RAVEN RUSSIA LIMITED

Annual Report and Financial Statements for the year ended 31 December 2010

Contents

Highlights

- Reported NOI for the year up 22% from $50 million to $61 million;
- Profit before tax of $56 million (2009: loss $148 million);
- Adjusted fully diluted NAV per share 105 cents (2009: 99 cents), based on a portfolio ERV yield of 12.8%;
- 220,000 sqm of space let in 2010, generating $23.3 million of annualised NOI;
- Currently, annualised NOI of $96.6 million (including PLAs and LOIs) with a further $17.5 million under active negotiation;
- Positive operating cashflow of $33 million;
- Current cash balance of $132 million;
- Gearing of 35.6% net of cash;
- 1p final dividend proposed.

Lobnya

Chairman's Statement

The Board of Raven Russia Limited ("Raven Russia") announces the Group's results for the year ended 31st December 2010.

The key operational focus last year was letting. We have made continued progress in an improving market.

Reported net operating income ("NOI") increased by $11 million in the year to $61 million (2009: $50 million). With a stable overhead base, this gives a straight contribution to operating profit which increased to $25 million (2009: $13 million) and is also reflected in strong operating cash inflows for the year which more than doubled to $33 million (2009: $15 million).

Following the sale of our Baltia project, generating a profit of $12 million after costs, and a revaluation surplus on our property portfolio of $79 million (2009: loss of $108 million), we have recorded a healthy profit before tax of $56 million (2009: loss of $148 million).

Today, of our total finished portfolio of 975,000 sqm, 321,000 sqm (33%) stands vacant, 94,000 sqm (10%) of which is subject to pre-let agreements ("PLAs") and letters of intent ("LOIs") and we are in active discussions on 157,000 sqm (16%) of the remaining space. On average, we suffer a cost of $40 per sqm servicing vacant space whilst continuing with our letting programme.

We have maintained our strong balance sheet with gearing of 35.6% as calculated in note 35 to the financial statements and a cash position today of $132 million.

We completed the sale of our Baltia project at an equivalent yield of 10% in the year, recording a profit on sale of $12 million and generating cash of $21 million after costs.

Adjusted fully diluted NAV per share was 105c at the year end, compared to 99c at 31 December 2009.

We remain bemused by the valuation of our portfolio. Whilst accepting the sparsity of comparable transactions, we are still roughly at replacement cost and on an overall ERV yield of 12.8% (2009: 14.3%).

There must come a time when valuers don't simply discount Polish/Czech Republic/Hungarian yields by 2% points to UK/French/German yields; and then discount by a further 3% points for Russia! Someone will wake up to the growth and dynamism of the Russian economy when compared to the declining nature of those Western European economies and value well let Grade A Russian buildings accordingly. The old paradigm must shift and we must all begin to accept the "new normal".

As promised, we moved our ordinary shares and warrants onto the Official List in August 2010. All of our listed instruments have performed well in the year, ordinary shares with a year end price of 62.5p (2009:45p), warrants at 37.5p (2009:24p) and preference shares at 129.25p (2009:93p).

Due to the continuing progress in NOI and our strong balance sheet we intend to declare a final dividend of 1p per share. This is in addition to the tender offer made during the year, where we purchased and cancelled ordinary shares, with a cost equivalent to 1p per share.

We are continuing our progress with letting and financing and maintaining a strong liquid balance sheet. Both ordinary and preference shareholders have received good returns and we are well placed for this to continue.

I would like to take this opportunity to thank our shareholders, employees and advisors for their support during the year.

Richard Jewson
Chairman
13 March 2011

Letting space has remained our key focus and the progress of the first half has been maintained. We let 220,000 sqm of space to third parties during the year on top of the 189,124 sqm let in 2009. (That's 4,400,000 square feet in 24 months for our British audience).

At 31 December 2010, annualised NOI was running at $83.8million and additional PLAs and LOIs totalled $4.2 million. At today's date the $83.8 million has increased to $85.7 million and additional PLAs and LOIs have increased to $10.9 million. On top of this we have a further 157,000 sqm under active negotiation which could add $17.5 million to LOIs.

So if all of this converts we could reach the big figure of $114 million of annualised NOI. This would leave us 93% let and heading towards $121 million of annualised NOI.

The high level of space under negotiation gives some indication of how strong the occupier market is today. Although this category has the possibility to disappoint, with some good luck we are well on the way to making significant inroads into our vacant space.

The market is continuing to improve generally and particularly in Moscow, Jones Lang LaSalle ("JLL") now reports that there is a 3.9% vacancy in Grade A Moscow warehouses. There is virtually no new development and vacant space is leasing fast. Rents have started to rise.

Quite why a portfolio of finished buildings that can produce income of over $120 million is valued at only $943 million is hard to fathom. There have been few investment transactions to demonstrate yield compression for valuation purposes. Despite our best efforts and cash we have found it difficult to find anything to buy.

However, we did announce on 28 February, the conditional acquisition of the Southgate warehouse project, near Domodedova airport, South of Moscow. The project comprises a completed warehouse of 76,550 sqm, mainly let to John Deere and 88 hectares of permitted land, allowing the potential development of a further 440,000 sqm of warehouse space. Existing minority shareholders have 30 business days from date of announcement to match our offer. So we will wait to see if we get it.

As our portfolio matures and we can demonstrate the high quality of our rental income, I do believe that our valuations will continue to improve. High quality, growing income from world class assets is becoming increasingly hard to find, we are certainly in the right place, with healthy tenant demand and a dynamic and growing macro-economic environment.

The simple income statement I ran through last year has now changed a bit, but is not fundamentally different. As a result of new financings, annual interest cost now runs at $34 million (but we have more cash) and at today's exchange rate, our preference share coupon runs at $27 million. We have broken down our overheads to show the split between running the portfolio and our central overheads ($13 million and $6 million per annum respectively). The central overheads which support our listing requirements also support our Guernsey and Cyprus

Shushary

offices which more than pay for themselves in the associated reduced tax burden, both now and in the future.

Roslogistics and Raven Mount each have an overhead base of $3 million but the former should now generate sufficient profits to support its rental obligations of $10 million and we expect Raven Mount to at least break even in the income statement as we liquidate its stock.

In terms of growth we are working hard on new leasing and managing existing tenants' leases to benefit from increasing rental levels.

We have started building 55,000 sqm at Klimovsk. As all infrastructure is in place we estimate a further investment of $34 million to complete. If we achieve rents of $120 per sqm then this will give an excellent return.

All the components are falling into place for us to commence further new development. With a focus on Moscow, this will happen this year. Klimovsk is underway and if we complete Southgate we will start there too. We also have some other good potential land acquisitions. This will also answer the "what are you doing with all that cash?" question, as well as improving overall returns by putting this cash to work.

In summary, we have a strong balance sheet with plenty of cash ($132 million at today's date) for earnings enhancing acquisitions or profitable development. We will soon have a clearly visible and growing dividend and there is still lots of potential for NAV growth from revaluations.

The oil price is well over $100 a barrel and the Russian consumer is spending money. Russia will host the winter Olympics in 2014 in Sochi, a new Russian Grand Prix is planned and the World Cup arrives in 2018, and the government has committed to major infrastructure upgrades to facilitate events like this. At the macro level, all of these facts are beneficial to the country we operate in. At the property level there is virtually no new supply becoming available in Moscow and the vacancy rate is falling in all of our other markets. Demand is strong and rents should grow during the course of the year.

Our main objective remains to lease the remaining space on the best terms possible to the strongest tenants and to take advantage of market opportunities, either by building new space or acquisition.

The achievements of 2010 have been overshadowed by the death of our colleague and friend Oleg Tomin in the bombing of Domodedovo, Moscow airport on 24th January 2011. This tragedy puts a new perspective on our efforts and has saddened us all greatly.

Glyn Hirsch
Chief Executive Officer
13 March 2011

2010 was a year of significant progress for the Company. Most importantly, we completed 220,000 sqm (2.4 million square feet) of new lettings to third parties across the portfolio, generating an additional $23.3 million of annual rental income plus full operating cost recovery on the space. We are now firmly the market leader in our sector and are very well placed to continue our growth through new leasing on our vacant space and also selective development.

Property has always been a cyclical business particularly because of the long lead time from any project's conception to its realisation. The market in Russia has been down over the past couple of years as a result of the global financial crisis, over supply and a lack of tenant demand. That all seems to be changing now and very quickly.

The investment properties were valued by JLL at the period end, in accordance with the RICS Valuation and Appraisal guidelines, at an aggregate gross value of $943 million. This resulted in an increase of $62 million in portfolio value, on a like for like basis, compared to 31 December 2009, reflecting our progress in leasing and the improvement in the market.

Investment Portfolio

In Moscow we have six completed projects totalling 561,000 sqm and producing an annualised income of $53.2 million at year end. These properties were 76% let at year end with the largest element of vacancy (95,000 sqm) being at Noginsk. During the year we let 112,000 sqm in Moscow, and have seen a steady increase in rents. Prime Moscow rents are now around $105-$115 per sqm and we expect this level to continue to rise during 2011.

At the project level we have completed the buyout of our development partner at Klimovsk. Phase 1 of this project only has 8,000 sqm vacant and we have a signed LOI in place. We have therefore taken the decision to start work on Phase 2 which will deliver 55,000 sqm of Grade A space in the first half of 2012. The improvement in the leasing market and increased levels of tenant demand coupled with a competitive build cost of around $650 per sqm, due to the infrastructure investment we have already made in Phase 1, should make this a highly profitable investment.

At Istra, only 13,000 sqm remains vacant and we are in discussion with a number of potential occupiers. Phase 5 of the project was completed at the end of December and has been let to Rusklimat, as DSV failed to fulfil their obligations under the pre lease agreement.

Tenant demand has been the slowest in the east of Moscow and this has affected our Noginsk project where 95,000 sqm remains vacant. The property has a working rail link and is one of the few projects in Moscow where it is now possible to lease over 30,000 sqm in one building. We are confident we will make significant progress in leasing in the next 6 months. The disappointment and the delay in letting this space is offset in part by the fact we are now talking to tenants at significantly better rents than a year ago. Ultimately shareholders will benefit from leasing at higher rents and the effect this has on value once rents are capitalised.

Noginsk

Elsewhere in Moscow our projects are 100% full save for a small amount of space at Southern. On inspection the vast majority of our tenants' space looks full and many are reporting an improvement in business and are willing to discuss expansion.

During the last quarter we completed on the sale of Baltia, Moscow. This building had been fully leased since we acquired it in 2005 at a yield of 12.5%. All the three main tenants in the building were keen to expand their operations and we were successful in moving one of them to Istra where they took 13,000 sqm on a new five year lease. In St Petersburg, at our Shushari project, we have secured a couple of notable lettings during the year including 12,000 sqm to Johnson Controls and 33,000 sqm to Dixy, the Russian retailer, both on long term leases. The remaining space at Shushari is attracting interest from tenants and whilst supply is higher than in Moscow and demand less we still expect to lease the majority of the remaining vacant space during the coming year. In total, in St Petersburg including our Pulkovo property, we have leased 66,000 sqm during the year.

Tenant demand in Rostov and Novosibirsk has been improving, driven by mainly Russian companies including retailers. In total we have leased an additional 41,000 sqm during the past 12 months. Average demand in the regions is 5,000 sqm-7,500 sqm which is smaller than in Moscow but which gives us a broader tenant base.

Lettings to third parties have been offset by the consolidation of our Roslogistics subsidiary, where we took back 58,000 sqm of space in St Petersburg and the Regions. The business now operates out of 77,000 sqm of our space and we expect a full contribution to rent on this space in 2011.

Land Bank

At the year end JLL also valued the Phase 2 development land at Noginsk, Klimovsk, Rostov and Kiev, a total of 87 ha. These projects benefit from existing infrastructure and utilities and should the Company choose, development could commence on them in short order.

The Company holds an additional 290 ha of land in Kiev, Ukraine, Minsk, Belarus and in various regional cities of Russia that has longer term potential. We still do not envisage any speculative development on these sites, although all remain available on a Build to Suit basis or as parcelled land sales.

The Market

Evidence of an improving rental market and also renewed investor interest has been helpful to JLL in producing the year end valuations. Equivalent yields in Moscow for Grade A, well let, rack rented warehouses are now in the region of 11.5%. This isn't demanding and provides an investor with substantial positive cashflow if he is able to secure debt at a 60% LTV and a margin over US Libor of 500bps. With these financial dynamics, and the potential for rents to rise, then so should valuations.

As mentioned earlier property is a cyclical business and the strategy we have followed over the past five years has protected us when the market dipped in 2008 and 2009. In Moscow, especially, we are now into a different part of the cycle. Supply has been eaten up over the past 12 months, so much so that JLL report a year end vacancy rate of only 3.9%. Demand has been very strong, particularly from the local retailers and pharmaceutical groups. Rents are on the rise and we know of at least one deal that has been signed at a rent of over $120 per sqm for a 10,000 sqm letting.

In Moscow, where almost 60% of our portfolio is located, the lack of new supply caused by the absence of debt and equity should see the market move more towards Build to Suit, where the tenant shares some of the development risk. Tenants who need space immediately will have less and less choice and will have to pay up or choose secondary properties.

The 2010 financial year has been the first year with a fully completed portfolio and no significant construction projects. As the Chairman and Chief Executive have said, the focus has been firmly on leasing space.

Income

Investment Portfolio

The warehouse portfolio generated $50.4 million of NOI (2009: $46 million) from third party tenants and after absorbing the cost of servicing vacant space of $20.8 million (2009: $16.5 million). This cost will reduce in 2011 as new lettings commence.

Roslogistics

We have completed the consolidation of the Roslogistics business in the year. When we bought out our partners in late 2009, the business had leased or pre let 135,000 sqm of our portfolio, 106,000 sqm of which was in St Petersburg and the Regional cities. We have now reduced this space to a more manageable 76,600 sqm, 72% of which is in Moscow and St Petersburg. We have assisted in rationalising the business, terminating loss making contracts and focussing the management on operational efficiencies. The business has shown the results of this moving from a negligible contribution to NOI in 2008 and $2.5 million in 2009 to $5.7 million in 2010. 2011 should see the full benefit of the reorganisation and an improving market for third party logistics operators.

Raven Mount

With a contribution to NOI of $4.9 million (2009: $1.8 million), we continue to liquidate Raven Mount stock at above acquisition cost. Gross sales of residential stock in the year totalled $8.8 million (2009: $8.3 million) and our share of the Coln joint venture contributed a further $9 million (2009: $6.7 million) of sales. This achieved against the backdrop of an extremely difficult market for first time buyers and second homes in the UK.

