loans receivable	1,484	1,484	2,413	2,413
Other current receivables	9,190	9,190	6,061	6,061
Derivative financial instruments	-	-	1,030	1,030
Cash and cash equivalents	108,435	108,435	480,830	480,830
Non current liabilities				
Interest bearing loans and overdrafts	(356,926)	(218,909)	(98,947)	(53,704)
Derivative financial instruments	(7,904)	(7,904)	-	-
Rent deposits	(6,850)	(6,850)	(4,207)	(4,207)
Investment property acquisition obligations	(14,064)	(14,064)	-	-
Retentions under construction contracts	(6,687)	(6,687)	(8,691)	(8,691)
Other payables	(4,035)	(4,035)	-	-
Current liabilities				
Interest bearing loans and overdrafts	(80,042)	(80,042)	(4,804)	(4,804)
Investment property acquisition obligations	(6,500)	(6,500)	(22,350)	(22,350)
Derivative financial instruments	(1,027)	(1,027)	-	-
Other creditors	(45,011)	(45,011)	(34,060)	(34,060)

Fair values have been calculated by using market values at the balance sheet date. The market values of loans receivable and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of short-term deposits, VAT recoverable and other assets, trade and other receivables, trade and other payables and derivative financial instruments is assumed to approximate to their book values.

The Group's only obligation is to repay its loans at par value on the maturity dates.

(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, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt. Where the Group or Company are in a net cash position, the gearing ratio will be zero.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008 US$'000	2007 (Restated) US$'000
Non-current liabilities	412,946	137,204
Current liabilities	132,580	61,214
Total borrowings	545,526	198,418
Less: cash and cash equivalents	108,435	480,830
Net debt / cash	437,091	(282,412)
Equity	735,040	974,049
Total capital	1,172,131	691,637
Gearing ratio	37.29%	Nil

30. Business combinations

On 9 July 2008 the Company entered into a framework agreement to acquire its Property Adviser, Raven Russia Property Management Limited, together with two related companies, Russian Property Management Limited and Raven Russia Property Advisors Limited (collectively the "Property Adviser"), which the Group considers comprise a single cash generating unit.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value US$'000	Adjustment US$'000	Fair value US$'000
Non-current assets			
Property, plant & equipment	952	-	952
Intangible assets (note 12)	-	67,581	67,581
Current assets			
Trade and other receivables	5,482	-	5,482
Cash and cash equivalents	159	-	159
Current liabilities			
Trade and other payables	(1,058)	-	(1,058)
Net asset value	5,535	67,581	73,116
Negative goodwill (note 12)			(7,564)
Consideration			65,552

Consideration comprises:	
Cash	27,987
Issue of 80 million ordinary shares	32,734
Acquisition costs	4,831
	65,552

The fair value of shares issued as consideration was determined by reference to their closing price on 26 November 2008.

The acquisition reflects the internalisation of services previously outsourced to the Property Advisor and thus disclosures regarding the contribution to the loss for the year are not considered relevant.

31. Subsequent events

On 24 March 2009 the Company raised £76.2 million through the issue of 76.2 million preference shares and 76.2 million warrants to acquire the Company's ordinary shares. The preference shares carry an entitlement to quarterly cumulative dividends of 12 per cent. per annum. The warrants entitle the holder to subscribe for ordinary shares at a price of 25 pence and are exercisable on or before 25 March 2019.

32. Segmental information

The Directors are of the opinion that the Group is engaged in two business segments, being property investment and logistics operations, and in one geographical area, the Commonwealth of Independent States.

Income Statement	**Property Investment 2008 US$'000**	**Logistics 2008 US$'000**	**Total 2008 US$'000**
Revenue			
External sales	62,201	9,110	71,311
Segment result			
Operating loss	(156,512)	(6,083)	(162,595)
Finance income	11,579	34	11,613
Finance expense	(37,677)	(732)	(38,409)
Loss before tax	(182,610)	(6,781)	(189,391)
Tax	18,401	701	19,102
Loss for the year	(164,209)	(6,080)	(170,289)
Other information			
Depreciation	325	425	750
Loss on revaluation of investment property	(39,145)	-	(39,145)
Recognised share based payments	(3,253)	-	(3,253)
Capital expenditure			
Purchase of investment properties	-	-	-
Payments for investment properties under construction	406,252	-	406,252
Purchase of property, plant and equipment	1,374	2,606	3,980

Balance Sheet	Property Investment 2008	Logistics 2008	Total 2008
Assets	US$'000	US$'000	US$'000
Non-current assets	1,085,610	3,924	1,089,534
Current assets	187,766	3,266	191,032
Total assets	1,273,376	7,190	1,280,566
Liabilities			
Non-current liabilities	(403,363)	(9,583)	(412,946)
Current liabilities	(129,589)	(2,991)	(132,580)
Total liabilities	(532,952)	(12,574)	(545,526)
Net assets / (liabilities)	740,424	(5,384)	735,040

For 2007

Income Statement	Property Investment 2007 (Restated) US$'000	Logistics 2007 (Restated) US$'000	Total 2007 (Restated) US$'000
Revenue			
External sales	37,297	1,225	38,522
Segment result			
Operating profit / (loss)	87,649	(214)	87,435
Finance income	29,849	-	29,849
Finance expense	(1,795)	(5)	(1,800)
Profit / (loss) before tax	115,703	(219)	115,484
Tax	(18,860)	52	(18,808)
Profit / (loss) for the year	96,843	(167)	96,676
Other information			
Depreciation	-	53	53
Gains on revaluation of investment properties	79,659	-	79,659
Recognised share based payments	(2,126)	-	(2,196)

	Property Investment 2007 (Restated) US$'000	Logistics 2007 (Restated) US$'000	Total 2007 (Restated) US$'000
Capital expenditure			
Purchase of investment properties	(55,853)	0	(55,853)
Payments for investment properties under construction	(261,004)	0	(261,004)
Purchase of property, plant and equipment	0	(819)	(819)

Balance Sheet Assets	Property Investment 2007 (Restated) US$'000	Logistics 2007 (Restated) US$'000	Total 2007 (Restated) US$'000
Non-current assets	659,542	3,048	662,590
Current assets	506,862	3,015	509,877
Total assets	1,166,404	6,063	1,172,467
Liabilities			
Non-current liabilities	(135,473)	(1,731)	(137,204)
Current liabilities	(59,654)	(1,560)	(61,214)
Total liabilities	(195,127)	(3,291)	(198,418)
Net assets	971,277	2,772	974,049

33. Operating lease arrangements

The Group earns rental income by leasing its investment properties to tenants under non-cancellable operating leases.

At the balance sheet date the Group had contracted with tenants for the following future minimum lease payments:-

	2008 US$'000	2007 US$'000
Within one year	50,279	37,109
In second year	44,605	38,059
In the third to fifth years (inclusive)	112,367	96,839
After five years	99,312	94,305
	306,563	266,312

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