Overheads

Overheads for the investment portfolio were $13.2 million (2009: $14.9 million) and central overheads, which support our listing and our Guernsey/Cyprus tax structure, $6.1 million (2009: $7.4 million). Roslogistics and Raven Mount reduced to $3.4 million (2009: $4.5 million) and $3.1 million (2009: $5.4 million) respectively before depreciation, following the integration of both into the Group. In addition, the cost of moving to the Official List was $2 million and Roslogistics had a cost of $1.4 million to close a loss making site. There was a cost for share based payments of $6.4 million (2009: $0.2 million) as the various share incentive schemes began to vest. This cost is dependent on the share price on the day of vesting and is reversed through reserves, so no effect on reported NAV.

Istra Phase 5

Financing

Debt service costs totalled $35.7 million (2009: $37 million) including amortisation of costs of $3 million (2009: $5.5 million). Our year end debt level, excluding preference shares, was $432 million (2009: $446 million) with a weighted average cost of debt of 7.0% (2009: 6.9%) and average term to maturity of 3 years (2009: 3.5 years).

As disclosed in last year's annual financial statements, we successfully rolled over our one remaining construction facility on the Noginsk project with HSH Nordbank. The debt team are currently working on a number of options to refinance this during 2011.

In February, we completed the syndication on our Novosibirsk project, drawing an additional $10 million. A further $10 million was drawn in October on the Aareal Bank facility, secured on the Istra project.

At the end of the summer we completed on the final syndicated tranche of $10 million of the $40 million IFC facility on our Rostov project.

We have also increased and drawn on an existing, short term Barclays' facility of £7.5 million at a cost of 2.5% over UK LIBOR. This gave additional cash of £5 million and is secured on certain assets of Raven Mount and a short term, $10 million Group facility from RBSI was rolled over to January 2012 at a margin of 2.85%.

Since the year end, we have completed on one further debt transaction with Marfin Bank. This was a 7 year term dollar loan to partially refinance the equity used to construct the now completed and fully let Lobyna project in northern Moscow. This has generated $30 million of additional funding.

The Group has met all covenants on its debt facilities during the period.

The dollar value of our preference shares was $217 million (2009: $219 million) at 31 December 2010. The unrealised foreign exchange loss since issue is $9.4 million (2009: $14.1 million) and is included in the translation reserve. As we consider the preference shares to be capital instruments for our performance ratios, we have adjusted for unrealised foreign exchange movements on these when calculating adjusted NAV per share. The coupon paid during the year of $27.7 million (2009: $20.1 million) is included in finance expense. Our weighted cost of debt and gearing level, including preference shares as debt, is 8.4% (2009: 8.6%) and 53% (2009: 57%) respectively.

Hedging

It is the Group's policy to hedge the cost of debt secured on completed assets and this is hedged using a mixture of caps and swaps. $117 million (2009: $39 million) is capped at 3.64% and $225 million (2009: $237 million) swapped at an average of 3.10% both with two and a half years remaining.

Cash flow hedges are operated through the lease mechanisms which are mainly US dollar pegged and in holding sufficient Sterling cash reserves to cover preference share coupon and dividend commitments.

Cashflow

The strong letting performance in the year more than doubled our operating cash inflows to $33 million (2009: $14 million). This, together with new financings, covered our bank debt interest and amortisation obligations in the year. We were then able to pay out $42 million (2009: $23 million) on our various capital instruments, encompassing ordinary dividends, preference share coupon, a warrant buy back and a tender offer, and still hold over $100 million in cash at the year end.

Net Asset Value and Dividends

Our Net Assets have increased from $546 million at 31 December 2009 to $580 million at the year end. This gives an Adjusted Basic NAV per share of $1.20 (2009: $1.17) and Adjusted Fully Diluted NAV per share of $1.05 (2009: 99c).

It is the Board's intention to pay a 1p final dividend (2009: 0.5p) and this will be proposed at the AGM.

Mark Sinclair
Chief Financial Officer
13 March 2011

Directors

Richard Jewson (aged 66)

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. Since then he has served as non-executive director and chairman of a number of public 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. He is currently Chairman of Archant Ltd, and a non-executive director of Temple Bar Investment Trust plc, Grafton Group plc and other unquoted companies.

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

Anton Bilton (aged 46)

Executive Deputy Chairman

Anton Bilton is an economics graduate from The City University in London. Anton was the founder of The Raven Group. He has also been a founder and director of three other companies that have floated on AIM and four public property companies established under the Business Expansion Scheme.

He is a member of the Nominations Committee.

Glyn Hirsch (aged 49)

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.

Mark Sinclair (aged 45)

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.

Colin Smith (aged 41)

Chief Operating Officer

Colin Smith, a Guernsey resident, qualified as a Chartered Accountant with Stoy Hayward. Prior to joining the Company, he was a director in the audit and assurance division of the chartered accountant practice of BDO in Guernsey, having joined BDO in 1994. Colin has also been a non-executive director of a number of offshore investment funds and companies.

Stephen Coe (aged 45)

Non-Executive Director

Stephen Coe BSc, FCA, a resident of Guernsey, 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, ACP Capital Ltd and Trinity Capital Limited where he acts as a non-executive director; he is also chairman of the audit committee for the three entities. Private clients include investment funds 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.

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

David Moore (aged 50)

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.

He is a member of the Audit Committee.

Christopher Sherwell (aged 63)

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 Goldman Sachs Dynamic Opportunities Ltd, where he is chairman, IRP Property Investments Ltd, Baker Steel Resources Trust Ltd and Hermes Alternative Investment Fund Plc.

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

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2010.

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, Chief Executive's Report, Property Review and Financial Review.

Results and dividends

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

The Company made a tender offer for ordinary shares during the year instead of offering an interim dividend. The amount paid out to those tendering shares was the equivalent of a 1p per ordinary share dividend, (2009: 0.5p dividend). A final dividend of 1p is being proposed at the Annual General Meeting (2009: 0.5p).

Principal Risks and Uncertainties

Internal controls and an effective risk management regime are integral to the Group's continued operation. The risk management processes adopted by the Group are described within the Corporate Governance statement. The following section outlines the Group's principal risk and uncertainties.

Strategic Risks

A poorly executed or ineffective strategy may damage shareholder value, fail to meet shareholders' expectations and have reputational consequences for the Group. The principal risks to delivering our strategy are:

Risk	Management treatments to mitigate principal risks
Our inability to anticipate, manage and take advantage of changes in the economic environment.	The Board monitors the external financial environment closely in the jurisdictions it operates and establishes a number of strategic priorities to respond to anticipated changes in the economic environment. The decision to focus on the Russian market and liquidate UK assets being one such strategic outcome. During 2009, the slow down in the global economy and rapid deterioration in international financial and property markets had an adverse impact on the business but the inherent infrastructure undersupply in Russia should enhance the Group's returns as the market recovers.
Our ability to accurately evaluate and enhance or realise value from real estate investment opportunities in the markets we operate in.	The Russian market has shown signs of recovery in 2010, especially in Moscow, which has now become the primary focus for our Russian businesses in the short term. In the UK market, various initiatives such as "rent to buy" schemes have been undertaken to stimulate residential stock sales.

Financial Risks

The financial risks to which the Group is exposed could lead to the Group's inability to meet shareholder expectations in terms of returns and ultimately the financial viability of the Group. The principal risks are:

Risk	Management treatments to mitigate principal risks
A material fall in the Group's property asset values or rental income could lead to a breach of financial covenants within its credit facilities, which in turn could lead to credit facilities being cancelled.	The Group has a Board approved funding and treasury strategy and monitors funding needs regularly. Financial covenant ratios are monitored and sensitised as part of normal financial planning procedures. The majority of the Group's financing facilities are project specific and non-recourse in nature. This helps mitigate the risk of one facility breach having a knock on effect on the Group's balance sheet. This was demonstrated in 2009 when security on an onerous facility was surrendered without significant balance sheet impact. This structure also assists in the re-negotiation of financial covenants if required. The Group does not have significant gearing and other than the occasion noted above, managed all facilities sufficiently without breach throughout the crisis period in 2009.
Deterioration in the Company's credit profile, a decline in debt market conditions or a general rise in interest rates could impact the cost and availability of borrowing.	The Group monitors changes in credit market conditions, and to the broader financial environment, and seeks to optimise its use of difference sources of debt capital. Interest rate sensitivity is mitigated by using fixed rate debt instruments or caps.
Foreign exchange rate changes could reduce the US Dollar value of assets and earnings.	The operational currency of Russian assets is Russian Rouble but the transaction currency is US Dollars. To mitigate this, leases are pegged to US Dollar rates. Debt is raised in US Dollars also. Capital instruments are denominated in Sterling and sufficient sterling cash is retained to service these. However, the balance sheet is open to exchange rate movements on the carrying value of our preference shares.
Potential taxation issues.	As the Group operates in a number of jurisdictions, monitoring of cross border tax issues and repatriation of funds is required. The Group has developed adequate presence in its key jurisdictions of Guernsey, Cyprus and Russia to manage the risks that changing tax legislation may present.

Real Estate and Development Risks

Real estate and development risks may impact income and the value of the Group's property assets. The principal risks are:

Risk	Management treatments to mitigate principal risks
A potential loss of income and increased vacancy due to customer default, falling demand or oversupply.	The Group has developed a good tenant mix of both international and Russian tenants and monitors the credit worthiness of its tenants and works closely with individual tenants facing financial difficulty. The impact of transferring foreign exchange risk to tenants by the use of US Dollar pegged leases is also monitored in times of US Dollar strength. Given the stage of development of the Group, there has been no significant customer default and vacant space relates to the introduction of new space into the market in 2009.
Failing to acquire or dispose of assets at attractive prices.	The Group has built up a strong property team in Moscow that monitors the market and market opportunities through a network of contacts and agents.
A decline in the value of property assets due to market conditions.	2009 saw the Russian market rapidly decline and property values drop below replacement cost. The inherent undersupply in the market should assist in the recovery of those values as new supply is constrained.
Development projects fail to deliver the expected returns. This may be due to increased project costs, delays, changes in customer demand, or a fall in property market values.	All potential development projects are subject to a full technical and financial appraisal on which Board approval is based. The strategic choice of the warehouse market as a focus was partly based on the ability to build in phases and hence manage the risk of speculative builds in a market downturn. All speculative development ceased in the second half of 2009.
Holding excess or insufficient development land due to unexpected changes in customer demand.	The Executive Board review the land holding and acquisition policy of the Group and agree a strategy for existing holdings and potential acquisitions.

Operational Risk

The Group's inability to continue its operations may impact the reputation, revenue and value of the Group. The principal risks are:

Risk	Management treatments to mitigate principal risks
Business and IT system disruption.	IT disaster recovery plans are in place and all data is stored remotely offsite for all offices.
Failing to attract, retain and motivate key staff employees.	The Remuneration Committee and Executive Committee regularly reviews remuneration against comparable market information. Employees have regular appraisals and documented development plans.
A change or breach of regulatory and local legal requirements.	Regulatory compliance is managed with the assistance of external advisors. Changes in Russian legal requirements are monitored by the in house legal department and with the use of external advisors where required.

Directors

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

Richard Jewson (Non-Executive Chairman)
Anton Bilton (Executive Deputy Chairman)
Glyn Hirsch (Chief Executive Officer)
Mark Sinclair (Chief Financial Officer)
Colin Smith (Chief Operating Officer)
Stephen Coe (Non-Executive Director)
David Moore (Non-Executive Director)
Christopher Sherwell (Non-Executive Director)

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.

Details of the Directors' remuneration and shareholdings are included within the Remuneration Report.

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	Percentage of share capital
Invesco Perpetual	115,443,388	21.74
Schroder Investment Management	76,490,819	14.41
Mackenzie Cundill Investment Management	59,000,000	11.11
F&C Asset Management Limited	26,413,490	4.97
Legal & General Investment Management	19,845,187	3.74
JO Hambro Capital Management	16,917,990	3.19

Substantial shareholders are stated as at 25 February 2011.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Going Concern

The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review and the notes to the accompanying financial statements. In addition, in note 35 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.

During the year the Group had and continues to hold substantial cash and short term deposits. These were supplemented by the increasing and profitable rental income stream and as a consequence the Directors believe the Group is well placed to manage its business risks. The move to the main market of the London Stock Exchange during the year had further increased the liquidity in the Company's securities.

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 the 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.

Directors' responsibilities

Guernsey 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; and
- 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.

Directors' Responsibility Statement

The Board confirms to the best of its knowledge:

The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.

The business review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Mark Sinclair	Colin Smith
Chief Financial Officer	*Chief Operating Officer*

13 March 2011

Combined Code

The Board is committed to maintaining a high standard of corporate governance throughout the Groups' operations. The Financial Services Authority's listing rules require the Company to explain how it has applied the Main Principles in Section 1 of the Combined Code issued by the Financial Reporting Council in June 2008 (the "Code"). This report, together with the Directors' and Remuneration Reports, set out how the Company has done so. In the opinion of the Board, the Company has complied fully with the provisions of the Code. Alongside the Board's review of compliance with the Code, it has considered the new UK Corporate Governance Code and the future changes to the Company's corporate governance activities that this will entail.

The Role of the Board

The Board is accountable for the governance processes within the Group, and sets the parameters within which the Group seeks to further the interests of shareholders, while monitoring the performance of the executives to whom it delegates management responsibility of the Group. The Board have approved a formal schedule of matters reserved solely for its consideration which includes:

- Strategy;
- Capital structure and dividends;
- Financial reporting including approving results;
- Internal control and risk management;
- Corporate governance; and
- Material transaction activity.

The Board has delegated a number of its responsibilities through its Audit, Remuneration and Nominations Committees. Terms of references for each of these committees are reviewed periodically by the Board and are made available on the Company's website, www.ravenrussia.com. An outline of each of the Committees' functions and responsibilities is included below.

Board composition

During the year, the board comprised eight directors, Non-Executive Chairman, Richard Jewson, four Executive Directors and three Non-Executive Directors. The Board considers all the Non-Executive Directors (including the Chairman) to be independent for the purposes of the Code. The balance of skills and expertise of the Board ensures that no individual or group of individuals dominate the Board's decision making, allowing for independent challenge and rigour to the Board's deliberations.

The roles of Chairman and Chief Executive are undertaken by Richard Jewson and Glyn Hirsch respectively, terms of reference delineating clear divisions of responsibilities are in place and reviewed on a regular basis.

Christopher Sherwell is the Senior Independent Director of the Company.

David Moore is a partner in Mourant Ozannes, Advocates and Notaries Public. Mourant Ozannes provide independent Guernsey legal advice to the Group. Total legal fees paid to Mourant Ozannes in the year ended 31 December 2010 amounted to £1,194 (2009: £58,070). Mr Moore refrains from participation in and voting on any board resolutions concerning the appointment or remuneration of Mourant 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 Code.

Biographies for each director are included in the Directors' Report. In accordance with the Articles, one third of the Directors are required to retire by rotation. The Directors retiring by rotation at the Annual General Meeting in 2011 are Anton Bilton and Mark Sinclair.

The full Board meets six times a year to consider general matters affecting the Company and otherwise as required. Committee meetings comprising any two or more Directors meet on an *ad hoc* basis to consider transactional and related matters concerning the Company's business.

To enable the Board to discharge its duties, all directors receive appropriate and timely information, including briefing papers distributed in advance of any board meeting and regular management information. 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. On appointment, a director receives advice from the Company's financial and other professional advisers as to the affairs of the Company and their responsibilities, an estimation of time commitments necessary to undertake the role and a commitment to receive other such training as may, from time to time, be appropriate.

Attendance at Board or Committee meetings during the year to 31 December 2010

(where 'N/A' is shown, the director listed is not a member of the Committee)

	Board(1)	Audit Committee	Nominations Committee	Remuneration Committee
R Jewson	7	4	1	2
A Bilton	7	N/A	1	N/A
G Hirsch	7	N/A	N/A	N/A
M Sinclair	7	N/A	N/A	N/A
C Smith	7	N/A	N/A	N/A
S Coe	5	4	N/A	3
C Sherwell	7	4	1	3
D Moore	7	4	N/A	N/A
Number of meetings during the year	**7**	**4**	**1**	**3**

(1) In addition to the above Board meetings there were 41 Board Committee meetings held throughout the year

Board performance evaluation

The Board undertakes annual performance evaluations of it and its Committees' activities. These are led by the Chairman and where dealing with the Chairman's performance, by the Senior Independent Director.

The performance evaluations during 2010 were facilitated internally which took the form of a questionnaire and one to one interview with the Chairman or Senior Independent Director. The results, recommendations and actions, once collated, were reviewed and discussed by the full Board during the January 2011 and March 2011 Board meetings as part of a wider corporate governance review of the Group. It was concluded that the performance of the Board, its Committees and individual directors were operating effectively and had the necessary balance of skills and expertise required to direct the business.

Board Committees

The Board has established Audit, Remuneration and Nominations Committees to undertaken specific activities of the Group's affairs through delegated authority from the full Board. Terms of reference for each Committee are agreed and reviewed on a regular basis by the Board. Full terms of reference for each Committee can be obtained from the Company's website.

Audit Committee

The Audit Committee comprises Richard Jewson, David Moore, Christopher Sherwell and Stephen Coe, being the Chairman, who is considered to have recent and relevant financial experience. The Committee meets at least twice a year. There are a number of regular attendees at the meetings of the Committee which include members of the Board, senior management and the Group's external auditors. The Chairman of the Committee also meets with the external auditors without management present.

The Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored. The Committee reviews the annual and interim accounts, results, management information statements, announcements, internal control systems and risk management, accounting policies of the Group and the continuing appointment of the auditors.

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Committee. Although there is no formal internal audit function, the Committee assesses the internal controls and risk management of the Group on a regular basis and reports to the Board accordingly.

During the year, the Committee has considered the appointment, compensation and independence of the Group's auditor, Ernst & Young LLP.

Having considered the ratio for non audit services performed by Ernst & Young LLP, the Committee is satisfied that where the auditors are used for non audit services, due to their intrinsic knowledge of the Group's activities, they were best placed and offered commercial advantage to the Group in performing these services. The policy for the provision of non audit services is reviewed and confirmed by the Committee annually. For the year ended December 2010, fees payable to Ernst & Young LLP totalled $1.483m of which 64% was for the provision of non audit services. The magnitude of the ratio for the year was due to their engagement as reporting accountants and work surrounding the listing of the Ordinary Shares and Warrants on the main market of the London Stock Exchange and corporate transactions in the previous financial year. Fee's for this totalled $714,000. Assuming a reduction in corporate transactional activity, it is expected that the ratio for non audit to audit fees will decrease.

Ernst & Young LLP have provided the Committee with written confirmation of their independence. The Committee has recommended a resolution for their reappointment be proposed to shareholders at the Annual General Meeting.

Nominations Committee

The Nominations Committee comprises Anton Bilton, Christopher Sherwell and Richard Jewson, who is Chairman. The Committee undertakes an annual review of any succession planning and ensures that the membership and composition of the Board and its Committees are constituted appropriately, with the necessary balance of skills and expertise to undertake their roles effectively.

During the year the Committee reviewed and assessed the performance of the Board and its Committees. It concluded that the Board comprised the appropriate mix of skill and experience for the ongoing activities of the Group. Should the Committee consider it necessary to either refresh or enlarge the Board or its Committees, acting in accordance with its terms of reference, a rigorous and thorough evaluation will be undertaken by the Committee in assessing the requirements of the Company and Group so that the individual or individuals appointed will add value to the ongoing activities of the business.

Remuneration Committee

The Remuneration Committee comprises Stephen Coe, Richard Jewson and Christopher Sherwell, who is Chairman. The Remuneration Committee meets at least once a year to review the performance of Executive Directors and to recommend their remuneration and other benefit packages. The fees of the Non-Executive Directors are determined by the Executive Directors. Full details of the activities undertaken by the Committee during the year are included within the Remuneration Committee Report. This Report will be subject to an advisory vote at the Annual General Meeting.

Internal Control and Risk Management

The Board has overall responsibility for the systems of internal control and for reviewing their effectiveness throughout the Group and ensuring that there is a process that identifies, evaluates, manages or eliminates the principal risks that may affect the achievement of the Group's strategic objectives. Such a system is designed to manage or reduce the effects of the possible risks to which the Group's activities are subject to, rather than providing absolute assurance against material misstatement or loss.

Key features of the risk management process are:

- A comprehensive system of reporting and business planning;
- A defined schedule of matters reserved for the Board;
- An organisation structure chart with clearly defined levels of authority and division of responsibilities;
- Formal documented policies and procedures throughout the Group;
- The close involvement of the Executive Directors and senior management in all aspects of the day-to-day operations, including regular meetings with senior management to review all operational aspects of the business and risk management systems;
- The Board reviewing Group strategy and progress on objectives throughout the year;
- A formal whistle blowing policy;
- A comprehensive and robust system of financial reporting; and
- A formal assessment of risks within the business enshrined at all operational levels within the Group.

The Audit Committee has established a Risk Committee to carry out the review and assessment of risks within the Group's activities. This Risk Committee comprises Executive Directors and senior management involved in each operating jurisdiction and activity of the Group. This process allows a bottom up, as well as top down approach to risk assessment and ensures that all significant principal risks to which the Group is subject to are identified.

Investor relations

The Chief Executive, Executive Deputy Chairman and Chief Financial Officer are the Company's point of contact for investors, fund managers, analysts, the press and other interested parties. The Company's investor relations programme includes formal presentations of the annual and interim results, as well as regular analyst briefings and meetings.

The Board regularly receive reports on the Group's investor relations activities including any reports prepared by the Company's brokers and analysts following the Company.

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. The Company's website has been developed to facilitate communication with all shareholders. Communication through these means allows our investors to receive information in a timely and cost effective manner.

The notice of AGM accompanies this report. A separate proxy card is provided for Shareholders.

Remuneration policy principles

The Group's remuneration policy aims to attract, retain and incentivise high calibre executives and senior staff and to align their interests with those of shareholders and other stakeholders in the business. The Remuneration Committee ("the Committee") seeks to ensure that total remuneration is at competitive levels compared to the Company's peers in the property sector, whilst taking into account the strategic and geographical complexity of the business. No Director, Executive or Non-Executive, is involved in deciding his own remuneration.

Remuneration Committee

The Committee comprises three independent Non-Executive Directors, Stephen Coe, Richard Jewson and Christopher Sherwell (Chairman). The Committee has responsibility for determining policy and the framework for the remuneration and employment arrangements of the Executive Directors and senior management of the Company consistent with the principles above.

Executive Directors

Remuneration packages for Executive Directors include performance-related and non-performance-related rewards and comprise annual salaries, benefits such as life and health insurance, pension contributions, performance-related bonuses in cash and shares and share options.

Details of these payments in the year are shown in the table below. The cash bonus amounts disclosed relate to performance in 2009, and were determined by the Committee following the announcement of the 2009 financial results in March 2010.

Executive Directors may serve as Non-Executive Directors for companies outside of the group and retain such fees which may be paid to them. Glyn Hirsch is a Non-Executive Director on Liontrust Asset Management Plc for which he receives a fee of £27,400 per annum.

Basic salary and benefits

The Committee reviews basic salaries and the level and nature of benefits provided to the Executive Directors and senior management annually. Basic salary is the only element of the Executive Directors' remuneration which attracts pension contributions.

As confirmed in last year's Remuneration Committee Report, Executive Directors received no salary increases in 2010 and increases in 2011 will be limited to the increase in UK RPI.

Benefits principally comprise life insurance, health insurance and private healthcare subscriptions. The cost of these benefits for Executive Directors is included in the table below. A contribution of 10% of basic salary is made to each Executive Director for his personal pension arrangements or direct to his personal pension plan.

Directors' remuneration details in respect of the year ended 31 December 2010

	Salaries/ fees £'000	Cash Bonuses £'000	Benefits £'000	Total 2010 £'000	Total 2009 £'000	Pension 2010 £'000	Pension 2009 £'000
Executive							
A Bilton	480	–	11	491	418	45	39
G Hirsch	480	–	11	491	477	45	45
M Sinclair(1)	300	100	2	402	578	30	23
C Smith	225	100	5	330	354	23	21
	1,485	**200**	**29**	**1,714**	**1,827**	**143**	**128**
Non-executive							
R Jewson	80	–	–	80	80	–	–
C Sherwell	40	–	–	40	40	–	–
S Coe	40	–	–	40	40	–	–
D Moore	40	–	–	40	40	–	–
	200	**–**	**–**	**200**	**200**	**–**	**–**

(1) Reflects remuneration and benefits from date of appointment on 23 March 2009.

The contractual arrangements of the Executive Directors for 2011 are:

	Salary	Appointment Date	Unexpired term	Notice period	Contractual termination payment
Director					
A Bilton	494,000	27 November 2008	Rolling contract	12 months	Payment of 12 months salary and benefits on termination
G Hirsch	494,000	27 November 2008	Rolling contract	12 months	
M Sinclair	309,000	23 March 2009	Rolling contract	12 months	
C Smith	232,000	14 November 2008	Rolling contract	12 months	

Bonus Plan

In 2009, the Committee designed a bonus plan for 2009, 2010 and 2011 which reduced the cash burden to the Group and aligned Executive Directors and senior management with shareholder interests. As set out in last year's report, 15 million of the 19 million Raven Russia shares previously held in Treasury by the Company are being used as consideration for bonuses for Executive Directors and senior management in respect of the years 2009, 2010 and 2011. These shares were acquired as part of the Raven Mount Group plc acquisition at a cost of 23.5p per share and had a market value of 62.5p per share at 31 December 2010. They are held by the Company's Employee Benefit Trust (EBT) for this purpose.

Regarding the objectives set out in last year's report, the following decisions were made during the year in respect of 2009:

1. No cash bonuses were paid to Anton Bilton or Glyn Hirsch and cash bonuses of £100,000 were paid to each of Mark Sinclair and Colin Smith.

2. Of the 15 million shares held by the EBT, an allocation of 5.9 million was made available for distribution to the Executive Directors and senior management for performance targets met in 2009. 5.6 million of these were issued to Executive Directors and senior management in 2010. The allocation to Executive Directors is shown in the table below under the column headed "2009 Awards". Recipients may not sell their shares for at least one year, barring a change of control of the Company. This allocation was satisfied by awards announced on 23 April 2010 and 30 June 2010.

In respect of 2010, the Committee has determined that:

4.7 million shares will be allocated to satisfy bonuses for Executive Directors and senior management for 2010, with awards based on continuing employment and personal targets.

No cash bonuses for 2010 will be awarded to Anton Bilton and Glyn Hirsch. Mark Sinclair and Colin Smith will receive £100,000 each, following the issue of these financial statements.

The objectives set for 2010 and that were considered by the Committee included:

- Successful listing of the Company's ordinary shares on the Official List;
- Letting target of 200,000 square metres;
- Annualised NOI target of $90 million (including Baltia and PLAs);
- Treasury management with maintenance of cash buffer;
- Maintaining local and international tenants with strong covenants;
- Asset and tenant management including operating expenditure targets;
- Management and expansion of debt relationships;
- Internal control and risk management; and
- Proactive shareholder relations programme.

The Remuneration Committee met during March 2011 and was satisfied that the targets had been met and that awards to Directors as set out in the table below (column headed "2010 Awards") would be made, following the announcement of these results

	Number of Ordinary Shares 2009 awards(1)	2010 awards
A Bilton	1,500,000	900,000
G Hirsch	1,500,000	900,000
M Sinclair	775,000	775,000
C Smith	160,000	160,000

(1) Awards announced on 23 April 2010 and 30 June 2010.

In respect of 2011, the Remuneration Committee will have discretion to issue up to a maximum of 4.4 million shares to the Executive Directors and Senior Management based on the Committee's assessment of Group performance against certain financial and share price indicators.The Committee will have the discretion to issue the awards on a sliding scale based on:

- Annualised Net Operating Income targets up to $115 million per annum;
- Dividend cover targets and/or a share price or diluted NAV per share target of 75p;
- Treasury management with maintenance of cash buffer;
- Maintaining local and international tenants with strong covenants;
- Asset and tenant management including operating expenditure targets;
- Management and expansion of debt relationships;
- Internal control and risk management; and
- Proactive shareholder relations programme.

Any awards based on these targets assume that the senior management remain in employment at 31 December 2011 and would be made, following the issue of the audited financial statements for the year ended 31 December 2011.

Together with the existing share schemes described below, this allows senior management to hold up to 5.7% of existing share capital and 4.9% of diluted share capital through bonus and incentive schemes. This compares to the authority given to the Property Advisor at the time of listing, to acquire new shares up to a maximum of 7.5% of the issued share capital of the Company for its incentive schemes. Using existing shares held by the EBT also minimises any dilutive impact.

Executive Share Option Schemes (ESOS)

The Group operates two ESOS in which the Executive Directors participate. These schemes were approved by shareholders on 28 August 2008 and 24 March 2009 and replaced ESOS that had been put in place for the Property Advisor prior to its acquisition by the Company in November 2008. Options are granted by the Company's EBT, whose Trustees are independent of the Company but will consider the recommendations of the Committee as to the granting of awards under the schemes.

(a) Executive Retention Scheme (ERS)

This scheme was introduced for certain Executive Directors and Senior Managers at the time of the acquisition of the Property Advisor. The EBT currently holds the 5 million ordinary shares for this scheme. The options it grants over these shares are exercisable from the date of publication of the audited financial statements of Raven Russia Limited for the year ended 31 December 2010. The options do not have an exercise price, dividends roll up during the life of the option and the sole vesting condition is that the scheme member remains in the employment of the Group until the first exercise date. Anton Bilton and Glyn Hirsch do not participate in this scheme.

(b) Long Term Incentive Plan (LTIP)

All employees of the Group are eligible to receive invitations to participate in this scheme. The EBT currently holds the 10 million ordinary shares reserved for this scheme. The options it grants over these shares vest in three equal tranches, subject to performance criteria, on 24 March 2012, 24 March 2013 and 24 March 2014.

Performance criteria for each tranche is based on meeting a target, total shareholder return of 7.5% over UK RPI in each of the following three year periods, with a starting share price of 25p:

- 24 March 2009 to 24 March 2012;
- 24 March 2010 to 24 March 2013; and
- 24 March 2011 to 24 March 2014.

Dividends roll up during the vesting period and options granted under this scheme have an exercise price of 25p.

The Directors' interests in the ESOS are set out below:

	Number of Shares		
	ERS	**LTIP**	**Total**
A Bilton	–	810,811	810,811
G Hirsch	–	1,000,000	1,000,000
M Sinclair	1,000,000	1,000,000	2,000,000
C Smith	125,000	500,000	625,000

Non-Executive Directors

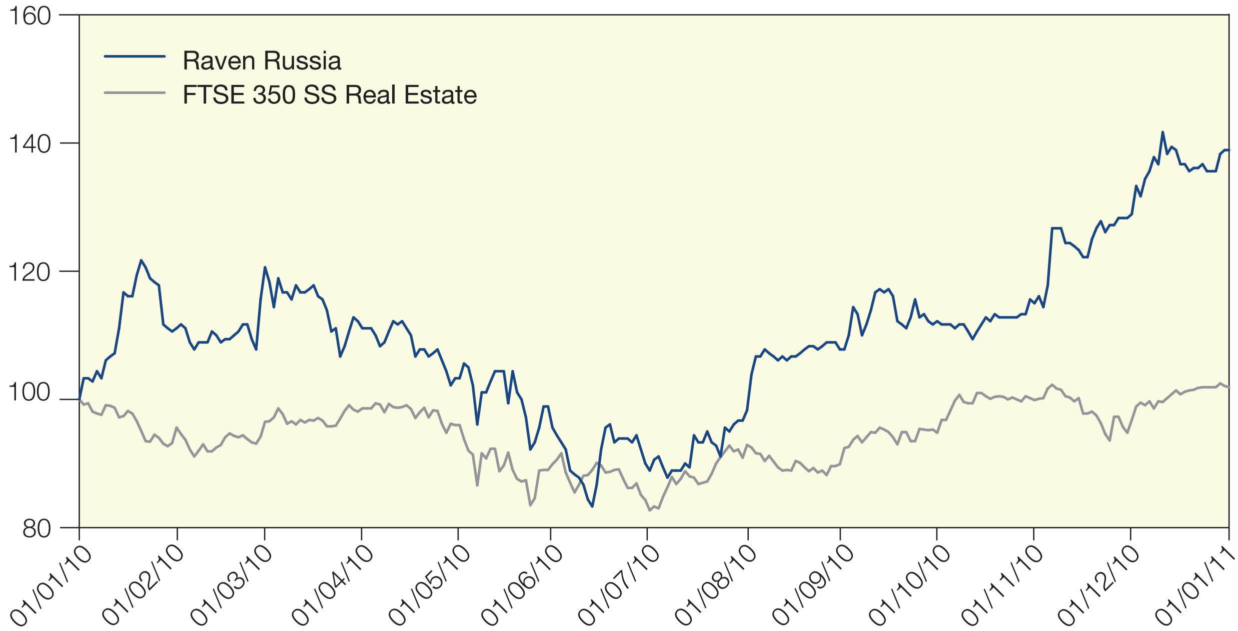
The remuneration of Non-Executive Directors is determined by the Committee in consultation with the wider Board, including in particular the Executive Deputy Chairman and the Chief Executive. The Committee believes the pay of the Non-Executive Directors reflects their commitment of time and the responsibilities of their roles. No Non-Executive Director is entitled to any form of performance-related remuneration, including share options.

The contractual arrangements for 2011 of the Non-Executives Directors are set out below.

	Fees	Appointment Date	Unexpired term	Notice period	Contractual termination payment
Non-Executive Director					
R Jewson	80,000	29 June 2007	Rolling contract	3 months	No provision for
S Coe	42,000	4 July 2005	Rolling contract	3 months	payment on
D Moore	42,000	4 July 2005	Rolling contract	3 months	termination
C Sherwell	42,000	1 April 2008	Rolling contract	3 months	

Performance graph

The graph below shows the performance of the Company's ordinary shares relative to the FTSE Real Estate Sector Index for the year ended 31 December 2010.



Source: FactSet.

Interests of Executive and Non-Executive Directors in Ordinary Shares, Preference Shares and Warrants

The beneficial interests of the Directors in office at 31 December 2010 in the ordinary shares, preference shares and warrants of the Company, both at the beginning (or date of appointment if later) and the end of the year, are set out below:

Director	Number of ordinary shares 31 December 2010	Number of preference shares 31 December 2010	Number of warrants 31 December 2010
R Jewson	123,653	125,127	15,157
A Bilton[(1)]	17,107,277	27,281,549	15,082,944
G Hirsch[(1)]	1,944,024	3,549,910	2,292,817
M Sinclair	614,779	150,887	7,332
C Smith	74,100	89,178	7,385
C Sherwell	29,000	100,712	–
S Coe	72,727	51,933	31,997
D Moore	101,779	57,052	40,557
	20,067,339	**31,406,348**	**17,478,189**

Director	Number of ordinary shares 31 December 2009	Number of preference shares 31 December 2009	Number of warrants 31 December 2009
R Jewson	194,229	21,811	20,500
A Bilton[(1)]	19,373,757	21,005,339	20,569,345
G Hirsch[(1)]	472,175	3,133,050	3,124,650
M Sinclair	16,797	20,887	10,000
C Smith	11,569	31,710	10,443
C Sherwell	29,000	–	–
S Coe	63,000	37,599	25,000
D Moore	89,564	57,052	55,310
	20,250,091	**24,307,448**	**23,815,248**

(1) Includes ordinary and preference shares and warrants held by an Employer Funded Retirement Benefit Scheme

Independent Auditor's Report

We have audited the financial statements of Raven Russia Limited for the year ended 31 December 2010 which comprise Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008 and our engagement letter dated 17 August 2010. 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

As explained more fully in the Directors' Responsibilities Statement,the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Raven Russia Limited annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2010. and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Where, under the Companies (Guernsey) Law, 2008, we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Where, under the Listing Rules, we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Craig Hughes
for and on behalf of Ernst & Young LLP
London
13 March 2011

Notes:

1. *The maintenance and integrity of the Raven Russia web site 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 2010

	Notes	2010 Revenue US$'000	2010 Capital US$'000	2010 Total US$'000	2009 Revenue US$'000	2009 Capital US$'000	2009 Total US$'000
Gross revenue	4/5	130,628	–	130,628	112,204	–	112,204
Property operating expenditure and cost of sales		(69,553)	–	(69,553)	(61,880)	–	(61,880)
Net rental and related income		**61,075**	**–**	**61,075**	**50,324**	**–**	**50,324**
Administrative expenses	4/6	(31,364)	–	(31,364)	(33,662)	–	(33,662)
Share-based payments	32	(6,427)	–	(6,427)	(190)	–	(190)
Foreign currency profits/(losses)		1,985	–	1,985	1,020	(4,117)	(3,097)
Operating expenditure		**(35,806)**	**–**	**(35,806)**	**(32,832)**	**(4,117)**	**(36,949)**
Operating profit/(loss) before profits and losses on investment property		**25,269**	**–**	**25,269**	**17,492**	**(4,117)**	**13,375**
Profit on disposal of investment property		–	12,178	12,178	–	–	–
Unrealised profit/(loss) on revaluation of investment property	11	–	62,798	62,798	–	(57,933)	(57,933)
Unrealised profit/(loss) on revaluation of investment property under construction	12	–	16,453	16,453	–	(50,544)	(50,544)
Operating profit/(loss)		**25,269**	**91,429**	**116,698**	**17,492**	**(112,594)**	**(95,102)**
Finance income	7	2,483	1,370	3,853	3,952	866	4,818
Finance expense	7	(64,839)	–	(64,839)	(57,120)	(892)	(58,012)
(Loss)/profit before tax		**(37,087)**	**92,799**	**55,712**	**(35,676)**	**(112,620)**	**(148,296)**
Tax	8	(1,838)	(12,389)	(14,227)	6,914	2,103	9,017
(Loss)/profit for the year		**(38,925)**	**80,410**	**41,485**	**(28,762)**	**(110,517)**	**(139,279)**
Earnings per share:	9						
Basic (cents)		–	–	8.41	–	–	(28.49)
Diluted (cents)		–	–	7.40	–	–	(28.49)
Adjusted (EPRA) earnings per share:	9						
Basic (cents)		–	–	(7.68)	–	–	(7.04)
Diluted (cents)		–	–	(7.68)	–	–	(7.04)

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.

All income is attributable to the equity holders of the parent company. There are no non-controlling interests.

The accompanying notes are an integral part of this statement.

Group Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 US$'000	2009 US$'000
Profit/(loss) for the year	**41,485**	**(139,279)**
Change in fair value of available for sale financial assets	–	753
Foreign currency translation	2,661	(45,279)
Deferred tax relating to foreign currency translation	661	3,693
Other comprehensive income, net of tax	**3,322**	**(40,833)**
Total comprehensive income for the year, net of tax	**44,807**	**(180,112)**

All income is attributable to the equity holders of the parent company. There are no non-controlling interests.

The accompanying notes are an integral part of this statement.

Group Balance Sheet

As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Non-current assets			
Investment property	11	942,950	878,775
Investment property under construction	12	106,741	101,280
Plant and equipment		6,682	7,663
Intangible assets	13	13,498	13,442
Other receivables	16	15,522	18,214
Derivative financial instruments	19	347	195
Deferred tax assets	26	61,219	61,176
		1,146,959	1,080,745
Current assets			
Inventory	17	56,341	61,403
Trade and other receivables	18	34,737	68,815
Available for sale financial assets		–	4,232
Derivative financial instruments	19	102	–
Cash and short term deposits	20	107,641	123,710
		198,821	258,160
Disposal group assets classified as held for sale	21	–	51,654
Total assets		**1,345,780**	**1,390,559**
Current liabilities			
Trade and other payables	22	47,938	62,852
Derivative financial instruments	19	1,682	474
Interest bearing loans and borrowings	23	89,845	97,597
		139,465	160,923
Non-current liabilities			
Interest bearing loans and borrowings	23	342,205	347,973
Preference shares	24	217,425	219,444
Other payables	25	25,168	34,249
Derivative financial instruments	19	4,439	6,166
Deferred tax liabilities	26	36,714	24,267
		625,951	632,099
Liabilities associated with disposal groups classified as held for sale	21	–	51,654
Total liabilities		**765,416**	**844,676**
Net assets		**580,364**	**545,883**
Equity			
Share capital	27	10,196	9,924
Share premium		55,119	46,858
Warrants	28	6,033	8,584
Own shares held	29	(12,241)	(13,841)
Special reserve		852,802	870,692
Capital reserve		(71,152)	(151,562)
Translation reserve		(109,354)	(112,676)
Retained earnings		(151,039)	(112,096)
Total equity	30	**580,364**	**545,883**
Net asset value per share (dollars):	31		
Basic		1.16	1.14
Diluted		1.01	0.97
Adjusted net asset value per share (dollars):	31		
Basic		1.20	1.17
Diluted		1.05	0.99

The financial statements were approved by the Board of Directors on 13 March 2011 and signed on its behalf by:

Mark Sinclair Colin Smith

The accompanying notes are an integral part of this statement.

Group Cash Flow Statement

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Cash flows from operating activities			
Profit/(loss) before tax		55,712	(148,296)
Adjustments for:			
Depreciation	6	2,188	1,344
Finance income	7	(3,853)	(4,818)
Finance expense	7	64,839	58,012
Profit on disposal of investment property		(12,178)	–
Profit/(loss) on revaluation of investment property	11	(62,798)	57,933
Profit/(loss) on revaluation of investment property under construction	12	(16,453)	50,544
Foreign exchange (profits)/losses arising from non-operating activities		(1,985)	3,097
Recognised share-based payments	32	6,427	190
		31,899	18,006
Increase in operating receivables		5,456	(9,365)
Decrease/(increase) in other operating current assets		8,163	(224)
(Decrease)/increase in operating payables		(9,420)	7,006
		36,098	15,423
Tax paid		(2,960)	(514)
Net cash generated from operating activities		**33,138**	**14,909**
Cash flows from investing activities			
Payments for investment property under construction		(35,669)	(138,345)
Decrease in VAT recoverable on construction		26,646	46,495
Proceeds from disposal of investment property		43,451	–
Cash disposed with subsidiary undertakings		(3,534)	–
Capital expenditure		–	(1,113)
Acquisition of subsidiary undertakings		–	(3,578)
Cash acquired with subsidiary undertakings		–	31,211
Loans repaid		722	–
Settlement of maturing forward currency financial instruments	7	409	(892)
Interest received	7	2,483	2,043
Net cash generated from/(used in) investing activities		**34,508**	**(64,179)**
Cash flows from financing activities			
Proceeds from long term borrowings		53,594	115,791
Repayment of long term borrowings		(63,622)	(110,784)
Repayment of other borrowings		–	(5,713)
Borrowing costs paid		(31,611)	(27,069)
Proceeds from issue of preference shares and warrants		–	106,999
Exercise of warrants	27/28	1,606	–
Purchase of warrants	28	(5,467)	–
Purchase of ordinary shares	27	(8,047)	–
Dividends paid on preference shares		(24,599)	(19,226)
Ordinary dividends paid	10	(3,949)	(4,048)
Net cash (used in)/generated from financing activities		**(82,095)**	**55,950**
Net (decrease)/increase in cash and cash equivalents		(14,449)	6,680
Opening cash and cash equivalents		123,782	108,435
Effect of foreign exchange rate changes		(1,692)	8,667
Closing cash and cash equivalents	39	**107,641**	**123,782**

The accompanying notes are an integral part of this statement.

For the year ended 31 December 2010

	Notes	Share Capital US$'000	Share Premium US$'000	Warrants US$'000	Own Shares Held US$'000	Special Reserve US$'000	Capital Reserve US$'000	Translation Reserve US$'000	Retained Earnings US$'000	Total US$'000
For the year ended 31 December 2009										
At 1 January 2009		**9,921**	**46,791**	**–**	**–**	**870,692**	**(41,798)**	**(71,090)**	**(79,476)**	**735,040**
Loss for the year		–	–	–	–	–	–		(139,279)	(139,279)
Other comprehensive income		–	–	–	–	–	753	(41,586)	–	(40,833)
Total comprehensive income for the year		–	–	–	–	–	753	(41,586)	(139,279)	(180,112)
Warrants issued	28	–	–	8,593	–	–	–	–	–	8,593
Warrants exercised	27/28	3	67	(9)	–	–	–	–	–	61
Own shares acquired	29	–	–	–	(13,841)					(13,841)
Ordinary dividends paid	10	–	–	–	–	–	–	–	(4,048)	(4,048)
Share-based payment expense	32	–	–	–	–	–	–	–	190	190
Transfer in respect of capital losses		–	–	–	–	–	(110,517)	–	110,517	–
At 31 December 2009		**9,924**	**46,858**	**8,584**	**(13,841)**	**870,692**	**(151,562)**	**(112,676)**	**(112,096)**	**545,883**
For the year ended 31 December 2010										
Profit for the year		–	–	–	–	–	–	–	41,485	41,485
Other comprehensive income		–	–	–	–	–	–	3,322	–	3,322
Total comprehensive income for the year		–	–	–	–	–	–	3,322	41,485	44,807
Warrants exercised	27/28	71	1,820	(285)	–	–	–	–	–	1,606
Warrant offer	27/28	340	14,349	(2,266)	–	(17,890)	–	–	–	(5,467)
Own shares disposed	29	–	–	–	1,600	–	–	–	1,809	3,409
Ordinary shares cancelled	27	(139)	(7,908)	–	–	–	–	–	–	(8,047)
Ordinary dividends paid	10	–	–	–	–	–	–	–	(3,949)	(3,949)
Share-based payment expense	32	–	–	–	–	–	–	–	2,122	2,122
Transfer in respect of capital profits		–	–	–	–	–	80,410	–	(80,410)	–
At 31 December 2010		**10,196**	**55,119**	**6,033**	**(12,241)**	**852,802**	**(71,152)**	**(109,354)**	**(151,039)**	**580,364**

The accompanying notes are an integral part of this statement.

For the year ended 31 December 2010

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 1 Le Truchot, St Peter Port, Guernsey GY1 6EH.

The audited financial statements of the Group for the year ended 31 December 2010 comprise the Company and its subsidiaries and were authorised by the Board for issue on 13 March 2011.

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 group financial statements have been prepared for both current and prior periods. The group 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 group financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise indicated.

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

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new and amended IFRS and IFRIC intepretations as of 1 January 2010:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
IAS 17 Leases (Amendment)

The principal effects of these changes on the financial statements of the Group are as follows:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The revised standards are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009.

IFRS 3 (Revised) introduces a number of changes that could impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Insofar as the Group is concerned the principal change is that direct costs associated with an acquisition will be expensed as incurred whereas previously the Group included such costs in the calculation of goodwill.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, any such transaction would no longer give rise to goodwill or a gain or loss.

The adoption of these amendments and revisions did not have any impact on the financial position or performance of the Group.

IAS 17 Leases (Amendment)

The amendment requires that in determining whether the lease of land (either separately or in combination with other property) is an operating or a finance lease, the same criteria are applied as for any other asset. Depending on the circumstances of the particular lease this may mean that disposals of land via a long lease are treated as a disposal under a finance lease rather than the issue of an operating lease. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

The IASB also issued various other interpretations and amendments to standards that did not have any effect on the financial performance or financial position of the Group and in many cases did not have any relevance to the activities of the Group. These were:

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions
IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 17 Distributions of Non-cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers
Improvements to IFRSs (April 2009)

Certain new interpretations and amendments or revisions 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:

IAS 24 Related Party Disclosures (Revised) effective 1 January 2011
IFRS 9 Financial Instruments effective 1 January 2013
IAS 32 Financial Instruments: Presentation – Classification of rights issues (Amendment) effective 1 February 2010
IFRIC 14 Prepayments of a minimum funding requirement (Amendment) effective 1 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010
Improvements to IFRSs (2010)

The Group is currently assessing the impact of these changes on its financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and the special purpose vehicles ("SPVs') 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.

The Group has acquired investment properties through the purchase of 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 an acquisition of a business and instead the financial statements reflect the substance of the transactions, which is considered to be the purchase 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 into line with those used by the Group.

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

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. For business combinations after 1 January 2010, transaction costs associated with an acquisition are expensed as incurred.

Goodwill is capitalised with any impairment in carrying value being charged to the 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 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.

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 group financial statements include the Group's proportionate share of these entities' assets, liabilities, income and expenditure 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 the Group's share of identifiable assets, liabilities and contingent liabilities is accounted for in accordance with the goodwill accounting policy.

Revenue recognition

(a) Property investment

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. Rental increases calculated with reference to an underlying index and the resulting rental income ("contingent rents") are recognised in income as they are determined.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease, together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Premiums received to terminate leases are recognised in the Income Statement as they arise.

(b) Roslogistics

Logistics revenue, excluding value added tax, is recognised as services are provided.

(c) Raven Mount

The sales of completed properties and land are recognised on legal completion.

Where property is under development and agreement has been reached to sell such property when construction is complete, the Directors consider whether the contract comprises:

a contract to construct a property; or
a contract for the sale of a completed property.

All of the Group's contracts of this type are considered to be contracts for construction of property and revenue is recognised using the percentage to complete method as construction progresses. The percentage of work completed is measured based on costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

Taxation

The Company is a limited company registered in Guernsey, Channel Islands, and is exempt from taxation. The Group is liable to Russian, UK and Cypriot tax arising on the results of its Russian, UK and Cypriot operations.

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

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit (or loss) 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, based on tax rates that have been enacted or substantively enacted at the reporting date. 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 tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) Value added tax

Revenue, expenditure, assets and liabilities 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 expenditure 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, as appropriate, in the balance sheet.

Investment property and investment property under construction

Investment property comprises completed property and property under construction held to earn rentals or for capital appreciation or both. 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 Directors assess the fair value of investment property based on independent valuations carried out by their appointed property valuers or on independent valuations prepared for banking purposes. The Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with 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.

Borrowing costs that are directly attributable to the construction of investment property are included in the cost of the property from the date of commencement of construction until construction is completed.

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.

Leasing (as lessors)

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 properties are leased under operating leases and are included in investment property in the balance sheet.

Inventory

Inventory is stated at the lower of cost and net realisable value. Such inventory includes land, work in progress and completed units that are available for sale. As residential development is speculative by nature, most inventory is not covered by forward sale contracts.

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.

(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 impairment 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 such reversal of an impairment loss is recognised in the income statement.

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.

(c) Available-for-sale financial investments

These comprise the Group's investment in unquoted equity securities and are presented as available for sale financial assets on the balance sheet.

Available-for-sale financial investments are carried at fair value with changes in the fair value recognised as other comprehensive income in the capital reserve until the investment is disposed of, at which time the cumulative gain or loss is recognised in other operating income.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity comprises ordinary shares and listed warrants.

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

(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), preference shares and other short-term monetary liabilities.

Trade payables and other short-term monetary liabilities are initially recorded at fair value and subsequently carried at amortised cost using the effective interest rate method.

Interest bearing loans and preference shares are initially recorded at fair value net of direct issue costs and subsequently carried at amortised cost using the effective interest rate method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement using the effective interest method.

For capital risk management, the Directors consider both the ordinary and preference shares to be permanent capital of the Company, with similar rights as to cancellation.

Own shares held

Own equity instruments which are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in retained earnings.

Share-based payments

The Group makes equity-settled share-based payments to certain employees (including senior executives) and service providers.

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. Fair value is determined by an external valuer, using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance conditions (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions, which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market conditions, non-vesting conditions are taken into account in determining the fair value at grant date.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense is recognised at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met.

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"). For the Company the directors consider this to be Sterling. The presentation currency of the Group is United States Dollars, which the directors consider to be the key currency for the Group's operations as a whole.

(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 are translated using exchange rates at the date of the initial transaction or when their fair values are reassessed.

(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 expenditure for each income statement are translated at the average exchange rate prevailing in the period; and
(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. 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.

Dividends

Dividends to the Company's ordinary 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 it is approved by the shareholders at an AGM.

3. Critical accounting estimates and judgements

The Group makes certain estimates and judgements 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 judgements 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 and investment property under construction

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 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 valuers use their market knowledge and professional judgement and consider 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 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 or 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 cash flows.

All of the above require the valuers to make estimations and assumptions. In a market where transactional activity is minimal, the valuers are required to use a greater degree of estimation or judgement than in a market where comparable transactions are readily available.

(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 in 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) 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.

(d) Acquisitions of investment property

The consideration payable in respect of each acquisition is dependent 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 management will consider whether a liability or a contingent liability should be recognised or disclosed at the balance sheet date.

(e) Classification of a joint venture or subsidiary undertaking

The Group's investment property and investment property under construction is typically held in a property specific SPV, which may be legally structured as a joint venture with a development partner, though in substance reflects 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.

(f) Inventory

The Group is required to allocate site wide development costs between units being built or completed in the current period and those for future periods. In making such assessments and allocations, there is a degree of inherent estimation uncertainty. The Group has established internal controls designed to effectively assess and review inventory carrying values and ensure the appropriateness of the estimates made.

4. Segmental information

The Group has three operating segments, which are managed and report independently to the Board of the Group. These comprise:

Property investment – acquire, develop and lease commercial property in Russia and the CIS
Roslogistics – provision of warehousing, transport, customs brokerage and related services in Russia and the CIS
Raven Mount – construct and sell residential property in the UK

Financial information relating to investment property is provided to the Board on a property by property basis. The information provided is gross rentals, operating costs, net operating income, revaluation gains and losses and where relevant the profit or loss on disposal of an investment property. The individual properties have similar economic characteristics and are aggregated into a single reporting segment.

Information about Raven Mount provided to the Board comprises the gross sale proceeds, inventory cost of sales and gross profit, including the share of profits or losses of its joint venture.

Roslogistics is a discrete business and the Board is presented with turnover, cost of sales and operating profits or losses after deduction of administrative expenses.

Administrative expenses are reported to the Board by segment. Foreign currency gains or losses, finance income and finance expense are not reported to the Board on a segment basis. Sales between segments are eliminated prior to provision of financial information to the Board.

The segmental information reported reflects the management information provided to the Board, previously property investment income and logistics revenues were reported net of associated direct costs. Comparative amounts have been restated accordingly.

For the balance sheet, segmental information is provided in relation to investment property, inventory, cash balances and borrowings. Whilst segment liabilities includes loans and borrowings, segment loss does not include the related finance costs. If such finance costs were included in segment loss, the loss from investment property would have increased by US$36,504k (2009: US$35,249k) and the loss from Raven Mount by US$13,520k (2009: US$9,617k). Aggregate segment loss would have increased by US$50,024k (2009: US$44,866k).

Year ended 31 December 2010

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Segment Total US$'000	Central Overhead US$'000	Total US$'000
Gross income	91,236	21,584	17,808	130,628	–	130,628
Operating costs/cost of sales	(40,877)	(15,816)	(12,860)	(69,553)	–	(69,553)
Net operating income	**50,359**	**5,768**	**4,948**	**61,075**	**–**	**61,075**
Administrative expenses						
Running general & administration expenses	(13,216)	(3,377)	(3,060)	(19,653)	(6,149)	(25,802)
Listing costs	–	–	–	–	(2,017)	(2,017)
Closure costs	–	(1,357)	–	(1,357)	–	(1,357)
Depreciation	(573)	(1,599)	(16)	(2,188)	–	(2,188)
Share-based payments	(1,310)	–	–	(1,310)	(5,117)	(6,427)
Foreign currency profits	–	–	–	–	1,985	1,985
Operating profit/(loss) before profits on investment property	**35,260**	**(565)**	**1,872**	**36,567**	**(11,298)**	**25,269**
Profit on disposal of investment property	12,178	–	–	12,178	–	12,178
Unrealised profit on revaluation of investment property	62,798	–	–	62,798	–	62,798
Unrealised profit on revaluation of investment property under construction	16,453	–	–	16,453	–	16,453
Segment profit/(loss)	**126,689**	**(565)**	**1,872**	**127,996**	**(11,298)**	**116,698**
Finance income						3,853
Finance expense						(64,839)
Profit before tax						**55,712**

As at 31 December 2010

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Total US$'000
Assets				
Investment property	942,950	–	–	942,950
Investment property under construction	106,741	–	–	106,741
Inventory	–	–	56,341	56,341
Cash and short term deposits	102,463	2,306	2,872	107,641
Segment assets	**1,152,154**	**2,306**	**59,213**	**1,213,673**
Other non-current assets				97,268
Other current assets				34,839
Total assets				**1,345,780**
Segment liabilities				
Interest bearing loans and borrowings	422,738	–	9,312	432,050
Capital expenditure				
Payments for investment property under construction	35,669	–	–	35,669

Year ended 31 December 2009

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Segment Total US$'000	Central Overhead US$'000	Total US$'000
Gross income	80,763	16,427	15,014	112,204	–	112,204
Operating costs/cost of sales	(34,647)	(14,022)	(13,211)	(61,880)	–	(61,880)
Net operating income	**46,116**	**2,405**	**1,803**	**50,324**	**–**	**50,324**
Administrative expenses						
Running general & administration expenses	(14,944)	(4,526)	(5,411)	(24,881)	(7,437)	(32,318)
Listing costs	–	–	–	–	–	–
Other exceptional items	–	–	–	–	–	–
Depreciation	(316)	(1,010)	(18)	(1,344)	–	(1,344)
Share-based payments	(190)	–	–	(190)	–	(190)
Foreign currency profits	–	–	–	–	(3,097)	(3,097)
Operating profit/(loss) before losses on investment property	**30,666**	**(3,131)**	**(3,626)**	**23,909**	**(10,534)**	**13,375**
Unrealised loss on revaluation of investment property	(57,933)	–	–	(57,933)	–	(57,933)
Unrealised loss on revaluation of investment property under construction	(50,544)	–	–	(50,544)	–	(50,544)
Segment loss	**(77,811)**	**(3,131)**	**(3,626)**	**(84,568)**	**(10,534)**	**(95,102)**
Finance income						4,818
Finance expense						(58,012)
Loss before tax						**(148,296)**

As at 31 December 2009

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Total US$'000
Assets				
Investment property	878,775	–	–	878,775
Investment property under construction	101,280	–	–	101,280
Inventory	–	–	61,403	61,403
Cash and short term deposits	96,168	220	27,322	123,710
Segment assets	**1,076,223**	**220**	**88,725**	**1,165,168**
Other non-current assets				100,690
Other current assets				73,047
Total assets				**1,338,905**
Segment liabilities				
Interest bearing loans and borrowings	434,269	–	11,301	445,570
Capital expenditure				
Payments for investment property under construction	138,345	–	–	138,345

In 2010 there were no single customers accounting for more than 10% of Group revenues. In 2009 there were two customers of the property investment segment, which exceeded this threshold. The Group derived revenues of US$13.3 million and US$11.1 million from these customers.

5. Gross Revenue

	2010 US$'000	2009 US$'000
Rental and related income	91,236	80,763
Proceeds from the sale of inventory property	17,808	15,014
Logistics	21,584	16,427
	130,628	**112,204**

The Group's leases typically include annual rental increases ("contingent rents") based on 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$337k (2009: US$950k).

Details of the Group's contracted future minimum lease receivables are detailed in note 38.

6. Administrative expenses

	2010 US$'000	2009 US$'000
Employment costs	12,363	14,716
Directors' remuneration	3,275	3,116
Office running costs and insurance	4,315	4,105
Travel costs	1,557	1,334
External administrator fees	385	1,172
Auditors' remuneration - audit services	539	693
- non-audit services	230	1,030
Legal and professional	2,195	2,656
Abortive project costs	–	313
Depreciation	2,188	1,344
Listing costs	2,017	–
Closure costs	1,357	–
Registrar costs and other administrative expenses	754	2,279
Share of operating expenditure of joint ventures	189	904
	31,364	**33,662**

7. Finance income and expense

	2010 US$'000	2009 US$'000
Finance income		
Income from cash and short term deposits	1,249	2,043
Interest income on loans receivable	1,234	380
Total interest income on financial assets not at fair value through profit or loss	2,483	2,423
Change in fair value of open forward currency derivative financial instruments	961	866
Change in fair value of open interest rate derivative financial instruments	–	1,529
Profit on maturing forward currency derivative financial instruments	409	–
Finance income	**3,853**	**4,818**
Finance expense		
Interest expense on loans and borrowings measured at amortised cost	35,740	37,043
Interest expense on preference shares	27,735	20,077
Total interest expense on financial liabilities not at fair value through profit or loss	63,475	57,120
Loss on maturing forward currency derivative financial instruments	–	892
Change in fair value of open interest rate derivative financial instruments	1,333	–
Loss on closure of interest rate derivative financial instruments	31	–
Finance expense	**64,839**	**58,012**

8. Tax

	2010 US$'000	2009 US$'000
The tax expense for the year comprises:		
Current taxation	1,752	2,690
Increase in deferred tax asset (note 26)	(303)	(16,093)
Increase in deferred tax liability (note 26)	12,778	4,386
Tax charge/(credit)	**14,227**	**(9,017)**

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

	2010 US$'000	2009 US$'000
Profit/(loss) before tax	55,712	(148,296)
Tax at the Russian corporate tax rate of 20%	11,142	(29,659)
Tax effect of income not subject to tax and non-deductible expenses	5,116	27,409
Tax on dividends and other inter company gains	771	1,987
Tax effect of financing arrangements	(22,335)	(12,986)
Movement on unprovided deferred tax on tax losses	20,385	5,000
Over provision in prior year	(852)	(768)
	14,227	**(9,017)**

9. Earnings per share

In addition to reporting IFRS earnings per share the Group has decided to adopt the European Public Real Estate Association ("EPRA") earnings measure, as set out in their Best Practice Policy Recommendations document issued in October 2010. The EPRA earnings measure excludes investment property revaluations, impairments, gains and losses on disposal of investment property, intangible asset movements, gains and losses on derivative financial instruments and related taxation.

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

Earnings	**2010 US$'000**	**2009 US$'000**
Earnings for the purposes of basic and diluted earnings per share being the net profit/(loss) for the year	41,485	(139,279)
Adjustments to arrive at EPRA earnings:		
Profit on disposal of investment property	(12,178)	–
Unrealised (profit)/loss on revaluation of investment property	(62,798)	57,933
Unrealised (profit)/loss on revaluation of investment property under construction	(16,453)	50,544
(Profit)/loss on maturing foreign currency derivative financial instruments	(409)	892
Change in fair value of open forward currency derivative financial instruments	(961)	(866)
Loss on closure of interest rate derivative financial instruments	31	–
Change in fair value of open interest rate derivative financial instruments	1,333	(1,529)
Movement on deferred tax thereon	12,095	(2,103)
Adjusted EPRA earnings	**(37,855)**	**(34,408)**

Number of shares	**2010 No '000**	**2009 No '000**
Weighted average number of ordinary shares for the purposes of basic EPS and basic EPRA EPS (excluding own shares held)	493,100	488,906
Effect of dilutive potential ordinary shares:		
Listed warrants (note 28)	61,285	–
ERS (note 32)	3,388	–
LTIP (note 32)	2,611	–
Weighted average number of ordinary shares for the purposes of diluted EPS and diluted EPRA EPS (excluding own shares held)	**560,384**	**488,906**

	2010 Cents	2009 Cents
EPS basic	**8.41**	**(28.49)**
Effect of dilutive potential ordinary shares:		
Listed warrants	(0.93)	–
ERS	(0.05)	–
LTIP	(0.03)	–
Diluted EPS (cents)	7.40	(28.49)
EPRA EPS basic (cents)	**(7.68)**	**(7.04)**
Effect of dilutive potential ordinary shares:		
Listed warrants	–	–
ERS	–	–
LTIP	–	–
EPRA EPS diluted (cents)	(7.68)	(7.04)

10. Ordinary dividends

	2010 US$'000	2009 US$'000
Declared and paid during the year on ordinary shares:		
Final dividend for 2009 0.5 pence (2008: nil pence)	3,949	–
Interim dividend for 2010 nil pence (2009: 0.5 pence)	–	4,048
	3,949	**4,048**

Instead of an interim dividend for 2010 the Directors implemented a tender offer buy back of 1 in 62 ordinary shares at 58 pence, the equivalent of a dividend of 1 pence per share (see note 27). The Directors are proposing to declare a final dividend for 2010 of 1 pence per share.

11. Investment property

	2010 US$'000	2009 US$'000
Balance at 1 January	878,775	453,750
Transfer from investment property under construction (note 12)	25,533	515,354
Transfer to disposal assets classified as held for sale (note 21)	–	(37,489)
Movement in completion provisions	4,688	5,093
Disposals	(28,844)	–
Unrealised profit/(loss) on revaluation	62,798	(57,933)
Balance at 31 December	**942,950**	**878,775**

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 2010 has been arrived at on the basis of market valuations carried out by Jones Lang LaSalle ("JLL"), external valuers to the Group. JLL have consented to the use of their name in these financial statements.

The valuations used by the Directors in these financial statements have been carried out in accordance with The Royal Institution of Chartered Surveyors Valuation Standards, Sixth Edition (the "Red Book"). 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 gross of purchasers' costs, which would be incurred on the sale of assets as this is the recognised valuation approach in Russia; and

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

At 31 December 2010 the Group has pledged investment property with a value of US$673 million (2009: US$658 million) to secure banking facilities granted to the Group (note 23).

12. Investment property under construction

	Assets Under Construction US$'000	Additional Phases of Completed Property US$'000	Landbank US$'000	Total US$'000
Balance at 1 January 2009	397,044	21,451	25,158	443,653
Costs incurred	210,696	12,265	39,067	262,028
Effect of foreign exchange rate changes	(26,391)	(560)	(1,309)	(28,260)
Transfer to investment property (note 11)	(515,354)	–	–	(515,354)
Transfer to disposal assets classified as held for sale (note 21)	(10,243)	–	–	(10,243)
Unrealised loss on revaluation	(39,240)	(1,000)	(10,304)	(50,544)
Balance at 31 December 2009	**16,512**	**32,156**	**52,612**	**101,280**
Costs incurred	16,324	958	1,716	18,998
Disposals	–	–	(3,821)	(3,821)
Effect of foreign exchange rate changes	(106)	(104)	(426)	(636)
Transfer to investment property (note 11)	(17,793)	(7,740)	–	(25,533)
Unrealised gain on revaluation	363	16,090	–	16,453
Balance at 31 December 2010	**15,300**	**41,360**	**50,081**	**106,741**

Borrowing costs capitalised in the year amounted to US$0.4 million (2009: US$10.5 million).

Assets under construction have been valued by JLL using the residual value method and additional phases of completed investment property on a comparable basis, based on recent real estate transactions with similar characteristics and location to those assets.

The Directors have valued land based on the amounts they consider they can achieve for permitted land and land with access and infrastructure. The Directors also considered updated acquisition appraisals, the key assumptions being developer's required returns, market rents and yields on completed properties. On this basis the Directors' consider the fair value of the land bank to be US$50 million, which equates to an average price of US$17 per square metre.

At 31 December 2010 the Group has pledged investment property under construction with a carrying value of US$11 million (2009: US$40 million) to secure banking facilities granted to the Group (note 23).

13. Intangible assets

	Goodwill US$'000
Balance at 1 January 2009	–
On acquisition of Raven Mount Group plc (note 36)	8,059
On change in financing arrangements for Roslogistics (note 36)	5,383
Balance at 31 December 2009	**13,442**
Effect of foreign exchange rate changes	56
Balance at 31 December 2010	**13,498**

Goodwill acquired through the Raven Mount and Roslogistics business combinations has been allocated for impairment purposes to their operating segments. These represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of goodwill has been determined based on value in use calculations using cash flow projections and project appraisals approved for internal management reporting and discounted at rates appropriate to each of the segments.

14. 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 2010	2009
CJSC Kulon Estates	Russia	–	100%
CJSC Kulon Development	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
CSJC Kulon Istra	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
Reserv-Invest LLC	Russia	100%	100%
Real-Invest LLC	Russia	100%	100%
CSJC Noginsk Vostok	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
AKM Logistics LLC	Russia	–	100%
Megalogix Limited	Cyprus	100%	100%
Logopark Don LLC	Russia	100%	100%
Logopark Ob LLC	Russia	100%	100%
Roslogistics Holdings (Russia) Limited	Cyprus	100%	100%
Avalon Logistics Company LLC	Russia	100%	100%
Raven Mount Group plc	England	100%	100%
Raven Russia Property Advisers Limited	England	100%	100%
Raven Russia (Service Company) Limited	Guernsey	100%	100%

During the year the Group disposed of the properties and related assets held in the SPVs, CJSC Kulon Estates and AKM Logistics LLC (see note 21).

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

15. Investment in joint ventures

The principal jointly controlled entity of the Group is as follows:

Name	Country of incorporation	Proportion of ownership interest 2010	2009
Coln Park LLP	England	50%	50%

The Group's interest in each jointly controlled entity has been accounted for by proportionate consolidation. The aggregate amounts recognised in the balance sheet and income statement were:

	2010 US$'000	2009 US$'000
Non-current assets	29	4
Current assets	15,864	14,782
Current liabilities	(10,159)	(10,921)
Net assets/(liabilities)	**5,734**	**3,865**
Income	8,749	13,558
Expenditure	(6,831)	(12,169)
	1,918	**1,389**

The income and expenditure amounts for 2009 include amounts for Megalogix Limited, Roslogistics Holdings (Russia) Limited and Ambridge Consultancy Limited for the period up until the Group acquired the remaining 50% of the shares in each.

16. Other receivables

	2010 US$'000	2009 US$'000
Loans receivable	1,017	13
VAT recoverable	5,946	7,402
Security deposit	1,722	1,722
Prepayments and other receivables	6,837	9,077
	15,522	**18,214**

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 or repayment direct from the taxation authority. VAT recoverable has been split between current and non-current assets based on the Group's assessment of when recovery will occur.

17. Inventory

	Land held for development US$'000	Housing stock US$'000	Total US$'000
Balance at 1 January 2009	–	–	–
On acquisition of Raven Mount Group plc (note 36)	2,402	60,590	62,992
Costs incurred in the year	694	7,787	8,481
Cost of sales	–	(11,066)	(11,066)
Effect of foreign exchange rate changes	38	958	996
Balance at 31 December 2009	**3,134**	**58,269**	**61,403**
Costs incurred in the year	449	8,468	8,917
Cost of sales	–	(12,793)	(12,793)
Effect of foreign exchange rate changes	(99)	(1,087)	(1,186)
Balance at 31 December 2010	**3,484**	**52,857**	**56,341**

The Group has pledged inventory with a carrying value of US$42 million (2009: US$50 million) to secure banking facilities granted to the Group (note 23).

18. Trade and other receivables

	2010 US$'000	2009 US$'000
Trade receivables	15,828	12,641
Prepayments	4,888	11,221
VAT recoverable	6,384	35,806
Tax recoverable	2,397	3,564
Loans receivable	642	2,422
Accrued income	236	905
Other receivables	4,362	2,256
	34,737	**68,815**

19. Derivative financial instruments

	2010 US$'000	2009 US$'000
Interest rate derivative financial instruments		
Non-current assets	347	195
Non-current liabilities	(4,439)	(5,781)
Current liabilities	(1,682)	–
Forward currency derivative financial instruments		
Current assets	102	–
Non-current liabilities	–	(385)
Current liabilities	–	(474)

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$302 million (2009: US$276 million) and a weighted average fixed or capped rate of 3.3% (2009: 3.3%).

The Group has also entered into a series of forward currency derivative financial instruments to hedge rentals received under leases denominated in euros. At 31 December 2010 there were open contracts to sell euros amounting to €5.1 million (2009: €11.9 million) and buy US Dollars amounting to US$6.9 million (2009: US$16.2 million) at an average rate of 1.36 (2009: 1.36).

20. Cash and short term deposits

	2010 US$'000	2009 US$'000
Cash at bank and on call	76,808	43,675
Short term deposits	30,833	80,035
	107,641	**123,710**

Included within cash and short term deposits is US$1.3 million (2009: US$3.6 million) which is held as security for the Group's foreign currency derivative financial instruments (note 19) and is thus restricted in the use to which it can be put by the Group.

The Group has also pledged short term deposits with a carrying value of US$25.1 million (2009: US$25.5 million) as security for a loan facility granted to the Group (note 23). US$11 million of the loan was outstanding at 31 December 2010 (2009: US$11 million).

Cash at bank and on call attracts 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 1.08% (2009: 1.16%).

21. Disposal group

The disposal group represented an investment property, adjacent land and related assets and liabilities on the AKM project in St Petersburg. This included a loan facility with Nomos Bank, of US$44 million with a margin over US LIBOR of 12% and a term remaining of 4 years, secured on the property and land. As the asset would not generate sufficient income to service the debt, Nomos accepted the property and related assets, net of the liabilities, in consideration for the repayment of all outstanding amounts due under the bank facility.

The Group completed the transfer of assets and liabilities to Nomos Bank on 5 August 2010.

Details of the disposal group assets and liabilities at 31 December 2009 are provided in the table below.

	US$'000
Non-current assets	
Investment property	37,489
Investment property under construction	10,243
Plant and equipment	45
Other receivables	186
Deferred tax asset	2,796
	50,759
Current assets	
Trade and other receivables	823
Cash and short term deposits	72
	895
Total assets	**51,654**
Current liabilities	
Trade and other payables	3,045
Interest bearing loans and borrowings	47,817
	50,862
Non-current liabilities	
Deferred tax	792
Total liabilities	**51,654**

22. Trade and other payables

	2010 US$'000	2009 US$'000
Investment property acquisition obligations	621	–
Trade and other payables	9,402	13,075
Construction payables	14,757	26,731
Advanced rentals	11,350	8,478
Tax payable	6,396	9,242
Other payable	5,412	5,326
	47,938	**62,852**

23. Interest bearing loans and borrowings

(a) Bank loans

	2010 US$'000	2009 US$'000
Loans due for settlement within 12 months	82,194	93,273
Loans due for settlement after 12 months	340,366	339,900
	422,560	433,173

(b) Other interest bearing loans

	2010 US$'000	2009 US$'000
Loans due for settlement within 12 months	7,651	4,324
Loans due for settlement after 12 months	1,839	8,073
	9,490	12,397
Totals		
Loans due for settlement within 12 months	89,845	97,597
Loans due for settlement after 12 months	342,205	347,973
	432,050	**445,570**
The Group's borrowings have the following maturity profile:		
On demand or within one year	89,845	97,597
In the second year	161,736	29,776
In the third to fifth years	122,865	252,240
After five years	57,605	65,957
	432,050	**445,570**

The principal terms of the Group's interest bearing loans and borrowings on a weighted average basis are summarised below:

As at 31 December 2010

	Interest Rate %	Maturity (years)	US$'000
Secured on:			
Investment property and investment property under construction	7.20%	3.1	402,515
Inventory	2.42%	0.2	9,042
Cash	2.85%	1.1	11,003
Unsecured	11.6%	1.0	9,490
			432,050

As at 31 December 2009

	Interest Rate %	Maturity (years)	US$'000
Secured on:			
Investment property and investment property under construction	7.20%	3.9	410,720
Inventory	2.38%	0.5	11,301
Cash	2.95%	1.1	11,152
Unsecured	12.4%	1.0	12,397
			445,570

During the year the Group successfully extended or drew down on a number of its debt facilities. As reported in the 2009 financial statements, the euro denominated construction facility of US$62.3 million equivalent was extended and converted into a US dollar loan. The Group also completed the syndication of term debt secured on its two regional investment properties, drawing a further US$10 million under each of the facilities. Finally the Group drew the remaining US$10 million undrawn on the Istra project and increased and extended the short term facility secured on its inventory property in the UK, releasing a further £5 million of cash.

The Group repaid US$19.3 million of debt secured on its Baltia project, upon completion of the sale of the project in the year.

Since the year end the Group has completed and fully drawn on a US$30 million facility secured on its Lobnya project. The facility was provided by Marfin Bank, has a 7 year term and a margin over US LIBOR of 6.75%.

The Group has entered into hedging arrangements in respect of its interest rate exposure (note 19). US$225 million (2009: US$237 million) of Group bank borrowings have been fixed with two years remaining (2009: three years) at a weighted average swap rate of 3.10% (2009: 3.29%) and US$117 million (2009: US$39 million) capped at 3.64% (2009: 5.50%) for three years (2009: three years). This gave a weighted average cost of debt to the Group of 7.0% (2009: 6.4%) at the year end.

24. Preference shares

	2010 US$'000	2009 US$'000
Authorised share capital:		
400,000,000 (2009: 400,000,000) preference shares of 1p each	5,981	5,981

	2010 Number	2009 Number
Issued share capital:		
At 1 January	143,315,179	–
Issued in the year for cash	–	76,155,000
On acquisition of Raven Mount Group plc (note 36)	–	66,409,478
Scrip dividends	1,041,977	750,701
At 31 December	**144,357,156**	**143,313,179**

The Company has issued preference shares, which entitle the holders to a cumulative preference dividend of 12% based on a par value per share of £1.

25. Other payables

	2010 US$'000	2009 US$'000
Investment property acquisition obligations	7,287	13,838
Rent deposits	11,803	9,238
Deferred revenue	–	49
Retentions under construction contracts	5,838	8,692
Other payables	240	2,432
	25,168	34,249

26. Deferred tax

(a) Deferred tax assets

	Tax losses US$'000	Other US$'000	Total US$'000
Balance at 1 January 2009	34,436	394	34,830
Recognised on business combination (note 36)	2,917	–	2,917
Recognition on settlement of contracts	6,214	–	6,214
Effect of foreign exchange rate changes	225	–	225
Transfer to disposal group classified as held for sale (note 21)	(2,796)	–	(2,796)
Credit to income	16,090	3	16,093
Credit to equity	3,693	–	3,693
Balance at 31 December 2009	**60,779**	**397**	**61,176**
Effect of foreign exchange rate changes	(597)	–	(597)
On disposal of SPV	(324)	–	(324)
Credit/(charge) to income	501	(198)	303
Credit to equity	661	–	661
Balance at 31 December 2010	**61,020**	**199**	**61,219**

The Group has tax losses of US$236 million (2009: US$138 million) for which deferred tax assets have not been recognised.

Amounts credited to equity arise on the translation of loans, which comprise part of the net investment of the Group in foreign entities.

(b) Deferred tax liabilities

	Accelerated tax allowances US$'000	Revaluation of investment property US$'000	Total US$'000
Balance at 1 January 2009	5,856	10,564	16,420
Recognised on business combination (note 36)	916	–	916
Recognition on settlement of contracts	1,974	–	1,974
Transfer to liabilities associated with disposal groups classified as held for sale (note 21)	(792)	–	(792)
Effect of foreign exchange rate changes	1,363	–	1,363
Charge/(credit) to income	6,489	(2,103)	4,386
Balance at 31 December 2009	**15,806**	**8,461**	**24,267**
Effect of foreign exchange rate changes	(302)	–	(302)
On disposal of SPV	(29)	–	(29)
Charge to income	683	12,095	12,778
Balance at 31 December 2010	**16,158**	**20,556**	**36,714**

27. Share capital

	2010 US$'000	2009 US$'000
Authorised ordinary share capital:		
1,500,000,000 (2009: 1,500,000,000) ordinary shares of 1p each	27,469	27,469

	2010 Number	2009 Number
Issued share capital:		
At 1 January	512,697,594	512,552,915
Issued in the year for cash on warrant exercises	4,512,713	144,679
Issued under the warrant offer (note 28)	21,740,807	–
Cancelled under the tender offer	(8,677,910)	–
At 31 December	**530,273,204**	**512,697,594**

On 25 October 2010 the Company completed the purchase of 8,677,910 ordinary shares under the terms of a tender offer, for a cash consideration of £5 million. The shares repurchased were cancelled.

Of the authorised ordinary share capital at 31 December 2010, 115,897,016 (2009: 154,810,632) are reserved for options and warrants.

Details of own shares held are given in note 29.

28. Warrants

	2010 Number	2009 Number
At 1 January	142,419,799	–
Issued in the year for cash	–	76,155,000
On acquisition of Raven Mount Group plc (note 36)	–	66,409,478
Exercised in the year	(4,512,713)	(144,679)
Cancelled under the warrant offer	(36,256,016)	–
At 31 December	**101,651,070**	**142,419,799**

	2010 US$'000	2009 US$'000
At 1 January	8,584	–
Issued in the year for cash	–	4,416
On acquisition of Raven Mount Group plc (note 36)	–	4,177
Exercised in the year	(285)	(9)
Cancelled under the warrant offer	(2,266)	–
At 31 December	**6,033**	**8,584**

The Company has issued warrants, which entitle each holder to subscribe for ordinary shares in the Company at an exercise price of 25p per share. The warrants expire on 25 March 2019.

The warrants issued on acquisition of Raven Mount Group plc include 8.1 million warrants (US$502k) issued to settle a liability of Raven Mount Group plc.

On 28 July 2010 the Company purchased and cancelled 36,256,016 warrants under an open offer to all warrantholders. The consideration for the purchase was settled partly in cash, £3.5 million, and partly through the issue of 21,740,807 ordinary shares.

In the period since 31 December 2010 657,071 warrants have been exercised.

29. Own shares held

	2010 Number	2009 Number
At 1 January	34,035,054	–
Acquired in the year	–	5,000,000
On acquisition of Raven Mount Group plc (note 36)	–	29,035,054
Disposals in the year (note 32)	(5,635,000)	–
At 31 December	**28,400,054**	**34,035,054**

30. Equity

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

Component	**Description and purpose**
Share capital	The amount subscribed for ordinary share capital at nominal value.
Share premium	The amount subscribed for ordinary share capital in excess of the nominal value.
Warrants	The consideration attributed to the subscription of warrants less associated costs of issuance.
Own shares held	The cost to the Company of acquiring the own shares held by the Company and its subsidiary undertakings.
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 special reserve, which is an additional distributable reserve to be used for all purposes permitted under Guernsey Company law, including 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.
Retained earnings	The amount of any profit or loss for the year after payment of dividend, together with the amount of any equity-settled share-based payments, and the transfer of capital items described above.

31. Net asset value per share

	2010 US$'000	2009 US$'000
Net asset value	580,364	545,883
Intangible assets – goodwill	(13,498)	(13,442)
Deferred tax on revaluation gains	20,556	8,461
Unrealised foreign exchange losses on preference shares	9,372	14,125
Fair value of interest rate derivative financial instruments	5,774	5,586
Adjusted net asset value	**602,568**	**560,613**
Assuming exercise of all dilutive potential ordinary shares		
– Listed warrants (note 28)	39,789	56,843
– ERS (note 32)	–	–
– LTIP (note 32)	3,619	407
Adjusted fully diluted net asset value	**645,976**	**617,863**
Number of ordinary shares (note 27)	530,273,204	512,697,594
Less own shares held (note 29)	(28,400,054)	(34,035,054)
	501,873,150	478,662,540
Assuming exercise of all dilutive potential ordinary shares		
– Listed warrants (note 28)	101,651,070	142,419,799
– ERS (note 32)	5,000,000	1,775,000
– LTIP (note 32)	9,245,946	1,020,000
Number of ordinary shares assuming exercise of all potential ordinary shares	**617,770,166**	**623,877,339**

	2010 US$	2009 US$
Net asset value per share	1.16	1.14
Fully diluted net asset value per share	1.01	0.97
Adjusted net asset value per share	1.20	1.17
Adjusted fully diluted net asset value per share	1.05	0.99

As the preference shares are considered to be capital for capital risk management (see note 35 d) unrealised foreign exchange movements on these have been adjusted when calculating adjusted NAV per share. The comparative information has been restated to reflect this change.

32. 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 expired in 2010.

Also in 2005, to incentivise personnel of the Company's former 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 were exercisable over a period of 4 to 12 years following the Company's admission to AIM dependent upon cumulative performance criteria of between 9% and 12% total share 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 Company's acquisition of the Property Advisor 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 Advisor's group. These replacement options were issued in 2009 and 2010 and comprise the Employee Retention Scheme ("ERS") and Long Term Incentive Plan ("LTIP") more fully explained in the Remuneration Report.

The second and third tranche of options held by Adrian Collins lapsed as the associated performance criteria were not met.

Finally in 2005, the Company issued warrants to the Property Advisor pursuant to which the Property Advisor was granted the right to subscribe for 7,650,000 ordinary shares in the Company at £1 per ordinary share. These warrants were transferred by the Property Advisor to its then parent company, Raven Mount Group plc, immediately prior to the Company's acquisition of the Property Advisor. These warrants are now held by the Group following the Company's acquisition of Raven Mount Group plc during 2009.

	2010 No of options	**2010 Weighted average exercise price**	**2009 No of options and warrants**	**2009 Weighted average exercise price**
Outstanding at the beginning of the period	4,740,833	46p	9,629,166	100p
Issued during the year				
– ERS	3,225,000	0p	1,775,000	0p
– LTIP	8,225,946	25p	1,020,000	25p
Lapsed during the year	(1,945,833)	100p	(33,333)	100p
Repurchased through business combination	–	–	(7,650,000)	100p
Outstanding at the end of the period	**14,245,946**	**16p**	**4,740,833**	**46p**
Exercisable at the end of the period	**–**	**–**	**1,912,500**	**100p**

The weighted average remaining contractual life of options was 7 years (2009: 4 years).

(b) Share-based payment charge

The options granted in the period under the ERS were valued using the Black-Scholes option pricing model. The options granted under the LTIP were valued using a Monte Carlo simulation model. The key inputs to these models are:

	ERS	**LTIP**
Share price on grant	40.25p	40.25p
Exercise price	0.0p	25.0p
Dividend yield	0.75%	0.75%
Risk free rate	0.56%	1.20%
Expected volatility	38%	41%

Expected volatility was calculated as the median volatility of the Company's ordinary share price for periods commensurate with the lives of the options. The risk free rate is based on the yield of UK sovereign bonds with maturities close to the expected expiry dates of the options.

The Group recognised a total share-based payment expense as a result of the ERS and LTIP awards of US$2.1 million (2009: US$0.2 million) for the year. Also, and as set out in the Directors' Remuneration Report approved by shareholders, the Company utlised 5.6 million of ordinary shares held (note 29) to satisfy bonuses to the Executive Directors and senior management. This resulted in a charge of US$4.3 million (2009: US$ nil) for the year.

33. Capital commitments

The Group has committed to fund the construction of certain additional investment property. At 31 December 2010, US$ 5.7 million of funding was required (2009: US$12.2 million), excluding VAT.

34. 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 Remuneration Report and note 6. There are no loan balances with directors.

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 £1,194 (2009: £58,070).

Joint Ventures

The Group has leased investment property to Avalon Logistics Company LLC, the operating subsidiary of Roslogistics Holdings (Russia) Limited, and provided loan finance to three joint venture vehicles, which the Group acquired out right in 2009. A summary of the Income Statement and Balance Sheet impact of these transactions in the period prior to them becoming subsidiary undertakings of the Group is as follows:

	2010 US$'000	2009 US$'000
Net rental income	–	1,505
Loan interest receivable	–	240
Trade receivables	–	–
Loan receivable	–	–
Impairment of loan receivable	–	–

Remuneration of key management personnel

	2010 US$'000	2009 US$'000
Short term employee benefits	4,699	4,314
Post employment benefits	297	262
Share-based payment	6,196	100
	11,192	**4,676**

35. 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, available for sale financial investments, cash and short term deposits, trade and other payables, borrowings, preference shares and derivative financial instruments.

The tables and analyses below exclude financial instruments included within the disposal group (note 21) as they were expected to be settled within 12 months. Risk management parameters are established by the Board on a project by project basis and overseen by management in conjunction with professional advisers. Reports are provided to the Board formally on a weekly basis and also when authorised changes are required.

(a) Market risk

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, Russian Rouble and Euro. 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.

In some cases underlying construction contracts on the Group's development projects are denominated in Russian Roubles. Non deliverable forwards were taken out to hedge against the US Dollar/Russian Rouble cash flow exposure, when considered necessary, during the principal phase of construction of each project. All of these contracts have now matured as the Group's principal construction activities are now substantially complete. 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. The fact some of the Group's property owning 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 presentation currency.

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 primarily driven by the need to pay a quarterly preference dividend, but also head office costs and ordinary dividends.

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

As at 31 December 2010	US Dollar US$'000	Sterling US$'000	Russian Rouble US$'000	Other US$'000	Total US$'000
Non-current assets					
Loans receivable	4	1,013	–	–	1,017
Derivative financial instruments	347	–	–	–	347
Current assets					
Trade receivables	8,724	1,106	5,991	7	15,828
Loans receivable	–	578	63	–	641
Derivative financial instruments	102	–	–	–	102
Other current receivables	2,112	1,483	1,487	1	5,083
Cash and short term deposits	55,124	30,804	20,144	1,569	107,641
	66,413	**34,984**	**27,685**	**1,577**	**130,659**
Non-current liabilities					
Interest bearing loans and borrowings	331,309	10,896	–	–	342,205
Preference shares	–	217,425	–	–	217,425
Derivative financial instruments	4,439	–	–	–	4,439
Rent deposits	8,903	–	2,353	547	11,803
Investment property acquisition obligations	7,287	–	–	–	7,287
Retentions under construction contracts	–	–	5,838	–	5,838
Other payables	–	–	240	–	240
Current liabilities					
Interest bearing loans and borrowings	80,425	9,420	–	–	89,845
Derivative financial instruments	1,682	–	–	–	1,682
Other payables	90	4,431	15,627	21	20,169
	434,135	**242,172**	**24,058**	**568**	**700,933**

As at 31 December 2009	US Dollar US$'000	Sterling US$'000	Russian Rouble US$'000	Other US$'000	Total US$'000
Non-current assets					
Loans receivable	13	–	–	–	13
Derivative financial instruments	195	–	–	–	195
Current assets					
Trade receivables	4,331	557	3,157	1,231	9,276
Loans receivable	64	–	–	–	64
Other current receivables	336	4,622	5,194	91	10,243
Available for sale financial assets	–	4,232	–	–	4,232
Cash and short term deposits	31,235	68,973	20,071	3,431	123,710
	36,174	**78,384**	**28,422**	**4,753**	**147,733**
Non-current liabilities					
Interest bearing loans and borrowings	336,783	11,190	–	–	347,973
Preference shares	–	219,444	–	–	219,444
Derivative financial instruments	6,166	–	–	–	6,166
Rent deposits	6,866	–	2,371	–	9,237
Investment property acquisition obligations	13,838	–	–	–	13,838
Retentions under construction contracts	–	–	2,891	5,801	8,692
Other payables	–	–	66	–	66
Current liabilities					
Interest bearing loans and borrowings	23,443	11,263	3	62,888	97,597
Derivative financial instruments	474	–	–	–	474
Other payables	2,994	12,326	10,617	382	26,319
	390,564	**254,223**	**15,948**	**69,071**	**729,806**

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 by project basis. The sensitivity analysis prepared by management of 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 2010 and 2009. If the US Dollar weakened or strengthened by 10% against the Russian Rouble, Sterling or Euro, with all other variables in each case remaining constant, then:

Post tax profit or loss would change by:	2010 US$'000	2009 US$'000
Russian Rouble	182	643
Sterling	4,011	2,140
Euro	–	–

Net asset value would change by:	2010 US$'000	2009 US$'000
Russian Rouble	46	1,247
Sterling	21,145	17,584
Euro	75	6,432

The majority of sterling sensitivity relates to the retranslation of the value of irredeemable preference shares.

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 23), which include preference shares issued (note 24). 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 risk is reviewed monthly by the Board. The cash flow and fair value risk is approved monthly by the Board.

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 simulation is run on an on-going 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 monthly basis. To date the Group has sought to fix its exposure to interest rate risk on borrowings through the use of a variety of interest rate derivatives and the issue of preference shares at a fixed coupon. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an unrealised loss of US$7.4 million at 31 December 2010 (2009: loss of US$6.0 million). Sensitivity analysis on the Group's interest rate borrowings, net of interest bearing deposits, indicate that a 1% increase in the relevant underlying rate would decrease the profit for the year and net assets by US$900,000 (2009: US$700,000). If the various LIBORs were to drop to zero then there would be an decrease in the profit for the year and in net assets of US$100,000 (2009: US$600,000) as the loss on income from cash would be greater than gains on interest expense because of the low LIBOR rates prevailing at this time and the interest rate hedges in place.

(b) Credit risk

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

Credit risk associated with 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. Details of the movements in provision for impairment of trade receivables is provided in the table below.

	2010 US$'000	**2009 US$'000**
At 1 January	377	–
Charge for the year	–	1,000
Utilised in the year	–	(623)
Unused amounts reversed	–	–
At 31 December	**377**	**377**

At 31 December 2010 there were no significant amounts of trade receivables that were past due for collection.

The Group has VAT recoverable of US$12 million (2009: US$43 million). The timing of recovery of these balances is subject to future revenue receipts and application to the Russian Courts. The Group forecasts the recovery of these balances based upon the timing of future revenue receipts and its experience of successful application to the Russian Courts. No balances are considered past due or impaired at 31 December 2010 (2009: US$ nil) based upon this assessment of the timing of future cash receipts. The Group believes its only exposure is in relation to the timing of recovery.

The credit risk on the Group's cash and short term deposits and derivative financial instruments is limited 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. The Board and its advisers seek to have appropriate credit facilities in place on a project by project basis, either from available 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 monthly by the Board, along with cash flow forecasts. A summary table with maturity of financial liabilities is presented below.

Interest bearing loans and borrowings show the gross undiscounted cash flows.

Financial liabilities

	Total US$'000	Current US$'000	Year 2 US$'000	Years 3 to 5 US$'000	Years 5 to 10 US$'000
As at 31 December 2010					
Interest bearing loans and borrowings	513,051	116,845	183,736	145,865	66,605
Preference shares	271,223	27,122	27,122	81,367	135,612
Derivative financial instruments	6,121	1,682	–	4,439	–
Trade and other payables	45,337	45,337	–	–	–
	835,732	**190,986**	**210,858**	**231,671**	**202,217**
As at 31 December 2009					
Interest bearing loans and borrowings	445,696	97,627	29,807	252,286	65,976
Preference shares	274,550	27,455	27,455	82,365	137,275
Derivative financial instruments	6,640	474	385	5,781	–
Trade and other payables	58,153	58,153	–	–	–
	785,039	**183,709**	**57,647**	**340,432**	**203,251**

Details of the interest rates applicable to the Group's long term borrowings and preference shares are given in notes 23 and 24. The Group is subject to interest costs in perpetuity in respect of preference shares, which have no contractual maturity date. The table above does not show cash flows beyond 10 years.

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 and other short term borrowing facilities, bank loans and equity fund raisings.

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.

	2010 Carrying Value US$'000	2010 Fair Value US$'000	2009 Carrying Value US$'000	2009 Fair Value US$'000
Non-current assets				
Loans receivable	1,017	959	13	13
Derivative financial instruments	347	347	195	195
Current assets				
Trade receivables	15,828	15,828	9,276	9,276
Loans receivable	641	641	64	64
Other current receivables	5,083	5,083	10,243	10,243
Available for sale financial assets	–	–	4,232	4,232
Derivative financial instruments	102	102	–	–
Cash and short term deposits	107,641	107,641	123,710	123,710
Non-current liabilities				
Interest bearing loans and borrowings	342,205	287,322	347,973	229,656
Preference shares	217,425	292,132	219,444	212,776
Derivative financial instruments	4,439	4,439	6,166	6,166
Rent deposits	11,803	11,803	9,238	9,238
Investment property acquisition obligations	7,287	7,287	13,838	13,838
Retentions under construction contracts	5,838	5,838	8,692	8,692
Other payables	240	240	66	66
Current liabilities				
Interest bearing loans and borrowings	89,845	89,845	97,597	97,597
Derivative financial instruments	1,682	1,682	474	474
Other payables	20,169	20,169	26,319	26,319

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 is assumed to approximate to their book values. The fair value of preference shares is assumed to be their last quoted price. The fair value of derivatives is determined by a model with market based inputs.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy*:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total Fair Value US$'000
As at 31 December 2010				
Assets measured at fair value				
Derivative financial instruments	–	449	–	449
Liabilities measured at fair value				
Derivative financial instruments	–	6,121	–	6,121
As at 31 December 2009				
Assets measured at fair value				
Derivative financial instruments	–	195	–	195
Available for sale financial assets	–	–	4,232	4,232
Liabilities measured at fair value				
Derivative financial instruments	–	6,640	–	6,640

* Explanation of the fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities that can be accessed at the balance sheet date.

Level 2 – Use of a model with inputs that are directly or indirectly observable market data.

Level 3 – Use of a model with inputs that are not based on observable market data.

(d) Capital risk management

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

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 its 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 balance sheet) but excluding preference shares, which for capital risk management is considered to be capital rather than debt, less cash and short term deposits. Total capital is calculated as equity, as shown in the balance sheet, plus preference shares and net debt. Where the Group has a net cash position, the gearing ratio will be zero.

	2010 US$'000	2009 US$'000
Non-current liabilities (excluding preference shares)	408,526	412,655
Current liabilities	139,465	160,923
Liabilities associated with disposal groups classified as held for sale	–	51,654
Total borrowings	547,991	625,232
Less: cash and short term deposits (including disposal groups)	107,641	123,783
Net debt	440,350	501,449
Equity	580,364	545,883
Preference shares	217,425	219,444
Total capital	**1,238,139**	**1,266,776**
Gearing ratio	**35.57%**	**39.58%**

36. Business combinations

(a) 2009 combination – Raven Mount Group plc ("Raven Mount")

On 8 May 2009 the Company's acquisition of Raven Mount was pronounced unconditional. The Group considered Raven Mount to comprise a single cash generating unit. Prior to its acquisition Raven Mount was considered a related party to the Group. The acquisition of Raven Mount was in respect of 100% of its issued share capital.

Details of the fair values 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 and equipment	59	–	59
Deferred tax assets	1,398	–	1,398
Current assets			
Inventories	66,171	(3,179)	62,992
Trade and other receivables	4,920	–	4,920
Available for sale investments	15,731	–	15,731
Cash and cash equivalents	29,914	–	29,914
Current liabilities			
Trade and other payables	(21,082)	–	(21,082)
Interest bearing loans and borrowings	(6,189)	–	(6,189)
Non-current liabilities			
Deferred tax liabilities	(916)	–	(916)
Net asset value	**90,006**	**(3,179)**	**86,827**
Goodwill (note 13)			8,059
			94,886
Discharged by:			
Issue of preference shares (note 24)			88,198
Issue of warrants (note 28)			3,675
Acquisition costs			3,013
			94,886

Included in the US$8 million of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies.

Available for sale investments acquired with Raven Mount included 29 million own shares, see note 29.

From the date of acquisition to 31 December 2009, Raven Mount contributed US$3,531k to the Group's loss for the year. Had the combination taken place at the beginning of 2009, the Group's loss before tax would have increased by US$1,271k and gross revenue from continuing operations would have increased by US$9,261k.

(b) 2009 combination – Roslogistics Holdings (Russia) Limited ("Roslogistics")

Following a change to the financing arrangements of the Group's logistics joint venture, Roslogistics, the Group considers the substance of the arrangement to be that of a parent and subsidiary. The change was deemed effective from 1 May 2009. The Group considers Roslogistics to be 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 and equipment	2,372	–	2,372
Intangible assets	323	(323)	–
Deferred tax assets	1,519	–	1,519
Current assets			
Trade and other receivables	2,304	–	2,304
Cash and cash equivalents	299	–	299
Current liabilities			
Trade and other payables	(3,994)	–	(3,994)
Interest bearing loans and borrowings	–	–	–
Non-current liabilities			
Interest bearing loans and borrowings	(10,437)	3,119	(7,318)
Net asset value	**(7,614)**	**2,796**	**(4,818)**
Goodwill (note 13)			5,383
			565
Discharged by:			
Cash consideration paid			500
Acquisition costs			65
			565

Included in the US$5 million of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected values of synergies and an assembled workforce.

From 1 May 2009 to 31 December 2009, Roslogistics contributed US$709k to the Group's loss for the year. Had the combination taken place at the beginning of 2009, the Group's loss before tax would have increased by US$2,427k and gross revenues from continuing operations would have increased by US$13,710k.

37. Subsequent events

On 28 February 2011 the Group entered into a conditional Sale and Purchase Agreement to purchase the Southgate warehouse project in Moscow. The provisional purchase price for the acquisition is US$54.5 million, the gross value of the property and land being US$99.3 million. Existing debt facilities of US$43.5 million will be acquired with the project. The consideration will be satisfied partly by the issue of up to 25.9 million ordinary shares in Raven Russia, at the election of the vendors, and the balance in cash. The principal condition of the acquisition involves the right of a minority owner of the project to match any formal offer for the purchase by a third party.

Details of post year end re-financings are set out in note 23 and post year end warrant exercises are set out in note 28.

38. 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:

	2010 US$'000	2009 US$'000
Within one year	65,856	64,846
In the second year	65,592	61,929
In the third to fifth year (inclusive)	182,429	176,798
After five years	86,483	82,659
	400,360	**386,232**

39. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise:	2010 US$'000	2009 US$'000
Cash and short term deposits per balance sheet	107,641	123,710
Cash included within disposal group assets (note 21)	–	72
	107,641	**123,782**

Advisers

Registered Office:
P.O. Box 522
1 Le Truchot
St. Peter Port
Guernsey
GY1 6EH

Nominated Advisers, Joint Brokers & Financial Advisers:
Singer Capital Markets Limited
One Hanover Street
London
W1S 1AX

Joint Brokers:
Matrix Corporate Capital LLP
One Vine Street
London
W1J 0AH

Principal Bankers:
Royal Bank of Scotland International

UK Solicitors:
Berwin Leighton Paisner
Adelaide House
London Bridge
London
EC4R 9HA

Guernsey Advocates:
Carey Olsen
Carey House
Les Banques
St Peter Port
Guernsey
GY1 4BZ

Company Secretary:
Benn Garnham

Valuer:
Jones Lang LaSalle
Kosmodamianskaya NAB
52 Korp 3
Moscow

Registrars:
Capita Registrars (Guernsey) Limited
Longue Hougue House
St Sampson
Guernsey
GY1 3US

UK Transfer Agent:
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Independent Auditors:
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Typesetting and printed by Linkway 15928

Oleg Vladimirovich Tomin
Томин Олег Владимирович
1974-2011

RAVEN RUSSIA LIMITED

www.RavenRussia.com

Registered Office

Raven Russia Limited, P.O. Box 522, 1 Le Truchot, St. Peter Port, Guernsey, GY1 6EH